GAIAM, INC
Form 10-Q
August 09, 2012
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United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2012

OR

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

Commission File Number 000-27517

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.)**

833 WEST SOUTH BOULDER ROAD,

LOUISVILLE, COLORADO 80027

(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 x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

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

Class	**Outstanding at August 6, 2012**
Class A Common Stock ($.0001 par value)	17,309,343
Class B Common Stock ($.0001 par value)	5,400,000

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements that involve risks and uncertainties. The words anticipate, believe, plan, estimate, expect, strive, future, intend and similar expressions are intended to identify such forward-looking statements. Our 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, Quantitative and Qualitative Disclosures about Market Risk and elsewhere in this report. Risks and uncertainties that could cause actual results to differ include, without limitation, general economic conditions, competition, loss of key personnel, pricing, brand reputation, consumer trends, acquisitions, new initiatives undertaken by us, security and information systems, legal liability for website content, merchandise supply problems, failure of third parties to provide adequate service, our reliance on centralized customer service, overstocks and merchandise returns, our reliance on a centralized fulfillment center, increases in postage and shipping costs, E-commerce trends, future Internet related taxes, our founder s control of us, fluctuations in quarterly operating results, customer interest in our products, the effect of government regulation and other risks and uncertainties included in our 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 view only as of the date of this report. We undertake no obligation to update any forward-looking information.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Unaudited Interim Condensed Consolidated Financial Statements

We have prepared our unaudited interim condensed consolidated financial statements included herein pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to these rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. In our opinion, the unaudited interim condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly, in all material respects, our consolidated financial position as of June 30, 2012, the interim results of operations for the three and six months ended June 30, 2012 and 2011, and cash flows for the six months ended June 30, 2012 and 2011. These interim statements have not been audited. The balance sheet as of December 31, 2011 was derived from our audited consolidated financial statements included in our annual report on Form 10-K. The interim condensed consolidated financial statements contained herein should be read in conjunction with our audited financial statements, including the notes thereto, for the year ended December 31, 2011.

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GAIAM, INC.

Condensed consolidated balance sheets

(in thousands, except share and per share data)	June 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash	$ 11,460	$ 14,545
Accounts receivable, net	24,825	31,113
Inventory, less allowances	30,783	29,205
Deferred advertising costs	3,301	3,303
Deferred tax assets	6,471	6,686
Receivable from equity method investee	2,183	2,176
Advances	16,198	5,336
Other current assets	2,324	1,969
Total current assets	97,545	94,333
Property and equipment, net	23,930	23,664
Media library, net	14,335	14,576
Deferred tax assets	14,497	12,636
Goodwill	9,405	2,673
Other intangibles, net	8,249	569
Equity method investment	12,660	14,300
Other assets	592	539
Total assets	$ 181,213	$ 163,290
LIABILITIES AND EQUITY		
Current liabilities:		
Line of credit	$ 14,000	$
Accounts payable	18,446	21,069
Participations payable	16,676	7,851
Accrued liabilities	3,744	3,196
Total current liabilities	52,866	32,116
Commitments and contingencies		
Equity:		
Gaiam, Inc. shareholders equity:		
Class A common stock, $.0001 par value, 150,000,000 shares authorized, 17,309,343 and 17,297,844 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	2	2
Class B common stock, $.0001 par value, 50,000,000 shares authorized, 5,400,000 issued and outstanding at June 30, 2012 and December 31, 2011	1	1
Additional paid-in capital	159,357	158,773
Accumulated other comprehensive income	111	113
Accumulated deficit	(34,051)	(30,779)
Total Gaiam, Inc. shareholders equity	125,420	128,110
Noncontrolling interest	2,927	3,064
Total equity	128,347	131,174
Total liabilities and equity	$ 181,213	$ 163,290

See accompanying notes to the interim condensed consolidated financial statements.

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GAIAM, INC.

Condensed consolidated statements of operations

(in thousands, except per share data)	For the Three Months Ended June 30, 2012 (a)	For the Three Months Ended June 30, 2011 (a)	For the Six Months Ended June 30, 2012 (a)	For the Six Months Ended June 30, 2011 (a)
	(unaudited)		(unaudited)	
Net revenue	$ 45,446	$ 50,709	$ 92,779	$ 105,521
Cost of goods sold	17,435	28,107	37,662	57,059
Gross profit	28,011	22,602	55,117	48,462
Expenses:				
Selling and operating	26,896	24,966	51,057	49,349
Corporate, general and administration	3,081	2,800	5,654	5,832
Acquisition-related costs		2,010	1,667	2,010
Total expenses	29,977	29,776	58,378	57,191
Loss from operations	(1,966)	(7,174)	(3,261)	(8,729)
Interest and other income (expense)	(123)	61	(67)	107
Loss from equity method investment	(944)		(1,640)	
Loss before income taxes and noncontrolling interest	(3,033)	(7,113)	(4,968)	(8,622)
Income tax benefit	(924)	(2,135)	(1,561)	(2,703)
Net loss	(2,109)	(4,978)	(3,407)	(5,919)
Net loss attributable to noncontrolling interest	56	837	135	778
Net loss attributable to Gaiam, Inc.	$ (2,053)	$ (4,141)	$ (3,272)	$ (5,141)
Net loss per share attributable to Gaiam, Inc. common shareholders:				
Basic	$ (0.09)	$ (0.18)	$ (0.14)	$ (0.22)
Diluted	$ (0.09)	$ (0.18)	$ (0.14)	$ (0.22)
Weighted-average shares outstanding:				
Basic	22,702	23,314	22,700	23,307
Diluted	22,702	23,314	22,700	23,307

(a) RSOL was deconsolidated and accounted for as an equity method investment effective December 31, 2011. Consequently, RSOL is reported as an equity method investment for the three and six months ended June 30, 2012 and as a consolidated subsidiary for the three and six months ended June 30, 2011.

If RSOL had been deconsolidated as of January 1, 2011, on a pro forma basis, net revenue, net loss attributable to Gaiam, Inc., and net loss per share would have been $30.8 million, $3.9 million, and $0.17 per share for the three months ended June 30, 2011, respectively, and $68.1 million, $4.9 million, and $0.21 per share for the six months ended June 30, 2011, respectively.

See Supplemental Pro Forma Financial Information on page 14 of this Form 10-Q.

See accompanying notes to the interim condensed consolidated financial statements.

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GAIAM, INC.

Condensed consolidated statements of comprehensive loss

(in thousands, except per share data)	For the Three Months Ended June 30, 2012	For the Three Months Ended June 30, 2011	For the Six Months Ended June 30, 2012	For the Six Months Ended June 30, 2011
	(unaudited)		(unaudited)	
Net loss	$ (2,109)	$ (4,978)	$ (3,407)	$ (5,919)
Other comprehensive income (loss), foreign currency translation, net of tax	(14)	28	(4)	46
Comprehensive loss	(2,123)	(4,950)	(3,411)	(5,873)
Less: comprehensive loss attributable to the noncontrolling interest	63	823	137	755
Comprehensive loss attributable to Gaiam, Inc. shareholders	$ (2,060)	$ (4,127)	$ (3,274)	$ (5,118)

See accompanying notes to the interim condensed consolidated financial statements.

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GAIAM, INC.

Condensed consolidated statements of cash flows

(in thousands)	For the Six Months Ended June 30, 2012	2011
	(unaudited)	
Operating activities		
Net loss	$ (3,407)	$ (5,919)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	1,142	1,450
Amortization	2,791	1,357
Share-based compensation expense	586	686
Deferred and stock option income tax benefit	(1,666)	(3,091)
Loss on translation of foreign currency	20	
Losses from equity method investment	1,640	
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, net	31,398	23,195
Inventory, net	(3,592)	2,083
Deferred advertising costs	(712)	(650)
Receivable from equity method investee	8	
Income taxes receivable		161
Advances	(4,925)	(1,136)
Other current assets	(407)	(4,630)
Accounts payable	(2,842)	(5,906)
Participations payable	(3,664)	(1,015)
Accrued liabilities	992	(2,751)
Deferred revenue and other current liabilities		2,056
Net cash provided by operating activities	17,362	5,890
Investing activities		
Purchase of property, equipment and media rights	(2,324)	(2,319)
Purchase of business	(13,400)	
Cash from acquired business		3,416
Collection of note receivable		2,700
Change in restricted cash		56
Net cash (used in) provided by investing activities	(15,724)	3,853
Financing activities		
Net borrowings (payments) on revolving line of credit	14,000	(987)
Principal payments on debt	(18,703)	(9)
Net proceeds from issuance of common stock and tax benefits from option exercises		77
Net cash used in financing activities	(4,703)	(919)
Effect of exchange rates on cash	(20)	70
Net change in cash	(3,085)	8,894
Cash at beginning of period	14,545	28,773
Cash at end of period	$ 11,460	$ 37,667

Supplemental cash flow information				
Income taxes paid	$	344	$	256
Interest paid	$	121	$	10

See accompanying notes to the interim condensed consolidated financial statements

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Notes to interim condensed consolidated financial statements

1. Organization, Nature of Operations, and Principles of Consolidation

References in this report to we , us , our or Gaiam refer to Gaiam, Inc. and its consolidated subsidiaries, unless we indicate otherwise. We are a lifestyle media company providing a broad selection of information, media, products and services to customers who value personal development, wellness, ecological lifestyles, responsible media and conscious community. We were incorporated under the laws of the State of Colorado on July 7, 1988.

We have prepared the accompanying unaudited interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States, or GAAP, and they include our accounts and those of our subsidiaries. Intercompany transactions and balances have been eliminated.

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

2. Significant Accounting Policies

No changes were made to our significant accounting policies during the three and six months ended June 30, 2012, except for the implementation on January 1, 2012 of the Financial Accounting Standards Board s accounting standard update relating to the presentation of other comprehensive income. As a result of adopting this standard, the components of our condensed consolidated comprehensive income are now presented as separate financial statements immediately following our condensed consolidated statements of operations.

Use of Estimates and Reclassifications

The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported in the accompanying financial statements and disclosures. Although we base these estimates on our best knowledge of current events and actions that we may undertake in the future, actual results may be different from the estimates. We have made certain reclassifications to prior period amounts to conform to the current period presentations.

3. Equity Method Investment and Receivable From Investee

In connection with Real Goods Solar s acquisition of Earth Friendly Energy Group Holdings LLC dba Alteris Renewables, Inc., we loaned for twelve months Real Goods Solar $1.7 million on December 30, 2011. The remainder of the amount receivable from equity method investee represents amounts owed in the ordinary course of business under our Intercorporate Services and Industrial Building Lease Agreements with Real Goods Solar. Charges under these agreements are typically billed and collected at least quarterly.

As specified by our Tax Sharing Agreement with Real Goods Solar, to the extent Real Goods Solar becomes entitled to utilize certain loss carryforwards relating to periods prior to its initial public offering, it will distribute to us the tax effect (estimated to be 34% for federal income tax purposes) of the amount of such tax loss carryforwards so utilized. These net operating loss carryforwards expire beginning in 2018 if not utilized. Due to our step acquisitions of Real Goods Solar, it experienced ownership changes as defined in Section 382 of the Internal Revenue Code. Accordingly, its use of the net operating loss carryforwards is limited by annual limitations described in Sections 382 and 383 of the Internal Revenue Code. As of June 30, 2012, $4.4 million of these net operating loss carryforwards remained available for current and future utilization, meaning that Real Goods Solar s potential future payments to us, which would be made over a period of several years, could therefore aggregate to approximately $1.6 million based on current tax rates.

At June 30, 2012, we owned approximately 37.5% of Real Goods Solar s Class A common stock with trading value of $11.3 million based on the closing market price of Real Goods Solar s Class A common stock on June 30, 2012. At June 30, 2012, our equity in the net assets of Real Goods Solar was approximately $17.5 million.

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Summarized financial information for our equity method investee, Real Goods Solar, is as follows:

(in thousands)	June 30, 2012
Current assets	$ 36,823
Noncurrent assets	36,266
Total assets	$ 73,089
Current liabilities	$ 25,734
Noncurrent liabilities	630
Total liabilities	$ 26,364

(in thousands)	For the Three Months Ended June 30, 2012	For the Six Months Ended June 30, 2012
Net revenue	$ 21,447	$ 39,703
Gross profit	5,319	11,746
Net loss	(2,518)	(4,374)

4. Mergers and Acquisitions

On March 28, 2012, we obtained 100% of the voting equity interests of VE Newco, LLC (Gaiam Vivendi Entertainment), a subsidiary comprised of the former Vivendi Entertainment division of Universal Music Group Distribution, Corp. (UMG), pursuant to a Purchase Agreement dated March 6, 2012, as amended, between UMG and one of our subsidiaries. Gaiam Vivendi Entertainment, with its exclusive distribution rights agreements with large independent studios/content providers, distributes entertainment content through home video, digital and television distribution channels.

The provisional total consideration transferred was $32.1 million and was comprised of $13.4 million in cash and a $18.7 million non-interest bearing, 90 day promissory note (Note) representing the carrying value of Gaiam Vivendi Entertainment s working capital. Under the terms of the Note and other related Gaiam Vivendi Entertainment acquisition agreements, UMG was to collect the pre-closing accounts receivable of Gaiam Vivendi Entertainment for a 90 day period following the closing date of the acquisition and apply those collections to the Note, with any excess remitted to Gaiam Vivendi Entertainment. By mid-June 2012, UMG had collected enough funds from Gaiam Vivendi Entertainment s pre-closing accounts receivable to fully satisfy the Note. The consideration excluded nil and $1.7 million of expenses that were reported as acquisition-related costs in our condensed consolidated statement of operations for the three and six months ended June 30, 2012, respectively. The acquisition also effectively settled a preexisting media distribution relationship between Gaiam Vivendi Entertainment and us, resulting in the elimination upon consolidation of certain accounts receivable, participations payable and inventory balances.

We acquired Gaiam Vivendi Entertainment, with its distribution rights to over 3,000 media titles, to materially strengthen our existing media distribution services platform and elevate us to the third largest non-theatrical content distributor in the United States. With the combined scale of Gaiam Vivendi Entertainment s and our existing distribution operations, we expect to realize significant operational and financial synergies, including reduced third-party distribution costs and lower post-production and digital distribution costs, which are projected to increase our gross margins. These anticipated strategic benefits will be the primary contributors to any goodwill resulting from the acquisition.

The estimated purchase price and fair values of assets acquired and liabilities assumed are provisional and are based on currently available information. We believe that information provides a reasonable basis for estimating the consideration transferred and the fair values of assets acquired and liabilities assumed, but we are waiting for additional information necessary to finalize those amounts. Therefore, the provisional purchase price and measurements of fair value reflected below are subject to change. We expect to finalize the purchase price during the third quarter of 2012 and determine valuations and complete the purchase price allocation as soon as practicable, but no later than one year from the acquisition date. Any goodwill identified is attributable to our business segment and deductible for tax purposes.

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The following table summarizes the provisional estimated purchase price and fair values of Gaiam Vivendi Entertainment s acquired net assets, which are additions to our business segment s net assets.

(in thousands)	**March 28, 2012**
Accounts receivable	$ 25,113
Advances	5,903
Other current assets	33
Goodwill	6,731
Other intangibles	8,600
Total assets	46,380
Participations payable	(12,013)
Accrued liabilities	(2,264)
Net assets acquired	$ 32,103

We included the results of operations from Gaiam Vivendi Entertainment in our consolidated financial statements from March 28, 2012. Consequentially, $6.3 million and $6.6 million of net revenue and $1.1 million and $1.2 million of net income attributable to Gaiam Vivendi Entertainment are included in our condensed consolidated statement of operations for the three and six months ended June 30, 2012, respectively.

The following is supplemental unaudited interim pro forma information for the Gaiam Vivendi Entertainment acquisition as if we had acquired this business on January 1, 2011. RSOL was not deconsolidated until December 31, 2011 and, thus, the 2011 supplemental pro forma results below reflect RSOL on a consolidated basis. The pro forma net losses were decreased by $0.8 million for the six months ended June 30, 2012 and decreased by $0.7 million and $1.0 million for the three and six months ended June 30, 2011, respectively, to reflect the removal of amortization related to Gaiam Vivendi Entertainment s historical intangibles, less amortization related to intangibles resulting from our acquisition of Gaiam Vivendi Entertainment. The pro forma adjustments were based on available information and upon assumptions that we believe were reasonable in order to reflect, on a supplemental pro forma basis, the impact of this acquisition on our historical financial information.

	Supplemental Pro Forma (Unaudited)			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
(in thousands, except per share data)	**2012**	**2011 (a)**	**2012**	**2011 (a)**
Net revenue	$ 45,446	$ 55,540	$ 101,820	$ 117,511
Net loss attributable to Gaiam, Inc.	$ (2,053)	$ (5,560)	$ (2,157)	$ (7,092)
Net loss per share - basic	$ (0.09)	$ (0.24)	$ (0.10)	$ (0.30)
Net loss per share - diluted	$ (0.09)	$ (0.24)	$ (0.10)	$ (0.30)

(a) The 2011 pro forma results reflect Real Goods Solar on a consolidated basis. Real Goods Solar was deconsolidated on December 31, 2011. If Real Goods Solar had been deconsolidated as of January 1, 2011, pro forma results would have been net revenue of $35.6 million and $80.1 million, net loss of $5.3 million and $6.8 million, and diluted net loss per share of $0.23 and $0.29 for the three and six months ended June 30, 2011, respectively.

5. Advances

Advances represent amounts prepaid to studio/content producers for which we provide media distribution services and to talent involved with our media productions.

6. Line of Credit

We have a revolving line of credit agreement with a financial institution with a current expiration date of November 16, 2012. The credit agreement permits borrowings up to the lesser of $15 million or our borrowing base which is calculated based upon the collateral value of our accounts receivable, inventory, and certain property and equipment. Borrowings under this agreement bear interest at the prime rate, provided, however, that at no time will the rate be less than 4.25% per annum. Borrowings are secured by a pledge of certain of our assets, and the agreement contains various financial covenants, including covenants requiring compliance with certain financial ratios. At June 30, 2012, we had $14.0 million of outstanding borrowings under this agreement and another $0.5 million was reserved for outstanding letters of credit. On August 1, 2012, in conjunction with our entering into a new revolving credit and security agreement with a different financial institution, we repaid all the outstanding borrowings and terminated this credit agreement. See Note 13. Subsequent Events.

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7. Participations Payable

Participations payable represents amounts owed to studios/content producers for which we provide media distribution services and to talent involved with our media productions.

8. Equity

During the first half of 2012, we issued 11,499 shares of our Class A common stock under our 2009 Long-Term Incentive Plan to certain of our independent directors, in lieu of cash compensation, for services rendered in 2012. We recorded these shares at their estimated fair value based on the market s closing price of our stock on the date the shares were issued, which by policy is the last trading day of each quarter in which the services were rendered.

The following is a reconciliation from December 31, 2011 to June 30, 2012 of the carrying amount of total equity, equity attributable to Gaiam, Inc., and equity attributable to the noncontrolling interest.

			Gaiam, Inc. Shareholders				
(in thousands)	**Total**	**Comprehensive Loss**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income**	**Class A and Class B Common Stock**	**Paid-in Capital**	**Noncontrolling Interest**
Balance at December 31, 2011	$ 131,174		$ (30,779)	$ 113	$ 3	$ 158,773	$ 3,064
Issuance of Gaiam, Inc. common stock, including related taxes, and share-based compensation	584					584	
Comprehensive loss:							
Net loss	(3,407)	(3,407)	(3,272)				(135)
Foreign currency translation adjustment, net of taxes of $2	(4)	(4)		(2)			(2)
Comprehensive loss	(3,411)	$ (3,411)					
Balance at June 30, 2012	$ 128,347		$ (34,051)	$ 111	$ 3	$ 159,357	$ 2,927

9. Comprehensive Loss

The tax effects allocated to our other comprehensive income (loss) component, foreign currency translation, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2012**	**2011**	**2012**	**2011**
Before-tax amount	$ (20)	$ 36	$ (6)	$ 62
Tax (expense) benefit	(6)	8	2	16
Net-of-tax amount	$ (14)	$ 28	$ (4)	$ 46

10. Share-Based Payments

During the first half of 2012, we granted 105,000 stock options under our 2009 Long-Term Incentive Plan and cancelled 8,560 stock options previously issued under our 1999 and 2009 Long-Term Incentive Plans. Total share-based compensation expense was $0.2 million and $0.3

million for the three months ended June 30, 2012 and 2011, respectively, and $0.6 million and $0.7 million for the six months ended June 30, 2012 and 2011, respectively, and are shown in corporate, general and administration expenses on our condensed consolidated statements of operations.

On March 5, 2012, for options previously granted under our 1999 Long-Term Incentive Plan to seven employees that were scheduled to expire within the next two years, we extended the original expiration dates by two years. These modifications resulted in total incremental share-based compensation cost of approximately $0.1 million that was immediately recognizable.

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11. Net Loss Per Share Attributable To Gaiam, Inc. Common Shareholders

Basic net loss per share attributable to Gaiam, Inc. common shareholders excludes any dilutive effects of options. We compute basic net loss per share attributable to Gaiam, Inc. common shareholders using the weighted average number of shares of common stock outstanding during the period. We compute diluted net loss per share attributable to Gaiam, Inc. common shareholders using the weighted average number of shares of common stock and common stock equivalents outstanding during the period. We excluded common stock equivalents of 1,398,000 and 876,000 for the three months ended June 30, 2012 and 2011, respectively, and 1,360,000 and 749,000 for the six months ended June 30, 2012 and 2011, respectively, from the computation of diluted net loss per share attributable to Gaiam, Inc. common shareholders because their effect was antidilutive.

The following table sets forth the computation of basic and diluted net loss per share attributable to Gaiam, Inc. common shareholders:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	**2012**	**2011**	**2012**	**2011**
Numerator for basic and diluted net loss per share attributable to Gaiam, Inc. common shareholders	$ (2,053)	$ (4,141)	$ (3,272)	$ (5,141)
Denominator:				
Weighted average shares for basic net loss per share attributable to Gaiam, Inc. common shareholders				