Castle Brands Inc
Form DEF 14A
December 30, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

CASTLE BRANDS INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):
þ No fee required.

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(4) Proposed maximum aggregate value of the transaction:

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o Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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(4) Date Filed:

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CASTLE BRANDS INC.
122 EAST 42ND STREET, SUITE 4700,
NEW YORK, NEW YORK 10168
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON FEBRUARY 4, 2010

Castle Brands Inc. will hold its annual meeting of stockholders at the offices of Ladenburg Thalmann & Co. Inc., located at 520 Madison Avenue, 9th Floor, New York, New York 10022, on February 4, 2010 at 10:00 a.m., for the following purposes, as further described in the attached proxy statement:

1. To elect ten directors to our board of directors;
2. To approve our reincorporation from Delaware to Florida by merging the company into its wholly-owned subsidiary, Castle Brands (Florida) Inc.;
3. To ratify the appointment of Eisner LLP as our independent registered public accounting firm for fiscal 2010; and
4. To transact any other business properly presented at the meeting and at any postponements or adjournments.

You may vote at the meeting and at any adjournment or postponement if you were a record owner of our common stock at the close of business on December 21, 2009.

Your vote is important. Whether or not you plan to attend the annual meeting, we encourage you to read the attached proxy statement and promptly vote your shares using the enclosed proxy card. Please sign and date the accompanying proxy card and mail it in the enclosed addressed, postage-prepaid envelope. You may revoke your proxy if you so desire at any time before it is voted.

By Order of the Board of Directors

/s/ Richard J. Lampen,
Interim President and Chief Executive Officer
New York, New York
December 30, 2009

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CASTLE BRANDS INC.
PROXY STATEMENT

Our board of directors is soliciting proxies for the 2009 annual meeting of stockholders to be held on February 4, 2010. This proxy statement and the enclosed form of proxy contain important information for you to consider in deciding how to vote on the matters brought before the annual meeting.

We first sent this proxy statement to stockholders on or about December 30, 2009. Our board of directors set December 21, 2009 as the record date for the 2009 annual meeting. Stockholders of record who owned our stock at the close of business on that date may vote and attend the 2009 annual meeting. As of the record date, we had issued and outstanding 107,955,207 shares of common stock, our only outstanding class of voting securities. Each holder of our common stock is entitled to one vote for each share held on the record date.

The information provided in the question and answer format below is for your convenience only and is merely a summary of the information in this proxy statement. Please read the entire proxy statement carefully.

What matters am I voting on?

You will be voting on:

the election of ten directors to hold office until the next annual meeting of stockholders and until their successors are duly elected and qualified;

the approval of our reincorporation from Delaware to Florida by merging our company into a wholly-owned subsidiary;

the ratification of the appointment of Eisner LLP as our independent registered public accounting firm for fiscal 2010; and

any other business that may properly come before the meeting.

Who may vote?

Holders of our common stock at the close of business on December 21, 2009, the record date, may vote at the meeting. On the record date, 107,955,207 shares of our common stock were issued and outstanding. Each holder of our common stock is entitled to one vote for each share held on the record date.

When and where is the meeting?

We will hold the meeting on February 4, 2010, at 10:00 a.m. Eastern Time at the offices of Ladenburg Thalmann & Co. Inc., located at 520 Madison Avenue, 9th Floor, New York, New York 10022.

What is the effect of giving a proxy?

Proxies in the form enclosed are solicited by and on behalf of our board. The persons named in the proxy have been designated as proxies by our board. If you sign and return the proxy in accordance with the procedures described in this proxy statement, the persons designated as proxies by the board will vote your shares at the meeting as specified in your proxy.

If you duly execute the proxy card but do not specify how you want to vote, your shares will be voted:

FOR the election as directors of the nominees listed below under Proposal I.

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FOR the approval of our reincorporation from Delaware to Florida by merging the company into its wholly-owned subsidiary, Castle Brands (Florida) Inc., as listed below under Proposal II.

FOR the ratification of the appointment of Eisner LLP as our independent registered public accounting firm for fiscal 2010 as listed below under Proposal III.

If you give your proxy, the proxies named on the proxy card also will vote your shares in their discretion on any other matters properly brought before the meeting.

Can I change my vote after I voted?

You may revoke your proxy at any time before it is exercised by:

delivering written notification of your revocation to our secretary;

voting in person at the meeting; or

delivering another proxy bearing a later date.

Please note that your attendance at the meeting will not alone serve to revoke your proxy.

What is a quorum?

A quorum is the minimum number of shares required to be present at the meeting for the meeting to be properly held under our bylaws and Delaware law. The presence, in person or by proxy, of a majority of all outstanding shares of common stock entitled to vote at the meeting will constitute a quorum. A proxy submitted by a stockholder may indicate that all or a portion of the shares represented by the proxy are not being voted on a particular matter, which is referred to as stockholder withholding. Similarly, a broker may not be permitted to vote stock held in street name on a particular matter absent instructions from the beneficial owner of the stock, which is referred to as a broker non-vote. Abstentions and broker non-votes will be counted for purposes of determining the presence of a quorum.

How may I vote?

You may vote your shares by mail or by attending the meeting. If you vote by mail, date, sign and return the accompanying proxy in the envelope enclosed for that purpose (to which no postage need be affixed if mailed in the United States). You may specify your choices by marking the appropriate boxes on the proxy card. If you attend the meeting, you may deliver your completed proxy card in person or fill out and return a ballot that will be supplied to you at the meeting.

How many votes are needed for approval of each matter?

The election of directors requires a plurality vote of the shares of common stock voted at the meeting. Plurality means that the individuals who receive the largest number of votes cast FOR are elected as directors. Consequently, any shares not voted FOR a particular nominee (whether as a result of a direction of the securities holder to withhold authority, abstentions or a broker non-vote) will not be counted in such nominee s favor.

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Proposal II must be approved by the affirmative vote of a majority of the issued and outstanding shares of our common stock. Proposal III must be approved by the affirmative vote of the majority of shares of common stock present or represented, and entitled to vote thereon, at the annual meeting. **Abstentions and broker non-votes will have the same effect as a negative vote on each of Proposals I and II and will have no effect on Proposal III**. However, broker non-votes will be counted as present for purposes of determining whether enough votes are present to hold the annual meeting.

Are there any rules regarding admission to the annual meeting?

Yes. You are entitled to attend the annual meeting only if you were, or you hold a valid legal proxy naming you to act for, one of our stockholders on the record date. Before we will admit you to the meeting, we must be able to confirm:

Your identity by reviewing a valid form of photo identification, such as a driver s license; and

You were, or are validly acting for, a stockholder of record on the record date by:

- Ø verifying your name and stock ownership against our list of registered stockholders, if you are the record holder of your shares;
- Ø reviewing other evidence of your stock ownership, such as your most recent brokerage or bank statement, if you hold your shares in street name; or
- Ø reviewing a written proxy that shows your name and is signed by the stockholder you are representing, in which case either the stockholder must be a registered stockholder or you must have a brokerage or bank statement for that stockholder as described above.

If you do not have a valid picture identification and proof that you owned, or are legally authorized to act for someone who owned, shares of common stock on December 21, 2009, you will not be admitted to the meeting.

At the entrance to the meeting, we will verify that your name appears in our stock records or will inspect your brokerage or bank statement as your proof of ownership and any written proxy you present as the representative of a stockholder. We will decide whether the documentation you present for admission to the meeting meets the requirements described above.

What is the householding of annual disclosure documents?

The Securities and Exchange Commission (SEC) has adopted rules governing the delivery of annual disclosure documents that permit us to send a single set of our annual report and proxy statement to any household at which two or more stockholders reside if we believe that the stockholders are members of the same family. This rule benefits both stockholders and us by reducing the volume of duplicate information received and our expenses. Each stockholder will continue to receive a separate proxy card. If your household received a single set of disclosure documents for this year, but you would prefer to receive your own copy, or if you share an address with another stockholder and together both of you wish to receive only a single set of our annual disclosure documents, please contact our Investor Relations Department by: (a) mail at Castle Brands Inc., Attention: Investor Relations, 122 East 42nd Street, Suite 4700, New York, New York 10168, (b) telephone at (646) 356-0200, or (c) e-mail at *ir@castlebrandsinc.com*.

Our 2009 annual report, including financial statements for the fiscal year ended March 31, 2009, accompany the proxy solicitation materials. The annual report, however, is not part of the proxy solicitation materials.

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Share Ownership

The table below shows the number of common shares beneficially owned as of December 9, 2009 by (i) those persons or groups known to beneficially own more than 5% of our common stock, (ii) each of our directors, (iii) each of our executive officers named in the Summary Compensation Table below, who we refer to as Named Executive Officers, and (iv) all directors and executive officers as a group. Percentage ownership information is based on 107,955,207 shares of our common stock issued and outstanding as of December 9, 2009.

Name and Address of Beneficial Owner	Beneficial ownership of our common stock Number of Shares	Percent
Phillip Frost, M.D. and related entities [(1)] 4400 Biscayne Blvd., 15th Floor Miami, FL 33137	32,858,671	30.4%
Vector Group Ltd. [(2)] 100 S.E. Second Street Miami, FL 33131	11,428,576	10.6%
FURSA SPV LLC [(3)] 49 West Merrick Road, Ste. 202 Freeport, NY 11520	10,133,465	9.4%
I.L.A.R. S.p.A [(4)] via Tiburtina, 1314, 00131 Roma, Italy	8,571,432	7.9%
Lafferty Limited [(5)] c/o Mr. Warren Roiter Roiter Zucker 5-7 Broadhurst Gardens Swiss Cottage London NW6 3RZ, England	6,499,815	6.0%
Mark Andrews [(6)]	3,050,237	2.8%
John Beaudette [(7)]	45,746	*
Henry C. Beinstein [(8)]	25,000	*
Harvey P. Eisen [(9)]	25,000	*
John S. Glover [(10)]	182,543	*
Glenn L. Halpryn [(11)]	2,887,144	2.7%
Richard J. Lampen [(12)]	500,001	*
Donald L. Marsh		
Micaela Pallini [(13)]	30,000	*
Steven D. Rubin [(14)]	26,000	*
Dennis Scholl [(15)]	3,571,429	3.3%
John Soden [(16)]	106,600	*
T. Kelley Spillane [(17)]	242,820	*
All directors and executive officers as a group (14 persons) [(18)]	43,671,291	40.6%

* Less than 1 percent.

(1) This information has

been derived from a Schedule 13D, as amended, filed with the SEC on May 27, 2009 and a Form 4 filed with the SEC on July 2, 2009. Includes 215,750 shares of common stock issuable upon exercise of options and warrants exercisable within 60 days of December 9, 2009, including 137,000 shares of common stock issuable upon exercise of warrants exercisable within 60 days as of December 9, 2009 that are held by the Frost Nevada Investments Trust, an entity of which Dr. Frost is the trustee. Frost-Nevada L.P. is the sole and exclusive beneficiary of Frost Nevada Investments Trust. Dr. Frost is one of five limited partners of Frost-Nevada L.P. and the sole shareholder of Frost-Nevada

Corporation, the sole general partner of Frost Nevada L.P. Also includes 9,370,790 shares of common stock held by Frost Nevada Investments Trust. Dr. Frost disclaims beneficial ownership of the shares underlying the warrants and the shares held by the Frost Nevada Investments Trust except to the extent of his pecuniary interest. Includes 22,672,355 shares of common stock held by Frost Gamma Investments Trust, of which Dr. Frost is the trustee. Frost Gamma Limited Partnership is the sole and exclusive beneficiary of Frost Gamma Investments Trust. Dr. Frost is one of two limited partners of Frost Gamma Limited Partnership. The general partner of Frost Gamma

Limited Partnership is Frost Gamma, Inc., and the sole shareholder of Frost Gamma, Inc. is Frost-Nevada Corporation. Dr. Frost is also the sole shareholder of Frost-Nevada Corporation. Dr. Frost disclaims beneficial ownership of these shares except to the extent of his pecuniary interest.

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(2) This information has been derived from a Schedule 13D filed with the SEC on October 23, 2008. Excludes (i) 500,001 shares of common stock beneficially owned by Richard J. Lampen, the executive vice president of Vector Group, and a director and the interim president and chief executive officer of our company, and (ii) 25,000 shares of common stock beneficially owned by Henry C. Beinstein, a director, who is also a director of Vector Group.

(3) This information has been derived from a Schedule 13D, as amended, filed with the SEC on October 14, 2009. Based on the information contained therein, FURSA

SPV LLC s holdings include 9,294,028 shares of common stock and warrants to purchase 268,008 shares of our common stock exercisable within 60 days of December 9, 2009.

(4) This information has been derived from a Schedule 13D filed with the SEC on October 23, 2008. Excludes 214,412 shares of common stock owned by Virgilio Pallini, an officer and director of, and holder of shareholder voting rights in, I.L.A.R. S.p.A., as to which I.L.A.R. S.p.A. disclaims beneficial ownership pursuant to Rule 13d-4.

(5) This information has been derived from a Schedule 13D filed with the SEC on November 3, 2008. Includes

20,000 shares of common stock issuable upon exercise of warrants exercisable within 60 days of December 9, 2009. Azure Limited, as the sole director of Lafferty Limited, determines the manner in which the securities held by Lafferty Limited are voted and disposed of by Lafferty Limited.

(6) Includes 1,183,079 shares of common stock held by Knappogue Corp. Knappogue Corp. is controlled by Mr. Andrews and his family. Mr. Andrews disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest. Also includes 150,000 shares of common stock issuable upon exercise of options

exercisable within 60 days of December 9, 2009 and 442,715 shares of common stock held jointly by Mr. Andrews and his wife.

(7) Includes 9,246 shares of common stock held by BPW Holdings LLC, an entity of which Mr. Beaudette is a principal stockholder. Mr. Beaudette disclaims beneficial ownership of these shares except to the extent of his pecuniary interest. Also includes 31,500 shares of common stock issuable upon exercise of options exercisable within 60 days of December 9, 2009.

(8) Includes 25,000 shares of common stock issuable upon exercise of options exercisable within 60 days of December 9, 2009.

(9) Includes 25,000 shares of common stock issuable upon exercise of options exercisable within 60 days of December 9, 2009.

(10) Includes 75,400 shares of common stock issuable upon exercise of options exercisable within 60 days of December 9, 2009 and 107,143 shares of restricted stock vesting within 60 days of December 9, 2009.

(11) Includes 2,857,144 shares of common stock held by Halpryn Group IV, LLC, of which Mr. Halpryn is a member. Mr. Halpryn disclaims beneficial ownership of these securities, except to the extent of any pecuniary interest therein. Includes 30,000 shares of common stock issuable upon

exercise of options held by Mr. Halpryn exercisable within 60 days of December 9, 2009.

(12) Includes 250,000 shares of common stock issuable upon exercise of options held by Mr. Lampen exercisable within 60 days of December 9, 2009. Excludes shares of common stock beneficially owned by Vector Group Ltd., of which Mr. Lampen serves as an executive officer.

(13) Includes 30,000 shares of common stock issuable upon exercise of options held by Ms. Pallini exercisable within 60 days of December 9, 2009. Excludes (i) 8,571,432 shares of common stock held by I.L.A.R. S.p.A, of which Ms. Pallini is an officer, and (ii) 214,412 shares of common stock

owned by Virgilio Pallini, Ms. Pallini s father, as to which she disclaims beneficial ownership pursuant to Rule 13d-4.

(14) Includes 25,000 shares of common stock issuable upon exercise of options exercisable within 60 days of December 9, 2009.

(15) Excludes 100,000 shares of common stock issuable upon exercise of options held by Mr. Scholl that are not currently exercisable and that will not become exercisable within 60 days of December 9, 2009.

(16) Includes 106,600 shares of common stock issuable upon exercise of options exercisable within 60 days of December 9, 2009.

(17) Includes 106,400 shares

of common stock issuable upon exercise of options exercisable within 60 days of December 9, 2009 and 107,143 shares of restricted stock vesting within 60 days of December 9, 2009.

(18) Includes 943,750 shares of common stock issuable upon exercise of options, and 177,000 shares of common stock issuable upon exercise of warrants, in each case exercisable within 60 days of December 9, 2009 and 289,286 shares of restricted stock vesting within 60 days of December 9, 2009.

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Change of Control

On October 20, 2008, we closed a private placement under a Series A Preferred Stock Purchase Agreement whereby certain investors purchased 1.2 million shares of our series A convertible preferred stock for $12.50 per share, which is, in effect upon conversion, $0.35 per share of our common stock. We received gross proceeds of $15 million in the transaction, which we used to pay transaction expenses, satisfy outstanding obligations and for general corporate purposes.

The table below lists the number of shares of series A convertible preferred stock purchased by each investor under the Series A Preferred Stock Purchase Agreement and the purchase price paid by each such investor. To our knowledge, each investor under the Series A Preferred Stock Purchase Agreement used personal funds or working capital to fund its portion of the purchase price of the shares of series A preferred stock purchased.

Name	Number of Shares of Series A Convertible Preferred Stock	Percentage of Total Shares under Purchase Agreement	Purchase Price
Frost Gamma Investments Trust	397,200	33.10%	$ 4,965,000
Vector Group Ltd.	320,000	26.67%	$ 4,000,000
I.L.A.R. S.p.A.	240,000	20.00%	$ 3,000,000
Halpryn Group IV, LLC	80,000	6.67%	$ 1,000,000
Lafferty Ltd.	80,000	6.67%	$ 1,000,000
Jacqueline Simkin Trust As Amended and Restated 12/16/2003	40,000	3.33%	$ 500,000
Hsu Gamma Investment, L.P.	40,000	3.33%	$ 500,000
MZ Trading LLC	1,400	0.12%	$ 17,500
Richard J. Lampen	1,400	0.12%	$ 17,500
Total:	*1,200,000*	*100%*	*$ 15,000,000*

Upon execution of, and as required by, the Series A Preferred Stock Purchase Agreement, four of our then-current directors, Keith Bellinger, Colm Leen, Kevin Tighe and Robert Flanagan resigned, and the remaining five members of our board of directors appointed Dr. Phillip Frost, Glenn L. Halpryn, Richard J. Lampen and Micaela Pallini to serve on our board to fill such vacancies.

In connection with the Series A Preferred Stock Purchase Agreement, substantially all of the holders of Castle Brands (USA) Corp. s (our wholly-owned subsidiary) 9% senior secured notes, in the principal amount of $9.7 million plus $320,000 of accrued but unpaid interest, and all holders of our 6% convertible notes, in the principal amount of $9 million plus $45,000 of accrued but unpaid interest, converted their notes into series A convertible preferred stock at a price per share of $12.50 and $23.21, respectively, which is, in effect upon conversion, $0.35 and $0.65 per share,

respectively, of our common stock. The remaining unconverted 9% senior secured notes, in the principal amount of $300,000, were amended so that, among other things, (i) the maturity date was extended to May 31, 2014, (ii) the interest rate was reduced to 3%, payable at maturity, and (iii) the security interest in our collateral was terminated. Upon conversion of the 9% senior secured notes, we issued 801,608 shares of series A convertible preferred stock, convertible into approximately 28,628,869 shares of our common stock. Upon conversion of the 6% convertible notes, we issued 389,702.72 shares of series A convertible preferred stock, convertible into approximately 13,917,960 shares of our common stock.

Following the closing of the Series A Preferred Stock Purchase Agreement and the related transactions, holders of our series A convertible preferred stock (comprised of the investors under the Series A Preferred Stock Purchase Agreement and the converting note holders, many of which were current stockholders) owned, excluding their prior ownership, approximately 85% of our common stock on an as-converted basis.

The Series A Preferred Stock Purchase Agreement required us to submit to our stockholders proposals to (i) amend our amended and restated certificate of incorporation to increase our authorized shares of capital stock from 45 million shares to 250 million shares, of which 225 million were to be designated as common stock and 25 million were to be designated as preferred stock; (ii) amend our charter to permit stockholders to act by written consent; and (iii) elect directors designated by a majority of the investors under the Series A Preferred Stock Purchase Agreement to be our sole directors. The investors under the Series A Preferred Stock Purchase Agreement agreed to vote all shares of common stock and series A convertible preferred stock they held for the approval of these proposals, all of which were approved at our 2008 annual meeting. At our 2008 annual meeting, our current directors, other than Mr. Scholl, were elected as our sole directors.

Each share of series A preferred stock automatically converted into common stock at a rate of 35.7143 shares of common stock for each share of series A preferred stock, as set forth in the certificate of designation of the series A preferred stock, when we amended our charter in the last quarter of fiscal 2009. We issued 85.4 million shares of common stock upon the conversion of the series A preferred stock.

PROPOSAL I
ELECTION OF DIRECTORS

Ten directors will be elected to hold office until the next annual meeting of stockholders or until their successors are duly elected or their earlier death, resignation or removal. All of the nominees currently serve as directors.

The proxies solicited by our board of directors will be voted FOR the election of these nominees unless other instructions are specified. Our articles of incorporation do not provide for cumulative voting. Should any nominee become unavailable to serve, the proxies may be voted for a substitute nominee designated by the board or the board may reduce the number of authorized directors. Information regarding each director nominee is set forth below.

Mark Andrews, 59, our chairman of the board, founded our predecessor company, Great Spirits Company LLC, in 1998 and served as its chairman of the board, president and chief executive officer from its inception until December 2003. Mr. Andrews has served as our chairman of the board since December 2003 and served as our president from December 2003 until November 2005. Mr. Andrews served as our chief executive officer from December 2003 until November 2008. Prior to founding our predecessor, Mr. Andrews founded American Exploration Company, a company engaged in the exploration and production of oil and natural gas, in 1980. He oversaw that company becoming publicly traded in 1983 and served as its chairman and chief executive officer until its merger with Louis Dreyfus Natural Gas Corp. in October 1997. He also serves as a life trustee of The New York Presbyterian Hospital in New York City.

John F. Beaudette, 52, has served as a director of our company since January 2004. Since 1995, Mr. Beaudette has been president and chief executive officer of MHW Ltd., a national beverage alcohol import, distribution and service company located in Manhasset, New York. MHW provides U.S. import and distribution services to wineries, breweries, and distilleries throughout the world. From 1985 to 1994, Mr. Beaudette worked with PepsiCo Inc. and its affiliate company Monsieur Henri Wines in the distribution of Stolichnaya Vodka and other wine and spirit brands. During this period, Mr. Beaudette held positions such as director of planning for PepsiCo Wines & Spirits Intl. and vice president of finance & chief financial officer of Monsieur Henri Wines Ltd. Prior to joining PepsiCo, Mr. Beaudette was manager of accounting for Somerset Importers Ltd., U.S. importers of Tanqueray, Johnnie Walker and other spirit brands. He currently sits on the board of directors of The National Association of Beverage Importers Inc. (NABI) in Washington DC and serves as vice chairman as well as chairman of the finance committee. Prior to entering the beverage alcohol industry in 1983, Mr. Beaudette worked for the Penn Central Corporation performing financial and operational reviews of subsidiaries throughout the U.S. in various industries including energy, technology and real estate.

Henry C. Beinstein, 66, has served as a director of our company since January 2009. He has been a partner of Gagnon Securities, LLC, a broker-dealer and a FINRA member firm, since January 2005 and has been a money manager and an analyst and registered representative of such firm since August 2002. Mr. Beinstein has been a director of Vector Group Ltd., a New York Stock Exchange listed holding company, since 2004. Vector Group is engaged principally in the tobacco business through its Liggett Group LLC subsidiary and in the real estate and investment business through its New Valley LLC subsidiary. New Valley owns 50% of Douglas Elliman Realty, LLC, which operates the largest residential brokerage company in the New York metropolitan area. He also served as a director of New Valley from March 1994 to December 2005. Mr. Beinstein has served as a director of Ladenburg Thalmann Financial Services Inc., the parent of the investment banking firm of Ladenburg Thalmann & Co. Inc., since May 2001. He retired in August 2002 as the executive director of Schulte Roth & Zabel LLP, a New York-based law firm, a position he had held since August 1997. Before that, Mr. Beinstein had served as the managing director of Milbank, Tweed, Hadley & McCloy LLP, a New York-based law firm, commencing in November 1995. From April 1985 through October 1995, Mr. Beinstein was the executive director of Proskauer Rose LLP, a New York-based law firm. Mr. Beinstein is a certified public accountant in New York and New Jersey and prior to joining Proskauer was a partner and national director of finance and administration at Coopers & Lybrand.

Harvey P. Eisen, 67, has served as a director of our company since January 2009. Mr. Eisen has served as a director of Five Star Products Inc., a wholesale distributor of home decorating products, since November 2007. Mr. Eisen has served as chairman of the board and chief executive officer of National Patent Development Corporation, the parent company of Five Star Products Inc., since June 2007 and also served as its president since July 2007. He has been a director of National Patent Development Corporation since 2004. He has served as chairman and managing member of Bedford Oak Advisors, LLC, an investment partnership, since 1998. Prior thereto, Mr. Eisen served as senior vice president of Travelers, Inc. and of Primerica, each a financial services company, prior to its merger with Travelers in 1993. Mr. Eisen has over 30 years of asset management experience, is often consulted by the national media for his views on the investment marketplace, is frequently quoted in the financial media and also has appeared and currently appears regularly on such television networks as CNN and CNBC. Mr. Eisen has also been a director of GP Strategies Corporation, a provider of customized training solutions, since 2002 and has served as its chairman of the board since 2004.

Phillip Frost, M.D., 73, has served as a director of our company since October 2008 and previously served as a director of our company from September 2005 to August 2007. Dr. Frost has served as the chief executive officer and chairman of the board of directors of OPKO Health, Inc., a specialty healthcare company involved in the discovery, development and commercialization of proprietary pharmaceutical products, medical devices, vaccines, diagnostic technologies and imaging systems, since March 2007. Since July 2006, Dr. Frost has served as the chairman of the board of directors of Ladenburg Thalmann Financial Services Inc. Dr. Frost has been a director of Ladenburg Thalmann Financial Services Inc. since March 2005. From 1987 to January 26, 2006, Dr. Frost served as chairman of the board of directors and chief executive officer of IVAX Corporation, a worldwide producer and marketer of generic and proprietary drugs. On January 26, 2006, IVAX completed a merger with Teva Pharmaceutical Industries Ltd.

(Teva). Dr. Frost now serves as the vice chairman of the board of directors of Teva. He serves on the board of regents of the Smithsonian Institution, as a member of the board of trustees of the University of Miami, as a trustee of each of the Scripps Research Institutes, the Miami Jewish Home for the Aged, and the Mount Sinai Medical Center. Dr. Frost is also a director of Continucare Corporation, a provider of outpatient healthcare and home healthcare services, and Prolor Biotech Inc. (formerly Modigene Inc.), a development stage biopharmaceutical company.

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Glenn L. Halpryn, 49, has served as a director of our company since October 2008. Mr. Halpryn currently serves on the board of directors of SearchMedia Holdings Limited, a multi-platform media company based in China (formerly Ideation Acquisition Corp.). Mr. Halpryn served as a director of Ivax Diagnostics, Inc., a publicly held corporation from October 2002 until October 10, 2008. Mr. Halpryn served as the chairman of the board and chief executive officer of QuikByte Software, Inc., a publicly held corporation, from July 2008 until its merger with Sorrento Therapeutics, Inc. in September 2009, and currently serves as a director of the combined company. Mr. Halpryn was chairman of the board and chief executive officer of Orthodontix, Inc., a publicly held corporation, from April 2001 until Orthodontix merged with Protalix BioTherapeutics, Inc. in December 2006. Mr. Halpryn has served as a director of Winston Pharmaceuticals, Inc. since the September 2008 merger of Getting Ready Corporation, a publicly held shell company, and Winston Laboratories, Inc. From December 2006 until such merger, Mr. Halpryn served as the chairman of the board and chief executive officer of Getting Ready. Mr. Halpryn served as the chairman of the board, chief executive officer and president of clickNsettle.com, Inc., a publicly held shell corporation, from October 2007 until September 2008, following its merger with Cardo Medical, LLC. Mr. Halpryn was the president and secretary and a director of Longfoot Communications Corp., a publicly held shell corporation, from March 2008 until its merger with Kidville Holdings, LLC in August 2008. Mr. Halpryn is also chief executive officer and a director of Transworld Investment Corporation (TIC), serving in such capacity since June 2001. From 1984 to June 2001, Mr. Halpryn served as vice president/treasurer of TIC. Since 2000, Mr. Halpryn has been an investor and the managing member of investor groups that were joint venture partners in 26 land acquisition and development projects with one of the largest home builders in the country. Also, since 1984, Mr. Halpryn has been engaged in real estate investment and development activities. From April 1988 through June 1998, Mr. Halpryn was vice chairman of Central Bank, a Florida state-chartered bank. Since June 1987, Mr. Halpryn has been the president of and beneficial holder of stock of United Security Corporation, a broker-dealer registered with FINRA.

Richard J. Lampen, 56, has served as our interim president and chief executive officer and as a director of our company since October 2008. Mr. Lampen has served as executive vice president of Vector Group Ltd. since July 1996. From October 1995 to December 2005, Mr. Lampen served as the executive vice president and general counsel and a director of New Valley LLC, now a subsidiary of Vector Group Ltd. Since September 2006, he has served as president and chief executive officer of Ladenburg Thalmann Financial Services Inc., the parent of Ladenburg Thalmann & Co. Inc. Mr. Lampen has served as a director of Ladenburg Thalmann Financial Services Inc. since January 2002. Since November 1998, he has served as president and chief executive officer of CDSI Holdings Inc., an affiliate of New Valley LLC seeking acquisition or investment opportunities. Mr. Lampen has served as a director of CDSI Holdings since January 1997. From May 1992 to September 1995, Mr. Lampen was a partner at Steel Hector & Davis, a law firm located in Miami, Florida. From January 1991 to April 1992, Mr. Lampen was a Managing Director at Salomon Brothers Inc, an investment bank, and was an employee at Salomon Brothers Inc from 1986 to April 1992. Mr. Lampen has served as a director of a number of other companies, including U.S. Can Corporation, The International Bank of Miami, N.A. and Spec s Music Inc., as well as a court-appointed independent director of Trump Plaza Funding, Inc.

Micaela Pallini, Ph.D., 40, has served as a director of our company since October 2008. Ms. Pallini has served since May 1997 as a director and the head of production of I.L.A.R. S.p.A., a producer of alcoholic beverages located in Rome, Italy and a supplier to our company under an exclusive marketing agreement. Ms. Pallini is also a member of the board of directors of Unione Industriali di Roma, the association of Roman industrial entrepreneurs and President of the Food Division of Unione Industriali di Roma; a member of the board of directors and the audit committee of Federvini, the national association of Italian wine, spirit and liqueur providers; and a Vice President of D52, a national association for the promotion of women in business in Italy. Ms. Pallini was engaged in research activities before assuming her position with I.L.A.R. S.p.A.

Steven D. Rubin, 49, has served as a director of our company since January 2009. Mr. Rubin has served as executive vice president administration since May 2007 and a director of Opko Health, Inc. since February 2007. Mr. Rubin served as the senior vice president, general counsel and secretary of IVAX Corporation from August 2001 until September 2006. Mr. Rubin currently serves on the board of directors of Dreams, Inc., a vertically integrated sports licensing and products company, Safestitch Medical, Inc., a medical device company, SearchMedia Holdings

Limited, Prolor Biotech Inc., Neovasc, Inc., a medical device company, Kidville, Inc., Cardo Medical, LLC, a producer and distributor of orthopedic and spinal medical devices, and Non-Invasive Monitoring Systems, Inc., a medical device company.

Dennis Scholl, 53, has served as a director of our company since September 2009. Since September 2003, Mr. Scholl has served as co-founder and managing member of Betts & Scholl, LLC, a premium wine maker; we acquired the assets of Betts & Scholl in September 2009. Since February 2009, Mr. Scholl has served as Miami Program Director of the John S. and James L. Knight Foundation, a charitable foundation. Since September 1987, Mr. Scholl has been founder and vice president of Morada Ventures, a firm engaged in real estate development and venture capital investment in the technology and pharmaceutical industries.

Our board recommends that you vote FOR each of the nominees named above. Unless otherwise indicated, all proxies will be voted FOR the election of each of the nominees named above.

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Executive Officers

The following table lists the name, age and position of our executive officers:

Name	Age	Position
Richard J. Lampen	55	Interim President and Chief Executive Officer
John S. Glover	54	Chief Operating Officer
T. Kelley Spillane	46	Senior Vice President U.S. Sales
Alfred J. Small	40	Senior Vice President, Chief Financial Officer, Treasurer & Secretary

Listed below are biographical descriptions of our current executive officers. For Mr. Lampen s information, see the description under Directors above.

John S. Glover, our chief operating officer, joined us in February 2008. From February 20, 2008 to October 11, 2008, Mr. Glover served as our senior vice president marketing. From June 2006 to February 2008, Mr. Glover served as senior vice president commercial management of Remy Cointreau USA. From January 2001 to June 2006, Mr. Glover served in various management positions at Remy Cointreau in the United States and France. From January 1999 to January 2001, he was a managing director and chief marketing officer for Bols Royal Distilleries in the Netherlands.

T. Kelley Spillane, our senior vice president U.S. sales, joined us in April 2000. From April 2000 to December 2003, Mr. Spillane served as vice president-sales of Great Spirits Company, and was appointed executive vice president U.S. sales in December 2003. Prior to joining us, Mr. Spillane worked at Carillon Importers Limited, a division of Grand Metropolitan PLC. Carillon developed and launched Absolut Vodka and Bombay Sapphire Gin. At Carillon, Mr. Spillane served as assistant manager for its control states and duty free divisions and was promoted to director of special accounts, focusing on expanding sales in national accounts.

Alfred J. Small, our senior vice president, chief financial officer, secretary and treasurer assumed his current position in January 2009. From November 2007 until January 2009, Mr. Small served as senior vice president and chief financial officer and previously had served as our vice president-controller since March 2007 and our principal accounting officer since October 2006. Mr. Small joined us in October 2004. From February 1999 until October 2004, Mr. Small served in various accounting roles, including senior accountant at Grodsky Caporrino & Kaufman, CPA PC. Mr. Small is a certified public accountant.

Corporate Governance Guidelines

Our board of directors has adopted a code of conduct, which applies to all of our directors, executive officers and employees. The code of business conduct sets forth our commitment to conduct our business in accordance with the highest standards of business ethics and to promote the highest standards of honesty and ethical conduct by our directors, executive officers and employees.

Our board has also adopted a nominating and governance charter that sets forth (i) corporate governance principles intended to promote efficient, effective and transparent governance, and (ii) procedures for the identification and selection of individuals qualified to become directors.

Among other matters, our nominating and governance charter and code of conduct set forth the following governing principles:

A majority of our directors should be independent as defined in the rules adopted by the SEC and the NYSE Amex.

To facilitate critical discussion, the independent directors are required to meet apart from other board members and management representatives.

Compensation of our non-employee directors should include equity-based compensation. Employee directors are not paid for their board service in addition to their regular employee compensation.

All directors, executive officers and employees must act at all times in accordance with the requirements of our code of conduct. This obligation includes adherence to our policies with respect to conflicts of interest; full, accurate and timely disclosure; compliance with securities laws; confidentiality of our information; protection and proper use of our assets; ethical conduct in business dealings; and respect for and compliance with applicable law. Any change to, or waiver of, the requirements of, the code of conduct with respect to any director, principal financial officer, principal accounting officer or persons performing similar functions may be granted only by the board of directors. Any such change or waiver will be promptly disclosed as required by applicable law or regulations.

Our code of conduct and our nominating and corporate governance charter are posted on our investor relations web site at *http:/investor.castlebrandsinc.com.*

Stockholder Nominations

There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors.

PROPOSAL II

REINCORPORATION VIA MERGER IN FLORIDA

Our board has recommended that our stockholders approve a change in our state of incorporation from Delaware to Florida by means of a merger between our company and its newly formed, wholly-owned subsidiary, Castle Brands (Florida) Inc., which we refer to as Castle Brands Florida. The following is a summary of the material terms of the reincorporation. This summary does not purport to be complete and is qualified in its entirety by reference to the merger agreement, articles of merger, certificate of merger, the articles of incorporation of Castle Brands Florida and the bylaws of Castle Brands Florida, each in substantially the form attached hereto as Appendix A, Appendix B, Appendix C, Appendix D, and Appendix E, respectively.

We will be merged with and into Castle Brands Florida, a Florida corporation and our wholly-owned subsidiary.

- Ø Each share of our common stock will automatically be converted into one share of common stock of Castle Brands Florida.
- Ø Upon completion of the merger, the name of Castle Brands Florida will be changed to Castle Brands Inc.
- Ø See the section entitled Merger Agreement below.

Approval of the merger agreement and completion of the merger will not result in any change in our business, management, assets or liabilities.

- Ø The directors of Castle Brands Florida following the merger will be the same as the directors of our company before the merger.

- Ø On the effective date of the merger, the Castle Brands Florida common stock will be eligible for trading on the NYSE Amex.
- Ø See the section entitled Principal Features of the Merger below.

Upon completion of the merger, the rights of our stockholders will be governed by Florida law and the charter documents of Castle Brands Florida; these rights are similar to those of stockholders of a Delaware corporation.

- Ø See the section entitled Comparative Rights of Stockholders of the Company and Castle Brands Florida below.

Merger Agreement

To accomplish the proposed change in our state of incorporation from Delaware to Florida, our board unanimously adopted a merger agreement between our company and Castle Brands Florida. Under the merger agreement, we, a Delaware corporation, will be merged with and into Castle Brands Florida, a Florida corporation, and each share of our common stock, par value $.01 per share, will automatically be converted into one share of common stock of Castle Brands Florida. Upon completion of the merger, the name of Castle Brands Florida will be changed to Castle Brands Inc.

A copy of the merger agreement is attached as Appendix A to this proxy statement. Copies of the articles of merger to be filed with the Florida Secretary of State and the Certificate of Merger to be filed with the Delaware Secretary of State are attached as Appendices B and C, respectively, to this proxy statement. We recently formed Castle Brands Florida under the Florida Business Corporation Act, which we refer to as the FBCA, for the purpose of effecting the merger. If our stockholders approve the merger and the merger is completed, the FBCA and the articles of incorporation and bylaws of Castle Brands Florida will govern the rights of shareholders in the surviving entity. A copy of the articles of incorporation and bylaws of Castle Brands Florida are attached as Appendices D and E, respectively, to this proxy statement. See Comparative Rights of Stockholders of the Company and Castle Brands Florida below for additional information.

Principal Features of the Merger

When the merger is completed, our separate existence will cease, and Castle Brands Florida, to the extent permitted by law, will succeed to all of our business, properties, assets and liabilities. Each share of our common stock issued and outstanding immediately prior to the completion of the merger will, by virtue of the merger, be converted into one share of common stock of Castle Brands Florida. When the merger is completed, stock certificates which immediately prior to the merger represented our common stock will be deemed for all purposes to represent the same number of shares of Castle Brands Florida common stock. Stockholders will not be required to exchange their existing stock certificates for stock certificates of Castle Brands Florida. However, following the effective date of the merger, if any stock certificates of our company are submitted to Castle Brands Florida or to its transfer agent for transfer, or if any stockholder so requests, a new stock certificate representing the same number of Castle Brands Florida shares will be delivered to the transferee or holder of such shares. This exchange of securities will be exempt from the registration requirements of the Federal securities laws.

Approval of the merger agreement and completion of the merger will not result in any change in our business, management, assets or liabilities. The directors of Castle Brands Florida following the merger will be the same as the directors of our company before the merger. On the effective date of the merger, the Castle Brands Florida common stock will be eligible for trading on the NYSE Amex, where our common stock is currently traded.

Under the merger agreement, each option to purchase shares of our common stock outstanding immediately prior to the effective date of the merger will become an option to purchase an equal number of shares of Castle Brands Florida common stock, subject to the same terms and conditions as set forth in the agreement under which such option was granted. Castle Brands Florida will continue all our employee benefit plans and other agreements and arrangements, including our 2003 Stock Incentive Plan, as amended, on the same terms and subject to the same conditions as in effect prior to the Merger.

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We expect to complete the reincorporation by means of a merger promptly following stockholder approval. However, we may abandon the merger, and the merger agreement may be amended, either before or after stockholder approval if circumstances arise which, in the opinion our board, make such action advisable, although subsequent to stockholder approval none of the principal terms may be amended without further stockholder approval.

The merger does not require the approval of any Federal or state regulatory agency.

Purpose of the Reincorporation via Merger

Our board determined to reincorporate in Florida to reduce corporate expenses. As a Delaware corporation, we are required to pay franchise fees to the State of Delaware. Delaware bases its franchise fees on the number of authorized shares of a company s stock, subject to a maximum fee of $180,000. Florida, however, charges a flat filing fee of $150 per year, regardless of the number of authorized shares. In 2009, we paid approximately $64,000 in franchise taxes to Delaware. The FBCA, Chapter 607 of the Florida Statutes, is a modern statute based on the Revised Model Business Corporation Act prepared by the Committee on Corporate Laws of the Section of Business Law of the American Bar Association. The FBCA and the General Corporation Law of the State of Delaware, which we refer to as the DGCL, while different in some respects, are generally similar in overall approach (see the discussion under Comparative Rights of Stockholders of the Company and Castle Brands Florida below).

Potential Disadvantages of Reincorporation

A potential disadvantage of reincorporating from Delaware to Florida is that Delaware for many years has followed a policy of encouraging incorporation in that state and, in furtherance of that policy, has adopted comprehensive, modern and flexible corporate laws that Delaware periodically updates and revises to meet changing business needs. Because of Delaware s prominence as a state of incorporation for many large corporations, the Delaware courts have developed considerable expertise in dealing with corporate issues and a substantial body of case law has developed construing Delaware law and establishing public policies with respect to Delaware corporations. Because Florida case law concerning the governing and effects of its statutes and regulations is more limited, we and our stockholders may experience less predictability with respect to legality of corporate affairs and transactions and stockholders rights to challenge them.

Comparative Rights of Stockholders of the Company and Castle Brands Florida

Upon completion of the merger, our stockholders, whose stockholder rights are currently governed by the DGCL and our amended and restated certificate of incorporation and bylaws, which we refer to collectively as the Delaware Charter Documents, will become shareholders of Castle Brands Florida whose rights will be governed by the FBCA and the articles of incorporation and bylaws for Castle Brands Florida, which we refer to collectively as the Florida Charter Documents. Copies of the Florida Charter Documents which are proposed to be in effect upon the completion of the merger appear in this proxy statement as Appendices D and E.

The approval of the Merger will result in the same number of shares of authorized preferred and common stock of Castle Brands Florida as under the current Delaware Charter Documents. Under the current Delaware Charter Documents, the authorized capital consists of 25,000,000 shares of preferred stock, par value $.01 per share, and 225,000,000 shares of common stock, par value $.01 per share.

In most respects, the rights of holders of Castle Brands Florida s common stock will be similar to those of our company as a Delaware corporation. The following summarizes certain aspects of the rights of holders of our common stock and Castle Brands Florida common stock, but is not a complete statement of the rights of shareholders under applicable Florida law and the Florida Charter Documents as compared to the DGCL and the Delaware Charter Documents. This summary is qualified in its entirety by reference to the DGCL and the FBCA.

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Standard of Conduct for Directors

Under the FBCA, directors have a fiduciary relationship to their corporation and its shareholders and, as such, are required to discharge their duties as a director in good faith with the care an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner they reasonably believe to be in the best interests of the corporation. In discharging his or her duties, a director may consider such factors as the director deems relevant, including the long-term prospects and interests of the corporation and its shareholders, and the social, economic, legal, or other effects of any action on the employees, suppliers, customers of the corporation or its subsidiaries, the communities and society in which the corporation or its subsidiaries operate, and the economy of the state and the nation.

Under the DGCL, the standards of conduct for directors have developed through written opinions of the Delaware courts. Generally, directors of Delaware corporations are subject to fiduciary duties of care, loyalty and good faith. The duty of loyalty has been said to require directors to refrain from self-dealing and the duty of care requires directors managing the corporate affairs to use that amount of care which ordinarily careful and prudent persons would use in similar circumstances and act on an informed basis after due consideration of the relevant information that is reasonably available. In general, gross negligence has been established as the test for breach of the standard for the duty of care in the process of decision-making by directors of Delaware corporations. Breaching the duty of good faith requires more, for example, intentional dereliction of duty or a conscious disregard of one s responsibilities. When directors act consistently with their duties of care, loyalty and good faith, their decisions generally are presumed to be valid under the business judgment rule.

Dividends and Other Distributions

Under the FBCA, a company may make a distribution, unless after giving effect to the distribution:

the company would not be able to pay its debts as they come due in the usual course of business; or

the company s assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.

Under the FBCA, a corporation s redemption of its own common stock is deemed a distribution.

The DGCL permits a corporation to declare and pay dividends out of surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or for the preceding fiscal year as long as the amount of capital of the corporation following the declaration and payment of the dividend is not less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets. Also, the DGCL generally provides that a corporation may redeem or repurchase its shares only if the capital of the corporation is not impaired and such redemption or repurchase would not impair the capital of the corporation.

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Limitation of Liability

The FBCA generally provides that a director of a corporation is not personally liable for monetary damages to the corporation or other person unless the director breached or failed to perform his duties as a director, and such breach or failure:

- constitutes a violation of criminal law, unless the director had reasonable cause to believe his conduct was lawful or had no reasonable cause to believe his conduct was unlawful;
- constitutes a transaction from which the director derived an improper personal benefit;
- results in an unlawful distribution;
- in the case of a derivative action or an action by a shareholder, constitutes conscious disregard for the best interests of the corporation or willful misconduct; or
- in the case of a proceeding other than a derivative action or an action by a shareholder, constitutes recklessness or an act or omission which was committed in bad faith or with malicious purpose or in a manner exhibiting wanton and willful disregard of human rights, safety or property.

The DGCL permits a corporation to include in its certificate of incorporation a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except that such provision may not limit the liability of a director for:

- any breach of the director s duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- liability under the DGCL for unlawful payment of dividends or stock purchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

Our certificate of incorporation contains a provision limiting the liability of its directors in this manner. It limits the liability of our directors to the fullest extent permitted by the DGCL. Our directors are not personally liable to the us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director s duty of loyalty to us or our stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived any improper personal benefit.

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Indemnification

The FBCA requires a corporation to indemnify any director, officer, employee or agent of the corporation if such person has been successful on the merits or otherwise in defense of any proceeding, or any claim, issue or matter therein, for expenses actually and reasonably incurred by such person in connection with the proceeding or the person s defense of the claim, issue or matter.

Expenses incurred by an officer or director in defending a civil or criminal proceeding may be paid by the corporation in advance of the final disposition of the proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if he or she is ultimately found not to be entitled to indemnification. Expenses incurred by other employees and agents may be paid in advance upon such terms or conditions that the board of directors deems appropriate.

The indemnification and advancement of expenses provided under the FBCA are not exclusive, and a corporation may enter into an agreement to provide for indemnification; however, no indemnification or advancement of expenses may be made to any person if a judgment or other final adjudication establishes that the person s actions, or omissions to act, were material to the cause of adjudicated action and constitute:

- a violation of criminal law, unless the person had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful;
- a transaction from which the person derived an improper personal benefit;
- in the case of a director, an unlawful distribution to shareholders; or
- willful misconduct or a conscious disregard for the best interests of the corporation in a proceeding by or in the right of the corporation or a shareholder.

Under the FBCA, unless the corporation s articles of incorporation provide otherwise, notwithstanding the failure of a corporation to provide indemnification, and despite any contrary determination of the board or of the shareholders in the specific case, a director, officer, employee, or agent of the corporation who is or was a party to a proceeding may apply for indemnification or advancement of expenses, or both, to the court conducting the proceeding, to the circuit court, or to another court of competent jurisdiction. On receipt of an application, the court, after giving any notice that it considers necessary, may order indemnification and advancement of expenses, including expenses incurred in seeking court-ordered indemnification or advancement of expenses, if it determines that:

- the indemnitee is entitled to mandatory indemnification, in which case the court shall also order the corporation to pay the director reasonable expenses incurred in obtaining court-ordered indemnification or advancement of expenses;
- the indemnitee is entitled to further indemnification or advancement of expenses, or both, by virtue of the corporation s exercise of its power to make further indemnification; or
- the indemnitee is fairly and reasonably entitled to indemnification or advancement of expenses, or both, in view of all the relevant circumstances, regardless of whether such person met the required standard of conduct.

To the extent our bylaws provide indemnification to directors or officers for liabilities arising under the Securities Act, it is the position of the SEC that such indemnification would be against public policy as expressed in such statute and, therefore, unenforceable.

We expect to enter into indemnification agreements with certain executive officers and directors providing indemnification rights and mandating advancement of expenses to the maximum extent permitted by Florida law.

Our bylaws, as discussed below, reflect the broad scope of indemnification under the DGCL.

Our bylaws provide for indemnification to the fullest extent permitted under the DGCL to any person made, or threatened to be made, a party to any threatened, pending or completed action, suit or proceeding, whether criminal, civil, administrative, or investigative, by reason of the fact that such person (a) is or was a director or officer of our company or any predecessor company or (b) served any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner, trustee, employee or agent at our request.

Our bylaws provide that we may grant rights to indemnification, and rights to be paid by us for expenses incurred in defending any proceeding in advance of its final disposition, to any of our present or former employees or agents to the fullest extent with respect to the indemnification and advancement of expenses of our directors and officers.

The right to indemnification includes the right to receive payment of expenses to directors or officers in advance of the final disposition of such proceeding, consistent with applicable law from time to time in effect; provided, however, that if the DGCL requires payment of such expenses in advance of the final disposition of a proceeding, payment shall be made only if such person undertakes to repay us if it is ultimately determined that he or she was not entitled to indemnification.

To the extent our bylaws provide indemnification to directors or officers for liabilities arising under the Securities Act of 1933, as amended (the Securities Act), it is the position of the SEC that such indemnification would be against public policy as expressed in such statute and, therefore, unenforceable.

We have entered into indemnification agreements with our executive officers and directors providing indemnification rights and mandating advancement of expenses to the maximum extent permitted by Delaware law.

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Florida	Delaware

Amendment to Charter

The FBCA generally requires approval by a majority of directors and by holders of a majority of the shares entitled to vote on any amendment to a corporation s articles of incorporation. Also, the amendment must be approved by a majority of the votes entitled to be cast on the amendment by any class or series of shares with respect to which the amendment would create dissenters rights. The board of directors must recommend the amendment to the shareholders, unless the board of directors determines that because of conflict of interest or other special circumstances it should make no recommendation and communicates the basis for its determination to the shareholders with the amendment.

The DGCL provides that a corporation s certificate of incorporation may be amended upon adoption by the board of directors of a resolution setting forth the proposed amendment and declaring its advisability, followed by the affirmative vote of a majority of the outstanding shares entitled to vote. It also provides that a certificate of incorporation may provide for a greater vote than would otherwise be required by the DGCL.

Interested Director Transactions

The FBCA provides that a contract or other transaction between a Florida corporation and any of its directors or any entity in which one of its directors or officers is a director or officer or holds a financial interest will not be void or voidable because of such relationship or interest or because that director was present at the meeting of directors which authorized that transaction if:

- the fact of the relationship or interest is disclosed or known to the board and the transaction is authorized by a sufficient number of votes when the vote of the interested director is excluded;
- the fact of the relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize the contract or transaction; or
- the contract or transaction is fair and reasonable to the corporation.

Under the DGCL, specified contracts or transactions in which one or more of a corporation s directors has an interest are not void or voidable solely because of such interest if such contract or transaction:

- is authorized in good faith by the corporation s stockholders or a majority of disinterested members of the board (even though less than a quorum) and the material facts of the contract or transaction are disclosed or known; or
- was fair to the corporation at the time it was approved.

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Florida	Delaware

Business Combination Statutes

Florida does not have a business combination statute like Delaware, but instead has an affiliated transactions statute, described below.

Section 203 of the DGCL limits specified business combinations of Delaware corporations with interested stockholders. Under the DGCL, an interested stockholder, defined as a stockholder whose beneficial ownership in the corporation is at least 15% of the outstanding voting securities or an affiliate who owned at least 15% of outstanding voting shares in the last three years, cannot enter specified business combinations with the corporation for a period of three years following the time that such person became an interested stockholder unless:

- before such time, the corporation s board of directors approved either the business combination or the transaction in which the stockholder became an interested stockholder;
- upon consummation of the transaction in which any person becomes an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by specified employee stock ownership plans and persons who are both directors and officers of the corporation; or
- at or subsequent to such time, the business combination is both approved by the board of directors and authorized at an annual or special meeting of stockholders, not by written consent, by the affirmative vote of at least 66-2/3% of the outstanding voting stock not owned by the interested stockholder.

A corporation may elect in its certificate of incorporation not to be governed by Section 203 of the DGCL.

Florida Affiliated Transactions Statute

This Florida statute defines an affiliated transaction as a merger by a Florida corporation with an interested shareholder, a sale, lease or other disposition to the interested shareholder of assets of the corporation above a certain threshold, including 5% or more of the fair market value of all of the assets of the corporation, or the issuance or transfer by the corporation of shares of its capital stock having a fair market value equal to 5% of the fair market value of all of the outstanding shares of the corporation to the interested shareholder, adoption of any plan for liquidation or dissolution involving the interested shareholder, any reclassification of securities, or any receipt by the interested shareholder of any loans, guarantees or other financial assistance. An interested shareholder is any person who is a beneficial owner of more than 10% of the outstanding voting shares of the corporation. Beneficial ownership is defined similarly to that defined by the SEC. Generally, the Florida statute requires approval of an affiliated transaction by two-thirds of the voting shares of the corporation other than the shares beneficially owned by the interested shareholder. The statute further provides that a majority of the disinterested directors may approve an affiliated transaction. Also, the statute regulates the amount of cash and other assets to be received by the corporation s holders of voting securities. Finally, among other limitations, for a specified three-year period during which the interested shareholder has been an interested shareholder, he shall not have received any loans, guarantees or other financial assistance from the corporation.

Delaware does not have an affiliated transactions statute but has a business combination statute, described above.

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Florida	Delaware

Dissenter s Rights

Under the FBCA, shareholders may dissent from, and demand cash payment of, the fair value of their shares in the event of a number of corporate actions including but not limited to:

- a merger or consolidation of the corporation, or
- a sale or exchange of all or substantially all of a corporation s assets, including a sale in dissolution.

Appraisal rights shall not be available for the holders of shares of any class or series of shares which is:

- listed on the New York Stock Exchange or the American Stock Exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc.; or
- not so listed or designated, but has at least 2,000 shareholders (including beneficial owners who hold their shares in street name through brokers) and the outstanding shares of such class or series have a market value of at least $10 million, exclusive of the value of such shares held by its subsidiaries, senior executives, directors, and beneficial shareholders owning more than 10 percent of such shares.

As a Florida corporation, appraisal rights will be unavailable to our shareholders since our common stock is listed on the NYSE Amex.

Under the DGCL, appraisal rights may be available in connection with a statutory merger or consolidation in specified situations.

Appraisal rights are not available under the DGCL for the holders of shares of any class or series of stock which is listed:

- on a national securities exchange or
- held of record by more than 2,000 holders.

As a Delaware corporation, our stockholders will not have appraisal rights for the reincorporation since our common stock is listed on a national securities exchange.

Florida	Delaware

Sequestration of Shares

The FBCA has no comparable provision.
The DGCL provides that the shares of any person in a Delaware corporation may be attached or sequestered for debts or other demands.

Financial Statements and Reports to Shareholders

In addition to keeping complete books and records, under the FBCA, and unless modified by resolution of the shareholders within 120 days of the close of each fiscal year, a corporation must furnish its shareholders annual financial statements which may be consolidated or combined statements of the corporation and one or more of its subsidiaries, as appropriate, that include a balance sheet as of the end of the fiscal year, an income statement for that year, and a statement of cash flows for that year. If financial statements are prepared for the corporation on the basis of generally accepted accounting principles, the annual financial statements must also be prepared on that basis. If the annual financial statements are reported upon by a public accountant, his or her report must accompany them. If not, the statements must be accompanied by a statement of the president or the person responsible for the corporation s accounting records. A corporation shall mail the annual financial statements to each shareholder within 120 days after the close of each fiscal year or within such additional time thereafter as is reasonably necessary to enable the corporation to prepare its financial statements if, for reasons beyond the corporation s control, it is unable to prepare its financial statements within the prescribed period. Thereafter, on written request from a shareholder who was not mailed the statements, the corporation shall mail him or her the latest annual financial statements.
If a corporation indemnifies or advances expenses to any director, officer, employee, or agent otherwise than by court order or action by the shareholders or by an insurance carrier pursuant to insurance maintained by the corporation, the corporation shall report the indemnification or advance in writing to the shareholders with or before the notice of the next shareholders meeting, or prior to such meeting if the indemnification or advance occurs after the giving of such notice but prior to the time such meeting is held, which report shall include a statement specifying the persons paid, the amounts paid, and the nature and status at the time of such payment of the litigation or threatened litigation. If a corporation issues or authorizes the issuance of shares for promises to render services in the future, the corporation shall report in writing to the shareholders the number of shares authorized or issued, and the consideration received by the corporation, with or before the notice of the next shareholders meeting.
The DGCL only requires that a corporation allow any stockholder to have the right during the usual hours for business to inspect for any proper purpose, and to make copies and extracts from (i) the corporation s stock ledger, a list of its stockholders and its other books and records; and (ii) a subsidiary s books and records, to the extent that the corporation has actual possession and control of such records of such subsidiary or the corporation could obtain such records through the exercise of control over such subsidiary.

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Florida	Delaware
Certification of Shares	
Under the FBCA, shares may, but need not, be represented by certificates. Unless the articles of incorporation or bylaws provide otherwise, the board of directors of a corporation may authorize the issue of some or all of the shares of any or all of its classes or series without certificates. The authorization does not affect shares already represented by certificates until they are surrendered to the corporation. Our bylaws as a Florida corporation permit certificated and uncertificated shares.	Under the DGCL the shares of a corporation shall be represented by certificates, provided that the board of directors of a corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares (except that the foregoing shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation).

Besides the changes described above, certain technical changes have been made in our charter and bylaws to reflect differences between the FBCA and the DGCL. Such technical changes include designation of a registered office and registered agent in the State of Florida for jurisdiction in certain claims against us. The above description is not a complete statement of the rights of our shareholders and you should refer to the full text of, and decisions interpreting, Delaware law and Florida law for a complete understanding of your rights. Many provisions of the FBCA and the DGCL may be subject to differing interpretations, and the discussion herein may be incomplete in certain respects. As a result, the discussion contained herein is not a substitute for direct reference to the FBCA and the DGCL.

Federal Income Tax Consequences of the Merger

The following is a summary of certain material Federal income tax consequences of the merger to U.S. holders (as defined below) who receive Castle Brands Florida common stock in exchange for their common stock. This discussion is based upon the Internal Revenue Code of 1986, as amended, which we refer to as the Code, U.S. Treasury Regulations, Internal Revenue Service, which we refer to as the IRS, rulings and pronouncements, and judicial decisions, all as of the date of this proxy statement, and all of which are subject to change (possibly, with retroactive effect) or deferring interpretations. There can be no assurance that the IRS will not challenge one or more of the tax consequences described below, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to any matters discussed in this section. This discussion does not deal with all aspects of federal income taxation that may be relevant to a particular stockholder in light of the stockholder s circumstances (for example, persons subject to the alternative minimum tax provisions of the Code), and assumes that all shares of our stock are and will be held as capital assets, as defined in the Code. This discussion does not discuss any aspect of state, local or foreign law or U.S. federal tax laws other than U.S. federal income tax. This discussion also does not discuss consequences that may apply to special classes of taxpayers, some of which (e.g., foreign individuals and entities, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting, banks, thrifts, regulated investment companies, pension and other employee benefit plans, tax-exempt organizations and entities or insurance companies) may be subject to special rules. This summary is for general information only and is not intended as tax advice. Each stockholder should consult its own tax advisor regarding the federal, state, local and foreign tax consequences and reporting requirements resulting from the merger. It is the responsibility of each stockholder to prepare and file all appropriate federal, state and local tax returns.

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As used in this section, U.S. holder means a beneficial holder of our common stock that for U.S. federal income tax purposes is:

a citizen or resident (as defined in Section 7701(b) of the Code) of the United States (unless, under certain circumstances, such person is not treated as a resident of the U.S. under an applicable income tax treaty),

an entity taxed as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the U.S. or any political subdivision thereof,

an estate the income of which is subject to U.S. federal income taxation regardless of its source and

a trust if it (a) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have authority to control all substantial decisions of the trust or (b) the trust was in existence on August 20, 1996 and has made a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

We anticipate that:

the merger will constitute a tax-free reorganization under section 368(a) of the Code;

no gain or loss will be recognized by U.S. holders of our common stock upon receipt of Castle Brands Florida common stock in the merger;

the aggregate tax basis of Castle Brands Florida common stock received by each U.S. holder will be the same as the aggregate tax basis of our common stock held by such U.S. holder immediately prior to the merger; and

the holding period of Castle Brands Florida common stock received by each U.S. holder will include the period during which such U.S. holder held our common stock surrendered in exchange therefor, provided that such common stock was held by such U.S. holder as a capital asset at the time of the merger.

Although we anticipate that the Federal income tax consequences of the merger will be as described above, such opinion is not binding upon the IRS nor does it preclude the IRS from taking a contrary position. We cannot assure you that the Federal income tax consequences described above will not be challenged by the IRS or, if challenged, will be decided favorably to the shareholders of the parties to the merger.

A successful IRS challenge to the tax-free status of the merger would result in a U.S. holder recognizing gain or loss with respect to each share of our common stock surrendered equal to the difference between that U.S. holder s basis in such share and the fair market value, as of the time of the merger, of Castle Brands Florida common stock received in exchange therefor. In such event, a U.S. holder s aggregate basis in the shares of Castle Brands Florida common stock received in the exchange would equal such fair market value, and such U.S. holder s holding period for such shares would not include the period during which such U.S. holder held our common stock.

No information is provided herein regarding the tax consequences, if any, under applicable state, local or foreign tax laws. Also, the Federal income tax discussion set forth above is for general information only and does not constitute tax advice. Because the stockholders tax circumstances may differ, stockholders are urged to consult their own tax advisors regarding these and other tax consequences of the reincorporation.

ANY TAX ADVICE OR INFORMATION IN THIS WRITTEN OR ELECTRONIC COMMUNICATION (INCLUDING ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY A CLIENT, TAXPAYER OR ANY OTHER PERSON OR ENTITY FOR THE PURPOSE OF (i) AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER BY ANY GOVERNMENTAL TAXING AUTHORITY OR AGENCY OR (ii) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY TAX-RELATED MATTERS ADDRESSED HEREIN.

Exchange of Certificates

When the merger becomes effective, each outstanding share of our common stock will be converted into one fully paid and non-assessable share of Castle Brands Florida common stock. Stockholders are requested, but are not required, to exchange their current share certificates for shares of Castle Brands Florida. Stockholders who desire to exchange their shares may do so following completion of the merger by surrendering them to our transfer agent, Continental Stock Transfer & Trust Company with its principal offices in New York City, who will issue new certificates for shares of Castle Brands Florida common stock upon receipt of old share certificates. Delivery of stock certificates issued by us prior to the effectiveness of the merger will constitute good delivery of shares in transaction subsequent to the merger. Certificates of Castle Brands Florida will be issued with respect to transfers completed after the effectiveness of the merger.

Other Regulatory Requirements

Except as set forth above, no Federal or state regulatory requirements must be complied with nor must approvals be obtained in connection with the merger, except under Federal securities laws applicable to proxy solicitations.

Rule 144

The SEC has previously taken the position in No-Action Letters that, for purposes of Rule 144 under the Securities Act, persons who receive securities in a reincorporation may take into account the periods during which they held the securities from which the newly-received securities were exchanged in order to calculate their holding periods under Rule 144(d). We anticipate that, for purposes of Rule 144, the holding period for Castle Brands Florida common stock received in exchange for our common stock will include the period during which our common stock was held, however, we do not intend to ask the SEC for a No-Action Letter regarding this matter.

Required Approvals

The affirmative vote of holders of a majority of the outstanding shares of our common stock is required for approval of the merger.

Our board recommends that you vote FOR Proposal II to reincorporate in Florida.

PROPOSAL III

RATIFICATION OF THE APPOINTMENT OF THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2010

We ask that you ratify the appointment of Eisner LLP as our independent registered public accounting firm for fiscal 2010.

Our audit committee appointed Eisner LLP as our independent registered public accounting firm for fiscal 2010. Representatives of Eisner LLP are expected to be present at the annual meeting with the opportunity to make a statement if they so desire and to be available to respond to appropriate questions.

If the appointment is not ratified, the adverse vote will be considered as an indication to our audit committee that it should consider selecting another independent registered public accounting firm for the following fiscal year. Even if the selection is ratified, our audit committee, in its discretion, may select a new independent registered public accounting firm at any time during the year if it believes that such a change would be in our best interest.

Required Approvals

Approval of the ratification of the appointment of Eisner LLP as our independent registered public accounting firm for fiscal 2010 requires the affirmative vote of the majority of shares of common stock present or represented, and entitled to vote thereon, at the annual meeting.

Our board recommends that you vote FOR Proposal III to ratify the appointment of Eisner LLP as our independent public accounting firm for fiscal 2010.

CORPORATE GOVERNANCE MATTERS

Independence of Directors

We follow the NYSE Amex rules in determining if a director is independent. Our board of directors also consults with our counsel to ensure that the board s determination is consistent with those rules and all other relevant laws and regulations regarding director independence. Consistent with these considerations, our board of directors has determined that Messrs. Beaudette, Beinstein, Eisen, Halpryn, Rubin and Scholl are independent directors. The other remaining directors may not be deemed independent under the NYSE Amex rules because they currently have relationships with us that may result in them being deemed not independent. All members of our audit, compensation and nominating and corporate governance committees are independent.

Board Committee Membership and Information

The following table shows the current members of each board committee, the directors our board has determined to be independent and the number of meetings held by each committee in fiscal 2009.

Director	Independent	Audit	Compensation	Nominating and Corporate Governance
Mark Andrews				
John F. Beaudette	X			X
Henry C. Beinstein	X	X		X
Harvey P. Eisen	X		X	X
Phillip Frost, M.D.				
Glenn L. Halpryn	X	X	X	
Richard J. Lampen				
Micaela Pallini				
Steven D. Rubin	X	X	X	X
Dennis Scholl	X			
Number of meetings held in fiscal 2009		5	3	4

Also, our board determined that the following former directors were independent during fiscal 2009 under the NYSE Amex rules: Messrs. Robert J. Flanagan, Gill Jefferson, Colm Leen, Richard C. Morrison, Fredrick M.R. Smith and Kevin P. Tighe.

Our board of directors met 16 times during fiscal 2009. During fiscal 2009, each of our current directors attended at least 75% of the aggregate number of meetings of the board and of each committee of which he or she was a member. We expect our directors to attend all board and committee meetings and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Although we do not have any formal policy regarding director attendance at annual stockholder meetings, we attempt to schedule our annual meetings so that all of our directors can attend. Six directors attended our last annual meeting.

Nominating Committee Information

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee identifies, researches and recommends to the board of directors qualified candidates to serve as directors on our board of directors.

Our nominating and corporate governance committee is responsible for, among other things:

- recommending to our board of directors the slate of nominees of directors to be proposed for election by the stockholders and individuals to be considered by our board of directors to fill vacancies;
- establishing criteria for selecting new directors; and
- reviewing and assessing annually the performance of the nominating and corporate governance committee and the adequacy of the nominating and corporate governance committee charter.

Our nominating and corporate governance committee will consider candidates suggested by our stockholders pursuant to written applications submitted to the nominating and corporate governance committee, in care of our Corporate Secretary at the address set forth below for the submission of stockholder proposals.

Besides considering candidates suggested by stockholders, our nominating and corporate governance committee also accepts recommendations from our directors, members of management and others familiar with, and experienced in, the beverage alcohol industry. Our nominating and corporate governance committee establishes criteria for the selection of nominees and reviews the appropriate skills and characteristics required of board members. In evaluating candidates, the committee considers issues of independence, diversity and expertise in numerous areas, including experience in the premium branded spirits industry, finance, marketing, international experience and culture. Our nominating and corporate governance committee selects individuals of the highest personal and professional integrity who have demonstrated exceptional ability and judgment in their field and who would work effectively with the other directors and nominees to the board of directors. Our nominating and corporate governance committee also monitors and reviews the committee structure of our board of directors, and each year it recommends to our board of directors for its approval directors to serve as members of each committee. The nominating and corporate governance committee conducts an annual review of the adequacy of the nominating and corporate governance charter (described above) and recommends proposed changes.

The persons to be elected at our annual meeting are the current directors standing for re-election.

Compensation Committee

Messrs. Eisen, Halpryn and Rubin currently comprise our compensation committee. None of these individuals has ever served as an officer of ours or of any of our subsidiaries. The compensation committee does not have a charter.

Audit Committee Information and Report

Our audit committee assists the board in monitoring:

- the integrity of our financial statements;
- our independent auditor s qualifications and independence;
- the performance of our independent auditor; and
- our compliance with legal and regulatory requirements.

The audit committee also reviews and approves all related-party transactions. Our audit committee charter is posted on our investor relations website at http://investor.castlebrandsinc.com.

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As required by applicable SEC and NYSE Amex rules, our board has determined that each audit committee member is financially literate and that Mr. Beinstein, who chairs the committee, is an audit committee financial expert as defined by SEC rules.

Fees to Independent Registered Public Accounting Firm for 2008 and 2007

Eisner LLP billed us the following amounts for professional services rendered for fiscal 2009 and 2008:

	2009	2008
Audit fees	$ 311,500	$ 318,000
Audit-Related fees		
Tax fees		
All other fees		
Total fees	$ 311,500	$ 318,000

Audit Fees

This category includes the audit of our annual financial statements, reviews of financial statements included in our quarterly reports on Form 10-Q, and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements. This category also includes fees for advice on accounting matters that arose during, or as a result of, the annual audit or the reviews of interim financial statements.

Audit-Related Fees

This category would consist of assurance and related services provided by Eisner that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under Audit Fees. The services for the fees disclosed under this category include accounting, consulting and due diligence services rendered in connection with acquisitions of our franchised operations.

Tax Fees

This category would consist of professional services rendered by Eisner, primarily in connection with strategic planning with respect to possible acquisitions.

All Other Fees

This category would consist of fees for subscriptions and other miscellaneous items.

Audit Committee Pre-Approval Policy

In accordance with its charter, our audit committee reviews and approves in advance on a case-by-case basis each engagement (including the fees and terms thereof) by us of accounting firms that will perform permissible non-audit services or audit, review or attest services for us. Our audit committee is authorized to establish detailed pre-approval policies and procedures for pre-approval of such engagements without a meeting of the audit committee, but our audit committee has not established any such pre-approval procedures at this time.

Our audit committee pre-approved all fees of our principal accounting firm for fiscal 2009.

Audit Committee Report

Under its written charter, our audit committee s responsibilities include, among other things:

- appointing, replacing, overseeing and compensating the work of our independent registered public accounting firm;
- reviewing and discussing with management and our independent registered public accounting firm our quarterly financial statements and discussing with management our earnings releases;
- pre-approving all auditing services and permissible non-audit services provided by our independent registered public accounting firm;
- engaging in a dialogue with our independent registered public accounting firm regarding relationships that may adversely affect the independence of the independent registered public accounting firm and, based on such review, assessing the independence of our independent registered public accounting firm;
- providing the audit committee report to be filed with the SEC in our annual proxy statement;
- reviewing with our independent registered public accounting firm the adequacy and effectiveness of the internal controls over our financial reporting;
- establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including the confidential anonymous submission by our employees of anonymous concerns regarding questionable accounting or auditing matters;
- reviewing and pre-approving related-party transactions;
- reviewing and discussing with management and our independent registered public accounting firm management s annual assessment of the effectiveness of the internal controls and our independent registered public accounting firm s attestation;
- appointing or replacing the independent auditor;
- reviewing and discussing with management and our independent registered public accounting firm the adequacy and effectiveness of our internal controls including any significant deficiencies in the design or operation of our internal controls or material weaknesses and any fraud, whether or not material, that involves our management or other employees who have a significant role in our internal controls and the adequacy and effectiveness of our disclosure controls and procedures; and
- reviewing and assessing annually the adequacy of the audit committee charter.

Our audit committee has met and held discussions with management and Eisner LLP, our independent auditors. Management represented to the committee that our consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the audit committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. The committee discussed with Eisner LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended and adopted by the Public Company Accounting Oversight Board, which requires the independent registered public accounting firm to provide the audit committee with information regarding the scope and results of its audit of the company s financial statements, including information with respect to the firm s responsibilities under auditing standards generally accepted in the United States, significant accounting policies, management judgments and estimates, any significant audit adjustments, any disagreements with management and

any difficulties encountered in performing the audit.

Eisner LLP also provided the audit committee with the written disclosures and letter regarding independence required by the Public Company Accounting Oversight Board regarding the independent auditors communication with the audit committee regarding independence. The committee discussed with Eisner LLP and management the auditors independence, including with regard to fees for services rendered during the fiscal year and for all other professional services rendered by Eisner LLP.

Based upon the committee s discussion with management and the independent auditors and the committee s review of our audited financial statements, the representations of management and the report of the independent auditors to the audit committee, the committee recommended that the board of directors include the audited consolidated financial statements in our annual report on Form 10-K for the fiscal year ended March 31, 2009.

The Members of the Audit Committee

Henry C. Beinstein
Glenn L. Halpryn
Steven D. Rubin

EXECUTIVE COMPENSATION

Compensation Overview

We are a smaller reporting company as such term is defined in Rule 405 of the Securities Act and Item 10 of Regulation S-K. Accordingly, and in accordance with relevant SEC rules and guidance, we have elected, with respect to the disclosures required by Item 402 (Executive Compensation) of Regulation S-K, to comply with the disclosure requirements applicable to smaller reporting companies. This Compensation Overview section discusses the compensation programs and policies for our executive officers and the compensation committee s role in the design and administration of these programs and policies in making specific compensation decisions for our executive officers, including our named executive officers.

Our compensation committee has the sole authority and responsibility to review and determine, or recommend to our board of directors for determination, the compensation package of our chief executive officer and each of our other named executive officers, each of whom is identified in the Summary Compensation Tabl*e* below. Our compensation committee also considers the design and effectiveness of the compensation program for our other executive officers and approves the final compensation package, employment agreements and stock option grants for all of our executive officers. Our compensation committee is composed entirely of independent directors who have never served as officers of our company. Our compensation committee is authorized to engage compensation consultants, but did not do so in fiscal 2009.

Set forth below is a discussion of the policies and decisions that shape our executive compensation program, including the specific objectives and elements. Information regarding Director Compensation is included under the heading Director Compensation contained in this proxy statement.

General Executive Compensation Objectives and Philosophy

The objective of our executive compensation program is to attract, retain and motivate talented executives who are critical for our continued growth and success and to align the interests of these executives with those of our stockholders. To achieve this objective, besides annual base salaries, our executive compensation program utilizes a combination of annual incentives through cash bonuses and long-term incentives through equity-based compensation. In establishing overall executive compensation levels, our compensation committee considers a number of criteria, including the executive s scope of responsibilities, prior and current period performance, compensation levels for similar positions at companies in our industry and attainment of individual and overall company performance objectives and retention concerns. Our interim president and chief executive officer and our compensation committee believe that substantial portions of executive compensation should be linked to the overall performance of our company, and that the contribution of individuals over the course of the relevant period to the goal of building a profitable business and stockholder value will be considered in the determination of each executive s compensation. We do not target a specific competitive position, but rather consider the compensation that is earned by executives and professionals in similar positions, our business performance and the challenges we are currently facing as we establish the various elements of our compensation program each year.

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Generally, our compensation committee reviews and, as appropriate, modifies compensation arrangements for executive officers in the first quarter of each fiscal year, subject to the terms of existing employment agreements with our named executive officers, as discussed below. For the fiscal year ended March 31, 2009, except for our interim president and chief executive officer s compensation, our compensation committee also considered our interim president and chief executive officer s executive compensation recommendations, which recommendations were presented at the time of our compensation committee s annual review of executive performance and compensation arrangements. In making such determinations, the compensation committee considered the overall performance of each executive and their contribution to the growth of our company and its products as well as overall company performance through personal and corporate achievements. As we are not yet cash-flow positive, the compensation committee considered each executive officer s contributions to brand growth, cost management and long-term value creation for our stockholders for the fiscal year ended March 31, 2009, as well as the retention of our executive officers.

Summary Compensation Table

The following table shows the compensation paid to our officers listed below (Named Executive Officers) for our 2009 and 2008 fiscal years.

Name and Principal Position	Year	Salary	Bonus	Stock Awards(1)	Option Awards (1)	All Other Compensation	Total
Richard J. Lampen (2)	2009	$	$	$	$ 5,667	$	$ 5,667
Interim president and chief executive officer	2008						
John Glover	2009	255,537	35,000	6,696	51,052	192(3)	348,811
Chief operating officer	2008	40,865	12,500(4)				53,365
T. Kelley Spillane	2009	252,871	61,296	6,696	34,493	2,922(5)	357,944
Senior vice president U.S. Sales	2008	225,485	98,073(4)		39,604	1,415(5)	364,577
Donald L. Marsh Jr.	2009	202,708			180,672	476,000(6)	859,380
Former president and chief operating officer	2008	121,231	292,000(7)		20,808	184,500(8)	618,539
John Soden	2009(9)	192,571	64,191		265,718	280,078(10)(11)	802,558
Former senior vice president, managing director - international	2008(9)	255,443	70,858(4)		132,252	28,108(11)	480,660

(1) Represents the dollar amount of expenses recognized for financial statement purposes with respect to the

2009 and 2008 fiscal years for the fair value of stock-based compensation granted in fiscal 2009 and prior fiscal years in accordance with SFAS 123R. Under SEC rules, the amounts shown exclude the impact of estimated forfeitures relating to service-based vesting conditions. See note 14 to our consolidated financial statements for the year ended March 31, 2009 included in our annual report on Form 10-K regarding the assumptions underlying the valuation of these grants.

(2) Mr. Lampen was appointed interim president and chief executive officer in October 2008.

(3) Represents interest on the promissory note issued in lieu of a cash bonus payment as described in

note 4 to this table.

(4) Paid by issuing a promissory note, which bore interest at an annual rate of 4.5%, and accrued from June 19, 2008 through the October 2008 payment date following the closing of the sale of the series A convertible preferred stock. Interest payments on these notes are reflected in All other compensation.

(5) Represents life insurance premiums paid by us for the benefit of Mr. Spillane and interest on the promissory note issued in lieu of a cash bonus payment as described in note 4 to this table.

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(6) Represents payments accrued with respect to Mr. Marsh in connection with the termination of his employment in October 2008.

(7) Includes $100,000 signing bonus and a contractually guaranteed $192,000 bonus for fiscal 2008.

(8) Prior to joining our company as our president and chief operating officer, Mr. Marsh was paid $184,500 as a consultant during our 2008 fiscal year.

(9) Payments to Mr. Soden were made in Euros and converted to U.S. dollars at a conversion rate of 1.00=$1.42447 for our 2009 fiscal year and 1.00=$1.41316 for our 2008 fiscal year (the average Euro to U.S. dollar conversion rates for these periods

as listed on Oanda.com).

(10) Includes 180,250 of severance accrued with respect to Mr. Soden under the terms of his contract upon his termination on December 31, 2008, converted to U.S. dollars as per note 9 of this table and interest on the promissory note issued in lieu of a cash bonus payment as described in note 4 to this table.

(11) Mr. Soden received a car allowance of 15,600, converted to U.S. dollars as per note 9 of this table.

Narrative Disclosure to Summary Compensation Table

Management Changes

The employment of Donald Marsh, our former president and chief executive officer, terminated in October 2008. In May 2009, we entered into an agreement with Mr. Marsh under which we agreed to pay him an aggregate of $476,000. In December 2008, we entered into an agreement with John Soden, who had acted as our senior vice president, managing director-international, under which his employment was terminated without cause effective December 31, 2008. Under the agreement, we agreed to pay Mr. Soden an aggregate of 180,250 of severance and Mr. Soden agreed that he would not receive the 72,100 retention payment that he was to have received under a retention agreement as discussed below. Accordingly, the following discussion does not include the terms of Messrs. Marsh s or Soden s employment agreements or potential termination or change of control payments to them.

Material Terms of Named Executive Officers Employment Agreements

The material terms of Messrs. Glover s and Spillane s employment agreements are described in the table below. Mr. Lampen, our interim president and chief executive officer, does not receive a salary or benefits from us in connection with his service. Instead, we are party to a management services agreement with Vector Group Ltd., a more than 5% stockholder, under which Vector Group agreed to make available to us Mr. Lampen s services. For a discussion of this agreement, see Certain Relationships and Related Transactions Related party transactions

Agreement with Vector Group Ltd.

Certain Material Terms of Employment Agreements with Named Executive Officers

Named Executive Officers	Date of Agreement	Initial Annual Base Salary under the Agreement[1]	Performance Bonus (as Percentage of Annual Base Salary Unless Otherwise Indicated)	Number of Options Granted upon Execution of Agreement	Duration of Severance Payments[2]
Richard J. Lampen					
John Glover	1/24/2008	$ 250,000	Up to 60%	60,000(3)	12 months
T. Kelley Spillane	5/2/2005	175,000	(4)		12 months

(1) Increases are at the compensation committee s sole discretion. As of July 24, 2009, the annual base salary for Messrs. Glover and Spillane is $265,000 and $252,537, respectively.

(2) Please see - Potential Payments Upon Termination or Change in Control below for a full description of these severance obligations.

(3) Stock options granted in fiscal 2008 with an exercise price of

$1.90 per share.

(4) Mr. Spillane s employment contract calls for him to receive performance bonuses at the discretion of our Compensation Committee, with no specific percentage stated.

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Annual Incentives to Named Executive Officers

We paid Mr. Glover an aggregate cash bonus of $35,000 for fiscal 2009. Mr. Glover was the only named executive officer who received a cash bonus for fiscal 2009. Messrs. Spillane and Soden received retention payments under outstanding retention agreements in fiscal 2009 of $61,296 and 45,063 (equivalent to $64,191 based on the average Euro to U.S. dollar conversion rate for fiscal 2009 as listed on Oanda.com), respectively. In fiscal 2009, we redeemed promissory notes that we issued to Messrs. Glover, Spillane and Soden in lieu of fiscal 2008 cash bonus payments. Theses bonus and retention payments are included in the summary compensation table above under the heading Bonus. Interest under the notes issued in lieu of fiscal 2008 cash bonus payments is included in such table under the heading All Other Compensation.

Outstanding Equity Awards at 2009 F