

AeroGrow International, Inc.
Form DEF 14C
July 28, 2010

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

SCHEDULE 14C INFORMATION
Information Statement Pursuant to Section 14(c) of the Securities Exchange Act of 1934

Check the appropriate box:

- Preliminary Information Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-5(d)(2))
- Definitive Information Statement

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-5(g) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

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AEROGROW INTERNATIONAL, INC.
6075 Longbow Drive
Boulder, Colorado 80301
(303) 444-7755

To the Stockholders of AeroGrow International, Inc.:

This Information Statement is being furnished to all holders of record of shares of our common stock and Series A Preferred Stock as of the close of business on July 26, 2010. The purpose of this Information Statement is to inform our stockholders that by written consent, dated July 27, 2010, the holders of 54.60% of our outstanding voting stock authorized or approved the following actions:

1. To elect five directors to hold office until the 2011 Annual Meeting or until their successors are elected and qualified;
2. To approve an amendment to our 2005 Equity Compensation Plan to authorize the issuance of an additional 10,000,000 shares under the Plan; and
3. Ratify the appointment of Eide Bailly LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2011.

The actions taken by the majority stockholders will not become effective until at least 20 days after the initial mailing of this Information Statement to the other stockholders, or August 25, 2010. This Information Statement is first being mailed to stockholders on or about August 5, 2010. A copy of our Annual Report on Form 10-K for the year ended March 31, 2010 is also enclosed.

THIS IS NOT A NOTICE OF A MEETING OF STOCKHOLDERS AND NO STOCKHOLDER MEETING WILL BE HELD TO CONSIDER THESE MATTERS.

The Board of Directors decided to utilize the written consent provision in our Bylaws in order to eliminate the costs of soliciting stockholder approval and holding an annual meeting. However, AeroGrow and the Board welcome and encourage communications from stockholders, as described in greater detail in this Information Statement.

By Order of the Board of Directors,

/s/ Jack J. Walker
Jack J. Walker
Chairman, President and Chief Executive Officer

Boulder, Colorado
July 28, 2010

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AEROGROW INTERNATIONAL, INC.
6075 Longbow Drive, Suite 200
Boulder, Colorado 80301
(303) 444-7755

INFORMATION STATEMENT

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY. THE NECESSARY AUTHORIZATIONS AND APPROVALS HAVE ALREADY BEEN OBTAINED BY WRITTEN CONSENT OF THE MAJORITY STOCKHOLDERS. A VOTE OR WRITTEN CONSENT OF THE REMAINING STOCKHOLDERS IS NOT NECESSARY.

GENERAL INFORMATION

This Information Statement provides information about us and actions proposed by, and taken by written consent of, our majority stockholders. A copy of our Annual Report on Form 10-K for the year ended March 31, 2010 is also being sent with this Information Statement. The following questions and answers provide information about this Information Statement

Why am I receiving these materials?

We are required to deliver this Information Statement to all holders of our voting stock on the record date, July 26, 2010, to inform them that on July 27, 2010, the "Majority Stockholders" (as defined below) took certain actions by written consent, as permitted under our Bylaws and Nevada law, that would otherwise require a meeting of stockholders.

This Information Statement is being sent to you because you are a holder of our common stock or Series A Preferred Stock as of the record date. As of the record date, 12,650,605 shares of our common stock and 7,586 shares of our Series A Preferred Stock were outstanding.

We will begin mailing this Information Statement, along with our Annual Report on Form 10-K for the year ended March 31, 2010, on or about August 5, 2010.

We have requested that banks, brokerage firms and other nominees who hold common stock on behalf of the owners of the common stock (such stock is often referred to as being held in "street name") as of the close the record date forward these materials to those beneficial owners. We have agreed to pay the reasonable expenses of the banks, brokerage firms and other nominees for forwarding these materials.

What actions did the Majority Stockholders of the voting stock approve or authorize?

The majority holders of our voting stock approved the following actions:

1. Election of five directors to hold office until the 2011 Annual Meeting or until their successors are elected and qualified;
2. Approval of an amendment to our 2005 Equity Compensation Plan to authorize the issuance of an additional 10,000,000 shares under the Plan; and
- 3.

Ratification of the appointment of Eide Bailly LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2011.

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How many votes were required for the approval of these actions?

Directors are elected by a plurality of the votes cast. Therefore, the five director candidates that received the most “FOR” votes are elected to the five seats on the board of directors that are being filled.

The other proposals, approval of an amendment to our 2005 Equity Compensation Plan to authorize the issuance of an additional 10,000,000 shares and ratification of the appointment of Eide Bailly LLP as the Company’s independent registered public accounting firm, require the affirmative vote or written consent of a majority of the shares present in person or by proxy, or, if by a written consent, a majority of those shares entitled to vote at a meeting of stockholders.

How many shares of voting stock were outstanding on the record date?

On the record date, our outstanding capital stock consisted of 12,650,605 shares of common stock and 7,586 shares of Series A Preferred Stock, representing a total of 12,650,605 votes and 37,930,000 votes, respectively. Under our Articles of Incorporation, as amended, and the Certificate of Designations for our Series A Preferred Stock, each share of common stock is entitled to one vote per share and each share of Series A Preferred Stock is entitled to 5,000 votes per share. Holders of our Series A Preferred Stock are entitled to vote along with holders of our common stock on each matter submitted for stockholder approval.

Who are the Majority Stockholders that authorized and approved these actions and what percent of the voting stock do they hold?

On July 27, 2010, a group of stockholders (the “Majority Stockholders”) that control an aggregate of 770,878 shares of our common stock and 5,369 shares of our Series A Preferred Stock (representing 54.60% of the total voting rights) executed a written consent in lieu of a meeting of stockholders. The written consent indicated that the Majority Stockholders have voted in favor of each of the three proposals enumerated above.

The Majority Stockholders consist of the following:

Stockholder	Number of Shares		Number of Votes			Percentage Voting Power
	Common	Preferred	Common	Preferred	Total	
Jack J. Walker	148,286	3,650	148,286	18,250,000	18,398,286	36.37 %
Lazarus Investment Partners LLLP	502,856	860	502,856	4,300,000	4,802,856	9.50 %
Michael S. Barish	109,236	402	109,236	2,010,000	2,119,236	4.19 %
Jervis B. Perkins	5,500	202	5,500	1,010,000	1,015,500	2.01 %
J. Michael Wolfe	-	180	-	900,000	900,000	1.78 %
H. MacGregor Clarke	5,000	75	5,000	375,000	380,000	0.75 %
Total	770,878	5,369	770,878	26,845,000	27,615,878	54.60 %

Why is it that the Majority Stockholders can do this without having to hold a meeting and having to send out proxies to all stockholders?

Section 3.7 of our Bylaws and Section 78.320 of the Nevada Revised Statutes permit any corporate action, upon which a vote of stockholders is required or permitted, to be taken without a meeting, provided that written consents

are received from stockholders having at least the requisite number of shares that would be necessary to authorize or take such action if a meeting was held at which all shares entitled to vote thereon were present and voted.

Is it necessary for me to do anything?

No. No other votes or written consents are necessary or required. These actions will be effective on or about August 25, 2010, which is at least 20 days after the initial mailing of this Information Statement.

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Who is paying for this Information Statement?

We are paying for the costs of preparing and mailing this Information Statement. We will also reimburse banks, brokers, custodians, nominees and fiduciaries for their reasonable charges and expenses to forward this Information Statement and its associated materials to the beneficial owners of our common stock and our Series A Preferred Stock.

How can stockholders communicate with the Board of Directors?

Stockholders may communicate with the Board by writing to the Board of Directors, c/o Corporate Secretary, AeroGrow International, Inc., 6075 Longbow Drive, Suite 200, Boulder, Colorado, 80301.

The Corporate Secretary will forward any such correspondence to the entire Board of Directors. Please see the additional information in the section captioned “Corporate Governance — Communications with the Board of Directors.”

I share an address with another stockholder, and we received only one paper copy of the Information Statement and Annual Report. How can I obtain an additional copy?

The SEC allows us to deliver a single information statement and annual report to an address shared by two or more stockholders unless we have received instructions to the contrary. This delivery method, referred to as “householding,” can result in significant cost savings for us. We will promptly provide you another copy of these materials, without charge, if you leave a message for us at (303) 444-7755 or write to us at AeroGrow International, Inc., c/o Corporate Secretary, 6075 Longbow Drive, Suite 200, Boulder, Colorado, 80301.

In addition, the Information Statement and Annual Report to Stockholders on Form 10-K, as well as the documents we file with the SEC, are posted on our website at www.aerogrow.com, and may be found by clicking on “Investors” and then “SEC Filings.” We have enclosed a copy of our Annual Report to Stockholders with this Information Statement (but the Annual Report to Stockholders is not incorporated by reference into our Information Statement).

Stockholders of record sharing an address who receive multiple copies of the Information Statement and Annual Report and wish to receive a single copy of such materials in the future should submit their request to us in the same manner. If you are the beneficial owner, but not the record holder, of our shares and wish to receive only one copy of the information statement and annual report in the future, you need to contact your bank, brokerage firm or other nominee to request that only a single copy of each document be mailed to all stockholders at the shared address.

Where are the Company’s principal executive offices located and what is the Company’s main telephone number?

The Company’s principal executive offices are located at 6075 Longbow Drive, Suite 200, Boulder, Colorado, 80301. The Company’s main telephone number is (303) 444-7575.

Are this Information Statement, the Annual Report on Form 10-K, and our other SEC filings available online?

Yes. This Information Statement, our Annual Report to Stockholders on Form 10-K, and other SEC filings are available on our website at www.aerogrow.com, and may be found by clicking on “Investors” and then “SEC Filings.”

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ACTION 1

ELECTION OF DIRECTORS

Our Amended and Restated Bylaws allow our Board to fix the size of our Board at no less than one nor more than fifteen directors. Our Board of Directors has currently fixed the size of the Board at five directors. The five nominees named below were proposed by the Governance, Compensation, and Nominating Committee, nominated by the full Board and, on July 27, 2010, elected by the Majority Stockholders. Our directors serve for a term expiring at the next annual stockholders meeting, or until their successors have been duly elected and qualified or until their earlier resignation, removal or death.

Set forth below is certain biographical information concerning each director, including principal occupation and age as of July 26, 2010. The Majority Stockholders elected the five director candidates named below.

Directors Nominated and Elected

Jack J. Walker, age 75, has been a director since February 2006, and became Chairman as of July 2008 and President and Chief Executive Officer as of January 15, 2010. Mr. Walker has been the Managing Member of Walker Enterprises LLLP, and its predecessors, a real estate investment and development company, since 1980. During that time he has developed in excess of \$500 million of commercial real estate in California, Colorado, Arizona and Texas. He serves on the Board of Pathogen Systems, Inc. and is an advisor to several start-up companies. Mr. Walker is an English Solicitor and began his career in 1956 in London, England. In 1968, Mr. Walker founded English & Continental Property Company, and served as Joint Managing Director of this commercial property development company, which operated in Europe with over 200 staff, until its sale to the Post Office Pension Fund in 1973. From 1973, Mr. Walker controlled several English listed companies, including Charles Spreckly Industries, Town & Commercial Properties and Associated Development Holdings, with worldwide interests and over 3,500 employees. Mr. Walker served as a director of supermarket group Megafoods Stores, Inc. from 1987 to 1993, and was Chief Financial Officer for part of that time. Mr. Walker serves as a director of and advisor to various civic and charitable organizations. Mr. Walker's extensive executive leadership experience, combined with his international and entrepreneurial business background and broad range of knowledge of AeroGrow's history and business, among other factors, led the Board to conclude that he should serve as a Director and Chief Executive Officer.

Michael S. Barish, age 70, has been a director since July 2009. Mr. Barish co-founded Lazarus Investment Partners LLLP, a private investment partnership focused on microcap stocks, in 2003, and served as the fund's Chief Investment Officer until his retirement on June 30, 2009. In 1973, Mr. Barish founded Cambiar Investors and grew the firm's assets from less than \$1 million in 1973 to over \$2.3 billion upon his retirement in 2001. Mr. Barish's experience as a chief investment officer, particularly his specialized focus on microcap stocks, led the Board to conclude that he should serve as a director.

H. MacGregor Clarke, age 49, has been a director since July 2009. Mr. Clarke became our Chief Financial Officer in May 2008. From 2007 to 2008, Mr. Clarke was President and Chief Executive Officer, and from 2006 to 2007, Chief Financial Officer, of Ankmar, LLC, a garage door manufacturer, distributor and installer. From 2003 to 2006, Mr. Clarke was a senior investment banker with FMI Corporation, a management consulting and investment banking firm serving the building and construction industry. At FMI Corporation, Mr. Clarke was responsible for delivering consulting and investment banking services to clients, and for marketing to prospective clients in the financial services industry. From 1997 to 2002, Mr. Clarke served as an operating group Chief Financial Officer, then Vice President and General Manager for Johns Manville Corporation, a subsidiary of Berkshire Hathaway Inc. Mr. Clarke also served as Vice President, Corporate Treasurer, and international division Chief Financial Officer for The Coleman Company, Inc. Prior to Coleman, Mr. Clarke was with PepsiCo, Inc. for over nine years and served in a range of financial roles, including Director of Corporate Strategic Planning, where he led strategy and planning related to the

worldwide beverage sector. Mr. Clarke's extensive financial and executive experience, in particular his prior service as an executive officer of four companies, among other factors, led the Board to conclude that he should serve as a director.

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Michael D. Dingman, Jr., age 56, has been a director since July 2008. Mr. Dingman served as Chief Investment Administration Officer for Spencer Trask & Co, a venture capital firm based in New York City, from April 2008 through March 2009, where he was responsible for restructurings, recapitalizations, and the development and implementation of strategies to enhance the value and liquidity of individual portfolio companies. From June 2006 to July 2007, Mr. Dingman was Chief Financial Officer of Local Matters, Inc., a pre-IPO software and media services company supporting yellow pages and delivery assistance providers, where he was responsible for the financial and capital markets strategies, budgeting, and forecasting. From September 2000 until April 2006, Mr. Dingman served as the Chief Financial Officer of Intrado Inc., a provider of 911 information services and systems to telecommunications companies, where he was responsible for budgeting, forecasting, investor relations, capital market and financial strategy development and all aspects of the accounting/financial reporting functions. Prior to joining Intrado, from March 1999 to August 2000, Mr. Dingman was the Chief Financial Officer and Treasurer of Internet Commerce and Communication (formerly RMI NET, Inc.). Mr. Dingman also served as a director of Wheeling-Pittsburgh Corporation from October 2003 to December 2006 and of Whereify Wireless, Inc. from March 2006 to August 2006. Mr. Dingman's prior work experience includes five years of banking in merger and acquisitions with Lazard Freres in New York during the late 1980s, three years as an independent consultant specializing in debt restructuring and workouts during the early 1990s, and five years as an investment advisor specializing in corporate retirement plans and high-net-worth accounts. Mr. Dingman's financial and managerial experience, in particular his prior service as chief financial officer of three companies, among other factors, led the Board to conclude that he should serve as a director.

Jervis B. Perkins, age 55, has been a director of AeroGrow since March 2008. Mr. Perkins previously served as AeroGrow's President and Chief Executive Officer from March 2008 through January 15, 2010. He was Chief Operating Officer of AeroGrow from November 2007 through February 2008. From January 2003 to May 2006, Mr. Perkins served as President and Chief Operating Officer of Johnson Outdoors, Inc., a publicly traded global manufacturer of outdoor recreation products with annual revenue of approximately \$400 million. At Johnson Outdoors, Mr. Perkins was directly responsible for all aspects of sales, marketing, product development, manufacturing, and distribution. From 1995 to 2003, Mr. Perkins served as Executive Vice President and General Manager at Brunswick Corporation, a leading consumer brands company. Prior to Brunswick, Mr. Perkins worked at Quaker Oats for 17 years, serving in a variety of general management and senior marketing roles. Mr. Perkins' leadership experience, combined with his extensive marketing background and knowledge of AeroGrow's history and business, led the Board to conclude that he should serve as a director.

Effective Date

The above named persons will be elected to our Board of Directors effective 20 days following the initial mailing of this Information Statement, or August 25, 2010.

ACTION 2

APPROVAL OF AN AMENDMENT TO THE 2005 EQUITY COMPENSATION PLAN TO AUTHORIZE AN ADDITIONAL 10,000,000 SHARES

Description of the Action

The amendment of our 2005 Equity Compensation Plan ("2005 Plan") to increase the number of shares authorized for issuance under the 2005 Plan by 10,000,000 shares was recommended by the Governance, Compensation, and Nominating Committee, authorized by our Board of Directors, and, on July 27, 2010, approved by the Majority Stockholders.

Purpose of the 2005 Plan

The purpose of the 2005 Plan is to attract, motivate and retain highly qualified employees and members of our Board of Directors. We issue options to provide our employees and directors an opportunity to acquire or increase their ownership stake in us, creating a stronger incentive to expend maximum effort for our growth and success, to better align employees' interests with those of our shareholders and to encourage our employees and directors to continue their service with us. Our Board of Directors believes that stock-based incentives will continue to play a vital role in our success. These 10,000,000 shares will be governed by the rules of the 2005 Plan and will be administered by our Governance, Compensation, and Nominating Committee.

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As of July 26, 2010, there were outstanding equity awards representing 3,481,991 shares of common stock under the 2005 Plan, including 214,765 shares of common stock and stock options to purchase 3,267,226 shares of common stock. The 10,000,000 share increase brings the total number of shares eligible for issuance under the 2005 Plan to 13,505,000 shares. Shares subject to awards that expire without being exercised will continue to be available under the 2005 Plan. As our business continues to develop, we will need the flexibility to provide grants to key employees to provide incentives for them to manage our operations and achieve growth targets. The additional authorized shares will be utilized if, as, and when deemed appropriate by the Governance, Compensation, and Nominating Committee.

We believe that in a business that is as heavily human-capital intensive as ours, options and other types of stock awards are an important factor in hiring and retaining talented personnel. While we recognize the possible dilutive effect to our stockholders, we believe, on balance, the incentive that is provided by the opportunity to participate in our growth and earnings through the granting of awards to acquire our common stock is important to our success and, accordingly, will benefit us and our stockholders. As of July 26, 2010, there were 217,228,701 shares of common stock outstanding on a fully diluted basis (assuming the conversion of our convertible preferred stock and convertible notes, including accrued interest on the notes, and the exercise of all outstanding warrants and stock options). We believe it is in the best interests of our stockholders to approve these amendments to, and the restatement of, the 2005 Plan.

Principal Provisions of the 2005 Plan

The following represents a summary of the principal provisions in the 2005 Plan. However, this summary is not a complete description of all of the provisions of the 2005 Plan and is qualified in its entirety by reference to the full text of the amended Plan, which is attached hereto as Appendix A.

The 2005 Plan was initially adopted by our Board of Directors in August 2005 and formally approved by our stockholders in February 2006. The purpose of the 2005 Plan was to promote our interests and the interests of our stockholders by attracting, retaining, and motivating our key officers, employees, directors, and consultants. A total of 1,505,000 shares of our common stock were originally available for grant under the 2005 Plan in the form of stock options or awards of shares of restricted stock, including available equity awards remaining to be granted under a prior equity incentive plan (the AeroGrow International, Inc. 2003 Stock Option Plan). In October 2008, our stockholders approved an amendment to the 2005 Plan to increase the number of shares authorized for issuance by 2,000,000 shares to 3,505,000.

Shares Available for Awards. Shares subject to an award that is cancelled, expired, unexercised, forfeited, settled in cash, or otherwise terminated remain available for awards under the 2005 Plan. Shares issued under the 2005 Plan may be either newly issued shares or shares which we have reacquired. The 2005 Plan imposes individual limitations on the amount of certain awards in order to comply with Section 162(m) of the Internal Revenue Code of 1986. Under these limitations, no single participant may generally receive awards in any calendar year that represent more than \$1 million. The Governance, Compensation and Nominating Committee may adjust awards to prevent dilution or enlargement of benefits when certain events occur such as a stock dividend, reorganization, recapitalization, stock split, combination, merger, or consolidation.

Eligibility. Our employees, directors, and consultants may be granted awards under the plan. As of March 31, 2010, approximately 46 individuals were eligible to participate.

Term of the 2005 Plan. The 2005 Plan will terminate in August 2015, ten (10) years after it was initially adopted, unless terminated earlier by the Board. Termination of the 2005 Plan will not affect grants made prior to termination.