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**United States**  
**Securities and Exchange Commission**  
Washington, D.C. 20549

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**Form 10-Q**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the Fiscal Quarter Ended June 30, 2002

OR

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

Commission File Number 0-27517

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**GAIAM, INC.**

(Exact name of registrant as specified in its charter)

**COLORADO**  
(State or other jurisdiction of  
incorporation or organization)

**84-1113527**  
(I.R.S. Employer  
Identification No.)

**360 INTERLOCKEN BLVD.,  
BROOMFIELD, COLORADO 80021**  
(Address of principal executive offices)

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

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 and 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Shares outstanding as of July 29, 2002
Class A Common Stock (\$.0001 par value)	8,631,684
Class B Common Stock (\$.0001 par value)	5,400,000

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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, growth of e-commerce, 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, future internet related taxes, control of Gaiam by its founder, fluctuations in quarterly operating results, limited experience in operating retail stores, 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.

**GAIAM, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2002</b>	<b>December 31, 2001</b>
	_____	_____
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 19,243,169	\$ 22,243,647
Accounts receivable, net	18,903,507	15,747,329
Accounts and notes receivable, other	1,961,875	2,086,085
Inventory, less allowances	13,759,301	15,447,434
Deferred advertising costs	2,029,601	1,779,443
Other current assets	477,230	489,846
	_____	_____
<b>Total current assets</b>	<b>56,374,683</b>	<b>57,793,784</b>
Property and equipment, net	10,853,562	13,278,545
Capitalized production costs, net	4,589,574	3,551,478
Video library, net	4,160,182	4,332,777
Goodwill, net	7,266,714	7,266,714

Deferred tax assets	1,390,545	1,390,545
Other assets	673,319	573,210
	<u>                    </u>	<u>                    </u>
Total assets	\$ 85,308,579	\$ 88,187,053
	<u>                    </u>	<u>                    </u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 7,318,724	\$ 8,954,607
Accrued liabilities	2,696,896	4,352,290
Accrued royalties	956,835	1,458,367
Income taxes payable	358,218	1,413,643
Capital lease obligations, current	197,899	211,745
	<u>                    </u>	<u>                    </u>
Total current liabilities	11,528,572	16,390,652
Capital lease obligations, long-term	145,808	238,078
Deferred tax liability	517,414	517,414
	<u>                    </u>	<u>                    </u>
Total long-term liabilities	663,222	755,492
Minority interest	6,435,159	6,408,277
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, 8,631,402 and 8,581,806 shares issued and outstanding at June 30, 2002 and December 31, 2001, respectively	863	858
Class B common stock, \$.0001 par value, 50,000,000 shares authorized, 5,400,000 issued and outstanding at June 30, 2002 and December 31, 2001, respectively	540	540
Additional paid-in capital	48,535,139	48,261,202
Deferred compensation	(316,326)	(352,326)
Retained earnings	12,461,410	10,722,358
	<u>                    </u>	<u>                    </u>
Total stockholders' equity	60,681,626	58,632,632
	<u>                    </u>	<u>                    </u>
Total liabilities and stockholders' equity	\$ 85,308,579	\$ 88,187,053
	<u>                    </u>	<u>                    </u>

See accompanying notes.

**GAIAM, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

	For the Three Months Ended June 30,	
	2002	2001
	<u>                    </u>	<u>                    </u>
Net revenue	\$ 24,067,426	\$ 22,018,695
Cost of goods sold	9,885,211	8,771,992
	<u>                    </u>	<u>                    </u>
Gross profit	14,182,215	13,246,703
Expenses:		
Selling and operating	10,439,462	9,859,309
Corporate, general and administration	2,065,565	1,838,990
	<u>                    </u>	<u>                    </u>
Total expenses	12,505,027	11,698,299
	<u>                    </u>	<u>                    </u>
Income from operations	1,677,188	1,548,404
Other income (expense)	(166,419)	170,979
Interest income (expense)	57,516	(129,909)
	<u>                    </u>	<u>                    </u>
Total other income (expense)	(108,903)	41,070
	<u>                    </u>	<u>                    </u>
Income before income taxes and minority		

Interest	1,568,285	1,589,474
Provision for income taxes	556,741	596,529
Minority interest in net income of consolidated subsidiary, net of tax	8,135	440,542
	<u>          </u>	<u>          </u>
Net income	\$ 1,003,409	\$ 552,403
	<u>          </u>	<u>          </u>
Net income per share:		
Basic	\$ 0.07	\$ 0.05
Diluted	\$ 0.07	\$ 0.05
Shares used in computing net income per share:		
Basic	14,022,326	11,362,524
Diluted	14,468,424	11,679,287

See accompanying notes.

**GAIAM, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

	For the Six Months Ended June 30,	
	2002	2001
Net revenue	\$ 48,350,966	\$ 39,690,208
Cost of goods sold	19,899,839	15,619,582
	<u>          </u>	<u>          </u>
Gross profit	28,451,127	24,070,626
Expenses:		
Selling and operating	21,030,713	18,397,661
Corporate, general and administration	4,192,058	3,389,196
Non-recurring restructuring charges	375,953	—
	<u>          </u>	<u>          </u>
Total expenses	25,598,724	21,786,857
	<u>          </u>	<u>          </u>
Income from operations	2,852,403	2,283,769
Other income (expense)	(252,941)	355,594
Interest income (expense)	113,480	(246,826)
	<u>          </u>	<u>          </u>
Total other income (expense)	(139,461)	108,768
	<u>          </u>	<u>          </u>
Income before income taxes and minority interest		
Interest	2,712,942	2,392,537
Provision for income taxes	963,095	897,919
Minority interest in net income of consolidated subsidiary, net of tax	10,797	523,187
	<u>          </u>	<u>          </u>
Net income	\$ 1,739,050	\$ 971,431
	<u>          </u>	<u>          </u>
Net income per share:		
Basic	\$ 0.12	\$ 0.09
Diluted	\$ 0.12	\$ 0.08
Shares used in computing net income per share:		
Basic	14,013,949	11,284,632
Diluted	14,500,285	11,621,677

See accompanying notes.

**GAIAM, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(Unaudited)

	For the Six Months Ended June 30,	
	2002	2001
<b>Operating activities</b>		
Net income	\$ 1,739,050	\$ 971,431
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	865,251	1,097,888
Amortization	172,596	306,992
Stock compensation	36,000	35,250
Minority interest in consolidated subsidiary	26,883	523,187
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(3,031,969)	236,300
Inventory	1,688,133	(3,806,803)
Deferred advertising costs	(250,158)	(668,821)
Capitalized production costs	(1,038,096)	132,608
Other current assets	12,616	(133,226)
Other assets	(100,109)	33,766
Accounts payable	(1,635,883)	1,067,359
Accrued liabilities	(2,156,926)	(122,001)
Income taxes payable	(942,892)	407,919
Net cash (used in) provided by operating activities	(4,615,504)	81,849
<b>Investing activities</b>		
Purchase of property and equipment	(1,188,560)	(721,574)
Proceeds from the sale of property and equipment	2,748,292	—
Payments for acquisitions, net of cash acquired	—	(3,527,576)
Net cash (used in) provided by investing activities	1,559,732	(4,249,150)
<b>Financing activities</b>		
Principal payments on capital leases	(106,116)	(36,025)
Proceeds from issuance of common stock	161,410	52,626
Net proceeds from borrowings	—	4,522,481
Net cash provided by financing activities	55,294	4,539,112
Net change in cash and cash equivalents	(3,000,478)	371,811
Cash and cash equivalents at beginning of period	22,243,647	8,578,668
Cash and cash equivalents at end of period	\$ 19,243,169	\$ 8,950,479
<b>Supplemental cash flow information</b>		
Interest paid	\$ 24,648	\$ 278,617
Income taxes paid	2,367,469	490,000

See accompanying notes.

**Gaiam, Inc.**  
**Notes to Interim Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**June 30, 2002**

1. *Interim Condensed Consolidated Financial Statements*

*Organization and Nature of Operations*

Gaiam, Inc. was incorporated under the laws of the State of Colorado on July 7, 1988. Gaiam is a multi-channel lifestyle company providing a broad selection of information, products and services to customers who value natural health, personal development, and renewable energy.

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.

#### *Preparation of Interim Condensed Consolidated Financial Statements*

The interim condensed consolidated financial statements included herein have been prepared by the management of Gaiam pursuant to the rules and regulations of the United States Securities and Exchange Commission, and, in the opinion of management, contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly Gaiam's consolidated financial position as of June 30, 2002, the interim results of operations for the three and six months ended June 30, 2002 and 2001, and cash flows for the six months ended June 30, 2002 and 2001. These interim statements have not been audited. The balance sheet as of December 31, 2001 was derived from Gaiam's audited consolidated financial statements included in Gaiam's annual report on Form 10-K.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principals have been condensed or omitted pursuant to such rules and regulations. Accounting policies followed by Gaiam are described in Note 1 to the audited financial statements for the fiscal year ended December 31, 2001 included in Gaiam's annual report on Form 10-K. The consolidated financial statements contained herein should be read in conjunction with the audited financial statements, including the notes thereto, for the year ended December 31, 2001.

The consolidated financial position, results of operations and cash flows for the interim periods disclosed within this report are not necessarily indicative of future financial results.

#### *Use of Estimates*

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

#### *Adoption of Accounting Standards*

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 has adopted SFAS No. 142 as of January 1, 2002.

## *2. Stockholders' Equity*

During the first quarter of 2002, Gaiam issued 24,000 shares of Class A common stock upon exercise of warrants. In addition, for the six months ended June 30, 2002, Gaiam issued 25,596 shares of Class A common stock upon exercise of options granted under the 1999 Long-Term Incentive Plan.

## *3. Earnings per Share*

Basic earnings per share exclude any dilutive effects of options and dilutive securities. Basic earnings per share is 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 period 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Net income	\$ 1,003,409	\$ 552,403	\$ 1,739,050	\$ 971,431
Denominator:				
Weighted average shares for basic earnings per share	14,022,326	11,362,524	14,013,949	11,284,632
Effect of Dilutive Securities:				
Weighted average of common stock, stock options and warrants	446,098	316,763	486,336	337,045
Denominator for diluted earnings per share	14,468,424	11,679,287	14,500,285	11,621,677

Net income per share—basic \$ 0.07 \$ 0.05 \$ 0.12 \$ 0.09

#### 4. 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 significant 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 accounts for 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:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
<b>Net revenue:</b>				
Direct to consumer	\$ 11,299,964	\$ 11,670,834	\$ 22,682,900	\$ 22,207,220
Business to business	12,767,461	10,347,861	25,668,066	17,482,988
Consolidated net revenue	24,067,426	22,018,695	48,350,966	39,690,208
<b>Contribution margin:</b>				
Direct to consumer	190,285	519,593	316,988	617,329
Business to business	1,486,903	1,028,811	2,911,368	1,666,440
Non-Recurring restructuring charge *	—	—	375,953	—
Consolidated contribution margin	1,677,188	1,548,404	2,852,403	2,283,769
<b>Reconciliation of contribution margin to net income:</b>				
Other income (expense)	(108,903)	41,070	(139,461)	108,768
Income tax expense	556,741	596,529	963,095	897,919
Minority interest expense	8,135	440,542	10,797	523,187
Net income	\$ 1,003,409	\$ 552,403	\$ 1,739,050	\$ 971,431

\* Accrued one-time charge for severance and relocation costs associated with the planned consolidation of our finance and creative staff from California into our Colorado headquarters.

#### 5. Restructuring Charge

During the first quarter of 2002, Gaiam accrued \$375,953 for severance and relocation costs associated with the planned consolidation of our finance and creative staff from California into our Colorado headquarters. These charges include approximately \$286,000 for severance/relocation and other costs associated with the workforce consolidation. The remainder of the charge primarily relates to lease termination and other costs associated with office consolidation. This consolidation should be completed by third quarter 2002 and is expected to improve productivity and lower our operating costs by the end of the year.

## Item 2. 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 condensed consolidated financial statements included elsewhere in this document.

*Three months ended June 30, 2002 compared to three months ended June 30, 2001*

Revenues increased to \$24.1 million for the three months ended June 30, 2002 from \$22.0 million during the three months ended June 30, 2001. The closure, as planned, of the multi-store retail operation we acquired in connection with the Real Goods transaction in the first quarter of 2001 lowers our year over year sales growth comparison. Gaiam's internal growth rate of 19% was driven by sales growth in the business segment and proprietary products.

Gross profit, which consists of revenues less cost of sales (primarily merchandise acquisition costs and in-bound freight) increased to \$14.2 million for the second quarter of 2002 from \$13.2 million during the same period in 2001. As a percentage of revenue, gross profit declined to 58.9% in 2002 from 60.2% in 2001. This was primarily attributable to increased sales contribution from the business segment, which carries lower gross margin but also lower operating expenses. Gaiam continues to pursue growth of its proprietary product offerings

and increase focus on media products, on which Gaiam has better margins.

Selling and operating expenses, which consist primarily of sales and marketing costs, commission and fulfillment expenses, increased to \$12.5 million for the three months ended June 30, 2002 from \$11.7 million for the same period in 2001. As a percentage of revenues, selling and operating expenses decreased to 43.4% in 2002 from 44.8% in 2001 primarily due to the increased percentage of sales from our business segment.

Corporate, general and administrative expenses increased to \$2.1 million during the second quarter of 2002, from \$1.8 million during 2001, primarily due to higher revenues. As a percentage of revenues, general and administrative expenses increased marginally to 8.6% in 2002 from 8.4% in 2001.

Operating income, as a result of the factors described above, increased to \$1.7 million for the three months ended June 30, 2002, from \$1.5 million for the comparable period in 2001.

Gaiam recorded \$108,903 in other expense for the three months ended June 30, 2002 compared to other income of \$41,070 for the three month ended June 30, 2001. This shift was primarily attributable to the loss of \$181,708 associated with the sales commission and other expenses paid on the sale of the Gaiam Yoga Center. Minority interest was \$8,135 during the second quarter of 2002, compared to \$440,542 during the second quarter of 2001.

Income tax provision was \$556,741 for the three months ended June 30, 2002 compared to \$596,529 for the prior year period. The effective tax rate was 35.5%.

Net income, as a result of the factors described above, increased 81.6% to \$1,003,409 for the three months ended June 30, 2002 from \$552,403 for the three months ended June 30, 2001.

#### *Six months ended June 30, 2002 compared to six months ended June 30, 2001*

Revenues increased to \$48.4 million for the six months ended June 30, 2002 from \$39.7 million during the six months ended June 30, 2001.

Gross profit increased to \$28.5 million for the six months ended June 30, 2002 from \$24.1 million during the same period in 2001. As a percentage of revenue, gross profit declined to 58.8% in 2002 from 60.6% in 2001. This was primarily attributable to increased sales contribution from the business-to-business channel, which carries lower gross margin but also lower operating expenses.

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Selling and operating expenses increased to \$21.0 million for the six months ended June 30, 2002 from \$18.4 million for the same period in 2001. As a percentage of revenues, selling and operating expenses decreased to 43.5% in 2002 from 46.4% in 2001.

Corporate, general and administrative expenses increased to \$4.2 million for the six months ended June 30, 2002, compared to \$3.4 million for the corresponding period in 2001. As a percentage of revenues, general and administrative expenses increased to 8.7% in 2002 from 8.5% in 2000.

A non-recurring one-time charge of \$375,953 was taken in the first quarter of 2002. The charge is for severance and relocation costs associated with the planned consolidation of our finance and creative staff from California into our Colorado headquarters.

Operating income, as a result of the factors described above, increased 24.9% to \$2.9 million for the six months ended June 30, 2002 from \$2.3 million for the comparable period in 2001. Excluding the accrued one-time charge (described above) operating income increased 41.3% to \$3.2 million or 6.7% of sales in 2002 compared to \$2.3 million or 5.8% of sales in 2001.

Gaiam recorded \$139,461 in other expense during the six months ended June 30, 2002, compared to other income of \$108,768 for the comparable period in 2001. Minority interest decreased to \$10,797 for the six months ended June 30, 2002 from \$523,187 for the comparable period in 2001. Minority interest declined year-over-year due to Gaiam's purchase of the remaining minority interests in our organic clothing and two renewable energy businesses.

Income tax provision increased to \$963,094 for the six months ended June 30, 2002 from \$897,919 for the comparable period in 2001.

Net income, as a result of the factors described above, increased 79.0% to \$1,739,050 for the six months ended June 30, 2002 from \$971,431 for the comparable period in 2001.

#### *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.

Gaiam's operating activities generated net cash of \$269,711 for the second quarter ended June 30, 2002. Operating activities used net cash of \$4,615,504 and provided net cash of \$81,849 for the six months ended June 30, 2002 and 2001, respectively. Gaiam's net cash used



by operating activities for six months ended June 30, 2002 arose primarily from the decrease in accounts payable and accrued liabilities, an increase in accounts receivable associated with the growth in our business segment and the payment of income taxes payable for last year. Gaiam's net cash provided by operating activities for 2001 arose primarily from an increase in cash generated from net income prior to depreciation and amortization.

Gaiam's investing and acquisition activities provided net cash of \$1.6 million for the six months ended June 30, 2002 and used cash of \$4.2 million for the comparable period in 2001. During the second quarter of 2002, Gaiam sold the Gaiam Yoga Center for net proceeds of \$2.7 million. The cash used in investing activities in 2001, primarily arose from Gaiam's merger with Real Goods Trading

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Corporation, and also the acquisition of the stock and net assets of Earthlings, Inc. and Self Care, Inc. for a total combined purchase price for both companies of \$3.8 million.

During the six months ended June 30, 2002, Gaiam's financing activities provided \$55,294 in cash. During the six months ended June 30, 2001, Gaiam's financing activities provided \$4.5 million in cash, as a result of borrowings under Gaiam's loan agreements.

We believe our available cash, cash expected to be generated from operations, and borrowing capabilities of \$15 million (unused line of credit) 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 3. 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 exchange rates and are only minimally impacted by changes in interest rates. In the future, we may enter into transactions denominated in non-U.S. currencies, which could increase our exposure to these market risks. We have not used, and currently do not contemplate using, any derivative financial instruments.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Gaiam is not party to any material legal proceedings.

### **Item 2. Changes in Securities and Use of Proceeds**

None.

### **Item 3. Defaults Upon Senior Securities**

None.

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

On May 23, 2002, Gaiam held its Annual Meeting of Shareholders. The shareholders elected six directors of Gaiam to serve until the next annual meeting of shareholders to be held in 2003 or until their successors are duly elected and qualified. The results of this vote follow:

Jirka Rysavy	For:	60,153,744	Withheld:	828,134
Lynn Powers	For:	60,153,931	Withheld:	827,947
James Argyropoulous	For:	60,845,709	Withheld:	136,169
Barnet Feinblum	For:	60,845,565	Withheld:	136,313
Barbara Mowry	For:	60,845,360	Withheld:	136,518
Paul Ray	For:	60,845,258	Withheld:	136,620

In addition, Gaiam's shareholders approved an amendment to Gaiam's 1999 Long-Term Incentive Plan to increase the number of shares of Class A Common Stock permitted to be granted under the

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plan to 2,100,000 shares from 1,600,000 shares. The vote on this proposal was 58,120,519 in favor, 1,339,021 opposed, and 1,522,338

abstaining.

**Item 5. Other Information.**

None.

**Item 6. Exhibits and Reports on Form 8-K.**

a) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
10.1	Amendment to Gaiam, Inc. 1999 Long-Term Incentive Plan (incorporated by reference to Gaiam's Proxy Statement dated April 22, 2002)
99.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
b)	Reports on Form 8-K.
None	

**SIGNATURES**

In accordance with the requirements of the Securities and Exchange Act, the registrant caused this report to be signed on its behalf, by the undersigned, thereunto duly authorized.

Gaiam, Inc.  
(Registrant)  
August 2, 2002

By: /s/ Jirka Rysavy

\_\_\_\_\_  
Jirka Rysavy  
*Chief Executive Officer*

/s/ Yudhister Bahl

\_\_\_\_\_  
Yudhister Bahl  
*Chief Financial Officer*

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**Exhibit 99.1**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Gaiam, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jirka Rysavy, Chief Executive Officer of Gaiam, Inc., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Jirka Rysavy

Jirka Rysavy  
Chief Executive Officer  
August 2, 2002

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**Exhibit 99.2**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Gaiam, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yudhister Bahl, Chief Financial Officer of Gaiam, Inc., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Yudhister Bahl

Yudhister Bahl  
Chief Financial Officer  
August 2, 2002

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[Exhibit 99.2](#)

[CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)