AeroGrow International, Inc.
Form 8-K/A
November 16, 2006

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

FORM 8-K/A-2

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

Date of Report:

(Date of earliest event reported)

February 24, 2006

AEROGROW INTERNATIONAL, INC.
(Exact name of registrant as specified in charter)

Nevada
(State or other Jurisdiction of Incorporation or Organization)

(Commission File Number)		(IRS Employer Identification No.)
000-50888	**900 28th Street, Suite 201** **Boulder, Colorado 80303** (Address of Principal Executive Offices and zip code)	**46-0510685**

(303) 444-7755
(Registrant's telephone umber, including area code)

936A Beachland Boulevard, Suite 13
Vero Beach, FL 32963
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of registrant under any of the following provisions:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- o Soliciting material pursuant to Rule 14a-12(b) under the Exchange Act (17 CFR 240.14a-12(b))
- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

***Note**: Except as otherwise specifically stated herein, the information contained herein is as of the date of this report, February 24th, 2006.*

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Information included in this Form 8-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This information may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of AeroGrow International, Inc. ("AeroGrow"), including its predecessor, Wentworth I, Inc. ("Wentworth"), to be materially different from future results, performance, or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe future plans, strategies, and expectations of AeroGrow, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," or "project," or the negative of these words or other variations these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that the projections included in these forward-looking statements will come to pass. Actual results of AeroGrow could differ materially from those expressed or implied by the forward-looking statements as a result of various factors. Except as required by applicable laws, AeroGrow has no obligation, and does not intend, to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

Item 1.01 Entry into a Material Definitive Agreement.

In two closings, held on February 24, 2006 and March 1, 2006, AeroGrow International, Inc., a Nevada corporation ("AeroGrow" or the "Company") completed the sale of shares of its common stock and common stock purchase warrants in a private placement (the "2006 Offering"). For a description of the 2006 Offering, and the material agreements entered into in connection therewith, please see "2006 Offering" in Item 2.01 of this Current Report, which discussion is incorporated herein by reference

Item 2.01 Completion of Acquisition or Disposition of Assets.

Closing of the Merger

History of Wentworth

Wentworth I, Inc., a Delaware corporation ("Wentworth"), and AeroGrow International, Inc., a Nevada corporation ("AeroGrow") entered into an Agreement and Plan of Merger (the "Merger Agreement") on January 12, 2006, which was consummated on February 24, 2006. Under the Merger Agreement, Wentworth merged with and into AeroGrow, and AeroGrow was the surviving corporation ("Merger"). The certificate of incorporation and by-laws of AeroGrow prior to the Merger are now those of the surviving company, and the surviving company is governed by the corporate law of the State of Nevada.

Wentworth was organized under the laws of the State of Delaware on March 6, 2001. Its business plan was to seek, investigate and, if such investigation warranted, enter into a business combination with a target operating company that primarily desired to seek the perceived advantages of a U.S. reporting company under the Securities Exchange Act of 1934, as amended ("Exchange Act"). Wentworth's principal business objective was to seek long-term growth potential through the acquisition of a business rather than immediate, short-term earnings. Its search was not restricted to any specific business, industry, or geographical location. Wentworth was one of a number of shell companies with nominal assets and operations owned, in part, by Keating Securities and its affiliates.

Wentworth filed a registration statement on Form SB-2 with the Securities and Exchange Commission in order to undertake a public offering of 50,000 shares of its common stock at a purchase price of $1.00 per share, which registration statement was declared effective on August 12, 2001. Wentworth successfully completed the offering and, pursuant to Rule 419 of the Securities Act of 1933, as amended ("1933 Act"), the offering proceeds, less ten percent, (which was retained by Wentworth to cover its expenses), were placed in an escrow account together with the shares of common stock issued in the public offering.

In February 2003, when Wentworth determined that it was unable to consummate a business combination within the 18 month time period from the date of the effectiveness of its registration statement as required by Rule 419(e)(2)(iv), all funds held in escrow were returned to the investors who had purchased common stock in the offering and the 50,000 shares of common stock held in the escrow account were returned as treasury stock. A post-effective amendment to the registration statement was filed on March 25, 2003, to remove from registration all shares of common stock that were sold in the offering and to confirm the withdrawal of the registration statement.

Wentworth was dormant after March 2003, but management elected to continue the implementation of its original business plan and sought a business combination with an operating company. On August 4, 2004, Wentworth filed Form 10-SB to register its shares of common stock under Section 12(g) of the Exchange Act. At the time of the Merger, Wentworth was a reporting company under Section 12(g) of the Exchange Act and was current in its reporting under the Exchange Act.

Wentworth and ENECO, Inc., a Utah corporation ("Eneco"), entered into an Agreement and Plan of Merger (the "Eneco Merger Agreement") on October 28, 2005, by which Wentworth agreed to merge with and into Eneco, with Eneco being the surviving corporation. Effective January 3, 2006, Wentworth terminated the Eneco Merger Agreement due to the failure of the transactions contemplated thereunder to have been consummated by January 1, 2006. It was only after termination of the Eneco Merger Agreement that Wentworth was available as a vehicle for AeroGrow. The decision to negotiate a merger between Wentworth and AeroGrow was made after the termination of the Eneco Merger Agreement.

Certain Transactions by Wentworth

During 2002, Wentworth borrowed a total of $8,500 from Kevin R. Keating, its then president. The amount loaned plus interest at 6% was due and payable upon the completion of a business combination. For the years ended December 31, 2005 and 2004, interest on this loan of $510 each year is included in operations. At December 31, 2005, the principal balance of this loan together with accrued interest totaled $10,290.

Wentworth's president, with two other shareholders, granted Keating Reverse Merger Fund, LLC an option to acquire an aggregate of 1,000,000 shares, owned by them, until January 30, 2005, at a total purchase price of $125,000. This option expired unexercised.

On April 9, 2003 and August 7, 2003 Timothy Keating paid invoices on behalf of Wentworth in an aggregate of $1,861. Timothy Keating is the managing member of Keating Investments, LLC.

On June 10, 2004, Wentworth entered into a contract with Vero Management, L.L.C. for managerial and administrative services. Vero Management was not engaged to provide, and did not render, legal, accounting, auditing, investment banking. or capital formation services. Kevin R. Keating is the manager of Vero Management. The term of the contract was for one year. In consideration of the services provided, Vero Management was paid $1,000 for each month in which services were rendered. For the years ended December 31, 2005 and 2004, a total of $12,000 and $7,000, respectively, was included in results of operations as a result of the agreement.

Wentworth entered into a financial advisory services agreement with Keating Securities, LLC, an affiliate of Keating Investments, LLC, the managing member of Wentworth's controlling stockholder, and engaged Keating Investments, LLC to act as a financial advisor in connection with the business combination between Wentworth and AeroGrow for which it earned an advisory fee of $350,000 upon completion of the Merger. The $350,000 was in addition to the sale price of Wentworth. The services included introduction of Wentworth to AeroGrow and advising Wentworth on the Merger. The advisory fee was paid at the closing of the Merger. Keating Securities, LLC made no assurances regarding completion of the private placement or the merger.

Keating Securities, LLC filed a Form 211 with the NASD to cause the common stock to be traded on the OTC Bulletin Board and has responded to application review issues in connection with such filing. As part of that filing, Keating Securities, LLC has indicated that it will act as a market maker in the common stock at the time of its initial trading. There can be no assurance that Keating Securities, LLC will continue to act as a market maker for the common stock of the Company. To the knowledge of the Company, Keating Securities, LLC does not intend to provide any other after market support to the common stock of the Company.

Ownership of Wentworth prior to Merger

Immediately prior to the Merger, the stock ownership of Wentworth was as set forth below in the table of ownership. The number of shares includes those that were issued and outstanding and not adjusted for the conversion formula to be applied at the consummation of the Merger.

Name	Number of Shares of Wentworth Common Stock Beneficially Owned	Percent of Shares
Kevin R. Keating 936A Beachland Blvd., Suite 13 Vero Beach, Florida 32963 (1), (2)	743,000	19.8%
Keating Investments, LLC c/o Timothy J. Keating, Manager 5251 DTC Parkway, Suite 1090 Greenwood Village, Colorado 80111	565,000	15.1%
Bertrand T. Ungar 1362 South Elizabeth Denver, Colorado 8023 (4)	192,000	5.1%
Garisch Financial, Inc. c/o Frederic M. Schweiger, President 1753 Park Ridge Pointe Park Ridge, Illinois 60068 (5)	250,000	6.7%
Keating Reverse Merger Fund, LLC c/o Timothy J. Keating, Manager 5251 DTC Parkway, Suite 1090 Greenwood Village, Colorado 80111 (6)	2,000,000	53.3%

(1) Kevin R. Keating was the President, Secretary, Treasurer and sole director of Wentworth.

(2) Kevin R. Keating is not affiliated with and has no equity interest in Keating Reverse Merger Fund, LLC or Keating Investments, LLC and disclaims any beneficial interest in the shares of Wentworth's common stock owned by Keating Reverse Merger Fund, LLC or Keating Investments, LLC.

(3) Timothy J. Keating exercises voting and dispositive power of the shares held by Keating Investments, LLC. Keating Investments, LLC is not owned by or affiliated with Kevin R. Keating and disclaims any beneficial interest in the shares of Wentworth's common stock owned by Kevin R. Keating.

(4) Held in the name of PG Ventures, LLC (153,600 shares) and Carmel Capital, LLC (38,400 shares), both of which are owned and controlled by Mr. Ungar.

(5) Frederic M. Schweiger is the sole officer, director and stockholder of Garisch Financial, Inc. and exercises voting and dispositive power of such shares held by Garisch Financial, Inc.

(6) Timothy J. Keating exercises voting and dispositive power of the shares held by Keating Reverse Merger Fund, LLC. Keating Reverse Merger Fund, LLC is not owned by or affiliated with Kevin R. Keating and disclaims any beneficial interest in the shares of Wentworth's common stock owned by Kevin R. Keating.

Effect of Merger

As a result of the Merger, AeroGrow became a "successor issuer" to Wentworth within the meaning of Rule 12(g)-3 under the Exchange Act. As a "successor issuer" AeroGrow is now a Section 12(g) reporting company under the Exchange Act. As a result, the shares of common stock of AeroGrow are now registered securities under Section 12(g) of the Exchange Act.

In the Merger, each of the Wentworth's 3,750,000 shares of outstanding common stock ("Wentworth common stock") was converted into the right to receive 0.154703 shares of AeroGrow common stock ("Exchange Ratio") resulting in the issuance of 580,136 shares of AeroGrow's common stock to the Wentworth stockholders representing 6.5% of the issued and outstanding common stock of AeroGrow immediately after the Merger, the 2006 Offering, and the Note Conversion (as defined below).

Each share of AeroGrow common stock issued to the Wentworth's stockholders in the Merger is restricted stock, and the holder may not sell, transfer, or otherwise dispose of such shares without registration under the 1933 Act or an available exemption therefrom. The Merger Agreement contains piggy-back registration rights provisions that allow each Wentworth stockholder to include their shares in any registration statement filed for the public offering or resale of its securities in the future. This registration right is required to satisfy certain positions taken by the SEC in connection with shares issued to persons that may be considered promoters. The SEC's position is that the shares held by promoters may not be publicly sold pursuant to Rule 144, but may only be publicly sold by the promoter pursuant to an effective resale registration statement. It has been determined by the Company that KRM Reverse Merger Fund, LLC ("KRM Fund"), Kevin R. Keating, and Keating Investments, LLC are promoters under this definition. The other shareholders of Wentworth I, Inc., Garisch Financial, Inc., and Bertrand T. Unger are not promoters. As part of the 2006 Offering, AeroGrow agreed to register for resale the shares of AeroGrow's common stock issued to the investors in the 2006 Offering (together with the shares of AeroGrow's common stock underlying the Warrants issued in the 2006 Offering) on a registration statement to be filed with and declared effective by the SEC. In the event such registration statement is filed, the AeroGrow common stock issued to the Wentworth stockholders in connection with the Merger will be included. There can be no assurance that the shares of AeroGrow's common stock received by the Wentworth's stockholders in connection with the Merger will become registered under the Securities Act.

Pursuant to the Merger Agreement, Keating Reverse Merger Fund, LLC ("KRM Fund") entered into a lock up agreement respecting 309,406 shares of common stock under which it will be prohibited from selling or otherwise transferring: (i) any of its shares of AeroGrow's common stock for a period of 12 months following the effective date of the resale registration statement that includes the common stock issued in 2006 ("Initial Lock Up Period"), and (ii) 50% of its shares of AeroGrow's common stock for a period of 18 months following the effective date of such registration statement. Approximately 87,407 shares of AeroGrow's common stock held by Keating Investments, LLC ("Keating Investments"), the managing member of KRM Fund and the 90% owner of Keating Securities, LLC, are also subject to lock up restrictions similar to those that apply to the KRM Fund shares. The foregoing lock up restrictions may be released by the mutual agreement of AeroGrow and Keating Securities, LLC, the exclusive placement agent for the 2006 Offering.

As post-closing covenants to the Merger Agreement, AeroGrow agreed that, unless it has the consent of KRM Fund, it will not issue any securities for one year to its officers and directors or 10% or greater stockholders, consultants, service providers, or other parties, except for issuances with respect to outstanding options, warrants, and convertible securities and pursuant to existing obligations, grants pursuant to stock option and similar plans approved by the board and stockholders, capital raising requirements approved by the board, or third party, arms-length transactions. AeroGrow will also be obligated to: (i) remain a 12(g) reporting company and comply with the reporting requirements under the Exchange Act, (ii) use its commercially reasonable efforts to obtain and maintain a quotation of its shares of AeroGrow common stock on the Over-the-Counter Bulletin Board ("OTC BB")or Nasdaq, and (iii) within 30 days following the Closing, procure key man life insurance policies on certain officers of AeroGrow. AeroGrow also was obliged to satisfy the independence, audit, and compensation committee and other corporate governance requirements under the Sarbanes-Oxley Act of 2002 (the "SOX Act"), the rules and regulations promulgated by the SEC, and the requirements of either Nasdaq or American Stock Exchange ("AMEX") (as selected by AeroGrow), whether or not AeroGrow's common stock is listed or quoted, or qualifies for listing or quotation, on Nasdaq or AMEX. On March 28, 2006, AeroGrow elected to use the requirements of Nasdaq for its corporate governance standards.

AeroGrow intends to use its commercially reasonable efforts to have its shares of common stock commence quotation on the OTC BB. However, there can be no assurance as to when and if the shares of common stock will become quoted on the OTC BB and, even if the shares of common stock are so quoted, there can be no assurance that an active trading market will develop for such shares. AeroGrow plans to seek listing of its common stock on NASDAQ in the future if and when it satisfies the requirements for such listing.

Accounting Treatment for Merger

The Merger, for accounting and financial reporting purposes, will be accounted as an acquisition of Wentworth by AeroGrow. As such, AeroGrow will be the accounting acquirer in the Merger, and the historical financial statements of AeroGrow will be the financial statements for AeroGrow following the Merger.

Corporate Approval of Merger

Under the Delaware General Corporation Law ("DGCL"), the Wentworth stockholders had to approve the Merger. On January 12, 2006, four Wentworth stockholders who, in the aggregate, were the record owners of 3,558,000 shares of Wentworth's common stock, representing approximately 94.9% of the outstanding voting securities of Wentworth, executed and delivered to Wentworth written consents authorizing and approving the Merger. Notice of the consent action was given under the DGCL and federal securities laws. The Wentworth stockholders who did not approve the transaction had appraisal rights as a result of their right to approve the transaction. Appraisal rights provided that a holder of shares of Wentworth common stock who did not vote in favor of the Merger Agreement and the Merger had the right to dissent from the merger and seek an appraisal of and paid the fair value (exclusive of any element of value arising from the accomplishment or expectation of the Merger) for such shareholders' Wentworth common stock, determined by a court and paid to the stockholder in cash, together with a fair rate of interest, if any, provided that the stockholder fully complied with the provisions of Section 262 of the DGCL. As such, holders of 192,000 shares of

Wentworth's common stock were able to exercise appraisal rights. These holders participated in the exchange of securities and terminated their appraisal rights.

The stockholders of AeroGrow did not have any right to approve the Merger or related transactions under the Nevada General Corporate Law, § 92A.130. Because AeroGrow had sufficient authorized capital to exchange for the outstanding Wentworth common stock and did not issue in excess of 20% of its common stock as calculated immediately before the Merger for the acquisition of the Wentworth common stock, AeroGrow stockholder approval was not required.

Private Placement in Connection with Merger

AeroGrow conducted a private placement offering of its common stock and common stock purchase warrants ("Warrants") to institutional investors and other high net worth individuals on a best efforts $5,000,000 minimum, $12,000,000 maximum basis ("2006 Offering") as a condition to consummation of the Merger.

The 2006 Offering was commenced February 6, 2006, and there were closings on February 24, 2006, and March 1, 2006. AeroGrow received gross proceeds of $10,740,000. Pursuant to investor subscription agreements, AeroGrow sold 2,148,000 shares of its common stock and warrants to purchase 2,148,000 shares of its common stock. Each unit in the offering consisted of 1 share of common stock and a warrant to purchase 1 share of common stock expiring February 2001, at an exercise price of $6.25 per share. The price per unit was $5.00. AeroGrow received net proceeds of $8,964,952 after commissions and offering expenses.

Keating Securities, LLC was the exclusive placement agent for the 2006 Offering. For their services, they were paid a fee of 10% of the gross proceeds or $1,074,000,. AeroGrow also paid Keating Securities, LLC a non-accountable expense allowance of 3% of the gross proceeds, or $322,200. In addition, AeroGrow issued to Keating Securities, LLC and its designees warrants to purchase an aggregate of 214,800 shares of common stock expiring February 2011, at an exercise price of $6.25 per share ("Agent Warrants"). The warrants are fully vested and may be exercised on a cashless or net issuance basis. The holders of the Agent Warrants were granted the same registration rights as the investors in the 2006 Offering.

AeroGrow is required to register its shares of common stock issued to the investors in the 2006 Offering and the shares of common stock underlying the Warrants and Agent Warrants for resale by the investors pursuant to a registration statement declared effective by the SEC under the 1933 Act. If AeroGrow does not have an effective registration statement under the 1933 Act that registers for resale the above listed common shares within 150 days of the closing date, then AeroGrow must pay each of the investors (but not the holders of Warrants or Agent Warrants) 1% of the purchase price paid by such investor for the common stock for each month thereafter that the investor cannot publicly sell the shares of common stock pursuant to an effective registration statement or other exemptions from the federal securities laws. This penalty is payable in shares of common stock at a deemed price of $2.00 per share. A registration statement was filed by AeroGrow on April 10, 2006, but has not yet been declared effective by the Securities and Exchange Commission.

Copies of the form of Subscription Agreement, Placement Agreement, Form of Common Stock Purchase Warrant, and Form of Agent Warrant are attached to this Current Report on Form 8-K.

The issuance of shares of AeroGrow's common stock and the Warrants to the investors in the 2006 Offering was completed pursuant to an exemption from registration contained in Regulations D and S, only to accredited investors. The shares of AeroGrow's common stock, the Warrants, and the shares of common stock underlying the Warrants may not be offered or sold in the United States unless they are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available.

Modification of Convertible Notes

In connection with the Merger, AeroGrow sought to modify the terms of the outstanding Convertible Notes issued in the private placement conducted from July to September 2005. The Convertible Notes were sold as part of 300 units offered at a price of $10,000 per unit, consisting of a 10% unsecured convertible note and 2,000 warrants expiring September 13, 2010. The notes were originally due and payable on June 30, 2006. The outstanding principal amount of notes originally issued was $3,000,000 ("Convertible Notes"). The note holders of this debt were offered the opportunity to convert the principal and interest at a reduced conversion rate, extend the maturity for a lesser reduced conversion rate than immediate conversion, or maintain the current terms unchanged.

Holders of Convertible Notes representing $2,130,000 in principal amount converted their notes into AeroGrow common stock at a conversion price of $3.00 per share, a reduction from the original conversion price of $4.00 per share. Accordingly, at the closing of the Merger and 2006 Offering, AeroGrow issued 710,009 shares of its common stock (rounded up for fractional shares) to converting note holders ("Note Conversion"). The converting note holders also were issued, pursuant to the terms of the note offering, additional warrants to purchase 426,000 shares of AeroGrow's common stock expiring February 2011, at an exercise price of $6.00 per share. Each share of AeroGrow common stock and each warrant issued to the converting note holders are restricted securities, and the holder thereof may not sell, transfer or otherwise dispose of such securities without registration under the Securities Act or an available exemption therefrom. AeroGrow agreed to file a registration statement with the SEC under the 1933 Act to register for resale the shares of AeroGrow's common stock issued to converting note holders (together with the shares of common stock underlying the warrants issued to the note holders in connection with the original note issuance and upon the note conversion). Such registration statement must be declared effective by the SEC before resales thereunder may be made.

Holders of Convertible Notes representing $840,000 in principal amount agreed to extend the maturity under their notes from June 30, 2006 to December 31, 2006 in exchange for a reduction in their conversion price from $4.00 per share to $3.50 per share.

The remaining holders of Convertible Notes, representing $30,000 in principal amount, did not elect to convert or extend the maturity of their notes and are able to demand payment in cash on June 30, 2006.

For those holders of Convertible Notes who elected to convert or extend the maturity of their notes as described above, (i) AeroGrow eliminated the 180 day lock-up provisions on the shares of common stock underlying the Convertible Notes and related warrants; (ii) AeroGrow eliminated the redemption provisions of the $5.00 warrants issued to holders at the time of the issuance of the notes; and (iii) the holders of the Convertible Note waived any registration penalties that they had in connection with any late filing or absence of effectiveness under the registration rights provisions of their original subscription for the notes.

Liquidated damages resulting from AeroGrow's failure to file and have declared effective a registration statement that would include the common stock issued as a result of the Convertible Notes and the shares of common stock underlying the warrants related to and issued in conjunction with the Convertible Notes must be settled through the issuance of additional common stock valued at a price of $2.00 per share.

Keating Securities, LLC acted as the placement agent for the offering of the Convertible Notes and related warrants. Keating Securities, LLC did not provide any services and did not receive any fees in connection with the modification of the Convertible Notes.

Outstanding Securities After the Merger

As of March 31, 2006, AeroGrow's outstanding common stock, options, warrants, and convertible securities were as follows:

· 9,082,885 shares of AeroGrow common stock issued and outstanding;

· Approximately 120,941 shares of common stock committed to be issued as of March 31, 2006 as compensation for services to directors and consultants and grants to employees pursuant to AeroGrow's 2005 Equity Compensation Plan;

· 2,148,000 shares of common stock issuable upon exercise of the Warrants sold to investors in the 2006 Offering, all of which are exercisable at $6.25 per share until February 24, 2011;

· 240,006 shares of common stock issuable upon conversion of Convertible Notes (rounded up for fractional shares) in the principal amount of $840,000 at a conversion price of $3.50 by holders who elected to extend the maturity of their notes to December 31, 2006;

· 7,500 shares of common stock issuable upon conversion of Convertible Notes in the principal amount of $30,000 at a conversion price of $4.00 by holders who did not elect to extend the maturity of their notes beyond June 30, 2006;

· 600,000 shares of common stock issuable upon exercise of outstanding warrants held by the initial holders of the Convertible Notes with an exercise price of $5.00 per share, of which 6,000 warrants held by those not electing to extend the maturity of their Convertible Notes to December 31, 2006 are redeemable under specified circumstances**;**

· 426,000 shares of common stock issuable upon exercise of warrants, at an exercise price of $6.00 per share, that were issued to holders which elected to convert notes in the principal amount of $2,130,000;

· 174,000 shares of common stock issuable upon the exercise of warrants that may be issued if Convertible Notes in the principal amount of $870,000 (consisting of the notes due December 31, 2006 and June 30, 2006) are converted in the future, which warrants would be exercisable at $6.00 per share until February 2011;

· 60,000 shares of common stock issuable upon exercise of outstanding warrants issued to Keating Securities, LLC and its designees with an exercise price of $6.00 per share in connection with the note offering until February 2011;

· 214,800 shares of common stock issuable upon exercise of outstanding warrants issued to Keating Securities, LLC and its designees with an exercise price of $6.25 per share in connection with the 2006 Offering until February 2011;

- 892,858 shares of common stock issuable upon exercise of outstanding warrants at exercise prices ranging from $2.50 to $15.00 per share issued by AeroGrow in connection with various offerings from inception to March 31, 2006; and

- 1,111,423 shares of common stock issuable upon exercise of outstanding options at an exercise price ranging from $0.005 to $5.00 per share ("Stock Options") granted by AeroGrow to directors, employees, consultants and vendors, at various times from inception to March 31, 2006.

Based on the foregoing, AeroGrow has 15,052,595 shares of common stock outstanding on a fully diluted basis.

Lock Up Restrictions

The former stockholders of Wentworth holding an aggregate of 396,813 shares of common stock entered into a lock up agreement under which they will be prohibited from selling or otherwise transferring: (i) any of their shares of common stock for a period of 12 months following the effective date of the resale registration statement that includes the common stock issued in 2006 ("Initial Lock Up Period"), and (ii) 50% of its shares of common stock for a period of 18 months following the effective date of such registration statement.

Further, as a condition of the closing of the Merger, 4,792,428 shares of AeroGrow's common stock held by existing AeroGrow stockholders (including all shares of AeroGrow held by AeroGrow's current officers and directors discussed elsewhere in this Report), and 1,831,067 shares of common stock underlying AeroGrow's existing warrants and options outstanding are subject to lock up agreements with the same transfer restrictions set forth above and applicable to the former stockholders of Wentworth.

The following shares of common stock (or shares of common stock underlying warrants and options) are not subject to any lock up agreement restrictions:

- Approximately 544,228 shares of common stock held by investors in AeroGrow's Colorado intrastate offering ("Colorado Offering Shares"). The Colorado Offering Shares are freely tradable without restriction.

- 370,319 shares of outstanding common stock held by existing AeroGrow stockholders. These shares of common stock may be freely tradable without restriction depending on how long the holders thereof have held these shares in accordance with the requirements of Rules 144 and 701.

- 155,000 shares of common stock underlying existing warrants, and 20,944 shares of common stock underlying outstanding options issued to employees, consultants and vendors. Upon exercise of these warrants by the holders thereof, the shares will be restricted shares subject to the restrictions on transfer imposed under Rule 144 and Rule 701 promulgated under the Securities Act, which have different holding periods and volume limitations depending on the status of the holder and the time period that the holder has held the securities.

- 183,323 shares of common stock held by the former Wentworth stockholders will not be subject to lock up restrictions.

None of the shares of common stock issued in the 2006 Offering, issued upon conversion of the Convertible Notes, underlying the warrants issued in the 2006 Offering (including Agent Warrants), underlying the Convertible Notes, or underlying the warrants issued or to be issued to Convertible Note holders (including placement agent warrants) are subject to lock up restrictions.

Item 3.02 Unregistered Sales of Equity Securities

During the three years preceding the filing of this Current Report on Form 8-K, AeroGrow sold shares of its capital stock in the following transactions, each of which was, except as discussed below, exempt from the registration requirements of the 1933 Act pursuant to the exemptions listed below. All share amounts and exercise prices relating to AeroGrow capital stock have been adjusted to give effect to the one-for-five reverse stock split to shareholders of record on May 31, 2005.

On July 2, 2002, AeroGrow issued 1,200,000 shares of common stock to its former parent company, Mentor Capital Consultants, Inc., for aggregate consideration in the amount of $6,000 and providing a $300,000 line of credit. In October 2002, AeroGrow issued 600,000 shares of common stock to its founder and president, W. Michael Bissonnette, in exchange for stock in Mentor Capital valued at $10,000. Mr. Bissonnette was an accredited investor. No selling commission or other compensation was paid in connection with such transactions. Such sales were exempt from registration under the 1933 Act under the exemption provided by Section 4(2) thereof.

Thereafter AeroGrow conducted a private placement in three tranches, each at a different price, for the purpose of raising working capital pursuant to exemptions itemized below. As noted below, each tranche was exempt from registration pursuant to Rule 506 of Regulation D.

In the first tranche, from December 7, 2002, through February 14, 2003, AeroGrow sold 470,000 shares of common stock in a private offering to 9 accredited investors for an aggregate purchase price of $235,000, or $0.50 per share. In addition, AeroGrow issued 160,000 warrants, each exercisable to purchase one share of common stock at $1.25 per share. A total of 140,000 warrants were later exercised and 20,000 warrants remain outstanding. No selling commission or other compensation was paid in connection with such transactions.

In the second tranche, from March 1, 2003 through August 31, 2003, AeroGrow sold 920,800 shares of common stock at $1.25 per share in private transactions to 59 investors (49 accredited and 10 non-accredited) for an aggregate consideration of $1,151,000. AeroGrow also issued an additional 66,520 shares of common stock as bonus shares to certain of these investors. In addition, AeroGrow offered 235,000 warrants to purchase one share of common stock at $2.50 per share and offered 30,000 warrants to purchase one share of common stock at $5.00 per share. 20,000 warrants were exercised at $2.50 per share. No selling commission or other compensation was paid in connection with such transactions.

In the third tranche, from September 30, 2003, through June 30, 2004, AeroGrow sold 536,221 shares of common stock at $1.665 per share in private transactions to 34 investors (29 accredited and 5 non-accredited) for an aggregate purchase price of $893,244. Also, AeroGrow issued an additional 43,067 shares of common stock as bonus shares to certain investors. In addition, AeroGrow offered 251,098 warrants to purchase one share of common stock at $2.50 per share. No selling commission or other compensation was paid in connection with such transactions. In the aggregate, AeroGrow sold common stock to 102 investors, of which 87 were accredited investors, and 15 were non-accredited investors in these three tranches.

Certain of the warrants previously described, were exercised during the period from August 22, 2003 through January 15, 2004. Consequently, AeroGrow issued 132,000 shares of common stock in private transactions to 7 accredited investors for an aggregate purchase price of $165,000. Also, in connection with the second and third tranche, AeroGrow issued an additional 12,000 shares of common stock as bonus shares to certain investors.

In each of the above transactions, the registrant relied on Rule 506 of Regulation D and Section 4(2) of the 1933 Act for exemption from the registration requirements of the 1933 Act. Each purchaser of common stock and warrants was furnished a private placement memorandum and each had the opportunity to verify the information supplied. AeroGrow obtained a signed representation from each of the purchasers in connection with the offerings of his, her, or its intent to acquire such securities for the purpose of investment only, and not with a view toward the subsequent distribution thereof. Furthermore, each purchaser who was an accredited investor provided a signed representation as to his status as an accredited investor as defined in Rule 501 and Section 4(6) of the 1933 Act. Each of the certificates or other evidence representing the securities sold carries a legend restricting transfer of the securities represented thereby.

From July 30, 2004, through December 31, 2004, AeroGrow sold 498,596 shares of common stock at $5.00 per share in a Colorado registered offering to 116 investors for an aggregate purchase price of $2,492,977, less offering costs of $185,240. Pursuant to the terms of the offering, AeroGrow issued an additional 45,633 shares of common stock as bonus shares to certain investors. In the offering, AeroGrow offered and sold 390,880 warrants to purchase one share of common stock at $10.00 per share and 390,880 warrants to purchase one share of common stock at $15.00 per share. No selling commission or other compensation was paid in connection with such transactions. AeroGrow attempted to qualify for an exemption from registration under the 1933 Act provided by Sections 3(b) and 3(a)(11) of the 1933 Act and Rule 147 promulgated thereunder. Each of the investors in the Colorado intrastate registered offering were and are residents of the State of Colorado. The state of AeroGrow's principal business location and more than 80% of the proceeds of the offering were utilized within the State of Colorado. Additionally, the securities were subject to the legend requirements of Rule 147. Because AeroGrow is incorporated in the State of Nevada, however, we were unable to qualify for the exemption. See "Infirmity of Colorado Offering in 2004" below.

During December 2004 AeroGrow's former parent corporation, Mentor Capital, pursuant to applicable Nevada Statutes, made a pro rata dividend distribution to its 172 shareholders of all 1,200,061 shares of our common stock held by it. No consideration was required of any recipient. No commission or other compensation was paid in connection with the distribution. The shares are subject to the following restrictions on further transfer evidenced by a legend on its accompanying certificate: "the common stock may not be further transferred unless the transaction in which they are offered and sold is registered under the Securities Act and applicable state securities laws, or qualifies for exemption from such registration, and further, that no sales of said shares may be made in the public market until six months following the completion of our first registration of shares of common stock under the 1933 Act, and listing of a class of our securities for trading on the OTC BB or other recognized securities exchange." The shares are further subject to the requirement that no more than 25% of the shares held by any recipient may be sold in any public market during each six-month period which commences following the expiration of six months following the aforesaid registration and listing. The dividend distribution did not involve an offer or sale and was exempt under §2(3) of the Act.

From June 22, 2005, through September 30, 2005, AeroGrow issued 28,000 shares of common stock in private transactions through the exercise of warrants by 3 accredited investors who had previously been issued warrants in the 2002-2004 private placement referenced above, which was conducted pursuant to Rule 506 of Regulation D, under the 1933 Act. A total of 20,000 warrants were exercised at a price of $2.50 per share and 8,000 warrants were exercised at a price of $1.25 per share for an aggregate purchase price of $60,000.

On August 12, 2005, AeroGrow sold 1,600 shares of common stock at $1.00 per share in a private transaction pursuant to an employment agreement with an employee. Such sale was exempt from registration under the 1933 Act provided by Sections 4(2) and/or 4(6) thereof.

On February 22, 2005, AeroGrow filed a registration statement on Form SB-2 for a planned self-underwritten offering of units consisting of one share of our common stock and a warrant to purchase one share of common stock. AeroGrow subsequently withdrew this filing on May 3, 2005, to permit the offer and sale of a private placement of notes, complying with Rule 155(c) as noted in the following paragraph. The requirements of Rule 155(c)(4) and (5) were satisfied. These sections provide that investors are informed of the restricted nature of the securities they are acquiring in the private offering, that Section 11 protections are not available, and a public offering was withdrawn after filing and that the investors receive updated disclosure about the company in which they are investing.

On May 27, 2005, AeroGrow engaged Keating Securities, LLC as placement agent in connection with a proposed offering of notes. In July, August, and September 2005, pursuant to Rule 155(c) promulgated under the 1933 Act, AeroGrow sold to 47 accredited investors notes in an aggregate amount of $3,000,000 bearing interest at 10% per annum and payable on June 30, 2006, which were convertible into shares of our common stock at a price equal to the lesser of (i) $4.00 per share or (ii) 80% of the price at which shares were sold in the first registered offering of securities by the Company, and redeemable 2005 warrants, which may be exercised for up to five years from the final closing date of the notes offering. The requirements of Rule 155(c)(4) and (5) were satisfied. The redeemable 2005 warrants may be exercised for 600,000 shares of common stock at a price of the lesser of $6.00 per share or 120% of the price at which shares are sold in this offering. Holders of the notes were also granted the right to receive conversion warrants to purchase an aggregate 600,000 shares of common stock if the holders convert their convertible notes into common stock. AeroGrow paid commissions of $300,000 to the placement agent in this offering, Keating Securities, LLC. The sales were exempt from registration under the 1933 Act provided by Section 4(2) thereof and Rule 506 of Regulation D promulgated thereunder. Each purchaser was furnished a private placement memorandum and had the opportunity to verify the information supplied. AeroGrow obtained a signed representation from each of the purchasers in connection with this debt offering of such purchaser’s intent to acquire such securities for the purpose of investment only and not with a view toward its subsequent distribution thereof. Furthermore, each purchaser signed a representation as to his status as an accredited investor as defined in Rule 501 and Section 4(6) of the 1933 Act. Each of the convertible notes and redeemable 2005 warrants carries a legend restricting transfer of the securities represented thereby. This offering wa