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Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2001

United States
Securities and Exchange Commission

Washington, D.C. 20549

Form 10-K

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

For the Fiscal Year Ended December 31, 2001

or

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

Commission file number 0-27517

GAIAM, INC.

(Exact name of registrant as specified in its charter)

COLORADO	**84-1113527**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

360 INTERLOCKEN BOULEVARD
BROOMFIELD, CO 80021
(Address of principal executive offices)

(303) 222-3600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Class A Common Stock, $.0001 par value

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in a definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☐

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was approximately $103,803,470 as of March 18, 2002, based upon the closing price on the NASDAQ National Market reported for such date. As of March 18, 2002, 8,613,014 shares of the Registrant's $.0001 par value Class A common stock and 5,400,000 shares of the Registrant's Class B common stock were outstanding. Shares of Common Stock held by each executive officer and director, and by each person who beneficially owns more than 5% of the outstanding Common Stock, have been excluded in that such person may, under certain circumstances, be deemed to be affiliates. This determination for executive officer or affiliate status is not necessarily a conclusive determination for other purposes.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or portions thereof) are incorporated by reference into the Parts of this Form 10-K noted:

Part III incorporates by reference from the definitive proxy statement for the registrant's 2002 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form.

Gaiam, Inc.

Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2001

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This report may contain forward-looking statements that involve risks and uncertainties. When used in this discussion, the words "anticipate," "believe," "plan," "estimate," "expect," "strive," "future," "intend" and similar expressions as they relate to Gaiam or its management are intended to identify such forward-looking statements. Gaiam's actual results could differ materially from the results anticipated in these forward-looking statements as a result of certain factors set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Market Risk" and elsewhere in this report. Risks and uncertainties that could cause actual results to differ include, without limitation, competition, loss of key personnel, pricing, brand reputation, e-commerce trends, acquisitions, security and information systems, legal liability for website content, merchandise supply problems, failure of third parties to provide adequate service, reliance on centralized customer service, overstocks and merchandise returns, reliance on a centralized fulfillment center, increases in postage and shipping costs, future internet related taxes, control of Gaiam by its founder, fluctuations in quarterly operating results, consumer trends, customer interest in our products, general economic conditions, the effect of government regulation and other risks and uncertainties included in Gaiam's filings with the Securities and Exchange Commission. We caution you that no forward-looking statement is a guarantee of future performance, and you should not place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this report. We undertake no obligation to update any forward-looking information.

Part I

Item 1. Business

OUR BUSINESS

Gaiam

Gaiam is a multichannel lifestyle company providing a broad selection of information, products and services to customers who value natural health, personal development and renewable energy. We offer our customers the ability to make purchasing decisions based on these values while providing a quality product at a price comparable to conventional alternatives.

Gaiam has established itself as a leading lifestyle brand, information resource and authority in the Lifestyles of Health and Sustainability (LOHAS) market and seeks to become a unifying symbol of the emerging LOHAS lifestyle. Our lifestyle brand is built around our ability to develop and offer content, products and lifestyle solutions to consumers in the LOHAS market. Our content forms the basis of our proprietary products, on which we realize our highest margins, which then drives demand for parallel product and service offerings. Gaiam's operations are vertically integrated from content creation, through product development and sourcing, to customer service and fulfillment. We market our products and services across two segments, business-to-business and direct-to-consumers, and through five sales channels: media, national retailers, corporate accounts, catalogs and the Internet. We distribute our products in each of these sales channels from a single fulfillment center.

The LOHAS Market

The LOHAS market, which represented $227 billion in sales in 2000 according to Natural Business Communication, consists of five main sectors:

- ***Sustainable Economy***. Renewable energy, energy conservation, recycled goods, environmental management services, sustainable manufacturing processes and related information and services.
- ***Healthy Living***. Natural and organic foods, dietary supplements, personal care products and related information and services.
- ***Alternative Healthcare***. Health and wellness solutions and alternative health practices.
- ***Personal Development***. Solutions, information, products and experiences relating to mind, body and spiritual development.
- ***Ecological Lifestyles***. Environmentally friendly cleaning and household products, organic cotton clothing and bedding, and eco-tourism.

Gaiam participates in all five sectors of the LOHAS market.

Our Content

Gaiam's business model revolves around content creation, which forms the basis for our proprietary products. We have an "in house" production and post-production team that produces programs on a variety of topics including "how-to" and solutions based programs on mind-body fitness, wellness, and alternative healthcare. Our programs have won 10 Telly awards and several medals at the International New York Film Festival. During 2001, we produced 25 new visual media titles. Gaiam also develops and markets music and audio CDs under three labels for this lifestyle with approximately 150 titles. Gaiam also publishes printed content on personal development, alternative healthcare and sustainable living.

Our Products

We currently stock over 8,000 stock keeping units (SKUs) of which 2,200 are proprietary products bearing the Gaiam brand. Our proprietary products constituted 53% of our sales in 2001 up from 37% in 2000. Our best selling products, by LOHAS sector, are as follows:

Sustainable Economy	Healthy Living	Alternative Healthcare	Personal Development	Ecological Lifestyles
Solar Panels and Accessories	Air Filters	Natural Lighting	Yoga Information and Accessories	Natural Cleaners
Energy Systems	Water Filters	Back and Neck Care Products	Pilates Information and Accessories	Organic Cotton Bedding
Energy Efficient Lighting	Personal Air Supply	Massage Accessories	Meditation Information and Accessories	Organic Cotton Towels
Energy Information	EMF Filters	Stress Relief	Fitness Equipment	Organic Cotton Clothing
Evaporative Coolers	Personal Care Products	Allergy and Pain Relief	Performance Wear	Recycled Household Paper Products
Intertie Systems	Natural Beauty Products	Sleep Enhancers	Personal Growth Information	Natural Garden Products
Composters	Whole Foods Brand Supplements	Wellness Information	Kids Fitness Products and Information	Non-Toxic Pest Control
Air Dryers	Natural Pet Care	Aroma Therapy	Relaxation Music	Green Cotton Home Accessories

Our Sales Channels

We conduct our business across two segments. Our business-to-business customers are primarily national retailers, corporate accounts and the media. We conduct our direct-to-consumer business through our catalogs and the Internet.

- ***Media***

Gaiam produces information and programming targeted to consumers who value natural health, personal development and spirituality. Currently, thirteen of our programs are broadcast in the United States and five are broadcast internationally. Our programs are also

available in hotel rooms in the U.S. and Canada through on-demand visual media programming available in such hotels as Four Seasons, Hilton, Hyatt, Radisson and Westin. Our media customers include the Discovery Channel, Universal Studios and On Command.

- ***Retailers***

Since the inception of our retailer channel in 1996, we have increased its breadth and diversity, expanding our coverage to over 30,000 stores in North America as of the end of 2001. Gaiam products are currently sold in 27,000 stores in the United States across a variety of leading retailers, including lifestyle stores such as Discovery Stores and The Walking Company; women's beauty stores such as Ulta and Origins; home furnishing stores such as Bed, Bath and Beyond; natural food stores such as Whole Foods Market; sporting goods stores such as The Sports Authority, Dicks and Galyans; book stores such as Borders and Barnes & Noble; music stores such as Musicland and Wherehouse Music; mass merchants such as Target, Kohls and WalMart; and e-tailers such as Amazon.com. Many of these retailers display our products in store-within-store Gaiam lifestyle shops. We implemented our first store-within-store concept in August of 2000 and the concept grew to over 1,500 stores by the end of 2001. In addition, since entering the Canadian market in 2000, we have expanded to over 3,000 stores.

- ***Corporate Accounts***

Gaiam provides products and services to businesses that desire renewable energy solutions or healthy and natural alternatives to traditional products or processes. Such products and services range from environmental reviews, to organic cotton robes and bedding, to solar-powered safety and security systems. In addition, we continue to develop a line of promotional products in organic cotton that includes t-shirts, sweatshirts, caps and bags and other similar products for customers such as Mercedes Benz and Aveda.

We also have a design and consulting service for corporate accounts that assesses their energy needs and makes recommendations for more efficient solutions. Clients of our consulting services include The White House, NASA, Disney, Sony, Fetzer Winery, AT&T and the U.S. Departments of Energy and Defense and the Government of Brazil.

- ***Catalogs***

Gaiam offers a variety of LOHAS products directly to the consumer through our catalogs and through consumer lifestyle publications such as Natural Home, Shape and Yoga Journal. We produce catalogs in all sectors of LOHAS, using our sub-brands Gaiam Harmony (ecological lifestyles and healthy living), Gaiam Living Arts (personal development), Gaiam InnerBalance (alternative healthcare and healthy living), and Gaiam Real Goods (sustainable economy). Our direct consumer file has grown to 1.8 million active customers at the end of 2001 from 300,000 in 1996. The typical Gaiam direct consumer is 80% female with an average income of $75,000 and is well educated.

- ***Internet***

We use the Internet to sell our products and to provide information on the LOHAS lifestyle. We currently offer over 7,000 SKUs on our website, www.gaiam.com. We promote our website through our visual media, catalogs, print publications, and product packaging. A key component of our internet approach is to provide customer support for internet sales from our in-house call center. According to a Jupiter Communications study, 90% of on-line customers prefer human interaction when they require customer service. This is particularly important for Gaiam because the use of many of our products is enhanced by the extensive product education and information that we make available online and through our well informed customer service personnel.

Our Operations

- *Product Development and Sourcing*

Gaiam branded products are sold across our five sales channels. Non-proprietary products are only available through our catalogs and over the Internet, where we initially test products before we decide to develop products under the Gaiam brand and distribute them through our other sales channels. These products are designed to enhance customers' lifestyles and experiences and provide healthy, natural solutions while being eco-friendly and promoting a sustainable economy. Because we use a multi-channel approach to our business we are able to leverage our product development costs across all channels of our business.

Our proprietary products are designed by our product development team, sourced both domestically and internationally by our merchandisers and produced by third party suppliers to our specifications. We also screen the environmental and social responsibility of our suppliers. In order to minimize risk, we often have identified an alternate supplier in a separate location for our products.

- *Customer Service*

Gaiam focuses on building and maintaining customer relationships that thrive on loyalty and trust. We maintain a "no-risk guarantee" policy, whereby a customer is provided a full refund for products that are returned at any time, for any reason. Our in-house customer service department includes product specialists who have specific product knowledge and assist customers in selecting products and solutions that meet their needs. We employ telephone routing software that directs each call to the appropriate representative. Our policy is to ship orders no later than the next business day, which we accomplish by stocking inventory that supports over 90% of our orders. We believe that by offering exceptional customer service we encourage repeat purchases by our customers, enhance our brand identity and reputation and build stronger relationships with our customers.

- *Experienced Executive Team*

Gaiam has an experienced team of corporate managers. Our founder and Chief Executive Officer, Jirka Rysavy, was the founder and Chief Executive Officer of Corporate Express, Inc., which he built to a Fortune 500 company. He was also the founder and Chief Executive

Officer of Crystal Market, Inc., which was sold to become the first Wild Oats Markets store. Lynn Powers, President and Chief Executive Officer of North American operations has over 15 years of senior management experience in the retail industry. As Senior Vice President of Merchandising, Marketing and Strategic Planning she helped to grow Miller's Outpost, from a $25 million startup to over $500 million in revenues. Our Executive Vice President, Pavel Bouska, was a member of the founding team and an officer of Corporate Express for over 10 years, serving in various positions, including Chief Information Officer and Vice President of Information Systems.

- *Established Infrastructure*

During 2000, we moved from our 64,000 square foot facility into a 208,000 square foot fulfillment center near Cincinnati, Ohio, which provides significant capacity to support the growth of our business. This central United States location allows us to achieve shipping cost efficiencies to most locations. The center is also located within 30 minutes of several major shipping company hubs. We use a supply chain management system that supports our entire operation, including fulfillment, inventory management, and customer service. Our fulfillment center is connected to our other facilities by a state-of-the art voice-over-IP telecom network that allows us to maintain a high degree of connectivity within our organization.

Our Growth Strategies

- *Expand our Media Offering*

Proprietary and authentic content lies at the core of our business model. Our media channel introduces customers to Gaiam and helps to establish Gaiam as an authority in the LOHAS market. Gaiam's primary focus is on leveraging our content with branded lifestyle product offerings through various media, catalogs, the Internet, and national retailers. We believe that the content centric strategy is a competitive advantage and the multi-channel approach allows us the broadest possible consumer reach.

We will continue to develop authentic content that caters to the LOHAS lifestyle in video and DVD formats and also accelerate our efforts in the music, broadcast and publishing categories. We have already expanded our visual media offerings internationally and plan to continue to leverage this opportunity.

- *Strengthen our Lifestyle Brand*

Our goal is to maintain the Gaiam brand as an authority in the LOHAS market and to establish Gaiam as a unifying symbol of the emerging LOHAS lifestyle. Strategically, all proprietary products are now being marketed under one unified brand "Gaiam". We plan to strengthen the Gaiam brand by growing our media channel, by focusing on category management initiatives, increasing our store within a store presence across national retailers, increasing our marketing efforts, and by aggressively developing and marketing proprietary products while maintaining our high level of customer service.

- *Expand our Proprietary Products*

Our proprietary products, which we introduced in 1997, represented 53% of our revenues in fiscal year 2001, up significantly from 37% in 2000 and 24% in 1999. These products carry a higher margin, provide for branding opportunity and distinguish us from many of our competitors. We currently offer over 2,200 SKUs of proprietary products that range from media products, yoga and pilates accessories to organic cotton bedding and bath products. We continue to develop and market an increasing number of proprietary products across each of the five LOHAS sectors. As our sales volumes continue to grow we are strengthening our supply chain globally by sourcing a greater number of products off shore. We leverage our product development costs over all sales channels.

- *Capitalize on our Multi-channel Approach*

Our multi-channel strategy affords us the broadest possible customer reach. This approach makes purchasing our lifestyle products convenient regardless of the channel customers prefer. Additionally this diversified and strategic approach should provide for continued operating and business stability as we have the ability to cross-market lifestyle products and services irrespective of the customer location or the channel to which we are marketing. In our direct-to-consumer business we are open 24 hours a day, offering our entire selection of products on our internet site.

In our business-to-business segment, we are expanding our media channel, especially television broadcast and on-demand cable programming, which enables us to reach customers who might not be familiar with Gaiam through our other sales channels as well as expanding our presence in national retailers. We have expanded to 30,000 current retail points and we are building store-within-a-store Gaiam lifestyle shops in a variety of stores, including Whole Foods Markets, Discovery Stores, Dicks, Galyans and other national retailers. We have expanded into women's beauty stores such as Ulta and Origins, sporting goods chains such as Sports Authority and Big 5, home furnishing stores such as Bed, Bath and Beyond and mass merchants such as Target and Wal-Mart. We recently expanded into department stores such as Marshall Fields and Dillards through our functional soft goods line.

- *Expand into New Product Categories in our Business-to-Business Segment*

We have successfully established Gaiam as one of the leaders in the mind-body health category. In an effort to leverage and diversify our strong relationships with our customer base we continue to offer products across an increasing number of lifestyle categories including functional apparel, natural home and healthy solutions. We continue to test products in our direct business for expansion opportunities at retailers. We believe that the Gaiam brand can extend to all aspects of LOHAS in our business-to-business segment.

- *Complement our Existing Business with Selective Strategic Acquisitions*

Given that we continue to deliver strong internal growth we do not depend on acquisitions. Even though our strategy is not dependent on acquisitions, we will consider strategic acquisitions in the LOHAS market that complement our existing business, increase our media

and related product offerings, especially companies with a strong brand identity and with customer and product information databases that augment ours. Gaiam generally allows the acquired company's management team to retain responsibility for front-end business functions such as creative presentation and marketing, while consolidating operational functions under Gaiam's existing infrastructure to realize economies of scale.

Our Business Segments

We separate our business into two business segments: business-to-business, which includes sales to retailers, corporate accounts and our media channel; and direct-to-consumer, which includes catalogs, print advertising, and e-commerce.

Our business-to-business segment provides us with increased branding opportunity, higher operating contribution and mainstream growth potential. As such we continue to emphasize our focus on this segment. The business-to-business segment represented 48% of 2001 revenues, up from 28% in 2000 and 24% in 1999. See Note 11 to our Consolidated Financial Statements for further information on our segments.

Our Intellectual Property

Gaiam, various product names, and URL's are subject to trademark or pending trademark applications of Gaiam or a Gaiam company. We believe these trademarks are significant assets to our business.

Our Competitive Position

We believe that fragmented supplier and distribution networks characterize the LOHAS market, and we are not aware of a dominant leader. Gaiam's goal is to establish itself as the market leader.

Our business is evolving and competitive. Larger and better-established entities may acquire, invest in or form joint ventures with our competitors. Many of these entities have longer operating histories and have greater financial and marketing resources than we have. Increased competition from these or other competitors could reduce our revenue and profits. In addition, the smaller businesses we compete against may be able to more effectively personalize their relationships with customers.

Because Gaiam uses multi-channel distribution for our products, we compete with various producers of similar products and services. Our competitors include PPI Entertainment, Goldhil Media, and thousands of small, local and regional businesses, and product lines or items that are offered by large retailers, manufacturers, publishers and media producers.

We believe the principal competitive factors in the LOHAS market are authenticity of information, distinctiveness of products and services, quality of product, brand recognition and price. We believe we compete favorably on all these relevant factors.

We expect industry consolidation to increase competition. As our competitors grow, they may adopt aggressive pricing or inventory policies, which could result in reduced operating margins and loss of market share.

Our success also depends upon the willingness of consumers to purchase goods and services that promote the values we espouse. While we believe our business plan and assumptions are reasonable, we cannot assure you that the demographic trends on which they are based will continue or that the current levels will be sustained. The decrease of consumer interest in purchasing goods and services that promote the values we espouse would materially and adversely affect the growth of our customer base and revenues and, accordingly, our financial prospects.

Our Employees

As of March 18, 2002, Gaiam and the Gaiam companies employed approximately 253 persons. None of our employees is covered by a collective bargaining agreement.

Regulatory Matters

There are a number of different bills under consideration by Congress and various state legislatures that would restrict disclosure of consumers' personal information, which may make it more difficult for Gaiam to generate additional names for its direct marketing, and restrict a company's right to send unsolicited electronic mail or printed materials. Although Gaiam believes it is generally in compliance with current laws and regulations and that these laws and regulations have not had a significant impact on our business to date, it is possible that existing or future regulatory requirements will impose a significant burden on us.

The Gaiam companies generally collect sales taxes only on sales to residents of states in which Gaiam has locations. Currently, Gaiam collects sales taxes in sales to residents of California, Colorado and Ohio. A number of legislative proposals have been made at the federal, state and local level, and by foreign governments, that would impose additional taxes on the sale of goods and services over the Internet and certain states have taken measures to tax Internet-related activities. Although Congress placed a moratorium on state and local taxes on electronic commerce, existing state or local laws were expressly excepted from this moratorium. Further, once this moratorium is lifted, some type of federal and/or state taxes may be imposed upon Internet commerce.

Our business is also subject to a number of other governmental regulations, including the Mail or Telephone Order Merchandise Rule and related regulations of the Federal Trade Commission. These regulations prohibit unfair methods of competition and unfair or deceptive acts or practices in connection with mail and telephone order sales and require sellers of mail and telephone order merchandise to conform to certain rules of conduct with respect to shipping dates and shipping delays. We are also subject to regulations of the U.S. Postal Service and various state and local consumer protection agencies relating to matters such as advertising, order solicitation, shipment deadlines and customer refunds and returns. In addition, merchandise imported by Gaiam is subject to import and customs duties and, in some cases, import quotas.

Seasonality

See the Quarterly and Seasonal Fluctuations section of Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for information pertaining to the seasonal aspects of our business.

Item 2. Properties

Our principal executive offices are located in Broomfield, Colorado. Our main fulfillment center is located in the Cincinnati, Ohio area. This facility houses most of our fulfillment functions. We selected the Cincinnati site after considering the availability and cost of facilities and labor, proximity to major highways, air delivery hubs and support of local government of new businesses. We also believe that Cincinnati is ideal for providing the lowest cost shipping available from a single central point to a customer base that conforms to the overall U.S. population.

The following table sets forth certain information relating to our primary facilities, all of which are leased:

Primary Locations	Size	Use	Lease Expiration
Broomfield, CO	24,000 sq. ft.	Headquarters and customer service	May 2005
Cincinnati, OH	208,000 sq. ft.	Fulfillment center	March 2005
Venice, CA	9,000 sq. ft.	Media/sales office	July 2005
Hopland, CA	12 acres	Renewable energy demo site	Owned

We have options to renew our headquarters lease. We believe our facilities are adequate to meet our current needs and that suitable additional facilities will be available for lease or purchase when, and as, we need them.

Item 3. Legal Proceedings

From time to time, Gaiam is involved in legal proceedings that we consider to be in the normal course of business. We do not believe that any of these proceedings will have a material, adverse effect on our business.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were brought to a vote of our stockholders in the fourth quarter of the fiscal year ended December 31, 2001.

MANAGEMENT

Executive Officers And Directors

Our executive officers and directors, their respective ages as of December 31, 2001 and their positions are as follows:

NAME	AGE	POSITION
Jirka Rysavy	47	Founder, Chairman of the Board and Chief Executive Officer
Lynn Powers	53	President, Director and CEO of North American operations
Pavel Bouska	47	Executive Vice President
Barnet M. Feinblum(1)(2)	54	Director
John Mackey	48	Director
Barbara Mowry(1)(2)	54	Director
Paul H. Ray(1)(2)	62	Director

(1) Member of the Compensation Committee

(2) Member of the Audit Committee

JIRKA RYSAVY—Founder, Chairman and Chief Executive Officer of Gaiam. He has been Chairman since Gaiam's inception and became the full-time Chief Executive Officer in December 1998. In 1986, Mr. Rysavy founded Corporate Express, Inc., which, under his leadership, grew to become a Fortune 500 company supplying office and computer products and services. He was its Chairman and Chief

Executive Officer until September 1998. Mr. Rysavy also founded and served as Chairman and Chief Executive Officer of Crystal Market, a health foods market, which was sold in 1987 and became the first Wild Oats Markets store. Mr. Rysavy is also a director of Whole Foods Market, Inc.

LYNN POWERS—President and Director of Gaiam, Chief Executive Officer of North American operations. Ms. Powers was promoted to Chief Executive Officer of North American operations in September 2001. She has been President, Chief Operating Officer and a Director since February 1996. From 1992 to 1996, she was Chief Executive Officer of La Scelta, an importer of natural fiber clothing products. Before that, Ms. Powers was Senior Vice President Marketing/Strategic Development and Vice President Merchandising of Miller's Outpost, a specialty retailer.

PAVEL BOUSKA—Executive Vice President and Chief Information Officer since March 1999. He served as a director of Gaiam from 1991 until August 1999. From June 1988 to March 1999, Mr. Bouska was an officer and one of the founding members of Corporate Express, serving in various positions, including Chief Information Officer and Vice President Information Systems, responsible for system development, information technology, operations, systems conversions and business consolidations. Prior to joining Corporate Express, he was project leader for Software Design & Management, a German software company subsequently acquired by Ernst & Young.

BARNET M. FEINBLUM—Director since October 1999. Mr. Feinblum is the President and Chief Executive Officer of Organic Vintners. Mr. Feinblum was the President, Chief Executive Officer and Director of Horizon Organic Dairy from May 1995 to January 2000. From July 1993 through March 1995, Mr. Feinblum was the President of Natural Venture Partners, a private investment company. From August 1976 until August 1993, Mr. Feinblum held various positions at Celestial Seasonings, Inc., including President, Chief Executive Officer, and Chairman of the Board. Mr. Feinblum is also a director of Seventh Generation, Inc.

JOHN MACKEY—Director since September 2000. Mr. Mackey has been the Chairman and Chief Executive Officer of Whole Foods Market, Inc., the world's largest natural food retailer, since he co-founded the company 20 years ago. Mr. Mackey is also a director of Jamba Juice.

BARBARA MOWRY—Director since October 1999. Ms. Mowry is an independent business consultant. From November 1997 until February 2001, Ms. Mowry was the President and Chief Executive Officer of Requisite Technology, a business-to-business e-commerce company specializing in the creation and management of electronic content and catalogs. Prior to joining Requisite Technology, Ms. Mowry was an officer of Telecommunications, Inc. (cable television) from 1995 to 1997. In 1990, Ms. Mowry founded, and until 1995 served as Chief Executive Officer of The Mowry Company, a relationship marketing firm focusing on the development of long-term customer relationships for businesses.

PAUL H. RAY—Director since October 1999. Mr. Ray is the Chief Executive Officer of Integral Partnerships LLC, a consulting firm specializing in Cultural Creative topics. From November 1986 until December 2000, he was Executive Vice President of American LIVES, Inc., a market research and opinion-polling firm. Prior to joining American LIVES, Mr. Ray was Chief of Policy Research on Energy Conservation at the Department of Energy, Mines and Resources of the Government of Canada from 1981 to 1983. From 1973 to 1981, Mr. Ray was Associate Professor of Urban Planning at the University of Michigan. He is the author of "The Integral Culture Survey," which first identified the Cultural Creatives subculture.

Each director serves for a one-year term. Each officer serves at the discretion of the Board of Directors. There are no family relationships among any of the directors or officers of Gaiam.

Part II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Stock Price History

Gaiam's Class A common stock has been quoted on the NASDAQ under the symbol "GAIA" since our initial public offering on October 29, 1999. On March 18, 2002, we had 8,880 stockholders of record and 8,613,014 shares of $.0001 par value Class A common stock outstanding. We have 5,400,000 shares of $.0001 par value Class B common stock outstanding, held by one shareholder.

The following table sets forth certain sales price and trading volume data for Gaiam's Class A common stock for the period indicated:

	High Bid	Low Bid	Close	Average Daily Volume
Fiscal 2002:				
First Quarter (through March 18, 2002)	$ 23.81	$ 15.00	$ 18.40	52,057
Fiscal 2001:				
Fourth Quarter	$ 23.61	$ 14.45	$ 21.80	41,636
Third Quarter	$ 20.25	$ 13.14	$ 15.74	93,051
Second Quarter	$ 16.00	$ 9.43	$ 14.20	16,125
First Quarter	$ 15.75	$ 9.38	$ 10.88	5,915
Fiscal 2000:				
Fourth Quarter	$ 18.25	$ 14.63	$ 15.44	8,224
Third Quarter	$ 19.00	$ 15.00	$ 18.31	11,176
Second Quarter	$ 24.69	$ 14.00	$ 18.50	12,383

First Quarter	$	19.00	$	13.92	$	17.50	11,057

Dividend Policy

Gaiam has never declared or paid any cash dividends on its capital stock. Gaiam currently intends to retain earnings to support its growth strategy and does not anticipate paying cash dividends in the foreseeable future. In addition, our bank credit agreement prohibits payment of any dividends to our shareholders.

Sales of Unregistered Securities

During 2001, Gaiam acquired the remaining 49.9% interest in its two renewable energy businesses that it did not previously own. Total consideration paid for these acquisitions was approximately $250,000 in cash and 50,000 shares of Class A common stock. These shares were issued on September 21, 2001, pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933.

Item 6. Selected Financial Data

The selected statement of operations for the years ended December 31, 1999, 2000 and 2001 and balance sheet data as of December 31, 2000 and 2001 set forth below are derived from Gaiam's audited consolidated financial statements which are included elsewhere in this Form 10-K. The selected statement of operations for the years ended December 31, 1997 and 1998 and balance sheet data as of December 31, 1997, 1998 and 1999 set forth below are derived from Gaiam's audited consolidated financial statements which are not included in this form 10-K. The historical operating results are not necessarily indicative of the results to be expected for any other period. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Gaiam's consolidated financial statements and related notes, included elsewhere in this Form 10-K.

SELECTED FINANCIAL DATA
(Amounts in thousands, except per share data)

	Year Ended December 31,				
	2001	2000	1999	1998	1997
Statement of Operations Data					
Net revenues	$ 98,737	$ 60,588	$ 45,725	$ 30,739	$ 19,898
Cost of goods sold	39,276	23,793	18,176	13,174	8,462
Gross profit	59,461	36,795	27,549	17,565	11,436
Selling, operating, general and administrative expenses(1)	52,849	32,367	25,425	16,580	12,002
Operating income (loss)	6,612	4,428	2,124	985	(566)
Other income (loss) (2)	346	(283)	606	388	1,583
Income before income taxes and minority interest	6,958	4,145	2,730	1,373	1,017
Income taxes	2,498	1,556	1,063	251	363
Minority interest income (loss) of consolidated subsidiary, net of tax	(404)	60	51	(262)	—
Net income	$ 4,056	$ 2,649	$ 1,718	$ 860	$ 654
Net income per share:					
Basic	$ 0.33	$ 0.24	$ 0.20	$ 0.11	$ 0.08
Diluted	$ 0.32	$ 0.23	$ 0.19	$ 0.11	$ 0.08
Shares outstanding:					
Basic	12,396	10,858	8,785	8,073	8,040
Diluted	12,809	11,525	9,119	8,119	8,040

	December 31,				
	2001	2000	1999	1998	1997
Balance Sheet Data					
Cash	$ 22,244	$ 8,579	$ 3,877	$ 1,410	$ 1,612
Securities available-for-sale (3)	—	—	—	1,634	4,828
Working capital	41,403	15,269	5,911	(81)	5,226
Total assets	88,187	48,477	27,260	16,677	10,774
Long-term debt (net of current maturities)	238	5,770	2,109	299	42
Stockholders' equity (3)	58,633	18,111	14,951	3,661	4,736

(1) Includes a one-time impairment charge of $1,350,000 in 2001 against the Interworld platform of the Gaiam.com website.

(2) Other income in 1997, 1998 and 1999 primarily reflects income from sale of securities available-for-sale.

(3) Securities valued at fair market value in 1997 and 1998.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of Gaiam's financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this document.

Overview

Gaiam is a multi-channel lifestyle company providing information, goods and services to customers who value natural health personal development, and renewable energy. Gaiam was incorporated in Boulder, Colorado in 1988 to support "Conscious Commerce," the practice of making purchasing decisions based on lifestyle and personal values. In 1995, Gaiam began to expand nationally. In 1996, Gaiam made a large investment in infrastructure and operating systems to support rapid growth. From 1996 to 2001, Gaiam's revenues increased from $14.8 million to $98.7 million, representing a compound annual growth rate of approximately 46.2%.

Gaiam's business model is evolving as evidenced by the increase in the percentage of our revenues from our media and national retailer channels. The increased focus on the above-mentioned channels is planned and strategic in nature as it provides us with increased branding opportunity, higher operating contribution and greater mainstream penetration. In 2001, our business-to-business segment increased to 48% of total revenues, up from 13% in 1998. Even with the segment shift to business-to-business, Gaiam's gross margin remained strong at 60% primarily because of our continued focus on higher margin proprietary products. In 2001, 53% of our sales was comprised of proprietary products, up significantly from 10% in 1998.

Gaiam's internal growth (revenue growth from existing operations, excluding acquisitions until such acquisitions have been held for four previous fiscal quarters) remained strong at 48% during 2001, up from 24% in 2000.

In January 2001, we acquired Real Goods Trading Corp and consolidated Real Goods' operations into Gaiam's established infrastructure. In February, we acquired the Selfcare.com URL as well as selected inventory of Medical SelfCare from the assignee for the benefit of its creditors. In second and third quarters of 2001, we acquired the minority interest in three of our remaining four businesses with minority shareholders. Only Gaiam.com had a minority interest at the end of the year.

Critical Accounting Policies

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company believes that of the significant accounting polices described in Note 1 to the consolidated financial statements, the following involve a higher degree of complexity.

Allowance for Doubtful Accounts—Methodology

We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations (e.g., bankruptcy filings), we record a specific reserve for bad debts against amounts due. For all other instances, we recognize reserves based on historical experience and review of the individual accounts outstanding.

Inventories—Slow Moving and Obsolescence—Methodology

We evaluate our Inventory Obsolescence reserve based on an item's current sales status. If an item is determined to be a discontinued or slow moving item, it is reserved for based on an analysis of anticipated markdowns to sell-thru current inventory values.

Results of Operations

The following table sets forth certain financial data as a percentage of revenues for the periods indicated:

	For the Year Ended December 31,		
	2001	2000	1999
Net revenue	100.0%	100.0%	100.0%
Cost of goods sold	39.8%	39.3%	39.8%
Gross profit	60.2%	60.7%	60.2%
Expenses:			
Selling and operating	44.1%	45.1%	48.8%
Corporate, general and administrative	8.0%	8.3%	6.7%

Impairment charge—website platform	1.4%	—	—
Total expenses	53.5%	53.4%	55.5%
Income from operations	6.7%	7.3%	4.7%
Other income (expense), net	0.3%	-0.4%	1.3%
Income before income taxes and minority interest	7.0%	6.9%	6.0%
Provision for income taxes	2.5%	2.6%	2.3%
Minority interest in net income (loss) of consolidated subsidiary, net of tax	0.4%	-0.1%	-0.1%
Net income	4.1%	4.4%	3.8%

Year ended December 31, 2001 compared to year ended December 31, 2000

Revenues increased 63% to $98.7 million in 2001 from $60.6 million in 2000. Gaiam's internal growth rate was 48%, fueled primarily by the growth in sales to national retail chains. Business-to-business revenues increased to $47.5 million in 2001 from $16.8 million in 2000.

Gross profit, which consists of revenues less cost of sales (primarily merchandise acquisition costs and in-bound freight), increased 61.6% to $59.5 million in 2001 from $36.8 million during 2000. As a percentage of revenue, gross profit was 60.2% in 2001 compared to 60.7% in 2000. This was primarily attributable to product mix diversification in our business-to-business segment and growth in the renewables business, which has a lower gross profit contribution than Gaiam's other businesses. Gaiam continues to pursue growth of its proprietary product offerings, on which Gaiam has better margins.

Selling and operating expenses, which consist primarily of sales and marketing costs, commissions and fulfillment expenses, increased 59.6%, which is less than the revenue increase of 63%, to $43.6 million in 2001 from $27.3 million in 2000. As a percentage of revenues, selling and operating expenses decreased to 44.1% in 2001 from 45.1% in 2000 primarily due to leverage associated with the increased percentage of sales from our business-to-business segment.

Corporate, general and administrative expenses increased to $7.9 million for 2001 from $5.1 million in 2000 mainly due to higher revenues. As a percentage of revenues, general and administrative expenses decreased to 8.0% in 2001 from 8.3% in 2000 due to operating leverage. Gaiam also took a one-time impairment charge of $1,350,000 related to the Interworld platform of its Gaiam.com website.

Operating income, as a result of the factors described above, increased 49.3% to $6.6 million in 2001 from $4.4 million in 2000.

Gaiam recorded $346,238 in other income during 2001, compared to other expense of $283,114 in 2000. Minority interest was ($404,305) in 2001, and $59,706 of minority interest was recognized during 2000.

The Income tax provision increased to $2.5 million in 2001, from $1.6 million in 2000 due to increased profits.

Net income, as a result of the factors described above, increased 53.1% to $4.1 million in 2001 from $2.6 million during 2000.

Year ended December 31, 2000 compared to year ended December 31, 1999

Revenues increased 32.5% to $60.6 million in 2000 from $45.7 million in 1999. Gaiam's internal growth rate was 24%, fueled primarily by the growth in sales to national retail chains and e-commerce business. Business-to-business revenues grew 50.3% to $16.8 million in 2000 from $11.2 million in 1999.

Gross profit increased 33.6% to $36.8 million in 2000 from $27.5 million during 1999. As a percentage of revenue, gross profit increased to 60.7% in 2000 from 60.2% in 1999. This was primarily attributable to the growth of Gaiam's proprietary product offerings, on which we have better margins, which constituted 37% of sales in 2000, up from 24% in 1999.

Selling and operating expenses, which consist primarily of sales and marketing costs, commissions and fulfillment expenses, increased 22.3%, which is less than the revenue increase of 32.5%, to $27.3 million in 2000 from $22.3 million in 1999. As a percentage of revenues, selling and operating expenses decreased to 45.1% in 2000 from 48.8% in 1999.

Corporate, general and administrative expenses increased to $5.1 million for 2000 from $3.1 million in 1999. As a percentage of revenues, general and administrative expenses increased to 8.3% in 2000 from 6.7% in 1999, primarily as a result of an increase in depreciation expense and the expenses associated with a public company.

Operating income, as a result of the factors described above, increased 108.4% to $4.4 million in 2000 from $2.1 million in 1999.

Gaiam recorded $73,947 in other expense during 2000, compared to other income of $971,159 in 1999. During 1999, Gaiam recognized gains on the sales of marketable securities of $2.5 million. Net interest expense declined to $209,167 in 2000 from $365,294 in 1999, primarily as a result of interest income generated in the third and fourth quarters of 2000.

Minority interest was $59,706 in 2000 and $50,858 during 1999.

Income tax provision increased to $1.6 million in 2000, an effective tax rate of 37.5% on pre-tax income, from $1.0 million in 1999.

Net income, as a result of the factors described above, increased 54.2% to $2.6 million in 2000 from $1.7 million during 1999.

Quarterly and Seasonal Fluctuations

The following table sets forth our unaudited quarterly results of operations for each of the quarters in 2001 and 2000. In management's opinion, this unaudited financial information includes all adjustments, consisting solely of normal recurring accruals and adjustments, necessary for a fair presentation of the results of operations for the quarters presented. This financial information should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Form 10-K. The results of operations for any quarter are not necessarily indicative of future results of operations.

	Fiscal 2001			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except for per share data)			
Net revenue	$ 17,671	$ 22,019	$ 23,946	$ 35,101
Gross profit	10,824	13,247	14,221	21,169
Operating income (loss)	735	1,549	1,792	2,536
Net income	419	552	970	2,115
Net income per share	$ 0.04	$ 0.05	$ 0.07	$ 0.15
Weighted average shares outstanding	11,563	11,679	13,497	14,458

	Fiscal 2000			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except for per share data)			
Net revenue	$ 12,558	$ 11,386	$ 13,630	$ 23,014
Gross profit	7,636	6,730	8,129	14,300
Operating income (loss)	456	295	982	2,695
Net income	203	201	579	1,666
Net income per share	$ 0.02	$ 0.02	$ 0.05	$ 0.14
Weighted average shares outstanding	11,505	11,552	11,538	11,506

Note: The aggregate of certain of the above amounts differs from that reported for the full fiscal year due to the effects of rounding.

Quarterly fluctuations in Gaiam's revenues and operating results are due to a number of factors, including the timing of new product introductions and mailings to customers, advertising, acquisitions (including costs of acquisitions and expenses related to integration of acquisitions), competition, pricing of products by vendors and expenditures on our systems and infrastructure. The impact on revenue and operating results, due to the timing and extent of these factors, can be significant. Our sales are also affected by seasonal influences. On an aggregate basis, Gaiam experiences its strongest revenues and net income in the fourth quarter due to increased holiday spending.

Liquidity and Capital Resources

Gaiam's capital needs arise from working capital required to fund our operations, capital expenditures related to expansions and improvements to Gaiam's infrastructure, development of e-commerce, and funds required in connection with the acquisitions of new businesses and Gaiam's anticipated future growth. These capital requirements depend on numerous factors, including the rate of market acceptance of Gaiam's product offerings, the ability to expand Gaiam's customer base, the cost of ongoing upgrades to Gaiam's product offerings, the level of expenditures for sales and marketing, the level of investment in distribution and other factors. The timing and amount of these capital requirements cannot accurately be predicted. Additionally, Gaiam will continue to evaluate possible investments in businesses, products and technologies, and plans to expand sales and marketing programs and conduct more aggressive brand promotions.

During the first six months of 1999, Gaiam raised $1.45 million from the private placement of 331,429 shares of Class A common stock and $1.425 million in debentures. The privately placed shares were sold at $4.375 per share, and the 8% convertible debentures matured on the earlier of one year after the date of the debenture or the closing date of the initial public offering. In October 1999, we repaid $500,000 of the convertible debentures and, simultaneous with the closing of the initial public offering, converted the remaining $1.475 million in debentures to 295,000 shares of Class A common stock.

Gaiam's initial public offering of 1,705,000 shares of Class A common stock at $5.00 per share was completed in October 1999. Giving effect to the conversion of $1.475 million in debentures to 295,000 shares of common stock, the total issuance was 2,000,000 shares. The offering's underwriters also exercised their overallotment option for 102,861 additional shares during November 1999. Net proceeds to Gaiam, after deducting all commissions and expenses associated with the offering, were $6.1 million.

During the third quarter of 2001, Gaiam completed a secondary offering of 2,200,000 shares of Class A common stock, plus an overallotment of 330,000 shares, at an offering price of $13.75 per share. Net proceeds to Gaiam, after deducting the underwriting commission and expenses, were approximately $31.6 million. Gaiam used $10 million of the proceeds to pay outstanding amounts under its Wells Fargo credit agreement.

Gaiam has consolidated its line of credit agreements with Wells Fargo Bank into one agreement. The new credit agreement, which extends through October 1, 2003, permits borrowings of up to $15 million based upon the collateral value of Gaiam's accounts receivable, inventory and certain property and equipment. Borrowings under the Wells Fargo credit agreement bear interest at the lower of prime rate less 50 basis points or LIBOR plus 275 basis points. Borrowings are secured by a pledge of Gaiam's assets, and the agreement contains various financial covenants, including prohibiting the payment of cash dividends to Gaiam shareholders and requiring maintenance of certain financial ratios. At December 31, 2001, Gaiam had no amounts outstanding under this agreement, and was in compliance with all the financial covenants.

Gaiam's operating activities used net cash of $6.6 million and $1.7 million during 2001 and 2000, respectively. Gaiam's net cash used in operating activities for 2001 arose primarily from increases in accounts receivable of $8.4 million associated with growth in the business-to-business segment, increased inventories of $6.7 million correlating to increased business volumes. These uses were partially offset by net income of $4.1 million.

Gaiam's investing and acquisition activities used net cash of $5.7 million during 2001 and provided net cash of $2.9 million during 2000. During the first quarter of 2001, Gaiam completed its merger with Real Goods Trading Corporation, and also acquired all of the stock and certain assets of Earthlings, Inc. and Self Care, Inc. for a total combined purchase price of $3.8 million. During the second quarter of 2001, Gaiam eliminated the minority interest in its organic clothing business by acquiring the remaining equity interest. At the end of September 2001, Gaiam purchased the remaining 49.9% interest in its two renewable energy businesses thus eliminating the minority interest in these businesses effective October 1, 2001. Gaiam.com, in which Gaiam holds a 50.1% interest and Whole Foods Market currently owns 35%, acquired the realgoods.com, selfcare.com and jademountain.com websites from Gaiam, and sold the Bioenergy Nutrients and HealthSmart Vitamins websites back to Whole Foods Market. This activity accounted for the majority of the use of net cash in 2001.

Gaiam's financing activities provided $25.9 million in cash, primarily resulting form the completion of Gaiam's secondary offering of Class A common stock.

Gaiam has commitments pursuant to lease agreements. See Note 5 to the consolidated financial statements for a discussion of these commitments.

We believe our available cash, cash expected to be generated from operations, and borrowing capabilities will be sufficient to fund our operations on both a short-term and long-term basis. However, our projected cash needs may change as a result of acquisitions, unforeseen operational difficulties or other factors.

In the normal course of our business, we investigate, evaluate and discuss acquisition, joint venture, minority investment, strategic relationship and other business combination opportunities in the LOHAS (Lifestyles of Health and Sustainability) market. In the event of any future investment, acquisition or joint venture opportunities, we may consider using then-available liquidity, issuing equity securities or incurring additional indebtedness.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We do not believe that any of our financial instruments have significant risk associated with market sensitivity. We are not exposed to financial market risks from changes in foreign currency exchange rates and are only minimally impacted by changes in interest rates. Borrowings under our bank credit facility are at a variable rate of interest, but Gaiam does not have any amounts outstanding under its credit line. However, in the future, we may enter into transactions denominated in non-U.S. currencies or increase the level of our borrowings, which could increase our exposure to these market risks. We have not used, and currently do not contemplate using, any derivative financial instruments.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors
Gaiam, Inc.

We have audited the accompanying consolidated balance sheets of Gaiam, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gaiam, Inc. and subsidiaries at December 31, 2001 and 2000 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Denver, Colorado
February 18, 2002

GAIAM, INC.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	$ 22,243,647	$ 8,578,668
Accounts receivable, net of allowance for doubtful accounts of $570,157 in 2001 and $301,539 in 2000	15,747,329	8,472,828
Accounts and notes receivable, other	2,086,085	1,097,390
Inventory, less allowances	15,447,434	6,361,046
Deferred advertising costs	1,779,443	1,625,285
Other current assets	489,846	1,307,416
Total current assets	57,793,784	27,442,633
Property and equipment, net	13,278,545	10,797,501
Capitalized production costs, net	3,551,478	2,656,666
Video library, net	4,332,777	4,631,140
Goodwill, net	7,266,714	2,379,861
Deferred tax assets	1,390,545	146,132
Other assets	573,210	450,409
Total assets	$ 88,187,053	$ 48,504,342
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 8,954,607	$ 8,091,569
Accrued liabilities	4,352,290	2,276,385
Accrued royalties	1,458,367	867,667
Capital lease obligations, current	211,745	147,649
Income taxes payable	1,413,643	790,267
Total current liabilities	16,390,652	12,173,537
Capital lease obligations, long-term	238,078	270,171
Deferred tax liability	517,414	412,001
Line of credit	—	5,500,000
Total long-term liabilities	755,492	6,182,172
Minority interest	6,408,277	6,037,868
Redeemable Class A preferred stock in subsidiary	6,000,000	6,000,000
Stockholders' equity:		
Class A common stock, $.0001 par value, 150,000,000 shares authorized, 8,581,806 and 5,473,184 shares issued and outstanding at December 31, 2001 and 2000, respectively	858	547
Class B common stock, $.0001 par value, 50,000,000 shares authorized, 5,400,000 shares issued and outstanding at December 31, 2001 and 2000, respectively	540	540
Additional paid-in capital	48,261,202	11,865,734
Deferred compensation	(352,326)	(422,826)
Retained earnings	10,722,358	6,666,770

Total stockholders' equity	58,632,632	18,110,765
Total liabilities and stockholders' equity	$ 88,187,053	$ 48,504,342

See accompanying notes.

GAIAM, INC.

CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31,		
	2001	2000	1999
Net revenue	$ 98,737,148	$ 60,588,018	$ 45,724,662
Cost of goods sold	39,275,985	23,793,492	18,175,787
Gross profit	59,461,163	36,794,526	27,548,875
Expenses:			
Selling and operating	43,583,062	27,309,857	22,337,950
Corporate, general and administration	7,916,629	5,056,903	3,086,514
Impairment charge—website platform *(see Note 4)*	1,350,000	—	—
Total expenses	52,849,691	32,366,760	25,424,464
Income from operations	6,611,472	4,427,766	2,124,411
Other income (expense):			
Realized gain on sale of assets and other *(see Note 3)*	407,092	(73,947)	971,159
Interest expense	(60,854)	(209,167)	(365,294)
Other income (expense)	346,238	(283,114)	605,865
Income before income taxes and minority interest	6,957,710	4,144,652	2,730,276
Provision for income taxes	2,497,817	1,555,487	1,062,789
Minority interest in net (income) loss of consolidated subsidiary, net of tax	(404,305)	59,706	50,858
Net income	$ 4,055,588	$ 2,648,871	$ 1,718,345
Net income per share:			
Basic	$ 0.33	$ 0.24	$ 0.20
Diluted	$ 0.32	$ 0.23	$ 0.19
Shares used in computing net income per share:			
Basic	12,395,907	10,858,139	8,785,205
Diluted	12,808,631	11,525,120	9,119,108

See accompanying notes.

GAIAM, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Class A Common Stock		Class B Common Stock						
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Deferred Compensation	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at December 31, 1998	1,165,000	$ 117	7,035,000	$ 704	$ 377,634	$ —	$ 983,126	$ 2,299,554	$ 3,661,135
Issuance of common stock	331,429	32	—		1,449,968	—	—	—	1,450,000
Shares issued in connection with IPO, including the underwriter's overallotment, net of issuance costs	1,807,861	181	—	—	6,142,007	—	—	—	6,142,188
Issuance of common stock in conjunction with									

acquisitions and share conversion	1,842,247	185	(1,635,000)	(164)	1,593,971	(106,992)	—	—	1,487,000
Shares issued in connection with conversion of debt	295,000	29	—	—	1,474,971	—	—	—	1,475,000
Comprehensive income (loss):									
Net income	—	—	—	—	—	—	—	1,718,345	1,718,345
Decrease in fair market value of available for sale securities, net of reclassification *(see Note 1)*	—	—	—	—			(983,126)	—	(983,126)
Total comprehensive income									735,219
Balance at December 31, 1999	5,441,537	544	5,400,000	540	11,038,551	(106,992)	—	4,017,899	14,950,542
Issuance of common stock in conjunction with acquisitions and compensation	31,647	3			827,183	(315,834)			511,352
Net income and comprehensive income								2,648,871	2,648,871
Balance at December 31, 2000	5,473,184	547	5,400,000	540	11,865,734	(422,826)	—	6,666,770	18,110,765
Return of capital to shareholder through purchase of Earthlings, Inc. and Selfcare, Inc.					(3,073,061)				(3,073,061)
Issuance of common stock in conjunction with acquisitions and compensation	578,622	58			7,892,474	70,500			7,963,032
Shares issued in connection with Secondary Offering, including the underwriter's overallotment, net of issuance costs	2,530,000	253			31,576,055				31,576,308
Net income and comprehensive income								4,055,588	4,055,588
Balance at December 31, 2001	8,581,806	$ 858	5,400,000	$ 540	$48,261,202	$ (352,326)	$ —	$10,722,358	$58,632,632

See accompanying notes.

GAIAM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
	2001	**2000**	**1999**
Operating activities			
Net income	$ 4,055,588	$ 2,648,871	$ 1,718,345
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation	2,225,312	1,245,155	391,000
Amortization	638,617	414,695	293,315
Website impairment charge	1,350,000	—	—
Stock compensation	390,912	147,492	—
Interest expense added to principal of margin loan	—	—	16,513
Minority interest in consolidated subsidiary	404,305	(59,706)	(50,858)
Realized gains on sales of securities and property and Equipment	—	—	(2,516,110)
Deferred tax expense	32,160	384,968	(53,718)

Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(8,359,159)	(4,127,458)	(2,296,771)
Inventory	(6,716,208)	(1,739,231)	(1,161,724)
Deferred advertising costs	(45,511)	551,040	(418,480)
Capitalized production costs	(894,812)	(1,019,960)	(964,268)
Other current assets	664,226	(914,086)	(109,494)
Other assets	(42,359)	(229,295)	41,615
Accounts payable	(2,302,266)	(8,730)	717,852
Accrued liabilities	1,280,913	167,310	198,741
Income taxes payable	753,498	805,123	(424,745)
Net cash used in operating activities	(6,564,784)	(1,733,812)	(4,618,787)
Investing activities			
Purchase of property and equipment	(1,232,321)	(8,735,390)	(2,212,961)
Proceeds from the sale of securities available-for-sale	—	—	2,548,310
Proceeds from sale of stock in subsidiary	—	11,959,923	—
Payments for acquisitions, net of cash acquired	(4,457,718)	(305,773)	(2,740,703)
Net cash provided by (used in) investing activities	(5,690,039)	2,918,760	(2,405,354)
Financing activities			
Principal payments on capital leases	(144,358)	(99,617)	(60,671)
Proceeds from issuance of common stock	31,576,308	15,872	9,017,190
Net proceeds from (payments on) borrowings	(5,512,148)	3,600,000	535,148
Net cash provided by financing activities	25,919,802	3,516,255	9,491,667
Net change in cash and cash equivalents	13,664,979	4,701,203	2,467,526
Cash and cash equivalents at beginning of year	8,578,668	3,877,465	1,409,939
Cash and cash equivalents at end of year	$ 22,243,647	$ 8,578,668	$ 3,877,465
Supplemental cash flow information			
Interest paid	$ 388,996	$ 287,080	$ 348,580
Income taxes paid	1,630,000	82,099	1,541,253
Common stock issued for acquisitions	6,664,834	333,131	1,487,000
Common stock issued for convertible debt	—	—	1,425,000
Fixed assets acquired under capital lease	201,197	212,519	297,740

See accompanying notes.

GAIAM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

Gaiam, Inc. was incorporated under the laws of the State of Colorado on July 7, 1988. Gaiam is a multi-channel lifestyle company providing information, goods, and services to customers who value personal development, healthy lifestyles and the environment.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Gaiam, its subsidiaries and partnerships in which ownership is greater than 50% and considered to be under the control of Gaiam. All material intercompany accounts and transaction balances have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include demand deposit accounts with financial institutions and all highly liquid investments, which mature within three months of date of purchase.

Provision for Doubtful Accounts

Gaiam records a provision for doubtful accounts for all receivables not expected to be collected. Gaiam generally does not require collateral.

Inventory

Inventory, consisting primarily of finished goods held for sale, is stated at the lower of cost (first-in, first-out method) or market. Inventory is presented net of an allowance for obsolescence of $1,255,000 and $750,000 at December 31, 2001 and 2000, respectively.

Deferred Advertising Costs

Deferred costs primarily relate to preparation, printing and distribution of catalogs. Such costs are deferred for financial reporting purposes until the catalogs are distributed, then amortized over succeeding periods (not to exceed seven months) on the basis of estimated sales. Historical sales statistics are the principal factor used in estimating the amortization rate. Other advertising and promotional costs are expensed as incurred. Advertising costs incurred were $9.9 million, $10.5 million, and $10.1 million for the years ended December 31, 2001, 2000, and 1999, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization, which includes the amortization of assets recorded under capital leases. Included in property and equipment is the cost of internal-use software, including software used in connection with Gaiam's websites. Gaiam expenses all costs related to the development of internal-use software other than those incurred during the application development stage. Costs incurred during the application development stage are capitalized and amortized over the estimated useful life of the software (generally five years). Depreciation of property and equipment is computed on the straight-line method over estimated useful lives (generally five to ten years). Property and equipment purchased under capital leases are amortized on a straight-line basis over the lesser of the estimated useful life of the asset or the lease term.

Capitalized Production Costs

Capitalized production costs include costs incurred to produce informational videos marketed by Gaiam to retail marketers and direct-mail customers. These costs are deferred for financial reporting purposes until the videos are released, then amortized over succeeding periods on the basis of estimated sales. Historical sales statistics are the principal factor used in estimating the amortization rate. Accumulated amortization at December 31, 2001 and 2000 was $2.3 million and $1.7 million, respectively.

Video Library, Net

The video library asset represents the cost of the library of produced videos acquired through a business combination. The video library is presented net of accumulated amortization of $1,017,587 and $674,059 at December 31, 2001 and 2000 and is being amortized over a 15-year life.

Goodwill, Net

Goodwill, net represents the excess of the purchase price over the fair value of assets acquired in business acquisitions accounted for under the purchase method. Goodwill is presented net of related accumulated amortization of $400,954 and $88,922 at December 31, 2001 and 2000, and was being amortized over lives ranging from 10 to 20 years.

Long-Lived Assets

The carrying values of intangible and other long-lived assets are reviewed quarterly to determine if any impairment indicators are present. If it is determined that such indicators are present and the review indicates that the assets will not be recoverable, based on undiscounted estimated cash flows over the remaining amortization and depreciation period, their carrying values are reduced to estimated fair market value. At December 31, 2001, it was determined that the Interworld platform of the Gaiam.com website was impaired. As a result, an impairment charge of $1.35 million was recorded.

Accrued Royalties

Gaiam has various royalty agreements with instructors and artists requiring royalty payments of specified product sales based upon unit sales, or upon a specified minimum royalty amount. Payments are made quarterly and semi-annually.

Income Taxes

Gaiam provides for income taxes pursuant to the liability method as prescribed in Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. The liability method requires recognition of deferred income taxes based on temporary differences between financial reporting and income tax bases of assets and liabilities, using currently enacted income tax rates and regulations.

Revenues

Gaiam recognizes revenue at the time merchandise is shipped to the customer. Amounts billed to customers for postage and handling charges, which approximate $4.7 million for 2001, $3.5 million for 2000, and $3.0 million for 1999, are recognized as revenue at the time that the revenues on the product shipments are recognized. Postage and handling costs, which approximate $5.2 million for 2001, $3.3 million for 2000, and $3.0 million for 1999, are included in selling and operating expense along with other fulfillment costs incurred to

warehouse, package and deliver products to customers. Gaiam provides a reserve for expected future returns at the time the sale is recorded based upon historical experience. Gaiam's sales are attributable mainly to sales within North America, with a very small percentage, less than 1% of sales, to international customers. Gaiam generally does not require collateral.

Fair Value of Financial Instruments

Gaiam's financial instruments consist of cash and cash equivalents, securities available-for-sale, accounts receivable, payables and debt obligations. The carrying values of these financial instruments as reported in the accompanying balance sheets are assumed to approximate their fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes including the valuation of stated accounts receivable and inventory balances. Actual results could differ from those estimates.

Stock-Based Compensation

Gaiam accounts for its stock-based compensation arrangements under the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25") and related interpretations, including FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*, rather than the alternative fair value accounting allowed by SFAS No. 123, *Accounting for Stock Based Compensation*.

Defined Contribution Plan

In 1999, Gaiam adopted a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code, which covers substantially all employees. Eligible employees may contribute amounts to the plan, via payroll withholding, subject to certain limitations. The 401(k) plan permits, but does not require, additional matching contributions to the 401(k) plan by Gaiam on behalf of all participants in the 401(k) plan. To date, Gaiam has not made any matching contributions to the 401(k) plan.

Reporting Comprehensive Income

Financial Accounting Standards Board ("FASB") Statement No. 130, *Reporting on Comprehensive Income* ("FASB No. 130"), establishes standards for reporting and display of comprehensive income and its components in the financial statements. Comprehensive income includes all changes in equity during a period from non-owner sources. The only item of comprehensive income that Gaiam had in 1999 was unrealized gains (losses) on securities available-for-sale. During the years ended December 31, 2001 and 2000, Gaiam did not have any significant transactions that are required to be reported. The reclassification adjustment for gains and losses included in net income for 1999 includes unrealized losses of $2.6 million and net realized gains of $1.6 million.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 141, "Business Combinations" ("SFAS No. 141") in June 2001. SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method and addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. Gaiam adopted SFAS No. 141 effective the beginning of the third quarter of fiscal year 2001.

In June 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142"), which revises the accounting for purchased goodwill and other intangible assets. Under SFAS No. 142, goodwill and other intangible assets with indefinite lives will no longer be systematically amortized into operating results. Instead, each of these assets will be tested for impairment, in the absence of an indicator of possible impairment, at least annually, and upon an indicator of possible impairment, immediately. As required under SFAS No. 142, any goodwill resulting from a business combination occurring subsequent to June 30, 2001, will not be systematically amortized. The provisions of SFAS No. 142 are required to be applied starting with fiscal years beginning after December 15, 2001 and must be applied as of the beginning of a fiscal year. Gaiam adopted SFAS No. 142, as required, effective January 1, 2002. Pre-tax goodwill amortization was approximately $294,652, $73,038, and $6,972 during fiscal years 2001, 2000, and 1999, respectively. Application of the non-amortization provisions of SFAS No. 142 is expected to result in an annual increase in net income of approximately $153,000 or approximately $.01 per share, in fiscal 2002. Management is evaluating the transitional goodwill impairment provisions of SFAS No. 142 and currently management does not expect that the adoption of these provisions will have a material impact on Gaiam's consolidated financial statements.

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations* ("SFAS No. 143"), which sets forth the financial accounting and reporting to be followed for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are to be capitalized as part of the carrying amount of the long-lived asset. Subsequently, the recorded liability will be accreted to its present value and the capitalized costs will be depreciated. Unless management elects to early adopt SFAS No. 143, as permitted, Gaiam will adopt SFAS No. 143, as required, in its consolidated financial statements for the first quarter of fiscal 2003. Management is evaluating the provisions of SFAS No. 143 and management does not expect that adoption will have a material impact on Gaiam's consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144"), which modifies and expands the financial accounting and reporting for the impairment or disposal of long-lived assets other than goodwill, which is specifically addressed by SFAS No. 142. SFAS No. 144 maintains the requirement that an impairment loss be recognized for a long-lived asset to be held and used if its carrying value is not recoverable from its undiscounted cash flows, with the

recognized impairment being the difference between the carrying amount and fair value of the asset. With respect to long-lived assets to be disposed of other than by sale, SFAS No. 144 requires that the assets be considered held and used until they are actually disposed of but requires that their depreciable life be revised in accordance with APB Opinion No. 20, *Accounting Changes*. SFAS No. 144 also requires that an impairment loss be recognized at the date a long-lived asset is exchanged for a similar productive asset or distributed to its owners in a spin-off if the carrying amount of the asset exceeds its fair value. With respect to long-lived assets to be disposed of by sale, SFAS No. 144 requires that the asset classified as held for sale be measured at the lower of its carrying amount or fair value less selling costs, with no further depreciation or amortization. As such, discontinued operations are no longer measured on a net realizable value basis, and future operating losses are no longer recognized before they occur. SFAS No. 144 also broadens the previously existing income statement presentation requirements for discontinued operations to include a component of a business, that being the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity that is classified as held for sale or that has been disposed of is presented as a discontinued operation if the operations and cash flows of the component have been or will be eliminated from the ongoing operations of the entity and the entity will not have any significant continuing involvement in the operations of the component. Gaiam will adopt SFAS No. 144, as required, in its consolidated financial statements for the first quarter of fiscal 2002. Management is evaluating the impact of the adoption of SFAS No. 144 on the consolidated financial statements and management does not currently expect the adoption to have a material impact on Gaiam's consolidated financial statements.

Earnings Per Share

Basic earnings per share excludes any dilutive effects of options, warrants and dilutive securities. Basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and common stock equivalent shares outstanding during the period. Common equivalent shares are excluded from the computation if their effect is antidilutive. All earnings per share amounts for all periods have been presented and conform to the Statement No. 128 requirements.

The following table sets forth the computation of basic and diluted earnings per share:

	2001	2000	1999
Numerator for basic earnings per share	$ 4,055,588	$ 2,648,871	$ 1,718,345
Effect of Dilutive Securities:			
8% convertible debentures	—	—	56,401
Numerator for diluted earnings per share	$ 4,055,588	$ 2,648,871	$ 1,774,746
Denominator:			
Weighted average shares for basic earnings per share	12,395,907	10,858,139	8,785,205
Effect of Dilutive Securities:			
Weighted average of common stock, stock options, warrants and convertible debentures	412,724	666,981	333,903
Denominators for diluted earnings per share	12,808,631	11,525,120	9,119,108
Net income per share—basic	$ 0.33	$ 0.24	$ 0.20
Net income per share—diluted	$ 0.32	$ 0.23	$ 0.19

2. Mergers and Acquisitions

In September 1998, Gaiam acquired a 67% ownership in a newly formed entity, Healing Arts Publishing, LLC (dba Living Arts) for $2.5 million in cash. This transaction was recorded as a purchase. Healing Arts Publishing, Inc., which produced and distributed exercise and relaxation videos and sold environmentally oriented products through its mail order catalogs and through sales to retailers, contributed the majority of its assets and certain liabilities to Living Arts in exchange for a 33% membership interest. Effective July 1999, Gaiam acquired the remaining 33% minority interest in Living Arts. Additionally, effective November 1999, Gaiam acquired a 50.1% controlling interest in an environmental products provider. Total consideration paid by Gaiam for the 1999 acquisitions was $2.3 million in cash and 207,247 shares of Gaiam's Class A common stock.

On June 30, 2000, Gaiam and Whole Foods Market merged their Internet businesses into Gaiam.com, Inc. Gaiam owns 50.1% of Gaiam.com. Whole Foods Market currently owns 35% of Gaiam.com and the remainder is owned by various venture capital funds. As part of the transaction, Whole Foods Market, through a subsidiary, contributed $6 million in cash plus other assets to Gaiam.com. On June 19, 2000, Gaiam. sold 6,000 shares of Redeemable Class A preferred stock in Gaiam.com, Inc. at a price of $1,000 per share for an aggregate price of $6,000,000. This stock does not carry any dividend rights and is redeemable only upon the consummation of an offering by Gaiam.com of its equity securities to the public pursuant to an effective registration statement with the Securities and Exchange Commission.

Additionally, in 2000, Gaiam acquired a yoga props company and a 70% interest in an organic clothing manufacturer. Total consideration paid by Gaiam for these acquisitions was approximately $315,000 in cash and 21,243 shares of Class A common stock. These acquisitions were accounted for using the purchase method, and the results of operations are included in the consolidated financial

statements of Gaiam from the effective acquisition dates. Goodwill associated with these acquisitions totaled approximately $1.2 million.

On January 29, 2001, Gaiam completed its merger with Real Goods Trading Corporation (Real Goods). In the tax-free stock-for-stock transaction, Real Goods shareholders received one share of Gaiam Class A common stock in exchange for ten shares of Real Goods stock owned. The merger was accounted for using the purchase method, and $3.8 million of goodwill was recorded. On January 5, 2001, Gaiam acquired all of the stock of Earthlings, Inc. and on February 1, 2001 acquired Self Care, Inc. These acquisitions represent companies under common ownership by the Chief Executive Officer of Gaiam, and, accordingly, the purchase was accounted for using historical costs, similar to a pooling transaction. The total combined purchase price for both companies was $3,848,104 (see Note 10). Additionally, during second quarter 2001, Gaiam purchased the remaining 30% equity interest in its organic clothing business. On September 30, 2001, Gaiam acquired the remaining 49.9% interest in its two renewable energy businesses that it did not own previously. Total consideration paid by Gaiam for these acquisitions was approximately $350,000 in cash and 50,000 shares of Class A common stock, and, as a result of these acquisitions, $1.1 million goodwill was recorded.

Results from operations of these acquired companies are included in the consolidated financial statements of Gaiam from the effective acquisition dates.

On a pro forma basis (unaudited), assuming the Real Goods acquisition had been effective January 1, 2000, Gaiam's consolidated operating results for 2000 would have been approximately $76.5 million in net revenue, $187,000 in net income and $0.02 net income per share basic and diluted. The operating results for all other 2001 acquisitions were not significant to the overall consolidated Gaiam operations.

3. Securities Available-for-Sale

During 1999, Gaiam sold marketable securities contributed by its founder in 1995 and recognized a gain of $2.5 million.

4. Property and Equipment

Property and equipment, stated at cost, consists of the following:

	2001	2000
Land	$ 4,200,000	$ 1,100,000
Buildings	3,338,733	1,800,000
Furniture, fixtures and equipment	1,675,755	1,295,030
Leasehold improvements	774,269	714,460
Website development (including construction-in-process costs)	4,139,978	5,391,243
Computer/telephone equipment	3,426,193	2,571,033
Warehouse equipment	590,861	567,667
	18,145,789	13,439,433
Accumulated depreciation and amortization	(4,867,244)	(2,641,932)
	$ 13,278,545	$ 10,797,501

In 2001, Gaiam.com recorded an impairment charge of $1.35 million against the Interworld platform of its website.

5. Commitments

At December 31, 2001 and 2000, Gaiam's property held under capital leases consisted of the following, which is included in property and equipment:

	December 31,	
	2001	2000
Warehouse equipment	$ 40,229	$ 40,229
Computer/telephone equipment	810,187	578,064
	850,416	618,293
Accumulated amortization	(285,600)	(181,085)
	$ 564,816	$ 437,208

Gaiam leases equipment and office, retail, and warehouse space through capital and operating leases. The following schedule represents the annual future minimum payments, as of December 31, 2001:

	Capital	Operating
2002	$ 232,056	$ 2,099,880

2003	184,588	2,006,340
2004	44,920	1,926,540
2005	—	1,924,740
Total minimum lease payments	461,564	$ 7,957,500
Less portion related to interest	(11,741)	
Present value of future minimum lease payments	449,823	
Less current portion	(211,745)	
	$ 238,078	

Gaiam incurred rent expense of $2,372,610, $1,084,071 and $790,393 for the years ended December 31, 2001, 2000 and 1999, respectively.

6. Line of Credit

Gaiam is party to a revolving line of credit agreement, which extends through October 1, 2003. The credit agreement permits borrowings up to $15 million based upon the collateral value of Gaiam's accounts receivable, inventory, and certain property and equipment. Borrowings under this agreement bear interest at the lower of prime rate less 50 basis points or LIBOR plus 275 basis points. Borrowings are secured by a pledge of Gaiam's assets, and the agreement contains various financial covenants, including prohibiting the payment of cash dividends to Gaiam shareholders and requiring the maintenance of certain financial ratios. At December 31, 2001, Gaiam had no amounts outstanding under this agreement, and was in compliance with all the financial covenants.

7. Income Taxes

The provision for income taxes was comprised of the following:

	2001	2000	1999
Current:			
Federal	$ 2,104,877	$ 1,117,823	$ 1,006,008
State	360,780	155,954	156,426
	2,465,657	1,273,777	1,162,434
Deferred:			
Federal	27,441	322,798	(37,610)
State	4,719	(41,088)	(62,035)
	32,160	281,710	(99,645)
Total	$ 2,497,817	$ 1,555,487	$ 1,062,789

Variations from the federal statutory rate are as follows:

	2001	2000	1999
Expected federal income tax expense at statutory rate of 34%	$ 2,365,621	$ 1,409,182	$ 928,294
Effect of other permanent differences	28,362	27,359	40,104
State income tax expense, net of federal benefit and utilization of net operating loss	103,834	118,946	94,391
Income tax expense	$ 2,497,817	$ 1,555,487	$ 1,062,789

Deferred income taxes reflect net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the net accumulated deferred income tax liability as of December 31, 2001 and 2000 are as follows:

	December 31,	
	2001	2000
Deferred tax assets:		
Reserve for bad debts	$ 214,413	$ 113,373
Capitalized inventory	4,917	30,165

Net operating loss	1,171,215	2,594
	1,390,545	146,132
Deferred tax liabilities:		
Amortization	253	—
Prepaid catalog costs	(443,733)	(24,439)
Depreciation	(73,934)	(387,562)
	(517,414)	(412,001)
Deferred tax asset (liability), net	$ 873,131	$ (265,869)

At December 31, 2001, Gaiam had net operating loss (NOL) carryforwards of $3,114,442 acquired as part of the Real Goods acquisition, which may be used to offset certain future taxable income. These carryforwards expire beginning in 2013. The Internal Revenue Service Code contains provisions that limit the NOL available for use in any given year upon the occurrence of certain events, including significant changes in ownership interest. A change in ownership of a company of greater than 50% within a three-year period results in an annual limitation on Gaiam's ability to utilize its NOL carryforwards from tax periods prior to the ownership changes. Gaiam's NOL carryforwards as of December 31, 2001 are subject to annual limitations due to changes in ownership.

8. Stockholders' Equity

Gaiam had warrants outstanding at December 31, 2001 that entitled the holder to purchase 24,000 shares of Class A common stock at $.50 per share. The warrant was issued in 1995 and exercised in January 2002.

In June 1999, Gaiam completed a private placement whereby 331,429 shares of Class A common stock were issued at $4.375 per share. A total of $2.0 million in convertible debentures with a stated interest rate of 8% were issued during 1998 and the first six months of 1999. These debentures were convertible automatically upon the closing of the initial public offering into Class A common stock at the initial public offering per share price. A total of $1.5 million of these debentures were converted into 295,000 shares of Class A common stock, and $500,000 was repaid in cash.

Gaiam's initial public offering of 1,705,000 shares of Class A common stock at $5.00 per share was completed in October 1999. The underwriters also exercised their overallotment option for 102,861 additional shares during November 1999. Net proceeds to Gaiam, after deducting all commissions and expenses associated with the offering, were $6.1 million.

In 1999, Gaiam issued 207,247 shares of Class A common stock in lieu of cash payments for acquisitions, and Gaiam's Chief Executive Officer converted 1,635,000 shares of Class B common stock into 1,635,000 shares of Class A common stock.

During 2000, Gaiam issued 21,243 shares of Class A common stock for two acquisitions, 6,776 shares of Class A common stock to three directors in lieu of cash payments, and 3,628 shares of Class A common stock upon exercise of options granted under the 1999 Long-Term Incentive Plan.

In 2001, Gaiam issued approximately 481,000 shares of Class A common stock as a result of Gaiam's merger with Real Goods, 50,000 shares of Class A common stock in conjunction with the acquisition of the 49.9% minority interest in its renewable energy businesses, 42,153 shares of Class A common stock upon exercise of options granted under the 1999 Long-Term Incentive Plan and 5,045 shares of common stock to four directors, in lieu of cash payments.

On August 3, 2001, Gaiam completed a secondary offering of 2,200,000 shares of Class A common stock, plus an overallotment of 330,000 shares, at an offering price of $13.75 per share. Net proceeds to Gaiam, after deducting commissions and expenses associated with the offering, were $31.6 million.

As of December 31, 2001, Gaiam had the following Class A common shares reserved for future issuance:

Awards under the 1999 Long-Term Incentive Plan	1,513,756
Shares reserved for warrant exercise	24,000
Total shares reserved for future issuance	1,537,756

Each holder of shares of Class A common stock is entitled to one vote for each share held on all matters submitted to a vote of shareholders. Each share of Class B common stock is entitled to ten votes on all matters submitted to a vote of shareholders. There are no cumulative voting rights. All holders of shares of Class A common stock and shares of Class B common stock vote as a single group on all matters that are submitted to the shareholders for a vote. Accordingly, holders of a majority of the votes of the shares of Class A common stock and shares of Class B common stock entitled to vote in any election of directors may elect all of the directors who stand for election. As a result of voting rights described above, the holder of the Class B common stock has effective control of Gaiam. As of December 31, 2001 and 2000, all Class B common stock was held by the Chief Executive Officer of Gaiam.

Shares of Class A common stock and shares of Class B common stock are entitled to equal dividends, if any, as may be declared by the Board of Directors out of legally available funds. In the event of a liquidation, dissolution or winding up of Gaiam, the shares of Class A common stock and shares of Class B common stock would be entitled to share ratably in Gaiam's assets remaining after the payment of all of Gaiam's debts and other liabilities. Holders of shares of Class A common stock and shares of Class B common stock have

no preemptive, subscription or redemption rights, and there are no redemption or sinking fund provisions applicable to the shares of Class A common stock and Class B common stock. The outstanding shares of Class A common stock and shares of Class B common stock are fully paid and non-assessable.

The Class B common stock may not be transferred unless converted into shares of Class A common stock, other than certain transfers to affiliates and family members. The shares of Class B common stock are convertible one-for-one into shares of Class A common stock, at the option of the holder of the shares of Class B common stock.

9. Stock Option Plans

On June 1, 1999, Gaiam adopted its 1999 Long-Term Incentive Plan (the "Plan"), which provides for the granting of options to purchase up to 1.6 million shares of Gaiam's common stock. Both incentive stock options and non-qualified stock options may be issued under the provisions of the Plan. Employees of Gaiam and its affiliates, members of the Board of Directors, consultants and certain key advisors are eligible to participate in the Plan, which shall terminate no later than June 1, 2009. Options granted under the Plan generally vest and become exercisable at 2% per month for the 50 months beginning in the eleventh month after date of grant. All grants expire seven years from the date of grant.

Gaiam recorded deferred compensation of $0, $413,320 and $106,992 in 2001, 2000 and 1999, respectively. In 2000, deferred compensation was recorded in connection with: acquisitions made by Gaiam in which options were issued to employees of an acquired company; options issued to employees whereby the grant price differed from the deemed fair value of Gaiam's common stock; and options issued to non-employees for services to be provided over the related terms of their respective agreements. In calculating deferred compensation for each equity award granted, Gaiam used the Black Scholes option pricing model, with the following weighted-average assumptions used for grants in 2001, 2000 and 1999: risk-free interest rates ranging from 4.39% to 6.00%; expected dividend yield of zero; expected option lives of five years, and expected volatility of 0.47, 0.48 and 1.29, respectively. The amortization of deferred compensation is charged to operations over the service or vesting period of the options, which is typically five years. Total amortization expense recognized in 2001 and 2000 related to deferred compensation was $70,500 and $97,486, respectively.

A summary of stock option activity and weighted-average exercise prices for the years ended December 31, 2001 and 2000 follows:

	2001		2000	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	1,127,562	$ 7.45	890,900	$ 6.10
Granted:				
Price equal to fair value	625,000	$ 10.78	253,500	$ 15.96
Price less than fair value	—		39,000	$ 15.28
Exercised	(42,153)	$ 5.66	(3,628)	$ 4.38
Forfeited	(196,653)	$ 12.17	(52,210)	$ 6.52
Outstanding at end of year	1,513,756	$ 8.27	1,127,562	$ 7.45
Exercisable at end of year	298,340	$ 5.02	128,552	$ 4.47
Shares available on December 31, for options that may be granted	86,244		472,438	

A summary of stock options outstanding as of December 31, 2001 follows:

	Outstanding Stock Options			Exercisable Stock Options	
Range of Exercise Prices	Shares Outstanding	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
$ 4.00 — $ 4.99	604,696	4.4	$ 4.38	231,848	$ 4.38
$ 5.00 — $ 5.99	112,340	4.8	$ 5.00	51,000	$ 5.00
$ 7.00 — $ 7.99	9,820	4.9	$ 7.18	1,972	$ 7.18
$ 10.00 — $10.99	472,000	6.3	$ 10.16		
$ 11.00 — $11.99	80,000	6.4	$ 11.50		
$ 12.00 — $12.99	33,000	6.2	$ 12.38		
$ 15.00 — $15.99	184,900	5.9	$ 15.31	7,380	$ 15.31
$ 16.00 — $16.99	15,000	5.5	$ 16.33	5,900	$ 16.36
$ 17.00 — $17.99	2,000	5.5	$ 17.18	240	$ 17.18
	1,513,756	5.4	$ 8.27	298,340	$ 5.02

Had compensation cost for Gaiam's stock-based compensation plan been determined under the fair value methodology for determining compensation cost under SFAS No. 123, Gaiam's net income and income per share for the years ended December 31, 2001, 2000, and 1999 would have been as follows:

	For the Years Ended December 31,		
	2001	2000	1999
Net income:			
As reported	$ 4,055,588	$ 2,648,871	$ 1,718,345
Pro forma	$ 3,548,444	$ 2,258,005	$ 1,599,102
Net income per common share:			
As reported	$ 0.33	$ 0.24	$ 0.20
Pro forma	$ 0.29	$ 0.21	$ 0.18
Fully diluted net income per common share:			
As reported	$ 0.32	$ 0.23	$ 0.19
Pro forma	$ 0.30	$ 0.20	$ 0.18

In estimating the pro forma compensation expense for each equity award granted during the year, Gaiam used the Black Scholes option pricing model, with the following weighted-average assumptions used for grants in 2001, 2000 and 1999, respectively: risk-free interest rates ranging from 4.39% to 6.00%, expected dividend yield of zero; expected option lives of five years, and expected volatility of 0.47, 0.48 and 1.29, respectively. Options granted prior to Gaiam's initial public offering were valued using the minimum value method and, therefore, volatility was not applicable.

	2001	2000	1999
Weighted-average fair value of options granted during the year:			
Price equal to fair value	$ 5.02	$ 11.85	$ 1.85
Price less than fair value	$ —	$ 11.38	$ 11.21

10. Related Party Transactions

In 1999, Gaiam engaged the services of ccplanet.com, Inc. (at that time a related party under common ownership with the Chief Executive Officer of Gaiam) to develop and implement a new website design for its direct to consumer operations. Gaiam has paid ccplanet a total of $4.9 million for work performed on this project and enhancements to the Gaiam.com site. During 1999 and 2000, Gaiam made its customer database and certain visual media available to ccplanet in exchange for fees totaling $600,000 and $1.4 million, respectively.

In 2000, the Chief Executive Officer advanced funds to purchase a 70% interest in an organic clothing manufacturer. These advances, plus applicable interest, were repaid in December 2000. Additionally, in 2000, Gaiam purchased approximately $300,000 in inventory from Earthlings, Inc. (a related party under common ownership with the Chief Executive Officer of Gaiam) at Earthlings' cost.

In the first quarter of 2001, Gaiam acquired all of the stock of Earthlings, Inc. and Self Care, Inc., companies under common ownership with the Chief Executive Officer of Gaiam, at his company's net investment cost plus transaction expenses. As these companies were under common control, the purchase was accounted for using historical costs, similar to a pooling transaction. Therefore, the difference between the purchase price and the value of net assets acquired was accounted for as a reduction to additional paid-in capital. The total combined purchase price for both companies was $3,848,014.

11. Segment Information

Gaiam has two business segments: direct to consumer and business to business; both of which sell products, services and information produced or purchased from other suppliers. Although the customer bases do not overlap to any extent, the production, purchase and delivery processes overlap in some areas. Gaiam does not accumulate the balance sheet by segment for purposes of management review.

Each of the two segments qualifies as such because each is more than 10% of combined revenue. Contribution margin is defined as net sales, less cost of goods sold and direct expenses. Financial information for Gaiam's business segments was as follows:

	Year Ended December 31,		
	2001	2000	1999
Net revenue:			
Direct to consumer	$ 51,259,303	$ 43,823,460	$ 34,573,540
Business to business	47,477,845	16,764,558	11,151,122
Consolidated net revenue	98,737,148	60,588,018	45,724,662
Contribution margin:			
Direct to consumer	462,140	841,351	(243,949)
Business to business	6,149,332	3,586,415	2,368,360
Consolidated contribution margin	6,611,472	4,427,766	2,124,411
Reconciliation of contribution margin to net income:			

Other income (expense)	346,238	(283,114)	605,865
Income tax expense	2,497,817	1,555,487	1,062,789
Minority interest in net (income) loss of consolidated subsidiary, net of tax	(404,305)	59,706	50,858
Net income	$ 4,055,588	$ 2,648,871	$ 1,718,345

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Not Applicable.

Part III

Item 10. Directors and Executive Officers of the Registrant

For information with respect to the executive officers of the Registrant, See Item 4—"Directors and Executive Officers of the Registrant" at the end of Part I of this report. The information required by this Item concerning the Directors of Gaiam is incorporated herein by reference to Gaiam's Proxy Statement for its Annual Meeting of Stockholders, to be held on May 23, 2002, to be filed with the Commission pursuant to Regulation 14A.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement for its Annual Meeting of Stockholders, to be held on May 23, 2002, to be filed with the Commission pursuant to Regulation 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this Item is incorporated herein by reference to Gaiam'sthe Company's Proxy Statement for its Annual Meeting of Stockholders to be held on May 23, 2002, to be filed with the Commission pursuant to Regulation 14A.

Item 13. Certain Relationships and Related Transactions

The information required by this Item is incorporated herein by reference to Gaiam's Proxy Statement for its Annual Meeting of Stockholders to be held on May 23, 2002, to be filed with the Commission pursuant to Regulation 14A.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(A) Documents filed as part of this report are as follows:

1. Financial Statements.

   See listing of Financial Statements included as part of this Form 10-K in Item 8 of Part II.

2. Financial Statement Schedules.

   Schedule II Consolidated and Qualifying Valuation Accounts.

3. Exhibits

   See Item 14(c) below

(B) No reports on Form 8-K were filed during the last quarter of the period covered by this Form 10-K.

(C) Exhibits:

1. The following exhibits are incorporated by reference or are filed with this report as indicated below:

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of Gaiam, Inc. (incorporated by reference to Exhibit 3.1 of Gaiam's Registration Statement on Form S-1 (No. 333-83283)).
3.2	Bylaws of Gaiam, Inc. (incorporated by reference to Exhibit 3.2 of Gaiam's Registration Statement on Form S-1 (No. 333-83283)).
4.1	Form of Gaiam, Inc. Stock Certificate (incorporated by reference to Exhibit 4.1 of Gaiam's Registration Statement on Form S-1 (No. 333-83283)).
10.1	Loan Agreement, dated as of March 25, 2002, between Gaiam, Inc. and Wells Fargo Bank West, N.A. (filed herewith).
10.2	Gaiam, Inc. 1999 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of Gaiam's Registration Statement on Form S-1 (No. 333-63488)).
10.3	Lease, dated December 16, 1999, between Gaiam, Inc. and Duke-Weeks Realty Limited Partnership (incorporated by reference to Exhibit 10.2 of Gaiam's Registration Statement on Form S-4 (No. 333-50560)).
10.4	Lease, dated December 18, 1998, between Gaiam, Inc. and Orix Prime West Broomfield Venture (incorporated by reference to Exhibit 10.4 of Gaiam's Registration Statement on Form S-1 (No. 333-63488)).
10.5	Lease, dated February 14, 2002, between Gaiam, Inc. and Fund IX, Fund X, Fund XI and REIT Joint Venture (filed herewith).
21.1	List of Gaiam Subsidiaries (filed herewith).
23.1	Consent letter from Ernst and Young (filed herewith).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Broomfield, State of Colorado, on this 25th day of March, 2002.

GAIAM, INC.

By: /s/ JIRKA RYSAVY

Jirka Rysavy
Chief Executive Officer

Signature	Title	Date
/s/ JIRKA RYSAVY Jirka Rysavy	Chairman of the Board and Chief Executive Officer	March 25, 2002
/s/ LYNN POWERS Lynn Powers	President, Secretary and Director	March 25, 2002
/s/ BARNET M. FEINBLUM Barnet M. Feinblum	Director	March 25, 2002
/s/ JOHN MACKEY John Mackey	Director	March 25, 2002
/s/ BARBARA MOWRY Barbara Mowry	Director	March 25, 2002

/s/ PAUL H. RAY		
Paul H. Ray	Director	March 25, 2002
/s/ YUDHISTER BAHL		
Yudhister Bahl	Chief Financial Officer	March 25, 2002

SCHEDULE II—GAIAM, INC.

REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors
Gaiam, Inc.

We have audited the consolidated balance sheets of Gaiam, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001 and have issued our report thereon dated February 18, 2002. Our audits also included the financial statement schedule listed in Item 14 of this Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Denver, Colorado
February 18, 2002

Schedule II -Consolidated Valuation and Qualifying Accounts
Years Ended December 31, 2001 and 2000
(in thousands)

	Balance at beginning of Year	Additions Charged to costs and expenses	Deductions	Balance at end of Year
Allowance for Doubtful Accounts:				
2001	$ 302	$ 1,331	$ 1,063	$ 570
2000	$ 158	$ 322	$ 179	$ 302
Inventory Obsolescence Reserve:				
2001	$ 750	$ 1,247	$ 742	$ 1,255
2000	$ 222	$ 902	$ 374	$ 750
Reserve for Sales Returns:				
2001	$ 458	$ 776	$ 438	$ 796
2000	$ 262	$ 505	$ 309	$ 458

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.1

LOAN AGREEMENT

THIS AGREEMENT, dated as of March 25, 2002, is between **Gaiam, Inc. and its 100% owned subsidiaries** (the "Company"), 360 Interlocken Blvd., Suite 300, Broomfield, Colorado 80021 (address), and **Wells Fargo Bank West, N.A.** (the "Bank"), 1242 Pearl Street, P.O. Box 227, Boulder, Colorado.

ARTICLE I
DEFINITIONS

Section 1.1 The terms defined in this Article shall have the meanings specified for all purposes of this Agreement.

(a) "Borrowing Base" shall mean an amount equal to the sum of the following:

(1) 75% of the Company's total accounts receivable which are less than 60 days past due according to their assigned selling terms; plus

(2) 50% of the Company's total finished goods inventory, *excluding* any goods being manufactured, subject to further manufacturing processes by the Company, and inventory considered obsolete.

(b) "Commitment Expiration Date" shall mean October 1, 2003.

(c) "Consolidated Debt to Worth Ratio" shall mean the ratio of (i) the aggregate debt of the Company less cash or cash equivalents at the Bank, determined in accordance with generally accepted accounting principles, less any debt formally subordinated by a creditor to the indebtedness of the Company to the Bank, to (ii) the Company's net equity, determined in accordance with generally accepted accounting principles plus any debt formally subordinated by a creditor to the indebtedness of the Company to the Bank.

(d) "Current Ratio" shall mean the ratio of current assets of the Company to its current liabilities, determined in accordance with generally accepted accounting principles.

(e) "Equity Equivalent Investments" shall mean cash provided to the Company either by the purchase of common or preferred stock or by the making of Loans to the Company that are formally subordinated to the indebtedness of the Company to the Bank.

(f) "ERISA" shall mean the Employment Retirement Income Security Act of 1974, as amended.

(g) "Event of Default" shall mean any of the events listed in Section 5.1 below.

(h) "Loan" or "Loans" mean all advances and draws on Letters of Credit that the Bank agrees to make or issue hereunder.

ARTICLE II
THE COMMITMENT

Section 2.1 The Bank agrees, on the terms herein set forth, to make Loans to the Company under a Revolving Line of Credit in an aggregate amount not exceeding the lesser of the Borrowing Base or $15,000,000.00. The Loans may be in the form of cash advances or Letters of Credit as requested by the Company on or before the Commitment Expiration Date, when said Loans, together with interest thereon, shall be due and payable. The amount available for Loans at any time shall be the lesser of $15,000,000.00 or the Borrowing Base, *minus* the aggregate principal amount of all outstanding cash advances and outstanding Letter of Credit issued hereunder. Calculations of the Borrowing Base shall be submitted to the Bank quarterly and with each Loan advance, on the basis of the information and certificates provided pursuant to Sections 4.1(a) and (b) below; however, compliance with the Borrowing Base limitation is a continuing obligation. However, the Company may request advances under any given Borrowing Base Certificate for a period of forty days without providing additional certificates. If any time the aggregate balance outstanding on the Loans exceeds the Borrowing Base, the excess shall become immediately due and payable and shall be paid to the Bank within five business days after written notice to the Company.

Section 2.2 The Company may request the Bank to issue, or cause to have issued by a third party bank, Letters of Credit. Maturing drafts drawn in accordance with the terms of the Letters of Credit shall be payable in full when due, either through the cash assets of the Company or by a draw against funds then available under Section 2.1. The Letters of Credit will be priced on a fee basis, dependent on the costs of complying with the terms of each Letter of Credit or ensuing draft. Each Letter of Credit shall have an expiration date as requested by the Company; however, with respect to any Letter of Credit for which an expiration date later than the Commitment Expiration Date is requested: (a) such later date shall be consistent with the Company's usual and customary practice for Letter of Credit transactions during the immediately preceding 12 months, and (b) on or before the Commitment Expiration Date the Company shall provide collateral reasonably acceptable to the Bank for any draws on such Letter of Credit after the Commitment Expiration Date.

Section 2.3 The Loan described in Section 2.1 shall be evidenced by a Promissory Note in the maximum principal amount of $15,000,000.00, payable to the order of the Bank on or before October 1, 2003.

Section 2.4 The Loan described in Sections 2.1 shall bear interest at a rate equal to the lower of Wells Fargo Bank West, N.A. Prime Rate (the "Prime Rate") minus 1/2% as in effect from time to time, which rate shall change, without notice, whenever the Prime Rate changes, to and including maturity or the 30 day London Interbank Offered Rate (LIBOR) as quoted on the first business day of each calendar month plus 275 basis points. Overdue principal and (to the extent legally enforceable) overdue interest, whether caused by acceleration of maturity or otherwise, shall bear interest at a rate four percentage points above the rate in effect at the time such principal or interest becomes due.

Section 2.5 The Company shall have the right to repay the Loans in part or in whole at any time without penalty except as noted below; however, prepayment in full must be accompanied by payment of all accrued interest then due.

Section 2.6 All payments made by the Company on account of principal and of interest shall be made in immediately available funds to the Bank.

Section 2.7 The Bank's commitment to make the initial and all subsequent Loans hereunder shall be subject to the following conditions:

(a) Prior to the initial Loan on the Revolving Line of Credit described in Section 2.1, payment by the Company of a $3,000.00 loan commitment fee.

(b) Prior to the initial Loan, delivery to the Bank of the Note and all security agreements, financing statements and related documents necessary to confirm or create liens and security interests in favor of the Bank on all the Company's accounts, equipment and inventory as security for the Loan.

(c) As of the dates of the initial and any subsequent Loans, all representations and warranties of the Company contained herein shall be true and no Event of Default shall have occurred and be continuing.

ARTICLE III
REPRESENTATION AND WARRANTIES

The Company represents and warrants to the Bank as follows:

Section 3.1 The Company is duly organized, validly existing, and in good standing under the laws of the State of Colorado, and is duly qualified to do business wherever necessary to carry on its present operations.

Section 3.2 The making and performance of this Agreement is within the Company's corporate powers; has been duly authorized by all necessary corporate action; does not require any stockholder consent; does not require the approval of any federal or state regulatory authority; does not contravene any law, regulation or agreement to which the Company is a party or by which it or its assets may be bound; and will not conflict with any provision of the articles of incorporation, bylaws or other governing documents of the Company.

Section 3.3 This Agreement is the legal, valid and binding obligation of the Company, enforceable in accordance with its terms.

Section 3.4 There is no pending, nor to the best of the Company's knowledge threatened, action or proceedings before any court or administrative agency that may materially adversely affect the Company's financial condition or operations as of the date of this Agreement. The Company hereby agrees to notify the Bank in writing of any subsequent action or proceedings before any court or administrative agency that, in the judgment of the Company's management based on the advise of legal counsel, may materially adversely affect the Company's financial condition or operations. Said notice shall be given to the Bank within 30 days of such determination.

Section 3.5 The Company has good and marketable title to all of its material properties or assets (except leased assets), and none of such material properties or assets included in the Borrowing Base are subject to any mortgage, pledge, loan security interest, encumbrance or any other security agreement or arrangement of any type whatsoever except the security interests, liens and encumbrances permitted by this Agreement and Permitted Liens permitted pursuant to Section 4.2(f).

Section 3.6 Except for any Tax Disputes permitted pursuant to Section 4.2(f), to the best of the Company's knowledge and information no material claim for taxes, whether federal, state or local, are presently being assessed against the Company with respect to any past due taxes, nor are there any tax disputes being litigated or determined by governmental proceedings at the present time that have not been reflected in the financial statements of the Company previously furnished to the Bank.

Section 3.7 The Company or property of the Company as of the date of this Agreement is not the subject of any ongoing litigation, judgment, decree, order, citation, compliant, or notice of violation relating to or arising out of environmental laws or issues. For purposes of this Agreement, Contamination and Contaminated shall mean the presence of solid or hazardous wastes, hazardous substances, pollutants or contaminants, petroleum, toxic or hazardous constituents, or similar materials, as such terms are defined under any federal, state, or local statute, whether currently or subsequently enacted, or under common law. The Company hereby agrees to notify the Bank in writing of any subsequent action or proceedings before any court or administrative agency that, in the judgment of the Company's management based on the advise of legal counsel, makes the Company the subject of litigation, judgment, decree, order, citation, complaint, or notice of violation relating to or arising out of environmental laws or issues, which may materially adversely affect the Company's financial condition. Said notice shall be given to the Bank within 30 days of such determination.

ARTICLE IV

COVENANTS OF THE COMPANY

SECTION 4.1 So long as the Company may borrow hereunder and until payment in full of the Note and performance of all other obligations of the Company under this Agreement, the Company shall:

(a) (i) Furnish to the Bank within 45 days after the end of each quarter during each fiscal year a consolidated balance sheet and income statement; (ii) furnish to the Bank within 150 days after the end of each fiscal year of the Company an audited consolidated balance sheet and income statement; (iii) furnish to the Bank within 150 days after the end of each fiscal year of the Company projections for the ensuing year; and(iv) permit or cause to permit the Bank at any reasonable time during normal business hours to have access to the books and records of the Company and to inspect or otherwise check the properties of the Company, but only upon at least three (3) business days notice by the Bank.

(b) Furnish to the Bank within 30 days after the end of each calendar quarter and at the time of each request for an advance on the Loan (unless otherwise stated in Section 2.1) a completed and signed Borrowing Base Certificate, a blank copy of which is attached as Exhibit A, accompanied by copies of the same month's end accounts receivable aging and summary inventory lists. The inventory lists so provided shall include separate listings for inventory deemed discontinued or obsolete by the Company.

(c) Maintain a Current Ratio of at least 1.0 to 1 at the end of each calendar quarter. While the Company and the Bank acknowledge that this calculation need only be performed at the end of each calendar quarter, the Company agrees in principle to maintain such financial covenant on an ongoing basis, and shall use reasonable efforts to insure compliance with same.

(d) Maintain a Consolidated Debt to Worth Ratio not to exceed 1.6 to 1 at the end of each calendar quarter. While the Company and the Bank acknowledge that this calculation need only be performed at the end of each calendar quarter, the Company agrees in principle to maintain such financial covenant on an ongoing basis, and shall use reasonable efforts to insure compliance with same.

(e) Maintain a minimum Shareholder Equity position of $20,000,000.00, as defined under Generally Accepted Accounting Principles at the end of each calendar quarter. While the Company and the Bank acknowledge that this calculation need only be performed at the end of each calendar quarter, the Company agrees in principle to maintain such financial covenant on an ongoing basis, and shall use reasonable efforts to insure compliance with same.

(f) Use the Bank as its principal depository for all demand and savings business accounts.

(g) Allow the Bank the opportunity to bid on all short-term investments held in the form of cash and / or cash equivalents including certificates of deposit and repurchase agreements provided that this obligation to allow the Bank to bid shall only extend to short-term investments in excess of $1,000,000.00 and provided further that such obligation shall not extend to other investments in connection with acquisitions owed to the seller or affiliates of the seller.

(h) Maintain insurance with responsible companies on such of its properties, in such amounts and against such amount and against such risks as is reasonable and customarily maintained by similar businesses operating in the same vicinity, and file with the Bank evidence of such coverage which names the Bank as Loss Payee.

(i) Comply in all material respects with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the assets included in the Borrowing Base if the failure to comply would have a material adverse affect on the Company. The Company may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals.

(j) Promptly provide notice to the Bank of (i) the occurrence of an Event of Default; (ii) the occurrence of a "Reportable Event" (as defined in ERISA); or (iii) the institution of steps by the Company to withdraw from or terminate any employee benefit plan as to which the Company may have any liability material to the Company's business and operations.

(k) Permit the Bank to perform inspections of the Company's accounts receivable, inventory, and other pertinent financial records, to be conducted during regular business hours and by the Bank giving at least three business days' prior notice. Said inspections are to be limited to a maximum of three annually.

(l) Promptly furnish to the Bank copies of all documents filed by it with the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., any securities exchange or any state securities commission, limited to all registration statements, annual reports on Form 10K, quarterly reports on Form 10Q, reports on Form 8K, proxy statements and annual reports to shareholders, and all amendments there to.

Section 4.2 So long as the Company may borrow hereunder and until payment in full of the Note and performance of all other obligations of the Company hereunder, the Company shall not:

(a) Pay a cash dividend on capital stock now or hereafter outstanding, or redeem, retire, purchase or otherwise acquire directly or indirectly any shares of the debtor's stock now or hereafter outstanding provided that the Company may redeem shares of the Company's stock owned by employees or former employees of the Company up to a maximum of $1,000,000 per year and provided further that nothing in this Section 4.2(a) shall prevent the cashless exercise of stock options granted by the Company, or the purchase of its common stock up to the amount of 50% of operating income earned during the prior twelve months plus any equity issued subsequent to the December 31, 2000. Any such purchase of common stock shall be in compliance with the terms stated in Section 4.1.

(b) Without the written consent of the Bank, enter into any mergers, acquisitions or consolidations unless the Company is the surviving entity.

(c) Without providing prior notice to the Bank, sell, lease or otherwise dispose of all or any substantial part of its assets or operation

other than in the ordinary course of the Company's business; The sale of website codes and rights is expressly accepted and noted.

(d) Without providing prior notice to the Bank, make any loans or advances to another person or entity, enter into any direct borrowings other than purchase money security agreements for equipment acquisitions or assume, guarantee or otherwise become contingently liable on any borrowings or indebtedness of another person or entity

(i) Advances not to exceed 1% of the total assets of the Company in the aggregate are expressly permitted.

(ii) Advances and borrowings between the Company and its subsidiaries are expressly permitted.

(e) Without the prior written consent of the Bank, permit any Pension and/or Profit Sharing Plan maintained by it to:

(i) Engage in any "prohibited transaction" as such term is defined in section 4975 of the Internal Revenue Code of 12954, as amended;

(ii) Incur any "accumulated funding deficiency" as such term is defined in section 302 of ERISA; or

(iii) Terminate in a manner that could result in the imposition of a lien on the property of the Company pursuant to section 4068 to ERISA.

(f) Without the prior written consent of the Bank, create, incur or permit to exist any material lien, security interest or other encumbrance upon any of its properties or assets included in the Borrowing Base which ranks senior to or pari passu with the security interest of the Bank, except the following liens are expressly permitted(each a "Permitted Lien")

1) Liens for taxes not yet due or which are being contested in good faith (a "Tax Dispute");

2) pledges and deposits made in the ordinary course of business and/or in compliance with workmen's compensation, unemployment insurance and other social security laws or regulations, as applicable;

3) zoning restrictions, easements, rights-of-way, restrictions on use of real property and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and do not materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Company or any of its subsidiaries;

4) Liens which arise in the ordinary course of business for sums not due or sums which the Company is contesting in good faith and by appropriate proceedings and with respect to which the Company has made adequate reserves in accordance with GAAP, but which do not involve any deposits or advances or borrowed money or the deferred purchase price of property or services;

5) purchase money security interests incurred in connection with the Company's normal business activities;

6) statutory Liens securing the claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like persons for labor, materials, supplies or rentals incurred in the ordinary course of the Company's business; provided that the underlying obligations relating to such Liens are paid in the ordinary course of business or are being contested in good faith and by appropriate proceedings and with respect to which the Company has made adequate reserves in accordance with GAAP;

7) attachment, judgment and other similar non-tax Liens with respect to which no Event of Default would exist pursuant to Article V;

8) those created under the documents creating and perfecting the Bank's security interests in the collateral hereunder;

9) those liens created to secure Debt owed by the Company's Real Goods Trading Corp. subsidiary to the California Statewide Certified Development Corporation dated June 17, 1996, as amended, in the original principal amount of $604,000 and any guarantees of such Debt by the Company;

10) Capital Leases (defined in accordance with GAAP) in an aggregate annual amount less than $1,500,000.00, provided that notice of all Capital Lease transactions of $500,000.00 or greater shall be provided to Bank prior to or concurrently with the such Debt transaction; and

11) liens that may exist on the assets or securities of acquired business that may be acquired by the Company in the future.

ARTICLE V
EVENTS OF DEFAULT

Section 5.1 The occurrence of any of the following events shall be an "Event of Default", unless cured within ten business days of written notice to the Company by the Bank:

(a) Any payment of principal or interest owed to the Bank shall not be made when due and not be cured within ten business days thereafter; or

(b) Any representation or warranty made by the Company in connection with the execution and delivery of this Agreement, or in any certificate furnished pursuant hereto, shall prove to be at any time incorrect in any material respect; or

(c) The Company shall fail to materially perform or observe any other term, covenant or agreement contained in this Agreement and such failure shall continue for a period of ten business days after written notice to the Company from the Bank; which failure to perform or observe any covenant having occurred subsequent to review of the occasion with the Bank; or

(d) Any obligation of the Company to the Bank for the payment of borrowed money is not made at maturity, whether by acceleration or otherwise, or is declared to be due and payable prior to the stated maturity thereof by reason of default or other violation of the terms thereof.

(e) The Company shall fail to exercise reasonable efforts to protect and preserve the collateral, liens, and security interests securing the Loans in all material respects.

Section 5.2 Upon the occurrence of an Event of Default, the obligation of the Bank to make advances under this Agreement or any other loan commitment to the Company and to issue Letters of Credit shall terminate and the Bank may declare the principal balance, together with accrued interest thereon, to be immediately due and payable, and the same shall forthwith become immediately due and payable without presentment, protest, notice or demand of any kind, all of which are hereby expressly waived by the Company. Upon any such Event of Default, the Bank may proceed with each and every remedy provided for it in this Agreement, the Note, or security agreements and other instruments executed in connection with the Loans, anything in said instruments to the contrary notwithstanding, and may pursue any other remedy available to the Bank, whether in law or equity, to enforce collection of all sums due and owing to the Bank, all of such right and remedies being cumulative and not exclusive of all rights and remedies which the Bank has or may have against the Company.

ARTICLE VI
MISCELLANEOUS

Section 6.1 No failure on the part of the Bank in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power hereunder. No modification or waiver of any provision of this Agreement nor consent to any departure by the Company therefrom shall in any event be effective unless the same shall be in writing and then such a waiver or consent shall be effective only in the specific instance and for the purposes for which it was given. No notice or demand on the Company in any case shall entitle it to any other or further notice or demand in similar or other circumstances.

Section 6.2 No modification of this Agreement shall be effective unless the same be in writing and mutually agreeable between the two parties.

Section 6.3 The Company agrees to pay all costs incurred by both parties in connection with the enforcement of any provision of this Agreement, the collection of the Note or the foreclosure or realization upon any security therefor, except as otherwise ordered by a court or arbitrator.

Section 6.4 This Loan Agreement supercedes a document of the same name dated April 16, 2001, as amended.

Section 6.5 The Company agrees to defend, indemnify, and hold harmless the Bank for, from, and against and to reimburse the Bank with respect to any and all claims, actions, costs and expenses whatsoever (including, without limitation, attorneys fees and expenses and costs reasonably incurred), known or unknown, asserted against or incurred by the Bank at any time by reason of or arising out of or relating to any actual or alleged violation of any existing or future environmental law or actual or threatened Contamination relating to the property or activities of the Company, whether or not such contamination was in violation of any environmental statute. This indemnity shall last indefinitely and is specifically intended to survive this Agreement.

Section 6.6 All notices or other communications required or permitted under this Agreement shall be in writing and shall be deemed given when personally delivered or mailed to the respective parties' addresses as set forth above. On any matters dealing with Events of Default, the Bank shall deliver written notice either in person or via registered mail at the address shown above to all of the following: the Company's Chairman, its President, and its Chief Financial Officer of record as of the date of said notice. While notice shall be made to the people in all three positions, notice so given shall serve as notice to the Company when received by any one person in one or more of these positions.

Section 6.7 This Agreement and the rights and obligations of the parties hereunder shall be construed and interpreted in accordance with the laws of the State of Colorado.

Wells Fargo Bank West, N.A.	**Gaiam, Inc.**
By: /s/ THOMAS H. STAUFFER	By: /s/ JIRKA RYSAVY
Vice President	Chairman & C.E.O.

QuickLinks

Exhibit 10.1

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Exhibit 10.5

**AMENDED AND RESTATED
OFFICE LEASE**

**FUND IX, FUND X, FUND XI AND REIT JOINT VENTURE
"LANDLORD"**

and

**GAIAM, INC.
"TENANT"**

**360 Interlocken Boulevard
Broomfield, Colorado**

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AMENDED AND RESTATED
OFFICE LEASE
360 INTERLOCKEN BOULEVARD
BROOMFIELD, COLORADO

THIS AMENDED AND RESTATED LEASE (the "Lease") is made this day of January, 2002, by and between FUND IX, FUND X, FUND XI AND REIT JOINT VENTURE, a Georgia joint venture, ("Landlord") and GAIAM, INC., a Colorado corporation ("Tenant").

W I T N E S S E T H:

WHEREAS, Landlord's predecessor-in-title, Orix Prime West Brookfield Venture ("Orix"), as landlord, and Transecon, Inc., predecessor by name change to Tenant, as tenant, entered into that certain Office Lease dated as of June 19, 1996 (the "Original Lease"), pertaining to certain premises located in that certain building known as 360 Interlocken Building (the "Building"), located at 360 Interlocken Boulevard, Broomfield, Colorado 80021, on that certain real property more particularly described on **Exhibit A** attached hereto and made a part hereof (the "Property"); and

WHEREAS, prior to the date hereof, the Original Lease has been amended by that certain First Amendment to Transecon, Inc. Lease between Orix (predecessor-in-title to Landlord) and Transecon (predecessor by name change to Tenant), dated December 19, 1997 (the "First Amendment"), and has been further amended by that certain Second Amendment to Lease Agreement between Landlord and Tenant, dated as of October 1, 1999 (the "Second Amendment") (the Original Lease, as modified by the First Amendment and the Second Amendment, is hereinafter referred to as the "Lease"); and

WHEREAS, Landlord and Tenant desire to enter into this Amended and Restated Lease (a) to extend the Lease Term as to the existing Premises, less and except those portions of the existing Premises located on the first (1st) floor of the Building which are comprised of (i) 1,510 rentable square feet of space in Suite 105, (ii) that certain first floor suite containing approximately 1,882 rentable square feet of space which was added pursuant to the Second Amendment, and (iii) that certain first floor suite containing 2,950 rentable square feet of space which also was added pursuant to the Second Amendment, (b) to add to the Premises effective as of April 1, 2002 certain space on the second (2nd) floor of the Building that Gaiam currently is subleasing from ODS Technologies, L.P. ("ODS Technologies"), (c) to provide for an option to extend the Lease Term and (d) to provide for certain other options and rights all on the terms and conditions hereinafter set forth;

NOW, THEREFORE, for and in consideration of the premises, the covenants and agreements hereinafter contained, and for Ten Dollars ($10.00) and other good and valuable consideration in hand paid by each party hereto to the other, the receipt and sufficiency of which are hereby acknowledged, Tenant and Landlord hereby covenant and agree to amend and restate the Lease, effective as of April 1, 2002, as follows:

ARTICLE 1

DEMISE

1.1 *Demise.* Effective as of April 1, 2002, Landlord does hereby lease to Tenant and Tenant hereby leases from Landlord those certain premises (the "Premises") consisting of the entire third (3rd) floor of the Building, together with that portion of the second (2nd) floor of the Building that Tenant previously has subleased from ODS Technologies, which Premises are generally depicted on the floor plans attached hereto as **Exhibit B**, together with a non-exclusive right subject to the provisions hereof, to use all appurtenances thereto, including, but not limited to, any plazas, common areas, walkways or other areas in the Building or on the Property designated by Landlord for the exclusive or non-exclusive use of the tenants of the Building, all of which inclusive of the Building are hereinafter collectively called the "Building Complex".

For purposes of this Amended and Restated Lease, Landlord and Tenant hereby agree that the portion of the Premises which consists of the third (3rd) floor of the Building contains approximately 19,013 rentable square feet of space. Landlord and Tenant further agree that that portion of the Premises which consists of the second (2nd) floor space previously subleased by Tenant from ODS Technologies contains approximately 4,923 rentable square feet, subject expressly, however, to Landlord's right to measure and verify the number of rentable square feet contained on the second and third floors of the Building in accordance with a modified BOMA system, as determined by Landlord, and as applied to all tenants as set forth in Section 4.1(a) below, and Tenant's agreement, if said area contains more or less than 23,936 rentable square feet, to enter into an amendment to this Amended and Restated Lease reflecting the actual number of rentable square feet contained in the Premises.

Such letting and hiring is upon and subject to the terms, conditions and covenants herein set forth, and Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of said terms, conditions and covenants by it to be kept and performed and that this Lease is made upon the condition of such performance.

ARTICLE 2

TERM

2.1 *Term.* The term of this Lease commenced on September 13, 1996 (the "Commencement Date") and shall end at 5:00 p.m. on May 31, 2005, unless extended or sooner terminated as herein provided (the "Lease Term").

2.2 *Intentionally Deleted.*

2.3 *Landlord's Work.* Landlord shall have no obligation for making any improvements in the Premises and Tenant hereby accepts the Premises in its "AS IS" condition.

ARTICLE 3

RENT

3.1 *Base Rent.* Effective as of April 1, 2002, the annual base rental rate (the "Base Rental Rate") shall be Twenty-Four and No/100 Dollars ($24.00) per rentable square foot. Effective as of April 1, 2002, Tenant agrees to pay as base annual rent (the "Base Rent") during the remaining Term of this Lease, an amount equal to the Base Rental Rate, multiplied by the number of rentable square feet contained in the Premises from time to time (the "Rentable Area"). Commencing April 1, 2002, the Base Rental shall be Five Hundred Seventy-Four Thousand Four Hundred Sixty-Four and No/100 Dollars ($574,464.00) per annum payable in equal monthly installments of Forty-Seven Thousand Eight Hundred Seventy-Two and No/100 Dollars ($47,872.00), without notice, deduction, set-off or abatement to the Landlord at the address of Landlord as set forth in Section 26.1 or at such other address as the Landlord may notify the Tenant of in writing, in lawful money of the United States payable in advance on the first day of each month. If the Lease Term commences or terminates on a day other than the first or last day of a calendar month respectively, then the installments of Base Rent for such month or months shall be prorated and the installments so prorated shall be paid in advance. The term "Lease Year" shall mean each twelve month period subsequent to the Commencement Date. The Base Rental Rate shall be adjusted as of June 1 of each year as set forth in Section 4.2(b) below.

3.2 *Additional Rent.* Any other sums of money or charges to be paid by the Tenant pursuant to the provisions of this Lease may be designated as "Additional Rent". A failure to pay Additional Rent shall be treated in all events as the failure to pay rent.

3.3 *Interest on Late Payments and Late Payment Charge.* Any rent (whether Base Rent or Additional Rent) or other amount due from Tenant to Landlord under this Lease not paid within five (5) days of the date due shall bear interest from the date due until the date paid at the rate of two percent (2%) per month (the "Default Rate"), but the payment of such interest shall not excuse or cure any default by Tenant under this Lease. Failure to charge or collect such interest in connection with any one or more such late payments shall not constitute a waiver of Landlord's right to charge and collect such interest in connection with any other or similar or like late payments.

Furthermore, in the event any rent or other amounts owing hereunder are not paid within five (5) days after the due date, then Landlord and Tenant agree that Landlord will incur additional administrative expenses, the amount of which will be difficult if not impossible to determine. Accordingly, in addition to such required payment, Tenant shall pay to Landlord an additional one time late charge for any such late payment in the amount of five percent (5%) of the amount of such late payment.

Notwithstanding the above, Landlord agrees that it shall waive such late charge and interest twice during any calendar year provided Tenant is not otherwise in default hereunder. Tenant shall not be deemed late if the Rent payment is postmarked by the United States Post Office no later than the last day of the five (5) day period set forth above, the payment is actually received and Tenant uses all reasonable efforts to make all payments when due.

ARTICLE 4

OPERATING EXPENSE ADJUSTMENT

4.1 *Definitions.* The following terms shall have the following meanings with respect to the provisions of this Section 4.1:

(a) Effective as of April 1, 2002, Tenant's "Prorata Share" shall mean that fraction, the numerator of which is the Rentable Area of the Premises (23,936 rentable square feet) and the denominator of which is 51,974 square feet being the total Rentable Area of the Building Complex and is equal to 46.05%, which calculation shall be final except as specifically set forth herein. At such time, if ever, any space is added to or subtracted from the Premises or if Tenant's second (2nd) and third (3rd) floor space is re-measured and verified by Landlord as hereinbelow provided, the Tenant's Prorata Share shall be adjusted accordingly. Landlord's system for measurement of Rentable Area shall be a modified BOMA, as determined by Landlord, and as applied to all tenants. Landlord reserves the right to re-measure the Rentable Area of the Building and Premises from time to time.

(b) "Real Estate Taxes" shall include (a) any form of assessment (including any so-called "special" assessments), license tax, business license fee, business license tax, commercial rental tax, levy, charge, penalty or tax, imposed by any authority having the direct power to tax, including any city, county, state or federal government, or any school, agricultural, lighting, water, drainage or other improvement or special district thereof, against the Premises, the Building, Property, or Building Complex or any legal or equitable interest of the Landlord therein; (b) any tax on the Landlord's right to rent or other income from the Premises or against the Landlord's business of leasing the Premises; and (c) any assessments, tax, fee, levy or charge in substitution, partially or totally, of or in addition to any assessment, tax, fee, levy or charge previously included within the definition of Real Estate Taxes which may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants. It is the intention of the Landlord and the Tenant that all such new and increased assessments, taxes, fees, levies and charges be included within the definition of Real Estate Taxes for purposes of this Lease. The following shall also be included within the definition of Real Estate Taxes for purposes of this Lease, provided, however, that the Tenant shall pay the Landlord the entire amount thereof: (i) any tax allocable to or measured by the area of the Premises or the rental payable hereunder, including without limitation, any gross income, privilege, sales or excise tax levied by the State, any political subdivision thereof, city, municipal or federal government, with respect to the receipt of such, rental, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by the Tenant of the Premises or any portion thereof; and (ii) any tax upon this transaction or any document to which the Tenant is a party, creating or transferring an interest or an estate in the Premises. "Real Estate Taxes" shall not include the Landlord's federal or state income, franchise, inheritance, or estate taxes. "Real Estate Taxes" included in this definition mean taxes or assessments in the year assessed, without regard to the year in which same become due or payable.

(c) "Operating Expenses" shall mean all maintenance and operating costs of any kind or nature with respect to the operation,

ownership and maintenance of the Building Complex and shall include, but not be limited to, the cost of building supplies, window cleaning, costs incurred in connection with all energy sources for the Building such as propane, butane, natural gas, steam, electricity, solar energy and fuel oil; the costs of water and sewer service, janitorial services, both interior and exterior, general maintenance and repair of the Building Complex including the heating and air conditioning systems and structural components of the Building; landscaping, maintenance, repair and striping of all parking areas; insurance, including fire and extended coverage and public liability insurance and any rental insurance and all risk insurance carried by Landlord pursuant to Section 10.2; labor costs incurred in the operation and maintenance of the Building Complex, including wages and other payments; costs to the Landlord for worker's compensation and disability insurance; payroll taxes and welfare fringe benefits, including, professional building management fees which shall not exceed four percent (4%) of gross receipts for the Building Complex, legal, inspection and consultation fees incurred in connection with the Building Complex; any association fees due in accordance with or as referenced in recorded documents; any expense attributable to costs incurred by the Landlord for any capital improvements or structural repairs to the Building or Property required by any change in the laws, ordinances, rules, regulations or otherwise which were not in effect on the date the Landlord obtained its building permit to construct the Building required by any governmental or quasi-governmental authority having jurisdiction over the Building which costs shall be amortized over the useful life of the capital improvements or structural repair; and any costs incurred by the Landlord in making capital improvements or other modifications to the Building or any part thereof, which costs shall be amortized over the useful life of such improvement or modification with interest at the rate of ten percent (10%) per annum on the unamortized amount, in accordance with such reasonable life and amortization schedules and shall be determined by Landlord in accordance with generally accepted accounting principles. Operating Expenses shall expressly exclude costs of maintenance and repair reimbursed by insurance proceeds, alterations or other specific costs attributable solely to other tenant's space in the Building which was under the respective terms of the lease such tenant's responsibility and thereupon billed to such tenants, and legal fees for financing, sales of the Building Complex, preparing and enforcing leases and any other legal fees which do not specifically relate to the operation and maintenance of the Building Complex.

(d) "Variable Operating Expenses" shall mean those Operating Expenses which vary with occupancy levels or which vary with areas serviced based upon occupied Rentable Area. Landlord agrees that Tenant, if it is paying any utilities directly or performing its own janitorial services (including light bulb replacement), shall be responsible for its prorata share of such utilities and services (including light bulbs) only for the common areas of the Building Complex.

(e) "Base Year" shall mean calendar year 2002.

(f) "Uncontrollable Expenses" shall mean Real Estate Taxes, utilities and insurance paid or incurred by Landlord in connection with the operation, ownership, maintenance and repair of the Building Complex.

4.2 *Rent Adjustments.* Landlord and Tenant agree that the following adjustments to Rent shall be made with respect to each calendar year (or portion thereof) within the Term:

(a) *Payments of Increases in Taxes, Utilities and Insurance.* Commencing April 1, 2002, Tenant shall pay to Landlord as additional rent an amount equal to Tenant's Proportionate or Prorata Share of the amount by which the amounts paid or incurred by Landlord for Uncontrollable Expenses in any calendar year after the Base Year exceed the amounts paid or incurred by Landlord for Uncontrollable Expenses during the Base Year, with appropriate and equitable adjustment for Variable Operating Expenses in the Base Year and each subsequent year (the "Increased Uncontrollable Expenses"). It is agreed that the Tenant shall, during each calendar year after the Base Year, pay to the Landlord an estimate of the Tenant's Prorata Share of such Increased Uncontrollable Expenses as hereinafter set forth. Beginning January 1, 2003, and continuing each calendar year (or portion thereof) during the Lease Term, the Tenant shall pay to the Landlord each month on the first day of the month an amount equal to one-twelfth (1/12) of Tenant's Prorata Share of the Increased Uncontrollable Expenses for such new calendar year as reasonably estimated by the Landlord, with an adjustment to be made between the parties at a later date as hereinafter provided. Furthermore, Landlord may from time to time but no more than three (3) times during any Lease Year furnish Tenant with notice of a re-estimation of the Uncontrollable Expenses and Tenant shall commence paying its re-estimated Prorata Share on the first day of the month following receipt of said notice. As soon as practicable following the end of any calendar year but in no event later than April 15, the Landlord shall submit to the Tenant a statement setting forth the exact amount of the Tenant's Prorata Share of the Increased Uncontrollable Expenses for the calendar year just completed and the difference, if any, between the Tenant's actual Prorata Share of the Increased Uncontrollable Expenses for the calendar year just completed and the estimated amount of the Tenant's Prorata Share of the Increased Uncontrollable Expenses (which were paid in accordance with this subparagraph) for such year. Such statement shall also set forth the amount of the estimated Increased Uncontrollable Expenses reimbursement for the new calendar year computed in accordance with the foregoing provisions. To the extent that the Tenant's Prorata Share of the actual Increased Uncontrollable Expenses for the period covered by such statement are higher than the estimated payments which the Tenant previously paid during the calendar year just completed, the Tenant shall pay to the Landlord the difference within thirty (30) days following receipt of said statement from the Landlord. To the extent that the Tenant's Prorata Share of the actual Increased Uncontrollable Expenses for the period covered by the Statements are less than the estimated payments which the Tenant previously paid during the calendar year just completed, the Landlord may at its option either refund said amount to Tenant or credit the difference against the Tenant's estimated reimbursement for such Increased Uncontrollable Expenses for the current year. In addition, with respect to the monthly reimbursement, until the Tenant receives such statement, the Tenant's monthly reimbursement for the new calendar year shall continue to be paid at the then current rate, but the Tenant shall commence payment to the Landlord of the monthly installments of reimbursement on the basis of the statement beginning on the first day of the month following the month in which Tenant receives such statement.

(b) *Adjustment of Base Rent.* Commencing in calendar year 2003, the Base Rent Rate shall be adjusted as of June 1 of such year and as of June 1 of each subsequent year during the Lease Term to an amount equal to the sum of (i) the product obtained by multiplying the amount by which the Base Rental Rate for the previous calendar year exceeds the Real Estate Taxes and Operating Expenses actually incurred for the Base Year (determined on a rentable square foot basis) by one hundred two percent (102%), plus (ii) the Real Estate Taxes and Operating Expenses actually incurred for the Base Year (determined on a rentable square foot basis). As soon as practicable following the end of year 2002 and each subsequent

year but in no event later than April 15 of such year, the Landlord shall submit to the Tenant a statement setting forth the amount of the Real Estate Taxes and Operating Expenses for the Base Year, the amount by which the Base Rental Rate for the previous calendar year exceeds the Real Estate Taxes and Operating Expenses for the Base Year (determined on a rentable square foot basis) and Landlord's calculation of the adjustment in the Base Rental Rate to be effective as of June 1 of the then current year as set forth herein. If Landlord fails to provide such statement to the Tenant by June 1 of such year, the Tenant shall continue to pay Base Rent at the Base Rental Rate in effect for the previous year, but the Tenant shall pay all amounts due and payable as the adjusted Base Rent at the adjusted Base Rental Rate on the basis of the statement beginning on the first day of the month following the month in which Tenant receives such statement.

(c) The Tenant's obligation with respect to its Prorata Share of Increased Uncontrollable Expenses and adjusted Base Rent shall survive the expiration or early termination of this Lease and the Landlord shall have the right to retain the Security Deposit (if any), or so much thereof as it deems necessary, to secure payment of the same. If the Tenant occupies the Premises for less than a full calendar year during the first or last calendar years of the term hereof, the Tenant's Prorata Share for such partial year shall be appropriately prorated to reflect the number of months in such year during which Tenant occupied the Premises. The Tenant shall pay all amounts due hereunder within thirty (30) days following receipt of notice thereof.

(d) The Tenant shall have the right but not more than once per annum, at any time within thirty (30) days after a statement of actual Real Estate Taxes and Operating Expenses for a particular calendar year has been rendered by the Landlord as provided herein, at Tenant's sole cost and expense, to examine the Landlord's books and records during normal business hours (upon reasonable prior written notice to Landlord), at Landlord's office relating to the determination of such Real Estate Taxes and Operating Expenses. Unless Tenant objects to the statement provided by Landlord, within said thirty (30) day period, such statement and adjustment shall be deemed conclusive.

4.3 *Reimbursement Survives Termination.* In the event of the termination of this Lease by expiration of the stated term or for any other cause or reason whatsoever prior to the determination of rental adjustment as hereinafter set forth, the Tenant's agreement to reimburse Landlord up to the time of termination shall survive termination of the Lease and the Tenant shall pay any amount due to the Landlord within fifteen (15) days after being billed therefor. In the event of the termination of this Lease by expiration of the stated term or for any other cause or reason whatsoever, except default by the Tenant of any of the terms or provisions of this Lease, prior to the determination of rental adjustments as hereinabove set forth, the Landlord's agreement to refund any excess additional rental paid by the Tenant up to the time of termination shall survive termination of the Lease and the Landlord shall pay the amount due to the Tenant within fifteen (15) days of the Landlord's determination of such amount. This covenant shall survive the expiration or termination of this Lease.

If the last year of the term of this Lease ends on any day other than the last day of December, any payment due to the Landlord by reason of any increase in Real Estate Taxes and Operating Costs shall be prorated on the basis by which the number of days in such partial year bears to 365.

Any failure of Landlord to furnish Tenant with an estimate of its Prorata Share of Real Estate Taxes and Operating Expenses or any statements as set forth in this Section 4 shall not act to relieve Tenant of its liability therefor; and with respect to any deficiencies, Tenant agrees to pay same within thirty (30) days of written demand from Landlord.

ARTICLE 5

BUILDING SERVICES

5.1 *Standard Services.* Landlord agrees to furnish to the Premises during regular business hours from 7:00 a.m. to 6:00 p.m. Mondays through Fridays and from 8:00 a.m. to 1:00 p.m. Saturdays, except for holidays as the same are determined by Landlord, and subject to the rules and regulations of the Building, heat and air conditioning for the use and occupancy of the Premises, passenger elevator service and freight elevator service, subject to scheduling by Landlord. Landlord shall also furnish: (i) electric current to be supplied for lighting the Premises and public halls, and for the operation of ordinary office equipment, exclusive of heavy-duty equipment and computers, copying equipment which is not standard for general offices, or comparable equipment; (ii) janitorial and cleaning services, and (iii) domestic water in reasonable quantity. Elevator service shall mean service either by non-attended automatic elevators or elevators with attendants at the option of Landlord. Landlord shall also furnish, at rates set from time to time as reasonably determined by Landlord (reflecting actual costs of such additional HVAC), heating and air conditioning and such other items as are not provided for herein, provided if Tenant does not have special HVAC controls for its Premises, then Tenant shall give Landlord reasonable prior notice of Tenant's needs for such additional heating or air conditioning and Landlord shall use all reasonable efforts to provide same. Landlord shall also, at said times, maintain and keep lighted the common stairs, entries, and toilet rooms in the Building that would reasonably be subject to use by Tenant, its agents and employees during other than regular business hours. Landlord also has the right to charge Tenant for energy costs incurred because of Tenant's above Building average usage or by reason of usage of the Premises or the Building during other than regular business hours. However, in no event shall Landlord charge Tenant more for excess utilities or after hours HVAC than it charges other tenants in the Building for such usage. Furthermore, if Landlord were to grant any tenant longer regular business hours, then such hours shall also be applicable to Tenant. Tenant agrees to pay for any excess HVAC within fifteen (15) days of the billing therefor, such billing to occur no more frequently than monthly.

5.2 *Interruption of Standard Services.* Tenant agrees that Landlord shall not be liable for failure to supply any heating, air conditioning, elevator, janitorial services, electric current, or any other service described in Section 5.1 or Section 33.4 during any period when Landlord uses reasonable diligence to restore or to supply such services or electric current, it being further agreed that Landlord reserves the right to temporarily discontinue such services or any of them, or electric current at such times as may be necessary by reason of accident, unavailability of employees, repairs, alterations, or improvements, or whenever by reason of strikes, lockouts, riots, acts of God or any other happening or occurrence beyond the reasonable control of Landlord. If Landlord is unable to furnish such services or electric current for any reason outside of Landlord's reasonable control, or if such services or electric current shall be interrupted for any reason

outside of Landlord's reasonable control, Landlord shall not be liable for damages to persons or property for any such discontinuance or interruption, nor shall such discontinuance or interruption in any way be construed as a constructive or actual eviction of Tenant or cause an abatement of rent or operate to release Tenant from any of Tenant's obligations hereunder. Landlord's obligation to furnish services or electric current shall be conditioned upon the availability of adequate energy sources from the public utility companies presently serving the Building Complex. If Landlord elects for any reason to temporarily discontinue services to Tenant and/or the Building Complex then Landlord shall give Tenant prior notice thereof and Tenant shall have the right to approve the scheduling thereof, which approval shall not be unreasonably withheld or delayed and in any event Landlord shall use reasonable efforts to restore as soon as possible any service which has been interrupted. Landlord shall have the right to reduce heating, cooling or lighting within the Premises and in the public area in the Building as required by any mandatory fuel or energy-saving program. Furthermore, due to energy code design requirements as promulgated from time to time, Tenant hereby acknowledges that it may on certain days experience discomfort with the heating and air conditioning cycle, and Landlord shall have no responsibility or liability therefor.

5.3 *Services Paid by Tenant.* Unless otherwise provided by Landlord, Tenant shall separately arrange with the applicable local public authorities or utilities, as the case may be, for the furnishing of and payment for all telephone services as may be required by Tenant in the use of the Premises. Tenant shall directly pay for such telephone services, including the establishment and connection thereof, at the rates charged for such services by said authority or utility, and the failure of Tenant to obtain or to continue to receive such services for any reason whatsoever shall not relieve Tenant of any of its obligations under this Lease.

5.4 *Above-Standard Service Requirements.* If unusual heat-generating machines or equipment cause the temperature in the Premises, or any part thereof, to exceed the temperatures the Building's air conditioning system would be able to maintain in such Premises were it not for such heat-generating equipment, then Landlord reserves the right to install supplementary air conditioning units in the Premises, and the cost thereof, including the cost of installation and the cost of operation and maintenance thereof, shall be paid by Tenant to Landlord upon demand by Landlord.

Tenant shall not, without the written consent of Landlord, use any apparatus or device which will in any way increase the amount of electricity or water which Landlord determines to be reasonable for use of the Premises as general office space, nor connect with electric current (except through existing electrical outlets in the Premises) or water pipes any apparatus or device for the purposes of using electric current, other energy or water except as set forth in Article 15 hereof. Landlord shall have the right to install one or more separately submetered electrical circuits to serve all of the Tenant's equipment, machinery or appliances which equipment, machinery or appliances requires electrical current supplied to the Premises for general office purposes as the same is determined by Landlord which costs of submetering shall be payable by Tenant to Landlord upon demand. Tenant shall also, at its own cost, have the right to directly meter the electric services for its Premises in which event Landlord shall have no right to object to any equipment that uses "above-standard" amounts of electricity. Tenant agrees to reimburse the Landlord for the submetered electrical current utilized by Tenant at the rates charged to Landlord to purchase electrical current for the Building, such reimbursement to be made within fifteen (15) days of the date of the billing therefor; such billing to occur no more frequently than monthly.

5.5 *Cleaning.* Upon prior written notice to Landlord, Tenant may provide its own janitorial or cleaning services subject to supervision of Landlord, at Tenant's sole responsibility, and by a janitorial or cleaning contractor or employees at all times satisfactory to Landlord. Landlord shall provide janitorial and cleaning services, in accordance with such reasonable standards generally provided in Class A suburban office buildings in the Denver-Boulder metropolitan area for the common areas of the Building Complex.

5.6 *Re-Lamping.* Exclusive of the Premises, Landlord shall have the exclusive right to make any replacement of electric light bulbs, fluorescent tubes and ballasts in the Building Complex throughout the Lease Term and any renewal thereof. Landlord may adopt a system of relamping and reballasting periodically on a group basis in accordance with good management practice.

5.7 *Fiber Optic.* Landlord at Landlord's cost agrees to bring fiber optic capability from the street to the Building (which obligation is dependent upon there being a fiber optics system in the street immediately adjacent to the Building Complex which is accessible for the benefit of tenants and other users) and that the Building shall have DS3 (T3) capability and for Tenant's Premises the capability for at least one hundred telephone lines. Landlord shall have no responsibility or liability for bringing either the phone system or fiber optics to the Premises. Nothing herein shall prohibit Landlord from entering into licensing or other agreements with any telecommunications company or entity for the Building nor shall Landlord be prohibited from installing a minimum point of entry fiber optics system and/or updating or replacing any system from time to time in the Building.

5.8 *After Hours Access.* Except as specifically set forth in Sections 15.2, 21.1 and 22.2, and subject to applicable local laws and emergencies, Tenant shall have access to its Premises twenty-four hours a day, seven days a week. Tenant acknowledges that certain security measures may apply during nonregular business hours or holidays, including the use of keys for access to the Building.

ARTICLE 6

TENANT REPAIR

6.1 *Damage by Tenant.* If the Building Complex, the Building, the Premises or any portion thereof including but not limited to the elevators, boilers, engines, pipes and other apparatus, or members of elements of the Building (or any of them) used for the purpose of climate control of the Building or operating the elevators, or if the water pipes, drainage pipes, electric lighting or other equipment of the Building or the roof or outside walls of the Building or the Generator or the parking facilities of Landlord and also the Tenant Finish including but not limited to the carpet, wall covering, doors and woodwork, become damaged or are destroyed through the negligence, carelessness or misuse of the Tenant, its servants, agents, employees or anyone permitted by Tenant to be in the Building, or through it or them, then the cost of the necessary repairs, replacements or alterations shall be borne by the Tenant who shall forthwith pay the same on demand to the Landlord as Additional Rent. Landlord shall have the exclusive right, but not the obligation, to make any repairs necessitated by such damage.

6.2 *Maintenance.* Tenant shall keep the Premises in as good order, condition and repair as when they were entered upon. If Tenant fails to keep the Premises in such good order, condition and repair as required hereunder to the satisfaction of Landlord, Landlord may restore the Premises to such good order and condition and make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's property or business by reason thereof, and upon completion thereof, Tenant shall pay to Landlord, as Additional Rent, upon demand, the cost of restoring the Premises to such good order and condition and of the making of the repairs.

6.3 *Good Condition.* Tenant shall leave the Premises at the end of each Business Day in a reasonable condition for the purpose of allowing the performance of the Landlord's cleaning services hereinafter described.

6.4 *Surrender.* Tenant shall deliver, at the expiration of the Term hereof or upon sooner termination of the Term, the Premises in good repair as aforesaid and in a state of broom cleanliness.

6.5 *Broken Glass.* Tenant shall pay on demand the cost of replacement with identical quality, size and characteristics of glass broken on the Premises, including outside windows and doors of the perimeter of the Premises (including perimeter windows in the exterior walls) during the continuance of this Lease, unless the glass shall be broken by Landlord, its servants, employees or agents acting on its behalf.

ARTICLE 7

ASSIGNMENT AND SUBLETTING

7.1 *Limitations.* Except as specifically set forth in Sections 7.4 and 7.5 below, Tenant shall not assign or in any manner transfer this Lease or any estate or interest therein the Premises or any part thereof, or grant any license, concession or other right to occupy any portion of the Premises without the prior written consent of Landlord which shall not be unreasonably withheld. In no event shall Tenant have any right to assign if there exists any default under this Lease. Consent by Landlord to one or more assignments of this Lease or of the Premises shall not operate as a waiver of Landlord's rights under this section. Any such assignment or subletting without Landlord's consent shall be deemed void and confer no rights upon a third party. Notwithstanding any assignment, Tenant and any guarantor of Tenant's obligations under this Lease shall at all times remain fully responsible and liable for the payment of the rental herein specified and for compliance with all other terms and conditions of this Lease. Without in any way limiting Landlord's right to refuse to give consent, Landlord reserves the right in the event it does give consent to impose such conditions upon its consent as Landlord deems necessary including the requirement of additional security which in Landlord's business judgment shall insure the state of the Premises and the rentals due under this Lease. Landlord shall also have the right in the event of such proposed assignment to terminate this Lease in which event Landlord shall have the right, but not the obligation, to enter into a Lease with such proposed assignee.

Neither this Lease nor any interest therein shall be assignable as to the interest of Tenant by operation of law, without the written consent of Landlord. A sale by Tenant of all or substantially all of its assets or all or substantially all of its stock, if Tenant is a publicly traded corporation, a merger of Tenant with another corporation; or the transfer of twenty-five percent (25%) or more of the stock of Tenant if Tenant's stock is not publicly traded; or the transfer of fifty percent (50%) or more of the beneficial ownership interest in Tenant if Tenant is a partnership without the prior written consent of Landlord, shall constitute a prohibited assignment hereunder, subject to the limitations set forth above. Notwithstanding the foregoing, such assignment shall not be prohibited if the Tenant is not in default hereunder and the net worth of the Tenant upon such assignment is not less than ten million dollars with not more than ten percent of such net worth attributable to good will. Prior to such assignment being deemed effective Tenant shall deliver to Landlord current financials prepared in accordance with GAAP by an independent certified public accountant.

7.2 *Acceptance of Performance.* If this Lease be assigned or if the Premises or any part thereof be sublet or occupied by anybody other than Tenant, Landlord may, after default by Tenant, collect the rent from the assignee, subtenant or occupant and apply the net amount collected to the rent herein reserved retaining the remainder, if any, for the account of Landlord, but no such assignment, subletting, occupancy or collection shall be deemed an acceptance of the assignee, subtenant or occupant as the Tenant hereof, or constitute a release of Tenant from further performance by Tenant of the covenants on the part of Tenant herein contained.

7.3 *Document Review.* All documents utilized by Tenant to evidence any subletting or assignment for which Landlord's consent has been requested, shall be subject to prior reasonable approval by Landlord or its attorney. Wherever Landlord's prior approval or consent to any assignment or sublease is required pursuant to this Article 7, then, in such event, Tenant shall submit to Landlord in writing, by notice directed to Landlord's Vice President of Leasing, at Landlord's address, at least fifteen (15) business days in advance of the date on which Tenant desires to make such proposed assignment or sublease at least the following information and materials (each, a "Tenant's Request to Assign or Sublet"): (a) all of the terms of said proposed assignment or sublease, including the proposed effective date thereof, (b) the name and address of each proposed assignee or subtenant, (c) the portion or portions of the Premises as to which the requested assignment or sublease is proposed to apply, and (d) in the case of a requested sublease, the form of such proposed sublease. Landlord may require Tenant to obtain and submit current financial statements of any proposed assignee or subtenant. Landlord shall then have a period of five (5) business days following receipt of Tenant's Request to Assign or Sublet within which to notify Tenant in writing whether Landlord elects to (i) cancel and terminate this Lease as to the space so affected as of the proposed effective date so specified by Tenant in its notice, in which event Tenant will be relieved of all obligations under the Lease as to such space as the date so specified by Tenant; (ii) permit Tenant to assign this Lease or sublet such space for the duration specified by Tenant in its notice; or (iii) reject the proposed assignment or sublease on reasonable grounds. If Landlord fails to notify Tenant in writing of Landlord's election within five (5) business days of receipt from Tenant of all of the information and materials required in this Paragraph, Landlord shall be deemed to have approved the proposed assignment or sublease. If Tenant desires to assign the Lease or sublease any portion of the Premises which under the terms of this Article 7 requires Landlord's prior consent or approval, then Tenant shall pay Landlord's actual and reasonable out-of-pocket expenses (including, without limitation, attorneys' fees and expenses) paid to or incurred with any third party in connection with responding to Tenant's Request to Assign or Sublet.

7.4 *Subletting.* Provided that Tenant is not in default hereunder, Tenant may from time to time sublet all or any portion of the

Premises to any subtenant without Landlord's prior consent, subject, however, to each of the following conditions being fully complied with by Tenant:

(a) The subtenant must use the Premises in compliance with the provisions set forth in Article 9 and for no other purpose.

(b) A fully executed sublease shall be delivered by Tenant to Landlord within thirty (30) days of full execution thereof. Failure by Tenant to deliver a copy thereof to Landlord within the above time frame shall give Landlord, at its option, the right to terminate the sublease which right of termination shall be in addition to and not in limitation of any other right or remedy of Landlord.

(c) The Tenant, Gaiam, Inc., shall at all times remain primarily liable under the Lease. This right to sublet without Landlord's prior consent shall be personal to Gaiam, Inc., and shall terminate if Gaiam, Inc. assigns its interest in the Lease in whole or in part.

(d) No subtenant may further sublease or assign its interest in the sublease without both Gaiam, Inc.'s and Landlord's prior written consent, which may be given or withheld in their respective sole and absolute discretion.

7.5 *Affiliated Entity.* Provided Tenant is not in default of this Lease, which default has not been cured within any applicable cure period, Tenant may, without Landlord's prior written consent assign the Lease to: (i) a subsidiary, affiliate, division or corporation controlled or under common control with Tenant; (ii) a successor corporation to Tenant by merger, consolidation, or nonbankruptcy reorganization; (iii) a purchaser of substantially all of Tenant's assets and who continues to operate as "Tenant" in the Premises (collectively, "Permitted Assignees"). Tenant acknowledges warrants and agrees that the Permitted Assignee shall assume all liabilities and obligations of Tenant under the Lease. Tenant shall notify Landlord of all Permitted Assignee(s) within thirty (30) days of such assignment or subletting. For the purpose of this Lease, sale or transfer of Tenant's capital stock, including without limitation, a transfer in reorganization of Tenant and any sale through any public exchange, shall not be deemed an assignment, subletting, or any other transfer of the Lease or the Premises, provided that the surviving entity in such transfer assumes the Lease by operation of law.

ARTICLE 8

TRANSFER BY LANDLORD AND LIMITED LIABILITY

8.1 *Transfer of Landlord's Interest.* In the event of a sale, conveyance, or assignment by Landlord of Landlord's interest in the Building Complex (other than a transfer for security purposes only), Landlord shall be relieved from and after the date specified in any such notice of transfer or assignment of all of Landlord's obligations and liabilities accruing thereafter on the part of Landlord, and Tenant agrees to look only toward such assignee or transferee of Landlord's interest.

8.2 *Limited Liability of Landlord.* Anything contained in this Lease to the contrary notwithstanding, Tenant agrees that Tenant shall look solely to the estate of Landlord in the Building Complex for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default or breach by Landlord with respect to any of the terms and provisions of this Lease to be observed or performed by Landlord, subject, however, to the prior rights of the holder of any mortgage covering the Building Complex, and no other assets of Landlord, its partners, agents, employees, officers, or employees or officers of any of its partners shall be subject to levy, execution or other judicial process for the satisfaction of Tenant's claim and Landlord shall not be liable for any such default or breach except to the extent of Landlord's estate in the Building Complex.

8.3 *Limited Liability of Tenant.* Landlord agrees that the personal assets of Tenant's employees, directors and officers shall not be subject to levy, execution, or other judicial process for the satisfaction of Landlord's claim against Tenant.

ARTICLE 9

USE OF PREMISES

9.1 *Use.* Except as expressly permitted by prior written consent of the Landlord, the Premises shall not be used other than for a video production company and for other general business office purposes. Any other use shall require Landlord's prior written consent, which shall not be unreasonably withheld provided that such use complies with applicable restrictive covenants and zoning, the use is consistent with a first class suburban office building, and does not generate, store, use, or dispose of any hazardous, toxic or infectious substances in or from the Premises. All use of the Premises shall comply with the terms of this Lease and all applicable laws, ordinances, regulations or other governmental ordinances from time to time in existence.

9.2 *Compliance with Rules and Regulations.* Tenant and employees and all persons visiting or doing business with the Tenant in the Premises shall be bound by and shall observe the reasonable Rules and Regulations as set forth in **Exhibit F** attached hereto and made a part hereof, which may, at Landlord's sole discretion, be promulgated, amended, or expanded from time to time during the Lease Term by the Landlord relating to the Building, the Building Complex and/or the Premises of which notice in writing shall be given to the Tenant within thirty (30) days of such clause at which time they will become effective and all such rules and regulations as changed from time to time shall be deemed to be incorporated into and form a part of this Lease. Any default in the performance or observance of such rules and regulations shall be a default hereunder and Landlord shall have all remedies provided for in this Lease in the event of default by Tenant. Landlord however, shall not be responsible to Tenant for nonobservance by any other tenant or person of any tenant or person of any such rules and regulations. Notwithstanding the above except as required by any governmental authority, law, or pursuant to recorded documents, Landlord shall not adversely impose any new rules and regulations upon Tenant without Tenant's consent, which shall not be unreasonably withheld.

9.3 *Electronics Testing Lab.* Subject to compliance with (i) all other provisions of this Lease, (ii) applicable zoning, use and

building code restrictions, (iii) insurance requirements, and (iv) any restrictions and requirements imposed by applicable recorded covenants and regulations, Tenant may use a portion of the Premises for and electronics testing lab.

ARTICLE 10

INSURANCE

10.1 *Tenant's Insurance.* Tenant shall, during its occupancy of the Premises and during the entire term hereof, at its sole cost and expense, obtain, maintain and keep in full force and effect, and with the Tenant, the Landlord, Landlord's agents, and Landlord's mortgagees named as additional insureds therein as their respective interests may appear, the following types and kinds of insurance:

(a) Upon property of every description and kind owned by the Tenant and located in the Building Complex or for which the Tenant is legally liable or installed by or on behalf of the Tenant, including, without limitation, furniture, fittings, installations, alterations, additions, partitions, fixtures and anything in the nature of a leasehold improvement in an amount not less than the full replacement cost thereof, with a minimum coverage including sprinkler leakage (where applicable); and in the event that there shall be a dispute as to the amount which comprises full replacement cost, the decision of the Landlord or the mortgagees of the Landlord shall be conclusive.

(b) Commercial general liability including bodily injury, property damage and public liability insurance including personal liability, contractual liability, non-owned automotive liability, tenants' legal liability for the full replacement costs of the Premises, and owners' and contractors' protective insurance coverage and a cross-liability clause with respect to the Premises and the Tenant's use of any part of the Building Complex and which coverage shall include the business operations conducted by the Tenant and any other persons on the Premises. Such policies shall be written on a comprehensive basis with limits of not less than $2,000,000 with respect to injuries or death of one or more persons, and not less than $1,000,000 with respect to property damage and not less than $2,000,000 for any one occurrence and such higher limits after expiration of the initial lease term as the Landlord or the mortgagees of the Landlord may reasonably require from time to time.

(c) Any other form or forms of insurance as the Landlord or the mortgagees of the Landlord may reasonably require from time to time in form, in amounts and for insurance risks against which a prudent tenant in greater metropolitan Denver would protect itself, which are standard in the industry.

(d) Intentionally deleted.

(e) Workers' Compensation Insurance and Employers liability insurance in amounts as required by law.

(f) If Tenant performs any work on the Premises (costing more than $1,000.00 or which requires any type of building permit), prior to the commencement, of any such work, Tenant shall deliver to Landlord certificates issued by insurance companies qualified to do business in the State of Colorado, evidencing that workmen's compensation and public liability insurance and property damage insurance and such other insurance as reasonably required by Landlord, all in the amounts satisfactory to Landlord, are in force and effect and maintained by all contractors and subcontractors engaged by Tenant to perform such work.

All policies shall be taken out with insurers licensed to do business in the State of Colorado and shall carry an A.M. Best rating of not less than A-XII (A minus 12). All policies shall be primary and noncontributory. The Tenant agrees that certificates of insurance, or, if required by the Landlord or the mortgagees of the Landlord, certified copies of binders for such insurance policies will be delivered to the Landlord within ten (10) days after the placing of the required insurance with delivery of copies of the policies, no event later than thirty (30) days after Tenant takes possession of all or any part of the Premises. All policies shall contain an undertaking by the insurers to notify the Landlord and the mortgagees of the Landlord in writing not less than thirty (30) days prior to any material adverse change, cancellation or sooner termination thereof.

The Tenant covenants and agrees that in the event of damage or destruction to the leasehold improvements in the Premises covered by insurance as required to be taken out by the Tenant herein, and if the Landlord or Tenant do not terminate this Lease pursuant to Section 21.1 herein, the Tenant will use the proceeds of such insurance for the purpose of repairing or restoring such leasehold improvements. In the event that Landlord or Tenant are entitled to terminate the Lease pursuant to Article 21, then if the Premises have also been damaged, Tenant shall pay to Landlord all of its insurance proceeds relative to the leasehold improvements.

10.2 *Landlord's Insurance.* Landlord agrees to carry or cause to be carried during the term hereof public liability insurance on the Building Complex providing coverage of not less than Two Million and No/100 Dollars ($2,000,000.00) for personal injury or death arising out of any one occurrence. Landlord also agrees to carry during the term hereof insurance for fire, extended coverage, vandalism and malicious mischief, insuring the Building Complex (excluding foundations, excavations and other non-insurable items) for the full insurable value thereof. Landlord may, but shall not be obligated to, take out and carry any other form or forms of insurance as it or the mortgagees of Landlord may reasonably determine to be advisable. Notwithstanding any contribution by Tenant to the cost of insurance premiums, as provided in Article 4, Tenant acknowledges that it has no right to receive any proceeds from any such insurance policies carried by Landlord, and that such insurance will be for the sole benefit of Landlord, with no coverage for Tenant for any risk insured against.

10.3 *Subrogation.* The parties hereto agree that any and all fire, extended coverage and/or property damage insurance which is required to be carried by either shall be endorsed with a subrogation clause, substantially as follows: "This insurance shall not be invalidated should the insured waive, in writing prior to a loss, any and all right of recovery against any party for any special causes of loss," and each party hereto waives all claims for recovery from the other party, its officers, agents or employees for any loss or damage (whether or not such loss or damage is caused by negligence of the other party), and notwithstanding any provisions contained in this Lease to the contrary, to any of its real or personal property insured under valid and collectible insurance policies to the extent of the collectible recovery under

such insurance.

ARTICLE 11

OBSERVANCE OF LAW

11.1 *Law.* Tenant shall comply with all provisions of law, including without limitation, federal, state, county and city laws, ordinances and regulations and any other governmental, quasi-governmental or municipal regulations, which shall impose any duty upon Landlord or Tenant, and which relate to the partitioning, equipment operation, alteration, occupancy and use of the Premises, and to the making of any repairs, replacements, alterations, additions, changes, substitutions or improvements of or to the Premises. Moreover, Tenant shall comply with all police, fire and sanitary regulations imposed by any federal, state, county or municipal authorities, or made by insurance underwriters, and to observe and obey all governmental and municipal regulations and other requirements governing the conduct of any business conducted in the Premises.

11.2 *Taxes.* Tenant shall fully and timely pay all business and other taxes, charges, rates, duties, assessments and license fees levied, rates imposed, charged or assessed against or in respect of the Tenant's occupancy of the Premises or in respect of the personal property, trade fixtures, furniture and facilities of the Tenant or the business or income of the Tenant on and from the Premises, if any, as and when the same shall become due, and to indemnify and hold Landlord harmless from and against all payment of such taxes, charges, rates, duties, assessments and license fees and against all loss, costs, charges and expenses occasioned by or arising from any and all such taxes, rates, duties, assessments and license fees, and to promptly deliver to Landlord for inspection, upon written request of the Landlord, evidence satisfactory to Landlord of any such payments.

ARTICLE 12

WASTE AND NUISANCE

12.1 Tenant shall not commit, suffer or permit any waste or damage or disfiguration or injury to the Premises or common areas in the Building or the fixtures and equipment located therein or thereon, or permit or suffer any overloading of the floors thereof and shall not place therein any safe, heavy business machinery, computers, data processing machines, or other heavy things without first obtaining the consent in writing of the Landlord and, if requested, by Landlord's superintending architect, and not use or permit to be used any part of the Premises for any dangerous, noxious or offensive trade or business, and shall not cause or permit any nuisance, noise or action in, at or on the Premises. Tenant shall not store, produce, maintain or dispose of any materials or substances in or about the Premises, the Building or Building Complex which is a regulated, toxic, hazardous or infectious material or substance under any environmental statute, rule, regulation, or ordinance of any governmental authority.

ARTICLE 13

ENTRY BY LANDLORD

13.1 Landlord and its agents shall have the right to enter the Premises escorted by an employee or representative of Tenant, at all reasonable times, upon prior verbal notice to Tenant as set forth below for the purpose of examining or inspecting the same, and any other services to be provided by Landlord to Tenant hereunder, to show the same to prospective bona fide purchasers, lenders, investors or tenants of the Building (collectively, "Prospect Visits"), and to make such alterations, repairs, improvements or additions, whether structural or otherwise, to the Premises or to the Building as Landlord may deem necessary or desirable. Tenant shall reasonably cooperate with Landlord to permit such access and provide an escort. Notices for entry shall be given to an officer or supervisor of Tenant, as set forth on a written list delivered by Tenant to Landlord. Notwithstanding the above, Landlord shall have the right (but not the obligation) to enter unescorted and without notice for janitorial services (if not supplied by Tenant) or if Landlord reasonably believes that there exists an emergency. Landlord may enter by means of a master key without liability to Tenant except for any failure to exercise due care for Tenant's property and without affecting this Lease. Landlord shall use reasonable efforts to give Tenant not less than 48 hours prior notice of Prospect Visits and will coordinate such entry with Tenant so as to not interfere with any of Tenant's film production including delaying or scheduling of such visits after business hours if reasonably requested by Tenant. If such Prospect Visits exceed ten (10) per calendar year then Landlord will pay to Tenant for each additional visit during such calendar year a visitation fee equal to $50.00 per hour for each additional Prospect Visit during the applicable calendar year, prorata for any partial hour of visitation.

ARTICLE 14

INDEMNIFICATION OF LANDLORD

14.1 *Tenant's Indemnity.* Subject to the provisions of Section 10.3 of this Lease and Section 14.3 below, Tenant shall indemnify the Landlord and save it harmless from and against any and all loss (including loss of rentals payable by the Tenant or other tenants in the event of loss either directly or indirectly caused by any act or omission of Tenant unless such loss is covered by Landlord's rent abatement insurance), claims, actions, damages, liability and expenses in connection with loss of life and personal injury, hazardous substance or environmental claims, and damage to property arising from any occurrence in, upon or at Premises during the term of this Lease or any part thereof, or occasioned wholly or in part by any act or omission of the Tenant, its agents, contractors, employees, servants, licensees, or concessionaires or invitees or by anyone permitted to be on Premises by the Tenant; however in no event shall Tenant indemnify Landlord or hold it harmless from any negligence or misconduct of Landlord, its agents, employees or contractors or Landlord's invitees. In case the Landlord shall be made a party to any litigation commenced by or against the Tenant (except litigation where the Tenant is seeking relief from or a remedy against Landlord, its agents, employees, or contractors), then the Tenant shall protect and hold the Landlord harmless and

shall pay all costs, expenses and reasonable attorneys' fees incurred or paid by the Landlord in connection with such litigation whether or not such action is contested or prosecuted to judgment. All personal property on Premises shall be at the Tenant's sole risk, and Landlord shall not be liable for any damage done to or loss of such personal property or for damage or loss suffered by Tenant, unless caused solely by Landlord's negligence, subject to the provisions of Sections 10.3 and 23.1.

14.2 *Landlord's Indemnity.* Subject to the provisions of Section 8.2, Section 10.3 and Section 14.3 below, Landlord shall indemnify and hold Tenant harmless from and against any and all loss, claims, actions or damages, liability and expenses in connection with loss of life and personal injury, and damage to property arising from any occurrence occasioned wholly or in part by any act or omission of the Landlord, its agents, employees or contractors, except as set forth herein; however in no event shall Landlord indemnify Tenant or hold it harmless from any negligence of Tenant, its agents, employees or contractors. If Landlord has any liability pursuant to Article 23, then this indemnity shall apply to any claims or expenses of Tenant arising in conjunction with such liability; however this indemnity shall not change or increase Landlord's liability under Article 23.

14.3 *Comparative Negligence.* Subject to the provisions of Section 10.3 but notwithstanding any indemnity provision or other provisions contained in this Lease to the contrary, if both the Landlord's and the Tenant's negligence (which shall include the agents, partners, contractors, invitees and employees of either, as applicable) caused or contributed to any claim for damages for injury to person or property then neither party shall indemnify the other for such negligence and each party shall be responsible for such claims pursuant to the provisions of C.R.S. § 13-21-111 pertaining to comparative negligence, as amended from time to time.

ARTICLE 15

ALTERATIONS

15.1 *Alterations by Tenant.* Tenant shall not make, install or erect in or to the Premises any installations, alterations, additions or partitions which require a building or similar permit and/or affect any structural portion of the Building including the roof or affect any of the Building systems including but not limited to HVAC, plumbing and electrical systems, without submitting the drawings and specifications to the Landlord and obtaining the Landlord's prior written consent in each instance, which consent may not be unreasonably withheld. Furthermore, the Tenant shall obtain the Landlord's prior written consent to any change or changes in such drawings or specifications submitted as aforesaid, subject to the payment of the cost to the Landlord of having its architects and/or consultants review such plans and changes thereto prior to proceeding with any work based on such drawings or specifications. All such work shall be performed free and clear of all mechanic's liens and Landlord shall have no liability for the performance of such work, notwithstanding its consent to any plans and specifications. PROVIDED NEVERTHELESS that the Landlord may, at its option, at Tenant's expense, require that the Landlord's contractors be engaged for any mechanical or electrical work. Without limiting the generality of the foregoing, any work performed by or for the Tenant shall be performed by competent workmen whose labor union affiliations are not incompatible with those of any workmen who may be employed in the Building Complex by the Landlord, its contractors or subcontractors and all work shall be subject to the inspection and reasonable review and approval by Landlord and/or its consultants. In addition to the above, all contractors and subcontractors must meet Landlord's specifications, as solely determined by Landlord, for minimum requirements for insurance, bonds, quality of work, experience and such other reasonably applicable factors. The Tenant shall submit to the Landlord's supervision over construction, shall provide Landlord upon request with financial assurances prior to the commencement of alterations, and promptly pay to the Landlord's or the Tenant's subcontractors, as the case may be, when due, the costs of all such work and of all materials, labor and services involved therein and of all decoration and all changes in the Building, its equipment or services necessitated thereby. The Tenant covenants that the Tenant will not suffer or permit during the Term hereof any mechanics' or other liens for work, labor, services or materials ordered by the Tenant or for the cost of which the Tenant may be in any way obligated, to attach to the Premises or to the Building Complex and that whenever and so often as any such liens shall attach or claims therefor shall be filed, the Tenant shall, within thirty (30) days after the Landlord has notice of the filing of the claim for lien, procure the discharge thereof by payment or by giving security or in such other manner as is or may be required or permitted by law or which shall otherwise satisfy Landlord and/or Landlord's lender. The Tenant shall, at its own cost and expense, take out or cause to be taken out any additional insurance or bonds reasonably required by the Landlord to protect the Landlord's and the Tenant's interest during the period of alteration.

At least five (5) days prior to the commencement of any work permitted to be done by persons requested by the Tenant on the Premises, the Tenant shall notify the Landlord of the proposed work and the names and addresses of the persons supplying labor and materials for the proposed work so that the Landlord may avail itself of the provisions of statutes such as Section 38-22-105(2) of the Colorado Revised Statutes (1973). During any such work on the Premises, the Landlord, or its representatives, shall have the right to go upon and inspect the Premises at all reasonable times, and shall have the right to post and keep posted thereon notices such as those provided for by Section 38-22-105(2) C.R.S. (1973) or to take any further action which the Landlord may deem to be proper for the protection of the Landlord's interest in the Premises.

15.2 *Alterations by Landlord.* Landlord hereby reserves the right at any time and from time to time to make changes in, additions to, subtractions from or rearrangements of the Building Complex, including, without limitation, all improvements at any time thereof, all entrances and exits thereto, and to grant, modify and terminate easements or other agreements pertaining to the use and maintenance of all or parts of the Building, including, but not limited to, the entrance foyer and lobby, and the common corridors and to make changes or additions to the pipes, conduits, ducts, utilities and other necessary building services in the Premises which serve other portions of the Building, provided that prior to the Commencement Date, the Landlord may alter the Premises to the extent found necessary by the Landlord to accommodate changes in construction design or facilities including major alterations but provided always that the Premises, as altered, shall be in all material aspects comparable to the Premises as defined herein. Landlord shall not unreasonably obstruct or interrupt Tenant's access to the Premises and in such event Landlord shall provide alternative access during all business hours. If Landlord elects to block Tenant's access during non-business hours for non-emergencies, then Landlord shall reasonably coordinate same with Tenant. Notwithstanding the provision set forth above, Landlord agrees during the first five (5) years of the initial term, provided Tenant is not in default, not to materially change the character or configuration of the first floor lobby of the Building without Tenant's consent which will not be unreasonably withheld or delayed.

ARTICLE 16

SIGNS AND ADVERTISING

16.1 Tenant shall not install, paint, display, inscribe, place or affix any sign, picture, advertisements, notice, lettering or direction on any part of the Building Complex or in the interior of the Premises or other portion of the Building. The Landlord will prescribe a uniform pattern of identification signs for tenants to be placed on the outside corridor wall which is near the door leading into the Premises and other than such identification signs, Tenant shall not install, paint, display, inscribe, place or affix, or otherwise attach, any sign, picture, advertisement, notice, lettering or direction on the inside or outside of the Premises for exterior view without the written consent of the Landlord.

16.2 Landlord shall at Landlord's cost install directory signage for Tenant in the lobby, which causes Tenant's name "Gaiam, Inc." to be readily visible upon entry to the main lobby of the Building and which identifies Tenant as being on the third floor. At Tenant's request and at Tenant's cost, Landlord agrees to add the name or names and corresponding suite numbers of any assignee or subtenant of Tenant permitted or approved pursuant to Article 7 hereof to the directory signage in main lobby of the Building.

ARTICLE 17

SUBORDINATION TO MORTGAGES AND DEEDS OF TRUST

17.1 This Lease and the rights of Tenant hereunder shall be and are hereby made subject and subordinate to the lien of any mortgages or deeds of trust now or hereafter existing against the Building Complex and to all renewals, modifications, consolidations, replacements and extensions thereof and to all advances made, or hereafter to be made, upon the security thereof. Although such subordination shall be self-operating, Tenant, or its successors in interest, shall upon Landlord's request, execute and deliver upon the demand of Landlord any and all instruments desired by Landlord, subordinating, in the manner reasonably requested by Landlord, this Lease to any such mortgage or deed of trust. Landlord is hereby irrevocably appointed and authorized as agent and attorney-in-fact of Tenant to execute all such subordination instruments in the event Tenant fails to execute said instruments within fifteen (15) days after notice from Landlord demanding the execution thereof.

Should any mortgage or deed of trust affecting the Building Complex be foreclosed, then:

(a) the liability of the mortgagee, beneficiary or purchaser at such foreclosure sale shall exist only so long as such mortgagee, beneficiary or purchaser is the owner of the Building Complex and such liability shall not continue or survive after further transfer of ownership; and

(b) Tenant shall be deemed to have attorned, as Tenant under this Lease, to the purchaser at any foreclosure sale thereunder, and this Lease shall continue in full force and effect as a direct lease between and binding upon Tenant and such purchaser at any foreclosure sale.

As used in this Article 17, "mortgagee" and "beneficiary" shall include successors and assigns of any such party, whether immediate or remote, the purchaser of any mortgage or deed of trust, whether at foreclosure or otherwise, and the successors, assigns and mortgagees and beneficiaries of such purchaser, whether immediate or remote.

Landlord, at the written request of Tenant, agrees to request any mortgagee or beneficiary to enter into a non-disturbance agreement with Tenant, in a form satisfactory to such mortgagee or beneficiary, stating that Tenant's right to the continued use and possession of the Premises shall be under the same terms and conditions as set forth in this Lease provided that at such time Tenant is not in default of its obligations herein. Landlord makes no representations or warranties that such non-disturbance agreement will be entered into by any beneficiary or mortgagee, however, the self-operative subordination of this Lease and attornment by Tenant is in such event conditioned upon the mortgagee or beneficiary not disturbing Tenant's right under this Lease, provided that Tenant is not in default hereof.

ARTICLE 18

ESTOPPEL CERTIFICATE/FINANCIAL INFORMATION

18.1 *Estoppel Certificate.* Tenant agrees that it will from time to time, upon request by Landlord, execute and deliver to Landlord within ten (10) days after demand therefor an estoppel certificate on Landlord's reasonable form certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as so modified). Notwithstanding the above, if during such ten (10) day period an authorized representative or officer of Tenant is not available in Colorado to execute the estoppel certificate, then Tenant shall not be in default if it returns the executed certificate within twenty (20) days of demand therefor.

18.2 *Financial Information.* Tenant shall, upon Landlord's written request and upon Tenant's receipt from Landlord of a copy of a fully executed letter of interest which evidences either a bona fide proposed sale of or refinancing with a federally chartered lending institution, pension fund, insurance company or other source of capital for the Building Complex, deliver to such lender or purchaser a copy of Tenant's most recent financial statement, which annual financial statement shall be prepared and reviewed by an independent certified public accountant no less often than once per year in accordance with generally accepted accounting principals ("GAAP"), provided, however, Landlord shall not be required to provide Tenant with written evidence of a proposed refinancing for the first two refinancing requests made by Landlord during the term of this Lease in conjunction with a proposed refinancing of the Building Complex. Except in the manner specifically set forth in the preceding sentence, Landlord shall not include Tenant's financial statements in any attempt to obtain a purchaser for, or refinancing on, the Building Complex. Tenant agrees that any letter of interest shall be confidential as to the name of the

lender and/or purchaser and as to the terms, if any, contained in such letter of interest, and Tenant agrees to execute a reasonable confidentiality agreement if requested by Landlord. Tenant shall have the right to require a reasonable confidentiality agreement from such lender or purchaser concerning such financials, if Tenant is not a public company. Furthermore, such lender or purchaser may, if it has reasonable questions about matters contained in the financials, address such questions in writing to the president of Tenant, and the president shall reasonably and promptly cooperate with such lender or purchaser with respect to the responses to the questions.

ARTICLE 19

QUIET ENJOYMENT

19.1 Subject to the terms and provisions of this Lease, Landlord covenants and agrees that Tenant shall peaceably and quietly enjoy the Premises and Tenant's rights hereunder during the term hereof, without hindrance by Landlord.

ARTICLE 20

FIXTURES

20.1 Any or all installations, alterations, additions, partitions and fixtures in or upon the Premises other than the Tenant's trade fixtures, work stations with movable walls, mounted video screens, raised platforms and cables beneath the raised platforms, which are located upon the Premises, whether placed there by the Tenant or the Landlord, shall, immediately upon such placement, become the property of the Landlord without compensation therefor to the Tenant. Notwithstanding anything herein contained, the Landlord shall be under no obligation to repair, maintain or insure such installations, alterations, additions, partitions and fixtures or anything in the nature of a leasehold improvement made or installed by or on behalf of the Tenant. The Landlord may elect that any or all installations made or installed by or on behalf of the Tenant be removed at the end of the Lease Term and, if the Landlord so elects, it shall be the Tenant's obligation to restore the Premises to the conditions they were in previous to such alterations, installations, partitions and fixtures on or before the termination of this Lease. Such removal and restoration shall be at the sole expense of the Tenant.

ARTICLE 21

DAMAGE OR DESTRUCTION

21.1 *Casualty.* In the event that the Building should be totally destroyed by fire, tornado or other casualty, or should be so damaged that rebuilding or repairs cannot be completed within one hundred and eighty (180) days after the date of such damage, Landlord may, at its option, terminate this Lease in which event the rent shall be abated during the unexpired portion of this Lease effective with the date of such damage, or Landlord may proceed to rebuild the Building and the Premises. If the damage prohibits Tenant's use of the Premises, cannot be repaired within one hundred and eighty (180) days and was not caused by the Tenant, then Tenant can elect to terminate this Lease by written notice to Landlord received within sixty (60) days of the date of damage. In the event the Building should be damaged by fire, tornado or other casualty, but only to such extent that rebuilding or repairs in Landlord's reasonable estimation can be completed within one hundred and eighty (180) days after the date of such damage, or if the damage cannot be repaired within such time frame but Landlord does not elect to terminate this Lease, in either such event, Landlord shall, within sixty (60) days after the date of such damage commence to rebuild or repair the Building and shall proceed with reasonable diligence to restore the Building to substantially the same condition in which it was immediately prior to the happening of the casualty, except that the Landlord shall not be required to rebuild, repair or replace any part of the partitions, fixtures and other improvements which may have been placed by the Tenant or other tenants within the Building and rent shall equitably abate from the date of damage until such damage is repaired if such casualty results in damage to Tenant's Premises or prohibits its access to the Premises or use thereof. In the event any mortgagee under a deed of trust, security agreement or mortgage on the Building should require that the insurance proceeds be used to retire the mortgage debt, Landlord shall have no obligation to rebuild and if Landlord so elects, this Lease shall terminate upon notice to Tenant. Unless otherwise provided in this Lease, any insurance which may be carried by the Landlord or the Tenant against loss or damage to the Building or to the Premises shall be for the sole benefit of the party carrying such insurance and under its sole control.

21.2 *Casualty Caused by Tenant.* If fire or other casualty causing injury to the Premises or other parts of the Building shall have been caused by the negligence or misconduct of the Tenant, its agents, servants or employees, or by any other persons entering the Building under express or implied invitation of the Tenant, such injury may be reasonably repaired by the Landlord at the reasonable expense of the Tenant.

ARTICLE 22

CONDEMNATION

22.1 *Eminent Domain.* If any part of the Rentable Area of the Premises is taken by eminent domain, or by conveyance in lieu thereof then this Lease, at the option of either party evidenced by notice to the other given within thirty (30) days from such taking or conveyance, shall forthwith cease and terminate entirely. In the event of such termination of this Lease, then rental shall be due and payable to the actual date of such termination. If neither party terminates this Lease, this Lease shall cease and terminate as to that portion of the Premises so taken as of the date of such taking, and the rental thereafter payable under this Lease shall be abated prorata from the date of such taking in an amount by which that portion of the Rentable Area of the Premises so taken shall bear to the Rentable Area of the Premises prior to such taking. If any part of the Building Complex shall be taken by eminent domain, or by conveyance in lieu thereof, and if such taking substantially interferes with the Landlord's ownership or use of the Building Complex, the Landlord, at its option, may upon thirty (30) days' notice to the Tenant, terminate this Lease as of the date of such taking.

22.2 *Damages.* All compensation awarded for any taking (or the proceeds of private sale in lieu thereof) of the Premises or Building Complex shall be the property of Landlord and Tenant hereby assigns its interest in any such award to Landlord; provided, however, Landlord shall have no interest in any award made to Tenant for the taking of Tenant's fixtures and other personal property or moving expenses if a separate award for such items is made to Tenant.

22.3 *Restoration.* If both Landlord and Tenant elect not to terminate this Lease, Tenant shall remain in that portion of the Premises which shall not have been appropriated or taken as herein provided, and Landlord agrees, at Landlord's sole cost and expense (not to exceed the amount of condemnation proceeds received by Landlord), to, as soon as reasonably possible, restore the remaining portion of the Premises to a complete unit of like quality and character as existed prior to such appropriation or taking.

ARTICLE 23

LOSS AND DAMAGE AND DELAY

23.1 *Loss and Damage.* The Landlord shall not be liable or responsible in any way for:

(a) any death or injury arising from or out of any occurrence in, upon or at the Building Complex or for damage to property of the Tenant or others located on the Premises, nor shall it be responsible in any event for damage to any property of the Tenant or others from any cause whatsoever, unless such damage, loss, injury or death results from the intentional misconduct or sole negligence of the Landlord, its agents, servants or employees. Without limiting the generality of the foregoing, the Landlord shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain, snow or leaks from any part of the Premises or from the pipes, appliances, plumbing works, roof, street, or subsurface of any floor or ceiling or from any other place or because of dampness or climatic conditions from any other cause of whatsoever kind. The Landlord shall not be liable for any damage whatsoever caused by any other tenant or persons in or about the Building Complex, or by an occupant of adjacent property thereto, or the public, or construction of any private, public or quasi-public work. All property of the Tenant kept or stored on the Premises shall be kept or stored at the risk of the Tenant only and the Tenant shall indemnify the Landlord in the event of any claims arising out of damages to the same, including any subrogation claim by the Tenant's insurers;

(b) any act or omission (including theft, malfeasance or negligence) on the part of any agent, contractor or person from time to time employed by the Landlord to perform janitor services or security services, or repairs or maintenance services, in or about the Premises or the Building; or

(c) loss or damage, however caused, to money, securities, negotiable instruments, papers or other valuables of the Tenant.

23.2 *Delays.* Whenever and to the extent that the Landlord shall be unable to fulfill, or shall be delayed or restricted in the fulfillment of, any obligation hereunder in respect to the supply of or provision for, any service or utility or the doing of any work or the making of any repairs by reason of being unable to obtain the material, goods, equipment, service, utility or labor required to enable it to fulfill such obligation or by reason of any statute, law or any regulation or order passed or made pursuant thereto or by reason of the order or direction of any governmental or quasi-governmental administrator, controller or board, or any governmental department or officer or other authority, or by reason of not being able to obtain any permission or authority required thereby, or by reason of any other cause beyond its control, whether of the foregoing character or not, the Landlord shall be entitled to extend the time for fulfillment of such obligation by a time equal to the duration of such delay or restriction, and the Tenant shall not be entitled to compensation for any inconvenience, nuisance or discomfort thereby occasioned.

ARTICLE 24

DEFAULT AND REMEDIES

24.1 *Default by Tenant.* The following events shall be deemed to be events of default by Tenant under this Lease:

(a) Tenant shall fail to pay any installment of rent or any other sum due to Landlord within five (5) days of receipt of written notice of such nonpayment.

(b) Tenant shall fail to comply with any term, provision or covenant of this Lease, other than payment of rent or other sums due to Landlord, and shall not cure such failure within fifteen (15) days after written notice thereof to Tenant or if such default cannot reasonably be cured within fifteen (15) days then Tenant shall not be in default so long as it has commenced to cure within fifteen (15) days and is diligently prosecuting same to completion.

(c) Tenant or any guarantor of Tenant's obligations under this Lease shall die, cease to exist as a corporation or partnership or be otherwise dissolved or liquidated or become insolvent, or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of creditors, or is otherwise unable to pay its debts as they come due.

(d) Tenant or any guarantor of Tenant's obligations under this Lease shall file a petition under any section or chapter of the national bankruptcy act as amended or under any similar law or statute of the United States or any state thereof; or Tenant or any guarantor of Tenant's obligations under this Lease shall be adjudged bankrupt or insolvent in proceedings filed against Tenant or any guarantor of Tenant's obligations under this Lease.

(e) A receiver or trustee shall be appointed for all of the Premises or for all or substantially all of the assets of Tenant or any guarantor of Tenant's obligations under this Lease.

(f) Tenant shall abandon or vacate any portion of the Premises, in whole or in part.

(g) Tenant assigns or sublets in violation of the provisions of this Lease.

24.2 *Remedies of Landlord.* Upon the occurrence of any such events of default, Landlord shall have the option to pursue any one or more of the following remedies without any notice or demand whatsoever except as required by applicable law:

(a) Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying such Premises or any part thereof, by force if necessary, without being liable for prosecution of any claim of damages therefor.

(b) Enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying such Premises or any part thereof, by force if necessary pursuant to applicable law, without being liable for prosecution or any claim for damages therefor (except for acts in violation of law), and relet the Premises and receive the rent therefor.

(c) Enter upon the Premises, by force if necessary pursuant to applicable law, without being liable for prosecution or any claim for damages therefor (except for acts in violation of law), and do whatever Tenant is obligated to do under the terms of this Lease; and Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to the Tenant from such action, whether caused by the negligence of Landlord or otherwise.

(d) Alter all locks and other security devices at the Premises without terminating this Lease.

Exercise by Landlord of any one or more of the remedies hereunder granted or otherwise available shall not be deemed to be an acceptance of surrender of the Premises by Tenant, whether by agreement or by operation of law, it being understood that such surrender can be effected only by the written agreement of Landlord and Tenant. No such alteration of locks or other security devices and no removal or other exercise of dominion by Landlord over the property of Tenant or others at the Premises shall be deemed unauthorized or constitute a conversion, Tenant hereby consenting, after any event of default, to the aforesaid exercise of dominion over Tenant's property within the Premises. All claims for damages by reason of such reentry and/or repossession and/or alteration of locks or other security devices are hereby waived, as all claims for damages by reason of any distress warrant, forcible detainer proceedings, sequestration proceedings or other legal process, to the extent permitted by law. Tenant agrees that any reentry by Landlord may be pursuant to judgment obtained in forcible detainer proceedings or other legal proceedings or without the necessity for any legal proceedings, as Landlord may elect, and Landlord shall not be liable in trespass or otherwise, to the extent permitted by law.

In the event Landlord elects to terminate the Lease by reason of an event of default then notwithstanding such termination, Tenant shall be liable for and shall pay to Landlord, at the address specified for notice to Landlord herein, the sum of all rental and other indebtedness accrued to date of such termination, plus, as damages, an amount equal to the total rental hereunder for the remaining portion of the Lease term (had such term not been terminated by Landlord prior to the date of expiration as stated herein), less the reasonable rental value thereof, plus a sum equal to any other damages incurred by Landlord by reason of such default.

In the event that Landlord elects to repossess the Premises without terminating the Lease, then Tenant shall be liable for and shall pay to Landlord at the address specified for notice to Landlord herein, all rental and other indebtedness accrued to the date of such repossession, plus rent required to paid by Tenant to Landlord during the remainder of the Lease Term until the date of expiration of the term as stated herein diminished by any net sums thereafter received by Landlord through reletting the Premises during such period (after deducting expenses incurred by Landlord as provided below). In no event shall Tenant be entitled to any excess of any rental obtained by reletting over and above the rental herein reserved. Actions to collect amounts due by Tenant to Landlord under this subparagraph may be brought from time to time, on one or more occasions, without the necessity of Landlord's waiting until expiration of the Lease term.

In the event of any default or breach by Tenant, or threatened or anticipatory breach or default, Tenant shall also be liable and shall pay to Landlord, in addition to any sums provided to be paid above, broker's fees incurred by Landlord in connection with reletting the whole or any part of the Premises; the costs of removing and storing Tenant's or other occupants' property; the costs of repairing, altering, remodeling, or otherwise putting the Premises into condition acceptable to a new tenant or tenants; and all reasonable expenses incurred by Landlord in enforcing or defending Landlord's rights and/or remedies, including reasonable attorney's fees whether suit was actually filed or not.

In the event of termination or repossession of the Premises for an event of default, Landlord shall not, except as set forth herein, have any obligation to relet or attempt to relet the Premises or any portion thereof, or to collect rental after reletting; and in the event of reletting, Landlord may relet the whole or any portion of the Premises for any period to any tenant and for any use or purpose. Landlord agrees to use reasonable efforts to mitigate its damages; however, Landlord shall have no obligation to expend sums, give the Premises priority over other vacant space nor to lease the space on less than market terms.

If Tenant shall fail to make any payment or cure any default hereunder within the time herein permitted, Landlord, without being under any obligation to do so and without thereby waiving such default, may make such payment and/or remedy such other default for the account of Tenant (and enter the Premises for such purpose), and thereupon Tenant shall be obligated to, and hereby agrees to pay Landlord upon demand all costs, expenses and disbursements, including reasonable attorney's fees incurred by Landlord in taking such remedial action.

Landlord is entitled to accept, receive in cash or deposit any payment made by Tenant for any reason or purpose or in any amount whatsoever, and apply the same at Landlord's option to any obligation of Tenant and the same shall not constitute payment of any amount owed except that to which Landlord has applied the same. No endorsement or statement on any check or letter of Tenant shall be deemed an accord and satisfaction or recognized for any purpose whatsoever. The acceptance of any such check or payment shall be without prejudice to Landlord's rights to recover any and all amounts owed by Tenant hereunder and shall not be deemed to cure any other default nor

prejudice Landlord's rights to pursue any other available remedy.

24.3 *Landlord's Default.* Landlord shall not be deemed in default hereunder unless Tenant shall have given Landlord written notice of such default specifying such default with particularity and Landlord shall thereupon have thirty (30) days in which to cure any default unless such default cannot reasonably be cured within such period wherein Landlord shall not be in default if it commences to cure the default within the thirty (30) day period and diligently pursues completion of same. In the event of any default, Tenant agrees that its exclusive remedy shall be an action for damages.

24.4 *Personal Property Lien.* Intentionally Deleted.

24.5 *No Consequential Damages.* In any action by Landlord or Tenant against the other for damages arising from a default under this Lease, such damages shall be limited to the actual compensatory (as opposed to consequential) damages suffered or incurred by the nondefaulting party, except in the case of a default arising from the gross negligence of Landlord or Tenant.

ARTICLE 25

HOLDING OVER

25.1 If the Tenant shall continue to occupy and continue to pay rent for the Premises after the expiration of this Lease with or without the consent of the Landlord, and without any further written agreement, the Tenant shall be a tenant from month to month at a monthly Base Rent equal to two hundred percent (200%) of the last full monthly Base Rent payment due hereunder, and subject to all of the additional rentals, terms and conditions herein set out except as to expiration of the Lease Term. Such holding over may be terminated by the Landlord or the Tenant upon fifteen (15) days' notice. In the event that the Tenant fails to surrender the Premises upon termination or expiration of this Lease or such month to month tenancy, then the Tenant shall indemnify the Landlord against loss or liability resulting from any delay of the Tenant in not surrendering the Premises, including, but not limited to, any amounts required to be paid to third parties who were to have occupied the Premises and any attorney's fees related thereto.

ARTICLE 26

NOTICE

26.1 *Notice.* Any notice, request, statement or other writing pursuant to this Lease shall be deemed to have been given if sent by registered, certified mail or recognized receipted overnight mail service, postage prepaid, return receipt requested or delivered by hand to the party at the addresses set forth below:

TENANT: Gaiam, Inc.
Suite 300
360 Interlocken Boulevard
Broomfield, Colorado 80021
Attention: President

LANDLORD: Fund IX, Fund X, Fund XI and REIT Joint Venture
c/o Wells Capital, Inc.
6200 The Corners Parkway
Suite 250
Atlanta, Georgia 30092
Attention: Vice President of Property Management

with a copy to:

Troutman Sanders LLP
Bank of America Plaza
Suite 5200
600 Peachtree Street, N.E.
Atlanta, GA 30308-2216
Attention: Leslie Fuller Secrest, Esq.

and such notice shall be deemed to have been received by the Landlord or the Tenant, as the case may be, on the earlier of actual receipt or the second business day after the date on which it shall have been so mailed.

26.2 *Change of Address.* Any party may, by notice to the other, from time to time, designate another address, which notices mailed more than ten (10) days thereafter shall be addressed.

ARTICLE 27

SECURITY DEPOSIT

27.1 Promptly following the reconciliation of Tenant's actual Prorata Share of Real Estate Taxes and Operating Expenses for calendar year 2001 pursuant to the terms of Section 4.2 of the Original Lease, which reconciliation Landlord and Tenant shall cause to occur no later than April 15, 2002 (and for this purpose Landlord agrees to provide the calendar year 2001 information to Tenant no later than March 15, 2002), and provided no event of default then exists under this Lease (after giving effect to any applicable notice and grace period), Landlord shall return to Tenant the sum of Thirty-Five Thousand Seven Hundred Sixty-Three and No/100 Dollars ($35,763.00), which sum represents the amount previously deposited by Tenant with Landlord as a security deposit under the Original Lease, as amended. If at any time thereafter Tenant shall pay or cause to be paid to Landlord a security deposit, then Landlord shall be entitled to intermingle such deposit with its own funds and to use same for such purposes as Landlord may determine. In the event of default by Tenant in performing any of its obligations under this Lease, Landlord may, in addition to any other right or remedy available to Landlord hereunder, use, apply, or retain all or any part of said security deposit for the payment of any unpaid rent or for any other amount which Landlord may be required to expend by reason of the default of Tenant, including any damages or deficiency in the reletting of the Premises or any attorney's fees associated therewith, regardless of whether the accrual of such damages or deficiency occurs before or after an eviction. If a portion of the security deposit is used or applied by Landlord during the term hereof, Tenant shall, upon five (5) days written demand, deposit with Landlord an amount sufficient to restore the security deposit to its original amount. Landlord shall return the security deposit (or that portion of the security deposit not previously applied) within thirty (30) days after the later of expiration of the Lease Term or surrender by Tenant of the Premises without default.

ARTICLE 28

MISCELLANEOUS PROVISIONS

28.1 *Captions.* The captions used herein are for convenience only and do not limit or amplify the provisions hereof. Whenever the singular is used the same shall include the plural, and words of any gender shall include the other gender.

28.2 *Waiver.* One or more waivers of any covenant, term or condition of this Lease by either party should not be construed as a waiver of a subsequent breach of the same covenant, term or condition. The consent or approval by either party shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition. The consent or approval by either party to or of any act by the other party requiring such consent or approval should not be deemed to waive or render unnecessary consent to or approval of any subsequent similar act.

28.3 *Entire Agreement.* This Lease contains the entire agreement between the parties and no agreement shall be effective to change, modify or terminate this Lease in whole or in part unless such agreement is in writing and duly signed by the parties hereto.

28.4 *Severability.* The invalidity or unenforceability of any provision hereof shall not affect or impair any other provision.

28.5 *Modification.* Should any mortgagee or beneficiary under a deed of trust require a modification of this Lease, which modification will not bring about any increased cost or expense to Tenant or will in any way substantially change the rights and obligations of Tenant hereunder, then and in such event, Tenant agrees that this Lease may be so modified.

28.6 *Governing Law.* This Lease shall be governed by and construed pursuant to the laws of the State of Colorado.

28.7 *Successors and Assigns.* The covenants and conditions herein contained shall inure to and bind the respective heirs, permitted successors, executors, administrators and assigns of the parties hereto, and the terms "Landlord" and "Tenant" shall include the permitted successors and assigns of either such party, whether immediate or remote, except as otherwise specifically set forth in this Lease to the contrary.

28.8 *Authorization to Execute.* In the event the Tenant hereunder shall be a corporation, the parties executing this Lease on behalf of the Tenant hereby covenant and warrant that the Tenant is a duly qualified corporation and all steps have been taken prior to the date hereof to qualify Tenant to do business in the State of Colorado; all franchise and corporate taxes have been paid to date, and all future forms, reports, fees and other documents necessary to comply with applicable laws will be filed.

28.9 *Guaranty of Lease.* Intentionally Deleted.

28.10 *Approval of Documents.* Landlord's approval of Tenant's plans for work performed by Landlord or Tenant in the Premises shall create no responsibility or liability on the part of Landlord for their completeness, design, sufficiency, or compliance with any laws, rules, or regulations of governmental agencies or authorities.

28.11 *Attorneys Fees.* In the event of any dispute hereunder the prevailing party in such action shall be entitled to its reasonable attorneys and costs in such action.

28.12 *Use of Names.* Landlord shall not publish, relating to this Lease or in conjunction with the Building Complex the name "Gaiam, Inc." or the name of any employee, officer or director of "Gaiam, Inc." in any newsletter or similar publication, including press releases, without Tenant's prior consent. Tenant shall not publish Landlord's name or the name of any partner or affiliated entity or officer of such entity or use the name of the Building Complex relating to this Lease or the Building Complex in any newsletter or similar publication, including press releases, without Landlord's prior consent. In the event either party is in default hereof, such defaulting party's only remedy shall be an action for actual damages (not consequential) arising from such default. The foregoing restrictions shall not apply to any disclosures of names by the other party to such party's investors or as may be required by law or any regulation to which the disclosing party is subject or as otherwise may be required by law or in any legal proceeding.

28.13 *Security Card System.* Tenant shall continue to have the right to operate, at its sole cost, expense and risk, Tenant's own security card system for the Premises. Tenant shall provide Landlord with a card key for emergency access to the Premises.

ARTICLE 29

SUBSTITUTION OF PREMISES

29.1 Intentionally Deleted.

ARTICLE 30

RECORDING

30.1 Tenant agrees not to place this Lease of record unless requested to execute a Memorandum of Lease by Landlord, which may, at the Landlord's option, be placed of record. In addition, if requested by the Landlord, the Tenant will execute a memorandum of lease to be filed with the Colorado Department of Revenue on such form as may be prescribed by said department within ten (10) days after the execution of this Lease or any other such memorandum so that the Landlord may avail itself of the provisions of the statutes such as Section 39-22-604(7)(c) of the Colorado Revised Statutes (1973).

Any recording by Tenant without Landlord's prior written consent shall at Landlord's option be deemed a default pursuant to Article 24 hereof and Landlord shall have all of the rights and remedies set forth therein.

ARTICLE 31

REAL ESTATE BROKER

31.1 Except as set forth below, Tenant represents and warrants that Tenant has not dealt with any broker in connection with this Amended and Restated Lease, and that insofar as Tenant knows, no other broker negotiated or participated in the negotiations of this Amended and Restated Lease, or submitted or showed the Premises, or is entitled to any commission in connection herewith; and Tenant agrees to indemnify Landlord against any liability arising from a breach of this representation and warranty including reasonable attorney's fees. Tenant has dealt with Commercial Colorado, LLC, as broker ("Tenant's Broker") as licensed Colorado broker in connection with this Amended and Restated Lease and Landlord shall pay the commission payable by Landlord in conjunction with this Amended and Restated Lease to Tenant's Broker pursuant to a separate written agreement between Landlord and Tenant's Broker. Tenant agrees to indemnify Landlord from any claims by Tenant's Broker for any commissions demanded by Tenant's Broker from Landlord except as set forth in said separate letter agreement referenced above.

ARTICLE 32

RENT PREPAYMENT

32.1 Intentionally Deleted.

ARTICLE 33

OPTION

33.1 *Option to Extend.* Tenant shall have an option to extend and renew the Lease as to all of the Premises (but not as to any portion or portions thereof) for one (1) additional term of three (3) years, or at Tenant's election as specified in Tenant's notice of exercise of the option, for one (1) additional term of five (5) years. In order to exercise such option, Tenant shall notify Landlord in writing at least one hundred eighty (180) days prior to the expiration of the Lease Term (*i.e.*, by December 2, 2004) of its election to exercise the option and the length of the renewal term as to which Tenant is exercising the option (i.e., one 3-year or one 5-year term). If Tenant elects not to extend or fails to timely exercise its option, time being of the essence, the option shall automatically terminate and be of no further force and effect and this Lease shall terminate upon the expiration of the Extended Term. Upon receipt of such notice from Tenant exercising the renewal option herein granted, Landlord shall submit in writing within thirty (30) days a proposal for the then current Market Base Rental Rate (per rentable square foot per annum, "NNN") for the renewal term. The Market Base Rental Rate shall not be more than $17.00 per rentable square foot per annum "NNN" for the first year of the renewal term and increasing at the rate of two percent (2%) per annum thereafter throughout said renewal term. Tenant shall have thirty (30) days from the receipt of said notice from Landlord to notify Landlord in writing of (i) Tenant's acceptance of the proposed Base Rental Rate, or (ii) Tenant's rejection of the Base Rental Rate and election to initiate the appraisal process set forth below. If Tenant fails to timely accept or reject the Base Rental Rate specified in Landlord's notice or to elect not to extend the term of the Lease as provided in the immediately preceding sentence, Tenant shall be deemed to have elected to extend the Lease Term for the period specified in Tenant's original notice of exercise of the renewal option at the Market Base Rental Rate specified by Landlord in response to said exercise notice. Any such extension shall be upon all of the terms, conditions and covenants of this Lease except as to (i) the amount of Base Rent, which shall be determined as set forth herein, (ii) options to extend or purchase, which shall not be applicable, (iii) Tenant finish or other allowances or concessions, and (iv) Tenant shall pay Tenant's Prorata Share of Real Estate Taxes and Operating Expenses throughout the renewal term. As used herein, and subject to the limitations set forth in this paragraph, "Market Base Rental Rate" shall mean the then base rental rate (exclusive of real estate taxes, utilities and operating expenses) for comparable first class multi-tenant office buildings of comparable size, location and age in the County of Boulder, Colorado, at such time, taking into account the following factors (1) rent per rentable square foot; (2) operating expenses and real estate tax payments; (3) current rental escalators and (4) rental concessions, if any.

If Tenant, by written notice delivered no later than thirty (30) days after the date Landlord notifies Tenant of the Market Base Rental Rate, objects to the Market Base Rental Rate determined by Landlord and elects to submit the rate determination to appraisal, then, within seven (7) days of the date of Tenant's objection, each party shall appoint a non-affiliated certified M.A.I. Appraiser that has at least five (5) years' full-time commercial appraisal experience in Boulder County to determine the Market Base Rental Rate, such process to be completed within twenty (20) days after the date of the appointment of the last appraiser. If a party does not appoint a qualified appraiser within five (5) days after the other party has given notice of the name of the appraiser, then the single appraiser shall be the sole appraiser and shall set the Market Base Rental Rate. The appraisers appointed by the parties shall meet promptly and attempt to set the Market Base Rental Rate. If they are unable to agree on the Market Base Rental Rate within twenty (20) days after the date the second appraiser has been appointed, they shall elect a third appraiser meeting the qualifications stated in this paragraph within seven (7) days after the last day the two (2) appraisers are to set the Market Base Rental Rate. If the appraisers are unable to agree on the third appraiser, either of the parties to this Lease, after giving five (5) days' prior written notice to the other party, may apply to the then president of the real estate board of Denver, Colorado for the selection of a third appraiser who meets the qualifications stated in this Section, which selection shall be made within three (3) days. All determinations of Market Base Rental Rate shall be subject to the limitations on Market Base Rental Rate set forth in the first paragraph of this Section. Each of the parties shall pay for the appraiser appointed by it and shall bear one-half of the cost of appointing the third appraiser and of paying the third appraiser's fee. The third appraiser, however selected, shall be a person who has not previously acted in any capacity for either party. The appraisers shall be instructed to consider the criteria above stated in determining the Market Base Rental Rate.

Within twenty (20) days after the selection of the third appraiser, the third appraiser shall determine the Market Base Rental Rate and all three of the appraiser's Market Base Rental Rates shall be averaged excluding any single Market Base Rental Rate which is either ten percent (10%) higher or lower than the middle appraisal of Market Base Rental Rate and the remaining appraisals shall then be averaged.

If the Market Base Rental Rate is not established for the extended term prior to its commencement, Tenant shall continue to pay the applicable Base Rent required for the last full month of the Lease term until the appraisers have made their determination. The Market Base Rental Rate in question, when finally determined by the appraisers, shall be retroactive to the commencement of the extension term, and the first Base Rent payment becoming due after the determination of the applicable Market Base Rental Rate shall include the retroactive amounts of monthly Base Rent installments accrued and unpaid. In no event may either Landlord or Tenant elect not to extend the Lease based upon the Market Base Rental Rate established in accordance herewith.

This option to extend may not be exercised and the Lease shall not be extended if Landlord has given Tenant notice of default which default is not cured within any applicable cure periods or waived by Landlord.

33.2 *Refurbishment Allowance.* Provided that at the time of the exercise of the option for the renewal term provided in Section 33.1 of this Amended and Restated Lease, the Lease is in effect and no event of default then exists or occurs prior to the commencement of the renewal term, then, within thirty (30) days following the execution and delivery by Tenant of an amendment to the Lease confirming Tenant's exercise of the renewal option contemplated in said Section 33.1, the expiration date of said renewal term, the Rentable Area of the Premises, and the amount of the Base Rental Rate payable during said renewal term, Landlord shall make a refurbishment allowance available to Tenant in an amount equal to One and No/100 Dollar ($1.00) multipled by (a) the number of years contained in the renewal term, and (b) the number of rentable square feet of space contained in the Premises (the "Refurbishment Allowance"). The Refurbishment Allowance may be used solely for and applied to costs and expenses paid or incurred by Tenant for improvements to the Premises, including, without limitation, painting, wallpapering, recarpeting or other improvements to the Premises made by Tenant in accordance with the terms of the Lease. At the Tenant's election, Landlord shall either reimburse Tenant or pay directly to Tenant's contractor or contractors, for the costs of such improvements, up to the amount of the Refurbishment Allowance, within thirty (30) days of receipt from Tenant of invoices, cancelled checks or other back-up materials documenting the cost and expense of such improvements actually made to the Premises. Any unused portion of the Refurbishment Allowance shall remain Landlord's property. In the event of the termination of the Lease in whole or in part or abandonment of the Premises (or portions thereof) by Tenant prior to the expiration of the renewal term, Tenant shall pay to Landlord as additional rent, the unamortized portion of the Refurbishment Allowance actually paid to or for the account of such Tenant, based on the number of months contained within the renewal term. The unamortized portion of the Refurbishment Allowance shall equal the amount determined by multiplying the amount of the Refurbishment Allowance actually paid by Landlord to or for the account of Tenant, multiplied by a fraction, (a) the numerator of which shall equal the number of calendar days elapsed from the date of the termination of the Lease or the abandonment of the Premises or portion(s) thereof by Tenant to the date on which the renewal term would have expired but for any such early termination of this Lease, and (b) the denominator of which shall be the number of calendar days contained within the renewal term exercised by Tenant pursuant to Section 33.1.

33.3 *Right of First Offer to Lease Additional Space in the Building.* Landlord hereby grants to Tenant the right of first offer (the "ROFO"), exercisable at any time, to expand the Premises to include any space in the Building which is contiguous to the Premises and which is not leased by Tenant and which is not subject to a lease or to options of other tenant(s) and which is not then subject to active negotiations for lease or option to other prospective tenant(s) (such then available space being herein referred to as the "Option Space") on the following terms and conditions:

(a) Landlord shall give notice (the "ROFO Notice") to Tenant of Landlord's desire to lease the Option Space and the terms and conditions upon which Landlord intends to offer such space for rent. If Tenant elects to lease the Option Space which is the subject of Landlord's ROFO Notice (or in response to Tenant's "Expansion Notice") (as defined below), Tenant shall lease such space in "AS IS" condition for a minimum of twelve (12) months and a term that is coterminous with the expiration of the Lease Term, and otherwise on the same terms and conditions set forth in this Amended and Restated Lease.

(b) Tenant shall have ten (10) business days after Landlord's notice to respond as to whether Tenant desires to lease the Option Space on the terms and conditions set forth in this Amended and Restated Lease. If Tenant elects not to lease the Option Space or fails to respond within said ten (10) business day period, then for a period of twelve (12) months following the date of Landlord's ROFO Notice to Tenant as to the Option Space in question, Landlord shall be free to lease or otherwise grant rights in the Option Space in question to any third party. If at the expiration of said twelve-month period, Landlord has not leased the subject Option Space or granted any options to the Option Space to any third party and is not then actively engaged in lease negotiations with a third party for the lease or option of all or any portion of the subject Option Space, Tenant's ROFO, as granted hereunder, shall

again apply to the subject Option Space which is not then leased or subject to an option to lease in favor of a third party or which is not then subject to active negotiations between Landlord and a third party. Further, if at any time during the Term of the Lease, Tenant shall notify Landlord in writing that it desires to lease additional space in the Building (such notice from Tenant being herein referred to as the "Expansion Notice") and at the time of Landlord's receipt of the Expansion Notice, there is Option Space available, then Landlord agrees to lease the Option Space to Tenant, subject to all of the terms and conditions of this Section 33.3 to Tenant. If Tenant elects to lease such Option Space, Tenant shall execute an amendment to this Lease reflecting the addition of all (and not less than all of) such space to the Premises for a term coterminous with the term of the Lease no later than ten (10) days from receipt of the ROFO Notice or Landlord's response to an Expansion Notice and an appropriate amendment to the Lease from Landlord.

(c) If Tenant elects to lease the Option Space, all economic terms (including, without limitation, Base Rental, additional rent, refurbishment allowance, and other rental concessions) shall be as specified in this Amended and Restated Lease; provided, however, that no Refurbishment Allowance shall be payable with respect to any Option Space that is leased for less than thirty-six (36) months. The ROFO granted herein to Tenant shall be personal to Tenant and shall not be assignable to any assignee or subtenant of Tenant's rights under the Lease, but nothing contained herein shall be deemed as limiting the right of Tenant, following the exercise of the ROFO, to assign or sublet the subject Option Space as permitted under Article 7 hereof.

33.4 *Generator.* Landlord hereby agrees to purchase and install or cause to be installed at Landlord's expense, not to exceed the sum of Two Hundred Forty-Five Thousand and No/100 Dollars ($245,000.00) (including all "hard" costs and "soft" costs, including without limitation, design fees, permitting fees and labor, equipment and installation costs), an emergency back-up power generator (having capacity of approximately 300 kW) to be located outside the Building to serve the entire Building (the "Generator"). Prior to purchasing and installing the Generator, Landlord shall provide Tenant with information regarding the design specifications for the Generator and fuel capacity of any associated fuel tank to be used solely for storage of petroleum products for use in the operation of the Generator proposed to be installed by Landlord, and Tenant shall have the right to approve the same, which approval shall not be unreasonably withheld, conditioned or delayed, and which approval shall be given no later than March 31, 2002 (such approved equipment specifications for the Generator and said fuel tank are herein referred to collectively as the "Equipment Specifications"). In no event shall Landlord be required to expend in excess of $245,000.00 in connection with the design, acquisition and installation of the Generator and related fuel tank, and in no event shall Landlord be deemed to warrant or guarantee that the Generator shall actually perform to its Equipment Specifications. Landlord agrees, however, to use its diligent, good faith efforts on behalf of Tenant to enforce any warranty or guaranty given or made by the manufacturer of the Generator and by the contractor that installs the same. Subject to Section 23.2 and any delays caused by Tenant, Landlord shall cause the Generator to be installed and operational no later than September 1, 2002.

In the event that at any time prior to March 31, 2007, this Lease is terminated in whole or in part (whether by reason of the failure of Tenant to exercise, or the decision of Tenant not to exercise, the extension option granted in Section 33.1 hereof, or by reason of a termination upon default) or Tenant shall be in default in the payment of Rent, Tenant shall pay to Landlord, as additional rent, the unamortized cost of the Generator and related fuel tank, the cost of which shall be amortized on a straight-line basis over sixty (60) months commencing on April 1, 2002 and ending on March 31, 2007, less the residual value of the Generator and related fuel tank, which Landlord and Tenant stipulate to be the sum of $24,000.00. The unamortized cost of the Generator and related fuel tank shall equal the amount determined by multiplying the actual cost and expense paid and incurred by Landlord in purchasing the Generator and related fuel tank and causing the same to be installed at the Building, not to exceed the sum of $245,000.00, multiplied by a fraction, (a) the numerator of which shall equal the number of calendar days elapsed from the date on which the Lease shall expire or be terminated in whole or in part as set forth above or Tenant is in default in the payment of Rent, and ending on March 31, 2007, and (b) the denominator of which equals the number of calendar days elapsed between April 1, 2002 and March 31, 2007.

The Generator and related fuel tank shall at all times be and remain Landlord's property. Landlord shall be responsible for the maintenance, monitoring, repair, testing and operation of the Generator, and for the purchase of fuel for the Generator. All costs and expenses incurred by Landlord in connection with the maintenance, monitoring, repair, testing and operation of the Generator, together with all costs and expenses of fuel and utilities associated with the Generator, shall be included in Operating Expenses. Tenant agrees that the Generator shall be used only in emergencies. Landlord and Tenant shall work cooperatively and in good faith to assure that the Generator remains in good operating condition at all times. Any actions that Landlord or Tenant may undertake or cause to be undertaken in respect of the Generator and/or related fuel tank shall be taken in strict accordance with all applicable federal, state and local laws, codes and regulations, and in such a manner as not to abrogate, limit or nullify any warranties or guaranties given or made by the equipment manufacturer or installer. If Tenant becomes aware of any defective or apparently defective operation of the Generator, or of any actual or impending shortage of fuel for the Generator, Tenant shall immediately notify Landlord thereof in writing.

ARTICLE 34

RATIFICATION OF RESTATEMENT

34.1. *Ratification and Binding Effect.* As expressly modified by this Amended and Restated Lease, the Lease shall remain in full force and effect, and is expressly ratified and confirmed by the parties hereto. Without limiting the foregoing, Tenant hereby (i) ratifies and affirms all of its obligations under the Lease, as modified, amended and restated hereby; (ii) acknowledges, represents and warrants that the Lease, as so modified, amended and restated is valid and enforceable, and, as of this date, is free from any defenses, setoffs claims, counterclaims, causes of action or any kind or nature whatsoever of which Tenant has knowledge. This Amended and Restated Lease shall be governed by and construed in accordance with the laws of the State of Colorado, and shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, representatives and permitted assigns.

34.2. *Entire Agreement.* This Amended and Restated Lease constitutes the entire understanding and agreement of the parties hereto with respect to the matters discussed herein in relation to the Premises from and after April 1, 2002 and supersedes all prior agreements, understandings or negotiations with respect thereto. For all periods prior to April 1, 2002, the Lease shall remain in full force and effect according to its terms.

34.3. *Miscellaneous.*

(a) Except as herein expressly amended and restated, each and every term, condition, warranty and provision of the Lease shall remain in full force and effect, and as such are hereby ratified, confirmed and approved by Landlord and Tenant.

(b) This Amended and Restated Lease may be executed in multiple counterparts, each of which shall be deemed an original.

[SIGNATURES BEGIN ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Lease as of this 14th day of February, 2002.

LANDLORD:

FUND IX, FUND X, FUND XI AND REIT JOINT VENTURE, a Georgia joint venture

By: Wells Real Estate Fund IX, L.P., as Administrative Venturer

By: Wells Partners, L.P., a Georgia imited partnership, as General Partner of Wells Real Estate Fund IX, L.P.

By: Wells Capital, Inc., as General Partner of Wells Partners, L.P.

By: /s/ DOUGLAS P. WILLIAMS

Name: Douglas P. Williams

Title: Senior Vice President

(CORPORATE SEAL)

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

TENANT:

GAIAM, INC., a Colorado corporation
By:

/s/ LYNN POWERS

Lynn Powers
President

(CORPORATE SEAL)

EXHIBIT A
LEGAL DESCRIPTION

Lot 2, Block 1,
Minor Subdivision Interlocken Filing No. 3
City of Broomfield,
County of Boulder,
State of Colorado

EXHIBIT B
FLOOR PLAN

EXHIBIT C
INTENTIONALLY DELETED

EXHIBIT D
INTENTIONALLY DELETED

EXHIBIT E
INTENTIONALLY DELETED

EXHIBIT A
LEGAL DESCRIPTION

Lot 2, Block 1,
Minor Subdivision Interlocken Filing No. 3
City of Broomfield,
County of Boulder,
State of Colorado

EXHIBIT B
FLOOR PLAN

EXHIBIT C
INTENTIONALLY DELETED

EXHIBIT D
INTENTIONALLY DELETED

EXHIBIT E
INTENTIONALLY DELETED

EXHIBIT F
RULES AND REGULATIONS

1. Tenant, by execution of this Lease and occupancy of the Premises, agrees to comply with any covenants, conditions and restrictions as recorded with the Clerk and Recorder of the County of Boulder, State of Colorado (the "Covenants"), as heretofore and hereafter amended, as applicable to Tenant's use and enjoyment of the Premises and Building Complex. In addition to all rights available to Landlord hereunder, in the event Landlord is required to pay to any association referenced in such Covenants, any fines, assessments, charges or other amounts on account of any act or omission of Tenant, its agents, employees or invitees, Tenant shall, upon demand, reimburse Landlord for such amounts, together with interest thereon at the Default Rate.

2. Tenant shall not obstruct or interfere with the rights of other tenants of the Building Complex or of persons having business in the Building Complex or in any way injure or annoy such tenants or persons.

3. Tenant shall not commit any willful act or permit anything in or about the Building Complex which shall or might subject Landlord to any liability or responsibility for injury to any person or property by reason of any business or operation being carried on, in or about the Building Complex or for any other reason, subject to and in accordance with the terms of this Lease.

4. Tenant shall not use the Building for lodging or for any illegal purposes or for any purpose that will damage the Building Complex, or the reputation of the Building as a Class A suburban office building or for any purposes other than those specified in the Lease.

5. Canvassing, soliciting, and peddling in the Building Complex are prohibited, and Tenant shall cooperate to prevent such activities.

6. Tenant shall not bring or keep within the Building any animal, bicycle, or motorcycle.

7. Tenant shall not commercially prepare and/or cook food or beverages in or about the Building without the prior written consent of Landlord. Tenant shall not, except for *de minimis* amounts (consistent with uses of a Class A suburban office building or a video production facility and which do not require special governmental mandated permits, storage or disposal) place, use or store any flammable, combustible, explosive or hazardous fluid, chemical, device, substance or material in, on or about the Premises. Tenant shall comply with the statutes, ordinances, rules, orders, regulations and requirements imposed by governmental or quasi-governmental authorities in connection with fire and panic safety and fire prevention and shall not commit any act or permit any object to be brought or kept in the Building Complex, which shall result in a change of rating of any portion of the Building Complex by the Insurance Services Office or similar person or entity subject to the terms of this Lease. Tenant shall not commit any act or permit any object to be brought or kept in the Building which shall increase the rate of fire insurance on the Building or on property located therein, subject to the terms of this Lease. In the event that Tenant's use increases the rate of fire insurance, then Tenant shall, if Landlord permits such use, pay to Landlord upon demand, as Additional Rent, an amount equal to the increase in the rate.

8. Tenant shall not occupy the Building or permit any portion of the Building Complex to be occupied for the manufacture or direct sale of liquor, narcotics, or tobacco in any form, or as a medical office, barber shop, manicure shop, music or dance studio. Tenant shall not conduct in or about the Building Complex any auction, public or private without the prior written approval of Landlord.

9. Tenant shall not install or use in the Building Complex any (i) air conditioning unit, (ii) engine or boiler powered by fuel including diesel fuel, gasoline, propane or natural gas; (iii) generator, (iv) industrial ventilator or machinery, (v) heating unit (other than space heaters), (vi) stove, (vii) commercial condensing unit, (viii) radiator or any other similar apparatus without the express prior written consent of Landlord, and then only as Landlord may reasonably direct.

10. Any office equipment and other device of any electrical or mechanical nature which causes in its operation vibrations, noise or other annoyance to tenants in the Building shall be placed by Tenant in the Premises in settings reasonably approved by Landlord, so as to

absorb or prevent any vibration, noise, or annoyance. Tenant shall not cause improper noises, vibrations, or odors within the Building Complex.

11. Tenant shall move all freight, supplies, furniture, fixtures, and other personal property into, within and out of the Building only through such entrances as may be reasonably designated by Landlord, and such movement of such items shall be under the reasonable supervision of Landlord. Landlord reserves the right to exclude from the Building Complex all objects which violate any of these rules and regulations or the provisions of the Lease. Tenant shall not move or install such objects in or about the Building Complex in such a fashion as to unreasonably obstruct the activities of the other tenants, and all such moving shall be at the sole expense, risk, and responsibility of Tenant.

12. Tenant shall not place within the Building any objects which exceed the floor weight specifications of the Building without the express prior written consent of Landlord. The placement and positioning of all such objects within the Building shall be reasonably prescribed by Landlord and such objects shall, in all cases, be placed upon plates or footings of such size as shall be reasonably prescribed by Landlord.

13. Tenant shall not deposit any trash, refuse, cigarettes, or other substances of any kind within or out of the Building except in refuse containers provided therefor. Tenant shall exercise its best efforts to keep the sidewalks, entrances, passages, courts, lobby areas, parking areas, vestibules, public corridors and halls in and about the Building (hereinafter "Common Areas") clean and free from rubbish; however Tenant is not responsible for the trash or refuse of parties other than Tenant, its employees, agents, contractors and invitees.

14. Tenant shall use the Common Areas only as a means of ingress and egress and other designed purposes, and Tenant shall permit no loitering by any of Tenant's employees upon Common Areas or elsewhere within the Building Complex. The Common Areas and roof of the Building are not for the use of the general public, and Landlord shall in all cases retain the right to control or prevent access thereto by all persons whose presence in the reasonable judgment of the Landlord, shall be prejudicial to the safety, character, reputation or interests of the Building Complex and its tenants. Tenant shall not go upon the roof of the Building without the express prior written consent of the Landlord.

15. Landlord reserves the right to exclude or expel from the Building Complex any person who, in the reasonable judgment of Landlord, is intoxicated or under the influence of liquor or drugs or who shall in any manner act in violation of the rules and regulations of the Building Complex.

16. a. Subject to the terms of paragraph b below. Landlord shall have the right to reasonably designate the area or areas, if any, in which Tenant and Tenant's servants, employees, contractors, jobbers, agents, licenses, invitees, guests and visitors may park vehicles, and Tenant and its servants, employees, contractors, jobbers, agents, licensees, invitees, guests and visitors shall observe and comply with all driving and parking signs and markers within and about the Building Complex. All parking ramps and areas and any pedestrian walkways, plazas or other public areas forming and part of the Building or the land upon which the Building Complex is situated shall be under the reasonable control of Landlord, who shall have the right to reasonably regulate and control those areas. Landlord may promulgate rules and regulations concerning parking from time to time, and Tenant agrees to comply therewith. Tenant acknowledges that Landlord has reserved the right to remove vehicles which violate parking regulations.

b. Tenant shall have the right at any time, upon written notice to Landlord, to have Landlord using building standard signage, designate up to ten (10) parking spaces as being for the exclusive use of Tenant. The cost of the signage shall be borne by Tenant and the location of the parking so designated is shown on Exhibit H attached hereto. Tenant acknowledges that Landlord shall have no obligation to police such designated parking; however, upon receipt of notice from Tenant specifying vehicles that are violating its exclusive use, Landlord shall take such reasonable actions as necessary, including towing, to protect Tenant's exclusive use of the parking spaces.

17. No smoking is permitted at any time in, on or about the Building and the Building Complex, including the lobby, the parking lot and exterior Common Areas. Tenant shall comply herewith and cause its employees, agents, contractors and invitees to comply herewith. Tenant may, subject to compliance with applicable laws, permit smoking within the Premises, provided in no event may any secondary smoke from the Premises be present in other parts of the Building and Tenant shall be solely responsible at its own cost and expense. Except as required by applicable law, Landlord will not modify this rule or regulation in this Lease or any other Lease in the Building to make it less restrictive.

18. Tenant shall not use the washrooms, restrooms and plumbing fixtures of the Building Complex, and appurtenances thereto, for any other purpose than the purposes for which they were constructed, and Tenant shall not deposit any sweepings, rubbish, rags or other improper substances therein. Tenant shall not waste water by interfering or tampering with the faucets or otherwise. If Tenant or Tenant's servants, employees, contractors, jobbers, agents, licensees, invitees, guests or visitors, cause any damage to such washrooms, restrooms, plumbing fixtures or appurtenances, such damage shall be repaired at Tenant's reasonable expense within fifteen (15) days of receipt of written notification from Landlord during which period Tenant may repair same, and Landlord shall not be responsible therefor.

19. Tenant may make alterations to the Premises consistent with the terms of Article 15 of the Lease. Upon removal of any wall decorations or installations or floor coverings by Tenant, any damage to the walls or floors shall be repaired by Tenant at Tenant's sole cost and expense. Without limitation upon any of the provisions of the Lease, Tenant shall refer all contractors, representatives, installation technicians, and other mechanics, artisans and laborers rendering any service in connection with the repair, or permanent improvements of the Premises to Landlord for Landlord's approval before performance of any such service. This Paragraph 19 shall apply to all work performed in the Building, including without limitation installation of telephones, telegraph equipment, electrical devices and attachments and installations of any nature affecting floors, walls, woodwork, trim, windows, ceilings, equipment or any other portion of the Building Complex. Plans and specifications for such work, prepared at Tenant's sole expense, shall be submitted to Landlord and shall be subject to Landlord's express prior written approval in each instance before the commencement of work. All installations, alterations and additions shall be constructed by Tenant in a good and workmanlike manner and only good grades of material shall be used in connection therewith. The means by which telephone, telegraph and similar wires are to be introduced to the Premises and the location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the express prior written approval of Landlord. Tenant shall not lay

linoleum or similar floor coverings so that the same shall come into direct contact with the floor of the Premises and, if linoleum or other similar floor covering is to be used, an interlining of builder's deadening felt shall be first affixed to the floor, by a paste or other material soluble in water. The use of cement or other similar adhesive materials is expressly prohibited.

20. No signs, awning, showcases, advertising devices or other projections or obstructions shall be attached to the outside walls of the Building Complex or attached or placed upon any Common Areas without the express prior consent of Landlord. No blinds, drapes or other window coverings shall be installed in the Building without the express prior written consent of Landlord, except for "black out" drapes which have been approved by Landlord. No promotional sign or picture, advertisement, window display or other public display or notice in the nature of advertising or other promotional display shall be inscribed, exhibited, painted or affixed by Tenant upon or within any part of the Premises in such a fashion as to be seen from the outside of the Premises or the Building without the express prior written consent of Landlord. In the event of the violation of any of the foregoing by Tenant, Landlord may within fifteen (15) days of written notice to Tenant during which period Tenant may repair same, remove the articles constituting the violation without any liability unless a loss other then said removal, arises from Landlord's willful or negligent acts or omissions, and Tenant shall reimburse Landlord for the reasonable expenses incurred in such removal upon demand and upon submission of applicable bills as additional rent under the Lease. Interior signs on doors (exclusive of interiors of the Premises) and upon the Building directory shall be subject to the express prior written approval of Landlord and shall be inscribed, painted, or affixed by Landlord at the reasonable expense of Tenant upon submission of applicable bills to Tenant.

21. Tenant shall not use the name of the Building or the name of the Landlord in its business name, trademarks, signs, advertisements, descriptive material, letterhead, insignia or any other similar item without Landlord's express prior written consent.

22. The sashes, sash doors, skylights, windows, and doors that reflect or admit light or air into the Common Areas shall not be covered or obstructed by Tenant, through placement of objects upon windowsills or otherwise. Tenant shall cooperate with Landlord in obtaining maximum effectiveness of the cooling system of the Building. Tenant shall not obstruct, alter or in any way impair the efficient operation of Landlord's heating, ventilating, air conditioning, electrical, fire, safety, or lighting systems.

23. Subject to the Lease, applicable fire or other safety regulations, all doors opening onto Common Areas and all doors upon the perimeter of the Premises shall be kept closed and, during non-business hours, locked, except when in use for ingress or egress. If Tenant uses the Premises after regular business hours or on non-business days, Tenant shall, subject to the Lease, lock any entrance doors to the Building or to the Premises used by Tenant immediately after using such doors.

24. Intentionally Deleted.

25. All keys to the exterior doors of the Premises shall be obtained by Tenant from Landlord, and Tenant shall pay to Landlord a reasonable deposit determined by Landlord from time to time upon written notice to Tenant for such keys. Tenant shall not make duplicate copies of such keys. Subject to the Lease, Tenant shall have the right to install substitute or additional locks or bolts upon any of the doors of the interior doors of the Premises and Tenant shall notify Landlord prior to making any changes in existing locks or the mechanisms thereof and shall give Landlord a key therefor. Tenant shall, upon the termination of its tenancy, provide Landlord with the combinations and keys, if any, to all combination locks on safes, safe cabinets and vaults and deliver to Landlord all keys to the Building, the Premises and all interior doors, cabinets, and other key-controlled mechanisms therein, whether or not such keys were furnished to Tenant by Landlord, if any. Tenant shall pay to Landlord the reasonable cost of replacing the same or of changing the lock or locks opened by such lost key if Landlord shall reasonably deem it necessary to make such a change.

26. Landlord shall not be responsible for, and Tenant hereby indemnifies and holds Landlord harmless from any liability in connection with, the loss, theft, misappropriation or other disappearance of furniture, furnishings, fixtures, machinery, equipment, money, jewelry or other items of personal property from the Premises or other parts of the Building regardless of whether the Premises or Building are locked at the time of such loss unless the loss arises from Landlord's willful or negligent acts or omissions.

27. For purposes hereof, the terms "Landlord," "Tenant," "Building," and "Premises" are defined as those terms are defined in the Lease to which these Rules and Regulations are attached. Wherever Tenant is obligated under these Rules and Regulations to do or refrain from doing an act or thing, such obligation shall include the exercise by Tenant of its reasonable efforts to secure compliance with such obligation by the servants, employees, contractors, jobbers, agents, invitees, licensees, guests and visitors of Tenant. The term "Building" and "Building Complex" shall include the Premises, and any obligations of Tenant hereunder with regard to the Building and Building Complex shall apply with equal force to the Premises and to other parts of the Building Complex.

28. Landlord shall use reasonable efforts to enforce rules and regulations against Tenant in a manner which is not materially and/or adversely inconsistent with its application of the rules against other tenants in the Building and to the extent that Landlord grants less restrictive rules or regulations to any tenant, then Tenant shall get the benefit therefrom. Tenant acknowledges that these rules and regulations have been amended by Landlord and Tenant and thus some rules and regulations applicable to other tenants in the Building may not be applicable to Tenant. In no event will Landlord impose any less restrictive rules or regulations in leases with other tenants in the Building as such rules or regulations pertain to smoking, noise, vibrations and odors. Furthermore, notwithstanding any other provision to the contrary Landlord will not permit as reserved parking for any other tenant more than fifteen percent (15%) of such tenant's allocated parking, nor shall Landlord permit any reserved parking for such tenant(s) in the first parking row immediately in front of the Building.

EXHIBIT G

Exhibit 21.1

Gaiam Subsidiaries

Subsidiary	State of Incorporation
Gaiam.com, Inc.	Colorado
Gaiam Direct, Inc.	Colorado
Gaiam Energy Tech, Inc.	Colorado
Gaiam Holdings, Inc.	Colorado
Gaiam International, Inc.	California
Gaiam Shared Services, Inc.	Colorado
Gaiam Travel, Inc.	Colorado
Real Goods Trading Corporation	California

QuickLinks

Exhibit 21.1

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-37700) pertaining to the Gaiam, Inc. 1999 Long-Term Incentive Plan and the Gaiam, Inc. 1999 Employee Stock Purchase Plan, of our report dated February 18, 2002, with respect to the consolidated financial statements and schedule of Gaiam, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 2001.

/s/ Ernst & Young LLP

Denver, Colorado
March 26, 2002

QuickLinks

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS