

GAIAM INC
Form 10-Q/A
March 16, 2006

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

Form 10-Q/A

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

For the quarterly period ended September 30, 2005

OR

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

Commission File Number 0-27517

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

Edgar Filing: GAIAM INC - Form 10-Q/A

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES NO

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). 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 November 8, 2005 |
|---|--------------|--|
| Class A Common Stock (\$.0001 par value) | | 14,846,485 |
| Class B Common Stock (\$.0001 par value) | | 5,400,000 |

EXPLANATORY NOTE

This 10-Q/A is being filed to amend Gaiam's Consolidated Balance Sheet at September 30, 2005 and Note 2 - Mergers and Acquisitions included in Gaiam's Notes to the Interim Condensed Consolidated Financial Statements. These changes were necessitated by a change in the accounting treatment of the GoodTimes Entertainment acquisition. Gaiam had reflected the transaction as a business combination in accordance with SFAS No. 141. Based on further review of the requirements of SFAS 141 and the related guidance in EITF 98-3, Gaiam has concluded that it is more appropriate to treat the transaction as an asset acquisition, rather than a business combination. Accordingly, the balance sheet and footnote have been revised to reflect this treatment. The remaining information remains unchanged.

GAIAM, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share information)

| | September 30, 2005 (Unaudited) | December 31, 2004 |
|--|--------------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 10,247 | \$ 10,439 |
| Accounts receivable, net | 20,863 | 13,914 |
| Income tax and other receivables | 3,008 | 3,000 |
| Inventory, less allowances | 21,186 | 16,503 |
| Prepaid expenses | 5,466 | 1,324 |
| Deferred advertising costs | 4,312 | 2,635 |
| Deferred tax assets | 523 | 1,145 |
| Total current assets | 65,605 | 48,960 |
| Property and equipment, net | 7,683 | 7,857 |
| Investments | 15,318 | 7,865 |
| Capitalized production costs, net | 5,161 | 5,457 |
| Media library, net | 30,187 | 5,427 |
| Intangible assets and goodwill | 9,886 | 9,757 |
| Non-current deferred tax assets | 3,883 | 2,657 |
| Other assets | 1,417 | 307 |
| Total assets | \$ 139,140 | \$ 88,287 |
| Liabilities and stockholders equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 11,539 | \$ 12,910 |
| Accrued liabilities | 7,673 | 3,160 |
| Accrued royalties | 9,305 | 538 |
| Income taxes payable | 397 | 864 |
| Total current liabilities | 28,914 | 17,472 |
| Long-term liabilities | 989 | |
| Total liabilities | 29,903 | 17,472 |
| Minority interest | 4,487 | 4,469 |
| Commitments and contingencies | | |
| Stockholders equity: | | |
| Class A common stock, \$.0001 par value, 150,000,000 shares authorized, 14,833,555 and 9,411,897 shares issued and outstanding at September 30, 2005 and December 31, 2004, respectively | 1 | 1 |
| Class B common stock, \$.0001 par value, 50,000,000 shares authorized, 5,400,000 issued and outstanding at September 30, 2005 and December 31, 2004 | 1 | 1 |
| Additional paid-in capital | 93,890 | 54,933 |
| Accumulated other comprehensive income | 442 | 850 |

Edgar Filing: GAIAM INC - Form 10-Q/A

| | | |
|--|------------|-----------|
| Retained earnings | 10,416 | 10,561 |
| Total stockholders' equity | 104,750 | 66,346 |
| Total liabilities and stockholders' equity | \$ 139,140 | \$ 88,287 |

See accompanying notes to the condensed consolidated financial statements

Gaiam, Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

September 30, 2005

2. Mergers and Acquisitions

In the third quarter of 2005, Gaiam acquired a media catalog business and its customer mailing list. The total consideration given for these assets was 60,000 shares of Class A common stock, valued at \$390 thousand. The customer mailing list was valued at approximately \$160 thousand, and the balance of the purchase price was allocated to goodwill. Management believes that this media catalog, which is already established in the marketplace, will augment our Internet marketing in the direct to consumer distribution of our own media titles and those purchased from GoodTimes Entertainment. The operating results of this catalog are included in the results of operations from August 1, 2005. These results were not significant to the overall consolidated Gaiam operations.

On August 4, 2005, Gaiam and its Chairman and Chief Executive Officer, Jirka Rysavy, entered into a series of agreements with Revolution Living, LLC; its founder, Steve Case, and Revolution Living's LIME Media (LIME) subsidiary to establish a multi-faceted strategic relationship. Under the terms of the Transaction Agreement, Gaiam acquired a minority interest in LIME for approximately \$7.5 million.

In September 2005, Gaiam acquired the majority of the assets held by GoodTimes Entertainment and certain of its affiliates. GoodTimes Entertainment's assets included entertainment programming and home video products distributed through various channels, including television, retailers and the Internet. The total purchase price consisted of the following (in thousands):

| | | |
|---|----|--------|
| Cash | \$ | 34,405 |
| Acquisition, legal and accounting costs | | 621 |
| Total purchase price | \$ | 35,026 |

Of the total purchase price, Gaiam allocated \$25,368 to the acquired media titles and content, and \$9,658 to the tangible assets purchased, net of assumed liabilities. This allocation of the total purchase price of the assets acquired from GoodTimes Entertainment was based on their estimated fair values as of the date of acquisition. Adjustments to these estimates will be included in the allocation of the purchase price, if the adjustment is determined within the purchase price allocation period of up to twelve months.

Gaiam commenced distribution of titles and content acquired in this asset purchase on September 13, 2005, and the results of sales in both the direct to consumer and business segments are included in the consolidated financial statements of Gaiam from this date.

PART II. OTHER INFORMATION

Item 6. Exhibits

a) Exhibits

| Exhibit No. | Description |
|--------------------|---|
| 31.1 | Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 (filed herewith). |
| 31.2 | Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 (filed herewith). |
| 32.1 | Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |
| 32.2 | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |

Signatures

Edgar Filing: GAIAM INC - Form 10-Q/A

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.

Gaia, Inc.
(Registrant)
March 16, 2006

By: /s/ Janet Mathews
Janet Mathews
Chief Financial Officer