APARTMENT INVESTMENT & MANAGEMENT CO
Form 424B5
April 09, 2014
Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration File No. 333-195133

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit (1)	Maximum Aggregate Offering Price (1)	Amount of Registration Fee (2)
Class Z Cumulative Preferred Stock, par value $.01 per share	3,525,757	$25.08	$88,425,985.56	$11,389.27

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based on the average of the high and low prices on April 1, 2014.

(2) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended. Pursuant to Rule 457(p), this fee is being offset against previously paid fees of $5,902.02 related to unsold securities originally registered under Registration Statements Nos. 333-113977 and 333-113977-01, filed by Apartment Investment and Management Company and AIMCO Properties, L.P. on March 26, 2004, included in Registration Statements Nos. 333-150341 and 333-150341-01, filed by Apartment Investment and Management Company and AIMCO Properties, L.P. on April 21, 2008, and included in Registration Statements Nos. 333-173503 and 333-173503-01, filed by Apartment Investment and Management Company and AIMCO Properties, L.P. on April 14, 2011.

Table of Contents

PROSPECTUS SUPPLEMENT

(To prospectus dated April 8, 2014)

3,525,757 Shares

7.00% Class Z Cumulative Preferred Stock

We have entered into a sales agreement with MLV & Co. LLC (formerly McNicoll, Lewis & Vlak LLC) relating to our 7.00% Class Z Cumulative Preferred Stock offered by this prospectus supplement and the accompanying prospectus, pursuant to a continuous offering program. In accordance with the terms of the sales agreement, we may offer and sell up to 3,525,757 shares of our Class Z Cumulative Preferred Stock from time to time through MLV & Co. LLC as our agent for such offers and sales, whom we refer to herein as MLV or the sales agent.

Our Class Z Cumulative Preferred Stock is traded on the New York Stock Exchange under the symbol AIVPrZ. As of April 7, 2014, there were 1,274,243 shares of our Class Z Cumulative Preferred Stock outstanding. The last reported sale price of our Class Z Cumulative Preferred Stock on the New York Stock Exchange on April 7, 2014 was $25.51 per share.

Dividends on the Class Z Cumulative Preferred Stock are payable quarterly on January 15, April 15, July 15 and October 15 of each year to the holders of record at the close of business on the preceding January 1, April 1, July 1 and October 1. We pay cumulative dividends on the Class Z Cumulative Preferred Stock in an amount per share equal to $1.75 per year, or $0.4375 per quarter, equivalent to 7.00% of the $25 liquidation preference.

The liquidation preference of each share of Class Z Cumulative Preferred Stock is $25.00.

The Class Z Cumulative Preferred Stock is not redeemable prior to July 29, 2016, except in limited circumstances relating to the ownership limitation necessary to preserve our qualification as a real estate investment trust for federal income tax purposes. On or after July 29, 2016, we have the option to redeem all or a portion of the Class Z Cumulative Preferred Stock at any time in whole, or from time to time in part, for cash at $25.00 per share, plus accumulated, accrued and unpaid dividends.

Holders of shares of Class Z Cumulative Preferred Stock generally have no voting rights, except for limited voting rights if we fail to pay dividends for six or more quarterly periods (whether or not consecutive) and as otherwise required by applicable law.

The Class Z Cumulative Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption provisions except in certain circumstances to preserve our qualification as a real estate investment trust for federal income tax purposes.

The shares of Class Z Cumulative Preferred Stock are subject to certain restrictions on ownership and transfer designed to preserve our qualification as a real estate investment trust for federal income tax purposes. See Description of Class Z Cumulative Preferred Stock Restrictions on Ownership and Transfer.

Sales of our Class Z Cumulative Preferred Stock, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or other transactions that are deemed to be at the market offerings, including sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange. The sales agent is not required to sell any specific number or dollar amount of shares of our Class Z Cumulative Preferred Stock, but the sales agent has agreed to make all sales using commercially reasonable efforts consistent with its normal trading and sales practices on mutually agreed terms between the sales agent and us. There is no specific date on which the offering will end, there are no minimum purchase requirements, and there are no arrangements to place the proceeds of the offering in an escrow, trust or similar account.

We will pay MLV commissions for its services in acting as agent in the sale of our Class Z Cumulative Preferred Stock. MLV will be entitled to compensation of up to 2.00% of the gross sales price of all shares of Class Z Cumulative Preferred Stock sold through it from time to time under the sales agreement. We may also sell shares of Class Z Cumulative Preferred Stock to the sales agent as principal for its own account at a price agreed upon at the time of sale. In connection with the sale of shares of our Class Z Cumulative Preferred Stock on our behalf, the sales agent will be deemed to be an underwriter, within the meaning of the Securities Act of 1933, as amended, and the compensation paid to the sales agent will be deemed to be underwriting commissions or discounts.

You are urged to carefully read the Risk Factors section beginning on page S-5, where specific risks associated with the Class Z Cumulative Preferred Stock are described, along with the other information in this prospectus supplement, before you make your investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is April 8, 2014

TABLE OF CONTENTS

Prospectus Supplement

ABOUT THIS PROSPECTUS SUPPLEMENT	S-ii
SUMMARY	S-1
RATIO OF EARNINGS TO FIXED CHARGES	S-4
RISK FACTORS	S-5
USE OF PROCEEDS	S-6
PLAN OF DISTRIBUTION	S-7
DESCRIPTION OF CLASS Z CUMULATIVE PREFERRED STOCK	S-9
MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS	S-15
EXPERTS	S-16
LEGAL MATTERS	S-16
WHERE YOU CAN FIND MORE INFORMATION	S-16

Prospectus

ABOUT THIS PROSPECTUS	1
WHERE YOU CAN FIND MORE INFORMATION	1
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	2
AIMCO AND THE AIMCO OPERATING PARTNERSHIP	3
RISK FACTORS	4
USE OF PROCEEDS	4
RATIO OF EARNINGS TO FIXED CHARGES	4
DESCRIPTION OF AIMCO DEBT SECURITIES	5
DESCRIPTION OF AIMCO OPERATING PARTNERSHIP DEBT SECURITIES	11
DESCRIPTION OF AIMCO PREFERRED STOCK	18
DESCRIPTION OF AIMCO CLASS A COMMON STOCK	22
PROVISIONS OF MARYLAND LAW APPLICABLE TO PREFERRED STOCK AND CLASS A COMMON STOCK	23
DESCRIPTION OF AIMCO WARRANTS	25
MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS	26
LEGAL MATTERS	42
EXPERTS	42

You should rely only on the information included in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus required to be filed with the Securities and Exchange Commission (the SEC). Neither we nor the sales agent has authorized any other person to provide you with different or additional information. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate. Neither we nor the sales agent is making an offer to sell or soliciting an offer to buy the Class Z Cumulative Preferred Stock in any jurisdiction where the offer or sale or solicitation is not permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus, any such free writing prospectus or the documents incorporated by reference herein or therein is accurate as of any date other than their respective dates or such other date as may be specified herein or therein, even though this prospectus supplement and the accompanying prospectus are delivered or securities are sold on a different date. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or documents incorporated by reference, the information in this prospectus supplement will supersede such information.

Table of Contents

SUMMARY

This prospectus supplement does not include all of the information that is important to you. You should read the accompanying prospectus as well as the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. Except as the context otherwise requires, we, our, us and the Company refer to Apartme Investment and Management Company, AIMCO Properties, L.P. and their consolidated entities, collectively.

The Company

Apartment Investment and Management Company, or Aimco, is a Maryland corporation incorporated on January 10, 1994. Aimco is a self-administered and self-managed real estate investment trust, or REIT. AIMCO Properties, L.P., or the Aimco Operating Partnership, is a Delaware limited partnership formed on May 16, 1994, to conduct our business, which is focused on the ownership, management and redevelopment of quality apartment communities located in the largest coastal and job growth markets of the United States.

Aimco, through its wholly-owned subsidiaries, AIMCO-GP, Inc. and AIMCO-LP Trust, owns a majority of the ownership interests in the Aimco Operating Partnership. Aimco conducts all of its business and owns all of its assets through the Aimco Operating Partnership. Interests in the Aimco Operating Partnership that are held by limited partners other than Aimco are referred to as OP Units. OP Units include common partnership units, high performance partnership units and partnership preferred units, which we refer to as common OP Units, HPUs and preferred OP Units, respectively. We also refer to HPUs as common partnership unit equivalents. Aimco allocates the Aimco Operating Partnership s income or loss to the holders of common OP Units and equivalents based on the weighted average number of these units (including those held by Aimco) outstanding during the period. The amount of the Aimco Operating Partnership s income allocated to holders of the preferred OP Units is equal to the amount of distributions they receive. The holders of the common OP Units receive distributions, prorated from the date of issuance, in an amount equivalent to the dividends paid to holders of Class A common stock. The Aimco Operating Partnership may redeem such units for cash or at its option, shares of Class A common stock. Preferred OP Units entitle the holders thereof to a preference with respect to distributions or upon liquidation. At April 7, 2014, after eliminations for units held by consolidated subsidiaries, the Aimco Operating Partnership had 153,910,034 common partnership units and equivalents outstanding. At April 7, 2014, Aimco owned 146,099,689 of the common partnership units (94.9% of the common partnership units and equivalents of the Aimco Operating Partnership) and Aimco had outstanding an equal number of shares of its Class A common stock.

As of December 31, 2013, we owned an equity interest in 162 conventional apartment communities with 50,486 apartment homes and 74 affordable apartment communities with 10,067 apartment homes. Of these properties, we consolidated 158 conventional apartment communities with 50,344 apartment homes and 58 affordable apartment communities with 8,953 apartment homes. These conventional and affordable apartment communities generated 90% and 10%, respectively, of our proportionate property net operating income during the year ended December 31, 2013.

Our principal executive offices are located at 4582 South Ulster Street, Suite 1100, Denver, Colorado 80237 and our telephone number is (303) 757-8101.

Table of Contents

The Offering

Issuer	Apartment Investment and Management Company
Securities Offered	Up to 3,525,757 shares of Class Z Cumulative Preferred Stock (Class Z Preferred Stock)
Commercially Reasonable Efforts	MLV is not required to sell any specific number or dollar amount of shares of our Class Z Preferred Stock, but has agreed to make all sales using commercially reasonable efforts consistent with its normal trading and sales practices on mutually agreed terms between MLV and us.
Dividends	Dividends on the Class Z Preferred Stock are payable quarterly on January 15, April 15, July 15 and October 15 of each year to the holders of record at the close of business on the preceding January 1, April 1, July 1 and October 1. We pay cumulative dividends on the Class Z Preferred Stock in an amount per share equal to $1.75 per year, or $0.4375, equivalent to 7.00% of the $25 liquidation preference.
Liquidation Preference	$25 per share of Class Z Preferred Stock, plus an amount equal to accumulated, accrued and unpaid dividends, whether or not earned or declared.
Optional Redemption	The Class Z Preferred Stock is not redeemable prior to July 29, 2016, except in limited circumstances relating to the ownership limitation necessary to preserve our qualification as a REIT. On or after July 29, 2016, we may, at our option, redeem the Class Z Preferred Stock for cash, at any time in whole, or from time to time in part, at a price per share equal to the liquidation preference, plus accumulated, accrued and unpaid dividends, if any, to the redemption date.
Ranking	The Class Z Preferred Stock ranks prior to our common stock, and on the same level as our other outstanding shares of preferred stock, with respect to the payment of dividends and the distribution of amounts upon liquidation, dissolution or winding up.
Voting Rights	Holders of Class Z Preferred Stock generally do not have any voting rights. If, however, we have not paid dividends on the Class Z Preferred Stock for six or

more quarterly periods, whether or not consecutive, holders of Class Z Preferred Stock, together with holders of other classes of preferred stock, will be

	entitled to elect two additional directors to our Board of Directors until all unpaid dividends on the Class Z Preferred Stock have been paid or declared and set apart for payment. In addition, certain material adverse changes to the terms of the stock cannot be made without the affirmative vote of holders of at least $66^2/_3$% of the outstanding shares of Class Z Preferred Stock. Any vote with respect to the Class Z Preferred Stock, including for the election of additional directors, will be together with the holders of shares of any class or series of stock ranking on a parity with the Class Z Preferred Stock that are entitled to similar voting rights, voting as a single class.
Ownership Limit	Subject to limited exceptions, no person may acquire more than 8.7% of the aggregate value of all outstanding shares of our common and preferred stock or own more than 8.7% of our outstanding common stock.
Listing	Our Class Z Preferred Stock is traded on the New York Stock Exchange under the symbol AIVPrZ. As of April 7, 2014, there were 1,274,243 shares of our Class Z Preferred Stock outstanding.
Form	The Class Z Preferred Stock will be issued and maintained in book-entry form registered in the name of the nominee of The Depository Trust Company except under limited circumstances.
Use of Proceeds	We intend to contribute the net proceeds from this offering of the Class Z, Preferred Stock to the Aimco Operating Partnership in exchange for a preferred interest in the Aimco Operating Partnership. The Aimco Operating Partnership intends to use the amount received from us for general corporate purposes.

For additional information regarding the term of the Class Z Preferred Stock, see Description of Class Z Cumulative Preferred Stock.

Your investment in the Class Z Preferred Stock involves certain risks. For a discussion of some of these risks please see Risk Factors and the other information included in or incorporated by reference in this prospectus supplement and the accompanying prospectus before deciding whether an investment in the Class Z Preferred Stock is suitable for you.

Table of Contents

RATIO OF EARNINGS TO FIXED CHARGES

The table below reflects Aimco s ratios of earnings to fixed charges and ratios of earnings to combined fixed charges and preferred stock dividends for each of the years ended December 31, 2013, 2012, 2011, 2010 and 2009. The ratios of earnings to fixed charges and the ratios of earnings to combined fixed charges and partnership preferred unit distributions for the Aimco Operating Partnership are the same as the ratios of earnings to fixed charges and the ratios of earnings to combined fixed charges and preferred stock dividends, respectively, for such periods.

	For the Year Ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Ratio of earnings to fixed charges(1)	1.05	(3)	(3)	(3)	(3)
Ratio of earnings to combined fixed charges and preferred stock dividends(2)	1.04	(4)	(4)	(4)	(4)

(1) The ratio of earnings to fixed charges is computed by dividing earnings by fixed charges. For this purpose, earnings consists of income (loss) from continuing operations before taxes and income or loss from equity investees plus fixed charges (other than any interest that has been capitalized and distributions paid on preferred units of the Aimco Operating Partnership), amortization of capitalized interest and distributed income of equity investees; and fixed charges consists of interest expense, the estimate of interest within rental expense, interest that has been capitalized and distributions paid on preferred units of the Aimco Operating Partnership.

(2) The ratio of earnings to combined fixed charges and preferred stock dividends is computed by dividing earnings by the total of fixed charges and preferred stock dividends. For this purpose, earnings consists of income (loss) from continuing operations before taxes and income or loss from equity investees plus fixed charges (other than any interest that has been capitalized and distributions paid on preferred units of the Aimco Operating Partnership), amortization of capitalized interest and distributed income of equity investees; fixed charges consists of interest expense, the estimate of interest within rental expense, interest that has been capitalized and distributions paid on preferred units of the Aimco Operating Partnership; and preferred stock dividends consists of the amount of pre-tax earnings that would be required to cover preferred stock dividend requirements.

(3) During the fiscal years ended December 31, 2012, 2011, 2010 and 2009, earnings were insufficient to cover fixed charges by $31.4 million, $135.7 million, $161.8 million and $200.9 million, respectively.

(4) During the fiscal years ended December 31, 2012, 2011, 2010 and 2009, earnings were insufficient to cover fixed charges and preferred stock dividends by $81.3 million, $181.5 million, $215.4 million and $251.4 million, respectively.

Table of Contents

RISK FACTORS

Investing in shares of our Class Z Preferred Stock involves risk. Please see the risk factors described below and those described in Aimco s and the Aimco Operating Partnership s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which is incorporated by reference into this prospectus supplement and the accompanying prospectus. You should consider carefully these risk factors together with all of the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before you decide to purchase shares of our Class Z Preferred Stock. These risks and uncertainties are not the only ones facing us, and there may be additional matters that we are unaware of or that we currently consider immaterial. Any of these risks and uncertainties could adversely affect our business, financial condition, results of operations, liquidity or prospects and, thus, the value of an investment in shares of our Class Z Preferred Stock.

The Class Z Preferred Stock may not have an active trading market, which may negatively affect its market value and your ability to transfer or sell your shares.

An active trading market may not exist for the Class Z Preferred Stock offered hereby or, even if it develops, may not last, in which case the trading price of the shares could be adversely affected and your ability to transfer your shares of Class Z Preferred Stock will be limited. The trading price of the shares would depend on many factors, including:

- prevailing interest rates;
- the market for similar securities;
- general economic conditions; and
- our financial condition, performance and prospects.

As a holder of Class Z Preferred Stock, you will have limited voting rights.

Your voting rights as a holder of Class Z Preferred Stock will be limited. Shares of our Class A common stock are the only class carrying full voting rights. Voting rights for holders of Class Z Preferred Stock exist primarily with respect to adverse changes in the terms of the Class Z Preferred Stock, the creation of additional classes or series of preferred stock that are senior to the Class Z Preferred Stock and our failure to pay dividends on the Class Z Preferred Stock.

Future issuances of preferred stock, including future issuances of shares of Class Z Preferred Stock, may adversely affect the value of the Class Z Preferred Stock.

We may sell additional shares of preferred stock on terms that may differ from those described in this prospectus supplement. Such shares could rank on parity with or senior to the Class Z Preferred Stock offered hereby as to dividend rights or rights upon liquidation, winding up or dissolution. The creation and subsequent issuance of additional classes of preferred stock on parity with the Class Z Preferred Stock, or the subsequent issuance of additional shares of Class Z Preferred Stock, could dilute the interests of the holders of Class Z Preferred Stock offered hereby. Any issuance of preferred stock that is senior to the Class Z Preferred Stock would dilute the interests of the holders of Class Z Preferred Stock offered hereby and could affect our ability to pay dividends on, redeem or pay the liquidation preference on the Class Z Preferred Stock.

Table of Contents

USE OF PROCEEDS

We intend to contribute the net proceeds from this offering of the Class Z Preferred Stock to the Aimco Operating Partnership in exchange for a preferred interest in the Aimco Operating Partnership. The terms of the preferred interest in the Aimco Operating Partnership will be substantially equivalent to the terms of the Class Z Preferred Stock. The Aimco Operating Partnership intends to use the amount received from us for general corporate purposes.

Table of Contents

PLAN OF DISTRIBUTION

We have entered into a sales agreement, dated as of August 24, 2011, with MLV under which we may from time to time offer and sell up to 4,000,000 shares of our Class Z Preferred Stock. As of the date of this prospectus supplement, 474,243 shares had been sold under the sales agreement. The remaining 3,525,757 shares may be sold under this prospectus supplement and the accompanying prospectus. Any such sales may be made in negotiated transactions or other transactions that are deemed to be at the market offerings, including sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange.

Upon its acceptance of written instructions from us, MLV has agreed to use its commercially reasonable efforts consistent with its normal trading and sales practices to sell shares of our Class Z Preferred Stock under the terms and subject to the conditions set forth in the sales agreement. We will instruct the sales agent as to the amount of shares of our Class Z Preferred Stock to be sold by it. We may instruct the sales agent not to sell shares of our Class Z Preferred Stock if the sales cannot be effected at or above the price designated by us in any instruction. We or the sales agent may suspend the offering of our Class Z Preferred Stock upon proper notice and subject to other conditions.

MLV has agreed to provide written confirmation to us promptly and in no event later than the opening of the trading day on the New York Stock Exchange on the day following the trading day in which shares of our Class Z Preferred Stock were sold under the sales agreement. Each confirmation is required to include the number of shares sold on the preceding day, the net proceeds to us and the compensation payable by us to the sales agent in connection with the sales.

We will pay MLV commissions for its services in acting as agent in the sale of our Class Z Preferred Stock. The sales agent will be entitled to compensation of up to 2.00% of the gross sales price of all shares of Class Z Preferred Stock sold through it from time to time under the sales agreement. We may also sell shares of Class Z Preferred Stock to the sales agent as principal for its own account at a price agreed upon at the time of sale. If we sell shares of Class Z Preferred Stock to the sales agent as principal, we will enter into a separate agreement setting forth the terms of such transaction, and, to the extent required by applicable law, we will describe this agreement in a separate prospectus supplement or pricing supplement. We estimate that the total expenses for the offering, excluding compensation payable to the sales agent under the terms of the sales agreement, will be approximately $150,000.

Settlement for sales of shares of our Class Z Preferred Stock will occur on the third trading day following the date on which any sales are made, or on some other date that is agreed upon by us and the applicable sales agent in connection with a particular transaction, in return for payment of the net proceeds to us. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

We will report at least quarterly the number of shares of our Class Z Preferred Stock sold through the sales agent under the sales agreement, the net proceeds to us and the compensation paid by us to the sales agent in connection with the sales of our Class Z Preferred Stock.

The offering of shares of our Class Z Preferred Stock pursuant to the sales agreement will terminate upon the earlier of (1) the sale of all Class Z Preferred Stock subject to the sales agreement through the sales agent on the terms and subject to the conditions set forth in the sales agreement and (2) termination of the sales agreement. The sales agreement may be terminated by us or the sales agent, each in its sole discretion, at any time by giving notice to the other party.

MLV and its affiliates have provided, and may in the future provide, various investment banking and advisory services to us from time to time for which they have received, and may in the future receive, customary

fees and expenses. MLV previously acted as book-running manager and representative of the several underwriters in the initial public offering of 800,000 shares of our Class Z Preferred Stock that was conducted on a best efforts basis.

In connection with the sale of shares of our Class Z Preferred Stock on our behalf, the sales agent will be deemed to be an underwriter within the meaning of the Securities Act of 1933, and the compensation of the sales agent will be deemed to be underwriting commissions or discounts. We have agreed to indemnify the sales agent against specified liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments that the sales agent may be required to make because of those liabilities.

Table of Contents

DESCRIPTION OF CLASS Z CUMULATIVE PREFERRED STOCK

The following summary of the material terms and provisions of the Class Z Preferred Stock does not purport to be complete and is qualified in its entirety by reference to the pertinent sections of our charter and the articles supplementary to our charter relating to the Class Z Preferred Stock, each of which is available from us. This description of the particular terms of the Class Z Preferred Stock supplements, and to the extent inconsistent therewith, replaces, the description of the general terms and provisions of our preferred stock set forth in the accompanying prospectus. For purposes of this section, when we refer to we, us, our or the Company, we are referr only to Aimco.

General

Under our charter, we are authorized to issue up to 510,587,500 shares of our capital stock, including common stock and preferred stock. As of April 7, 2014, 505,787,260 shares were classified as Class A common stock and 4,800,240 shares were classified as preferred stock.

We are authorized to issue shares of preferred stock in one or more classes or subclasses, with such designations, preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption, in each case, if any as are permitted by Maryland law and as our Board of Directors may determine by resolution. See Description of Preferred Stock in the accompanying prospectus. The Class Z Preferred Stock is a class of Aimco s preferred stock. As of April 7, 2014, a total of 4,800,000 shares of Class Z Preferred Stock were authorized and 1,274,243 shares were outstanding. Our other authorized and outstanding class and series of preferred stock was as follows as of April 7, 2014:

Class	Shares Authorized	Shares Outstanding	Quarterly Dividend per Share	Annual Dividend Yield	Liquidation Preference per Share
Series A Community Reinvestment Act Preferred Stock (1)	240	74(2)	(2)	(2)	(2)

(1) Redeemable in whole or from time to time in part, at a cash redemption price equal to the liquidation preference per share, plus all accumulated, accrued and unpaid dividends, if any, to the date fixed for redemption.

(2) For the period from the date of original issuance through March 31, 2015, the dividend rate is a variable rate per annum equal to the Three-Month LIBOR Rate (as defined in the articles supplementary designating the Series A Community Reinvestment Act Perpetual Preferred Stock, (the CRA Preferred Stock) plus 1.25%, calculated as of the beginning of each quarterly dividend period. The rate at December 31, 2013 was 1.50%.

Ranking

The Class Z Preferred Stock, with respect to dividend rights and rights upon liquidation, dissolution or winding up of Aimco, ranks: (a) prior or senior to the common stock and any other class or series of our capital stock if the holders of Class Z Preferred Stock are entitled to receive dividends or amounts distributable upon liquidation, dissolution or winding up in preference or priority to the holders of shares of such class or series (Junior Stock); (b) on a parity with the Series A Community Reinvestment Act Preferred Stock and any other class or series of our capital stock if the holders of such class or series of stock and the Class Z Preferred Stock are entitled to receive dividends and amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority of one over the other (Parity Stock); and (c) junior to any class or series of our capital stock if the holders of such class or series are entitled to receive dividends and amounts distributable upon liquidation, dissolution or winding up in preference or priority to the holders of the Class Z Preferred Stock (Senior Stock).

Dividends

Holders of Class Z Preferred Stock are entitled to receive, when and as declared by our Board of Directors, out of funds legally available for payment, quarterly cash dividends on the Class Z Preferred Stock in an amount per share equal to $0.4375 per share. The dividends on Class Z Preferred Stock are cumulative, whether or not in any dividend period or periods we declare any dividends or have funds legally available for the payment of such dividend. We pay dividends on Class Z Preferred Stock quarterly on January 15, April 15, July 15 and October 15 of each year or, if not a business day, the next succeeding business day (each a Dividend Payment Date). Any dividend payable on the Class Z Preferred Stock for any partial dividend period is computed ratably on the basis of twelve 30-day months and a 360-day year. Dividends are payable in arrears to holders of record as they appear on our stock records at the close of business on the January 1, April 1, July 1 or October 1, as the case may be, before the applicable Dividend Payment Date. Holders of Class Z Preferred Stock are not entitled to receive any dividends in excess of cumulative dividends on the Class Z Preferred Stock. No interest, or sum of money in lieu of interest, is payable in respect of any dividend payment or payments on the Class Z Preferred Stock that may be in arrears.

Holders of the other authorized class of preferred stock are entitled to receive, when and as declared by our Board of Directors, out of funds legally available for payment, quarterly cash dividends in the amount per share set forth in the table above under the heading Quarterly Dividend Per Share. The dividends on the other authorized class of preferred stock are cumulative from the date of original issue, whether or not in any dividend period or periods we declare any dividends or have funds legally available for the payment of such dividend. Holders of any such preferred stock are not entitled to receive any dividends in excess of cumulative dividends on such preferred stock. No interest, or sum of money in lieu of interest, is payable in respect of any dividend payment or payments on the preferred stock that may be in arrears.

When dividends are not paid in full upon the Class Z Preferred Stock or any other class or series of Parity Stock, or a sum sufficient for such payment is not set apart, all dividends declared upon the Class Z Preferred Stock and any shares of Parity Stock are declared ratably in proportion to the respective amounts of dividends accumulated, accrued and unpaid on the Class Z Preferred Stock and accumulated, accrued and unpaid on such Parity Stock. Except as set forth in the preceding sentence, unless dividends on the Class Z Preferred Stock and each other class or series of Parity Stock equal to the full amount of accumulated, accrued and unpaid dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for such payment, for all past dividend periods, no dividends may be declared or paid or set apart for payment by us and no other distribution of cash or other property may be declared or made, directly or indirectly, by us with respect to any shares of Parity Stock. Unless dividends equal to the full amount of all accumulated, accrued and unpaid dividends on the Class Z Preferred Stock and each other class or series of Parity Stock have been declared and paid, or declared and a sum sufficient for the payment thereof has been set apart for such payment, for all past dividend periods, no dividends (other than dividends or distributions paid in shares of Junior Stock or options, warrants or rights to subscribe for or purchase shares of Junior Stock) may be declared or paid or set apart for payment by us and no other distribution of cash or other property may be declared or made, directly or indirectly, by us with respect to any shares of Junior Stock, nor shall any shares of Junior Stock be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of common stock made for purposes of an employee incentive or benefit plan of ours or any subsidiary) for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any shares of any such stock), directly or indirectly, by us (except by conversion into or exchange for shares of Junior Stock, or options, warrants or rights to subscribe for or purchase shares of Junior Stock), nor will any other cash or other property be paid or distributed to or for the benefit of holders of shares of Junior Stock. Notwithstanding the foregoing provisions of this paragraph, we are not prohibited from (1) declaring or paying or setting apart for payment any dividend or distribution on any shares of Parity Stock or (2) redeeming, purchasing or otherwise acquiring any Parity Stock, in each case, if such declaration, payment, redemption, purchase or other acquisition is necessary to maintain our qualification as a REIT.

Table of Contents

Liquidation Preference

Upon our voluntary or involuntary liquidation, dissolution or winding up, before we make or set apart any payment or distribution for the holders of any shares of Junior Stock, the holders of shares of Class Z Preferred Stock will be entitled to receive a liquidation preference of $25 per share (the Class Z Liquidation Preference), plus an amount equal to all accumulated, accrued and unpaid dividends (whether or not earned or declared) to the date of final distribution to such holders. Holders of Class Z Preferred Stock will not be entitled to any further payment. Until the holders of the Class Z Preferred Stock have been paid the Class Z Liquidation Preference in full, plus an amount equal to all accumulated, accrued and unpaid dividends (whether or not earned or declared) to the date of final distribution to such holders, no payment may be made to any holder of Junior Stock upon the liquidation, dissolution or winding up. If upon our liquidation, dissolution or winding up, our assets, or proceeds thereof, distributable among the holders of Class Z Preferred Stock are insufficient to pay in full the above described preferential amount and liquidating payments on any other shares of any class or series of Parity Stock, then such assets, or the proceeds thereof, will be distributed among the holders of Class Z Preferred Stock and any such other Parity Stock ratably in the same proportion as the respective amounts that would be payable on such Class Z Preferred Stock and any such other Parity Stock if all amounts payable thereon were paid in full. Our voluntary or involuntary liquidation, dissolution or winding up does not include our consolidation or merger with one or more corporations, a sale or transfer of all or substantially all of our assets, or a statutory share exchange. Upon our liquidation, dissolution or winding up, after payment has been made in full to the holders of Class Z Preferred Stock and any Parity Stock, any other series or class or classes of Junior Stock will be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Class Z Preferred Stock and any Parity Stock will not be entitled to share therein.

Redemption

The Class Z Preferred Stock is not redeemable prior to July 29, 2016, except in limited circumstances relating to the ownership limitation necessary to preserve our qualification as a REIT. On or after July 29, 2016, we may, at our option, redeem shares of Class Z Preferred Stock, at any time in whole, or from time to time in part, at a cash redemption price equal to 100% of the Class Z Liquidation Preference, plus all accumulated, accrued and unpaid dividends (whether or not earned or declared), if any, to the date fixed for redemption (the Redemption Date). There is no limitation on the sources of funds used to pay the redemption price of the Class Z Preferred Stock or our Class Y Cumulative Preferred Stock.

If we redeem any shares of Class Z Preferred Stock and if the Redemption Date occurs after a dividend record date and on or prior to the related Dividend Payment Date, the dividend payable on such Dividend Payment Date with respect to such shares called for redemption will be payable on such Dividend Payment Date to the holders of record at the close of business on such dividend record date, and will not be payable as part of the redemption price for such shares. We will select the Redemption Date, which may not be less than 30 days nor more than 60 days after the date on which we send the notice of redemption. If full cumulative dividends on all outstanding shares of Class Z Preferred Stock have not been paid or declared and set apart for payment, no shares of Class Z Preferred Stock may be redeemed unless all outstanding shares of Class Z Preferred Stock are simultaneously redeemed and neither we nor any of our affiliates may purchase or acquire shares of Class Z Preferred Stock otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of Class Z Preferred Stock.

If fewer than all the outstanding shares of Class Z Preferred Stock are to be redeemed, we will select those shares to be redeemed pro rata or by lot or in such other manner as the Board of Directors may determine.

We will mail notice of redemption of the Class Z Preferred Stock to each holder of record of the shares to be redeemed by first class mail, postage prepaid at such holder s address as the same appears on our stock records. Any notice that was mailed as described above will be conclusively presumed to have been duly given on the date mailed whether or not the holder receives the notice. Each notice will state:

the Redemption Date;

Table of Contents

- the number of shares of Class Z Preferred Stock to be redeemed;
- the place or places where certificates for the shares of Class Z Preferred Stock are to be surrendered; and
- the redemption price payable on the Redemption Date, including, without limitation, a statement as to whether or not accumulated, accrued and unpaid dividends will be payable as part of the redemption price, or payable on the next Dividend Payment Date to the record holder at the close of business on the relevant record date as described above.

From and after the Redemption Date (unless we default in the payment of our redemption obligation), dividends on the shares of Class Z Preferred Stock to be redeemed will cease to accumulate or accrue, the shares will no longer be deemed to be outstanding and all rights of the holders thereof will cease, except the right to receive the cash payable upon such redemption without interest thereon.

The Class Z Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption provisions except as provided below under Restrictions on Ownership and Transfer.

Subject to applicable law and the limitation on purchases when dividends on the Class Z Preferred Stock are in arrears, we may, at any time and from time to time, purchase any shares of Class Z Preferred Stock in the open market, by tender or by private agreement.

Voting Rights

Holders of shares of Class Z Preferred Stock will not have any voting rights, except as set forth below and except as otherwise required by applicable law.

If and whenever dividends on any shares of Class Z Preferred Stock or any series or class of Parity Stock are in arrears for six or more quarterly periods, whether or not consecutive, the number of directors then constituting the Aimco Board of Directors will be increased by two, if not already increased by reason of similar types of provisions with respect to shares of Parity Stock of any other class or series which is entitled to similar voting rights (the Voting Preferred Stock), and the holders of shares of Class Z Preferred Stock, together with the holders of shares of all other Voting Preferred Stock then entitled to exercise similar voting rights, voting as a single class regardless of series, will be entitled to vote for the election of the two additional directors of Aimco at any annual meeting of stockholders or at a special meeting of the holders of the Class Z Preferred Stock and of the Voting Preferred Stock called for that purpose. We must call such special meeting upon the request of any holder of shares of Class Z Preferred Stock. Whenever dividends in arrears on outstanding shares of the Class Z Preferred Stock and the Voting Preferred Stock have been paid and dividends thereon for the current quarterly dividend period have been paid or declared and set apart for payment, then the right of the holders of the Class Z Preferred Stock and of the Voting Preferred Stock to elect the additional two directors will cease and the terms of office of the directors will terminate and the number of directors constituting our Board of Directors will be reduced accordingly.

The affirmative vote or consent of at least $66^2/_3\%$ of the votes entitled to be cast by the holders of the outstanding shares of Class Z Preferred Stock and the holders of all other classes or series of Parity Stock entitled to vote on such matters, voting as a single class, is required to (1) authorize, create, increase the authorized amount of, or issue any shares of any class of Senior Stock or any security convertible into shares of any class of Senior Stock, or (2) amend, alter or repeal any provision of, or add any provision to, our charter or by-laws, if such action would materially adversely affect the voting powers, rights or preferences of the holders of the Class Z Preferred Stock; provided, however, that no such vote of the holders of Class Z Preferred Stock is required if, at or prior to the time such amendment, alteration or repeal is to take effect or the issuance of any such Senior Stock or convertible security is to be made, as the case may be, provisions are made for the redemption of all

Table of Contents

outstanding shares of Class Z Preferred Stock. The amendment of or supplement to our charter to authorize, create, increase or decrease the authorized amount of or to issue Junior Stock, Class Z Preferred Stock or any shares of any class of Parity Stock will not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of Class Z Preferred Stock.

With respect to the exercise of the above-described voting rights, each share of Class Z Preferred Stock has one vote per share, except that when any other class or series of preferred stock has the right to vote with the Class Z Preferred Stock as a single class, then the Class Z Preferred Stock and such other class or series has one quarter of one (0.25) vote per $25 of stated Class Z Liquidation Preference.

Transfer Agent

The registrar and transfer agent for the Class Z Preferred Stock is Computershare Trust Company, N.A.

Restrictions on Ownership and Transfer

Ownership of shares of Class Z Preferred Stock by any person is limited such that the sum of the aggregate value of all capital stock (including all shares of Class Z Preferred Stock and each other class or series of Parity Stock) owned directly or constructively by such person may not exceed 8.7% (or 15% in the case of certain pension trusts, registered investment companies and Terry Considine, our chief executive officer) of the aggregate value of all outstanding shares of our capital stock (the Ownership Limit). Our Board of Directors may, upon appropriate evidence, waive the Ownership Limit. Further, certain transfers which may have the effect of causing us to lose our status as a REIT will be null and void, and the intended transferee will acquire no rights to the shares of Class Z Prferred Stock.

Any person who acquires or attempts to acquire beneficial or constructive ownership of Class Z Preferred Stock that will or may violate the Ownership Limit, or any person who would have owned Class Z Preferred Stock except for the transfer of shares to the trust as described below, is required to give notice immediately to us and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT.

If any transfer of Class Z Preferred Stock occurs which, if effective, would result in any person beneficially or constructively owning Class Z Preferred Stock in excess or in violation of the Ownership Limit (a Prohibited Transferee), such shares in excess of the Ownership Limit will be automatically transferred to a trustee in his capacity as trustee of a trust for the exclusive benefit of one or more charitable beneficiaries designated by us, and the Prohibited Transferee will generally have no rights in such shares, except upon sale of the shares by the trustee. Such automatic transfer will be deemed to be effective as of the close of business on the business day prior to the date of such violative transfer. Shares of Class Z Preferred Stock held in the trust will be issued and outstanding shares of Aimco. The Prohibited Transferee will not benefit economically from ownership of any shares of Class Z Preferred Stock held in the trust, will have no rights to dividends and will not possess any rights to vote or other rights attributable to the shares of Class Z Preferred Stock held in the trust. The trustee will have all voting rights and rights to dividends with respect to shares of Class Z Preferred Stock held in the trust, which rights will be exercised for the benefit of the charitable beneficiaries. Any dividend or other distribution paid prior to our discovery that shares of Class Z Preferred Stock have been transferred to the trustee must be repaid to us upon demand, and any dividend or other distribution declared but unpaid with respect to such shares will be rescinded as void. Any dividend or distribution so disgorged or rescinded will be paid to the trustee and held in trust for the charitable beneficiaries.

The trustee may sell the Class Z Preferred Stock held in the trust to a person, designated by the trustee, whose ownership of the Class Z Preferred Stock will not violate the Ownership Limit. Upon such sale, the interest of the charitable beneficiaries in the shares sold will terminate and the trustee will distribute the net

proceeds of the sale to the Prohibited Transferee and to the charitable beneficiary as described below. The Prohibited Transferee will receive the lesser of (1) the price paid by the Prohibited Transferee for the shares, or if the Prohibited Transferee did not give value for the shares in connection with the event causing the shares to be held in the trust (e.g., a gift, devise or other such transaction), the market price of such shares on the day of the event causing the shares to be held in the trust and (2) the price per share received by the trustee from the sale or other disposition of the shares held in the trust. Any proceeds in excess of the amount payable to the Prohibited Transferee will be payable to the charitable beneficiaries.

In addition, shares of Class Z Preferred Stock held in the trust will be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of (1) the price per share in the transaction that resulted in such transfer to the trust (or, in the case of a devise or gift, the market price at the time of such devise or gift) and (2) the market price on the date we or our designee accepts such offer.

If our Board of Directors or a committee thereof determines that a transfer or proposed transfer of shares of Class Z Preferred Stock violates or will violate the Ownership Limit or certain other provisions of our charter prohibiting transfers that may have the effect of causing us to lose our REIT status, our Board of Directors or a committee thereof is empowered to take any action it deems advisable to refuse to give effect to or to prevent such transfer, including causing us to redeem such shares at the then current market price and on such other terms and conditions as our Board of Directors may determine (including by means of the issuance of long-term indebtedness for the purpose of such redemption) and demanding the repayment of any dividends received in respect of such shares. In addition, our Board of Directors may take such action as it determines to be advisable to maintain our status as a REIT, including reducing the Ownership Limit in the event of a change in law.

All certificates representing Class Z Preferred Stock bear a legend referring to the restrictions described above.

Every owner of more than 5% (or such lesser percentage prescribed in regulations under the Internal Revenue Code of 1986, as amended (the Code)) of the outstanding shares of Class Z Preferred Stock, within 30 days after January 1 of each year, is required to give written notice to us stating the name and address of such owner, the number of shares of Class Z Preferred Stock that the owner beneficially owns and a description of the manner in which such shares are held. Each such owner is required to provide to us such additional information as we may request in order to determine the effect, if any, of such ownership on our status as a REIT and to ensure compliance with the Ownership Limit. In addition, each stockholder is required to provide to us such information as we may request, in our sole discretion, in order to determine our status as a REIT and to comply with the requirements of any taxing authority or governmental agency to determine any such compliance or to ensure compliance with the Ownership Limit.

The other class and series of our preferred stock have restrictions on ownership and transfer similar to those described above.

Table of Contents

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following summary of certain Federal income tax considerations supplements the discussion set forth under the heading Material United States Federal Income Tax Considerations in the accompanying prospectus and is for general information only and is not tax advice. This discussion does not purport to deal with all aspects of taxation that may be relevant to particular holders of our stock in light of their personal investment or tax circumstances.

EACH PROSPECTIVE PURCHASER IS ADVISED TO CONSULT HIS OR HER TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO HIM OR HER OF THE PURCHASE, OWNERSHIP AND SALE OF CLASS Z PREFERRED STOCK AND OF THE COMPANY S ELECTION TO BE TAXED AS A REAL ESTATE INVESTMENT TRUST, INCLUDING THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF SUCH PURCHASE, OWNERSHIP, SALE AND ELECTION, AND OF POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

Distributions on Class Z Preferred Stock

For a discussion of the treatment of dividends and other distributions with respect to the shares of the Class Z Preferred Stock, see Material United States Federal Income Tax Considerations Taxation of Stockholders Taxation of Taxable Domestic Stockholders, Material United States Federal Income Tax Considerations Taxation of Stockholders Taxation of Tax-Exempt Stockholders, Material United States Federal Income Tax Considerations Taxation of Stockholders Taxation of Foreign Stockholders in the accompanying prospectus. In determining the extent to which a distribution with respect to the Class Z Preferred Stock constitutes a dividend for tax purposes, the earnings and profits of Aimco will be allocated, on a pro rata basis, first to distributions with respect to any class of preferred stock, and then to Aimco common stock.

Redemption of Class Z Preferred Stock

For a discussion of the treatment of redemptions with respect to the shares of the Class Z Preferred Stock, see Material United States Federal Income Tax Considerations Taxation of Stockholders Taxable Domestic Stockholders Dispositions of Aimco Stock in the accompanying prospectus.

Table of Contents

EXPERTS

The consolidated financial statements of Aimco appearing in Aimco s and the Aimco Operating Partnership s Annual Report on Form 10-K for the year ended December 31, 2013 (including the schedule appearing therein), and the effectiveness of Aimco s and the Aimco Operating Partnership s internal control over financial reporting as of December 31, 2013, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are, and audited consolidated financial statements to be included in subsequently filed documents will be, incorporated herein by reference in reliance upon the reports of Ernst & Young LLP pertaining to such consolidated financial statements and the effectiveness of our internal control over financial reporting as of the respective dates (to the extent covered by consents filed with the SEC) given on the authority of such firm as experts in accounting and auditing.

LEGAL MATTERS

Skadden, Arps, Slate, Meagher & Flom LLP, Chicago, Illinois, has passed upon certain tax matters for us. The validity of the Class Z Preferred Stock is being passed upon for us by DLA Piper LLP (US), Baltimore, Maryland. Reed Smith LLP, New York, New York, will pass upon certain legal matters in connection with this offering for MLV.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings can be read and copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including Aimco, that is available over the Internet at http://www.sec.gov. Our Class Z Preferred Stock is listed and traded on the New York Stock Exchange under the trading symbol AIVPrZ. General information about us, including our press releases, SEC filings and annual reports, is available at no charge through our website at www.aimco.com. Information on our website is not incorporated into this prospectus supplement or the accompanying prospectus or our other securities filings and is not a part of these filings.

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, and later information filed with the SEC will update and supersede this information. We incorporate by reference the documents listed below that Aimco has filed with the SEC:

- Annual Report on Form 10-K for the year ended December 31, 2013 (including the information incorporated therein by reference to the Definitive Proxy Statement for Aimco s 2014 Annual Meeting of Stockholders); and

- the description of Aimco s capital stock contained in the Registration Statement on Form 8-A (File No. 1-13232) filed July 19, 1994, including any amendment or reports filed for the purpose of updating such description.

Any documents Aimco files pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this prospectus supplement and prior to the termination of the offering of the Class Z Preferred Stock to which this prospectus supplement relates will automatically be deemed to be

Table of Contents

incorporated by reference into this prospectus supplement and accompanying prospectus and be deemed a part of this prospectus supplement and accompanying prospectus from the date of filing such documents, except to the extent any information included in or attached to such documents has been furnished, but not filed, with the SEC, including any information furnished pursuant to Item 2.02 or Item 7.01 of our Current Reports on Form 8-K unless, and except to the extent, specified in such Current Report.

You may request a copy of these filings, at no cost, by writing or calling us at the following address and telephone number:

Corporate Secretary

Apartment Investment and Management Company

4582 South Ulster Street

Suite 1100

Denver, Colorado 80237

(303) 757-8101

Table of Contents

PROSPECTUS

Apartment Investment and

Management Company

Debt Securities

Preferred Stock

Class A Common Stock

Warrants

Guarantees

AIMCO Properties, L.P.

Debt Securities

We may offer, issue and sell, from time to time, together or separately, debt securities of Apartment Investment and Management Company or AIMCO Properties, L.P., and preferred stock, Class A common stock, warrants and guarantees of Apartment Investment and Management Company. We may offer and sell these securities to or through one or more underwriters, dealers or agents, or directly to purchasers, on a continuous or delayed basis.

This prospectus describes some of the general terms that may apply to these securities. The specific terms of any securities to be offered will be described in a supplement to this prospectus. The applicable prospectus supplement may also add, update or change information contained in this prospectus. Apartment Investment and Management Company s Class A common stock is listed on the New York Stock Exchange under the symbol AIV. If any other securities offered hereby will be listed on a securities exchange, such listing will be described in the applicable prospectus supplement.

Investing in our securities involves risks. See Risk Factors beginning on page 4 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to

the contrary is a criminal offense.

The date of this prospectus is April 8, 2014

Table of Contents

TABLE OF CONTENTS

	Page
ABOUT THIS PROSPECTUS	1
WHERE YOU CAN FIND MORE INFORMATION	1
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	2
AIMCO AND THE AIMCO OPERATING PARTNERSHIP	3
RISK FACTORS	4
USE OF PROCEEDS	4
RATIO OF EARNINGS TO FIXED CHARGES	4
DESCRIPTION OF AIMCO DEBT SECURITIES	5
DESCRIPTION OF AIMCO OPERATING PARTNERSHIP DEBT SECURITIES	11
DESCRIPTION OF AIMCO PREFERRED STOCK	18
DESCRIPTION OF AIMCO CLASS A COMMON STOCK	22
PROVISIONS OF MARYLAND LAW APPLICABLE TO PREFERRED STOCK AND CLASS A COMMON STOCK	23
DESCRIPTION OF AIMCO WARRANTS	25
MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS	26
LEGAL MATTERS	42
EXPERTS	42

In this prospectus, except as otherwise indicated or the context otherwise requires, the terms Company, we, us and ou refer to Apartment Investment and Management Company and all entities included in our consolidated financial statements.

ABOUT THIS PROSPECTUS

This proical to our business. To maintain a high level of customer service, we rely heavily on a number of different outside service providers, such as printers, telecommunications companies and delivery companies. Any interruption in services from our principal outside service providers, including delays or disruptions resulting from labor disputes, power outages, human error, adverse weather conditions or natural disasters, could materially adversely affect our business. In addition, products that we source overseas must be shipped to our distribution center by freight carriers, and a work stoppage or political unrest could adversely affect our ability to fulfill our customer orders.

Information systems upgrades or integrations may disrupt our operations or financial reporting

We continually evaluate and upgrade our management information systems, which are critical to our business. These systems assist in processing orders, managing inventory, purchasing and shipping merchandise on a timely basis, responding to customer service inquiries, and gathering and analyzing operating data by business segment, customer, and SKU (a specific identifier for each different product). We are required to continually update these systems. Furthermore, if we acquire other companies, we will need to integrate the acquired companies systems with ours, a process that could be time-consuming and costly. If our systems cannot accommodate our growth or if they fail, we could incur substantial expenses.

Additionally, our success in E-commerce will depend upon our ability to provide a compelling and satisfying shopping experience. To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our online technology.

A material security breach could cause us to lose sales, damage our reputation or result in liability to us

Our computer servers may be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions. We may need to expend significant additional capital and other resources to protect against a security breach or to alleviate problems caused by any breaches. Our relationships with our customers may be adversely affected if the security measures that we use to protect personal information such as credit card numbers are ineffective. We currently rely on security and authentication technology that we license from third parties. We may not prevent all security breaches.

Our systems may fail or limit user traffic, which would cause us to lose sales

We support most of our business through our call center in Broomfield, Colorado. Even though we have back up arrangements, we are dependent on our ability to maintain our computer and telecommunications equipment in this center in effective working order and to protect against damage from fire, natural disaster, power loss, telecommunications failure or similar events. In addition, growth of our customer base may strain or exceed the capacity of our computer and telecommunications systems and lead to degradations in performance or systems failure. We have experienced capacity constraints and failure of information systems in the past that have resulted in decreased levels of service delivery or interruptions in service to customers for limited periods of time. Although we continually review and consider upgrades to our technical infrastructure and provide for system redundancies and backup power to limit the likelihood of systems overload or failure, substantial damage to our systems or a systems

failure that causes interruptions for a number of days could adversely affect our business. Additionally, if we are unsuccessful in updating and expanding our infrastructure, including our call center, our ability to grow may be constrained.

Government regulation of the Internet and E-commerce is evolving and unfavorable changes could harm our business

We are subject to general business regulations and laws, as well as regulations and laws specifically governing the Internet and E-commerce. Such existing and future laws and regulations may impede the growth of the Internet or other online services. These regulations and laws may cover taxation, user privacy, pricing, content, copyrights, distribution, consumer protection, the provision of online payment services and quality of products and services. There is lack of clarity on how existing laws governing issues such as property ownership, sales and other taxes and personal privacy apply to the Internet and E-commerce. Unfavorable resolution of these issues may harm our business.

We may face legal liability for the content contained on our website

We could face legal liability for defamation, negligence, copyright, patent or trademark infringement, personal injury or other claims based on the nature and content of materials that we publish or distribute on our website. If we are held liable for damages for the content on our website, our business may suffer. Further, one of our goals is for www.gaiam.com to be a trustworthy and dependable provider of information and services. Allegations of impropriety, even if unfounded, could therefore have a material adverse effect on our reputation and our business.

Relying on our centralized fulfillment center could expose us to losing revenue

Prompt and efficient fulfillment of our customers orders is critical to our business. Our facility in Cincinnati, Ohio handles our fulfillment functions and some customer-service related operations, such as returns processing. A majority of our orders are filled and shipped from the Cincinnati facility. The balance is shipped directly from suppliers. Because we rely on a centralized fulfillment center, our fulfillment functions could be severely impaired in the event of fire, extended adverse weather conditions, transportation difficulties or natural disasters. Because we recognize revenue only when we ship orders, interruption of our shipping would diminish our revenues.

We may face quarterly and seasonal fluctuations that could harm our business

Our revenue and results of operations have fluctuated and will continue to fluctuate on a quarterly basis as a result of a number of factors, including the timing of catalog offerings, timing of orders from retailers, recognition of costs or net sales contributed by new merchandise, fluctuations in response rates, fluctuations in paper, production and postage costs and expenses, merchandise returns, adverse weather conditions that affect distribution or shipping, shifts in the timing of holidays and changes in our merchandise mix. In particular, our net sales and profits have historically been higher during the fourth quarter holiday season. We believe that this seasonality will continue in the future.

Postage and shipping costs may increase and therefore increase our expenses

We ship our products, catalogs, and lifestyle publications to consumers and the cost of shipping is a material expenditure. Postage and shipping prices increase periodically and can be expected to increase in the future. Any inability to secure suitable or commercially favorable prices or other terms for the delivery of our merchandise and catalogs could have a material adverse effect on our financial condition and results of operations.

Our business is subject to reporting requirements that continue to evolve and change, which could continue to require significant compliance effort and resources.

Because our common stock is publicly traded, we are subject to certain rules and regulations of federal, state and financial market exchange entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities, including the Public Company Accounting Oversight Board, the SEC and the NASDAQ, periodically issue new requirements and regulations and legislative bodies also review and revise applicable laws such as the Sarbanes-Oxley Act of 2002. As interpretation and implementation of these laws and rules and promulgation of new regulations continues, we will continue to be required to commit significant financial and managerial resources and incur additional expenses.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located in Broomfield, Colorado. Our 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 low 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:

Primary Locations	Size	Use	Lease Expiration
Broomfield, CO	36,000 sq. ft.	Headquarters and customer service	May 2008
Cincinnati, OH	355,000 sq. ft.	Fulfillment center	September 2007
New York, NY	18,400 sq. ft.	Media office	January 2009
Hopland, CA	12 acres	Renewable energy demo site	Owned

We have options to renew the leases for our headquarters and our fulfillment center. 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 shareholders in the fourth quarter of the fiscal year ended December 31, 2005.

Part II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

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 6, 2006, we had 8,173 shareholders of record and 15,020,078 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 2005:							
Fourth Quarter	$	14.90	$	9.12	$	13.51	62,735
Third Quarter	$	11.05	$	6.90	$	10.32	33,038
Second Quarter	$	7.19	$	5.35	$	6.96	4.270
First Quarter	$	6.25	$	5.17	$	5.54	9,587
Fiscal 2004:							
Fourth Quarter	$	6.20	$	4.85	$	6.15	18,334
Third Quarter	$	7.39	$	5.26	$	5.97	9,001
Second Quarter	$	7.25	$	5.39	$	6.78	16,598
First Quarter	$	6.04	$	5.13	$	5.57	13,850

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 line of credit agreement prohibits payment of any dividends to our shareholders. As of December 31, 2005, Gaiam had no outstanding advances under the line of credit agreement.

Sales of Unregistered Securities

In December 2005, Gaiam, Inc. issued 146,667 shares of Class A common stock to a Conscious Media shareholder to purchase shares of Conscious Media, Inc. These shares were issued pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933.

Issuer Purchases of Equity Securities

We did not purchase any of our equity securities during the fourth quarter of the fiscal year ended December 31, 2005.

Equity Compensation Plan

Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	1,504,564	$	7.74	307,792

Equity compensation plans not approved by security holders				
Total	1,504,564	$	7.74	307,792

Item 6. Selected Financial Data

The selected statement of operations for the years ended December 31, 2005, 2004 and 2003 and balance sheet data as of December 31, 2005 and 2004 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, 2002 and 2001 and balance sheet data as of December 31, 2003, 2002 and 2001 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.

GAIAM, INC.

SELECTED FINANCIAL DATA

(Amounts in thousands, except per share data)

	Year Ended December 31, 2005	2004	2003	2002	2001
Statement of Operations Data					
Net revenues	$ 142,492	$ 96,657	$ 102,000	$ 111,406	$ 98,737
Cost of goods sold	61,977	48,646	48,927	45,475	39,276
Gross profit	80,515	48,011	53,073	65,931	59,461
Selling, operating, general and administrative expenses	77,429	54,301	54,355	57,180	52,849
Operating income (loss)	3,086	(6,290)	(1,282)	8,751	6,612
Other income (loss)	(175)	109	546	(261)	346
Income (loss) before income taxes and minority interest	2,911	(6,181)	(736)	8,490	6,958
Income tax (benefit) expense	974	(2,440)	(461)	3,002	2,498
Minority interest in net income of consolidated subsidiary, net of tax	(601)	(897)	(697)	(40)	(404)
Net income (loss)	$ 1,336	$ (4,638)	$ (972)	$ 5,448	$ 4,056
Net income (loss) per share:					
Basic	$ 0.08	$ (0.32)	$ (0.07)	$ 0.39	$ 0.33
Diluted	$ 0.08	$ (0.32)	$ (0.07)	$ 0.38	$ 0.32
Shares outstanding:					
Basic	17,140	14,684	14,594	14,107	12,396
Diluted	17,354	14,684	14,594	14,489	12,809

	December 31, 2005	2004	2003	2002	2001
Balance Sheet Data					
Cash	$ 15,028	$ 10,439	$ 8,384	$ 11,422	$ 22,244
Working capital	37,216	31,488	29,531	33,944	41,403
Total assets	156,101	88,287	91,860	91,167	87,884
Long-term debt (net of current maturities)				55	238
Stockholders equity	107,286	66,346	69,485	69,371	58,633

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. This section is designed to provide information that will assist readers in understanding Gaiam s consolidated financial statements, changes in certain items in those statements from year to year, the primary factors that caused those changes and how certain accounting principles, policies and estimates affect the consolidated financial statements.

Overview and Outlook

Gaiam is a lifestyle media company providing content, information, and product to customers who value personal development, healthy living and responsible media.

With the inception of our business segment in 1998, Gaiam started to sell directly to retailers, both domestically and abroad, and Gaiam s products are now available in over 50,000 doors. Gaiam introduced its store-within-store lifestyle presentations, which utilize custom fixtures designed and produced by Gaiam, in late 2000, and the placement of this concept has grown to over 4,500 stores. In 2004, revenue in this segment was $44.2 million. In 2005, revenue generated in this segment grew to $70.1 million, as a result of revenue generated by acquisitions and acquired assets combined with a 21% internal growth rate.

The direct to consumer segment continues to be an integral part of Gaiam s core and has expanded to include greater reach through new club and membership programs and initiatives. This segment accounted for approximately $52.4 million of Gaiam s revenue during 2004. During 2005, revenue generated by internal growth of 17% in this segment and the expansion into DRTV, club and membership programs brought the total revenue generated by this segment to $72.3 million, or 51% of total revenue. Through is diverse media reach, the direct to consumer segment provides branding, an opportunity to launch and support new media releases, a sounding board for new product testing, promotional opportunities and customer feedback on Gaiam s and the LOHAS (Lifestyles of Health and Sustainability) industry s focus and future.

During 2005, Gaiam completed several acquisitions targeted towards expanding and enhancing our media content and reach. In August 2005, Gaiam acquired a minority interest in Revolution Living s LIME Media, and, in December 2005, acquired additional shares in Conscious Media, Inc., bringing its total ownership to 51.3%. In September 2005, Gaiam acquired the majority of the assets of GoodTimes Entertainment and certain of its affiliates. GoodTimes Entertainment s assets included entertainment programming, fitness media and accessories, and home video products distributed through various channels, including television, retailers and the Internet. GoodTimes Entertainment s library contained wellness franchises such as The Firm and Tae Bo, children classics and theatrical releases.

We believe our growth will be driven by content, which is delivered in a variety of media formats, and through broadcast, Internet, retailers, international licensing, and electronic and traditional paper delivery systems. Gaiam has increased its focus on its media content creation and distribution, which strategically provides increased branding opportunities, significantly higher operating contribution and greater mainstream penetration. With the completion of these acquisitions and continued expansion and improvements in Gaiam s core businesses, Gaiam currently expects to generate over $200 million in annual revenue during 2006. The volume increase will not only allow Gaiam to achieve greater reach, it will also allow Gaiam to negotiate better inventory and service pricing to improve margins, and more fully leverage its distribution capacity and overhead to produce better overall financial results.

Critical Accounting Policies

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States, which require management to make judgments, estimates and assumptions that affect the amounts reported in Gaiam s consolidated financial statements and accompanying notes. Note 1 to the consolidated financial statements in Item 8 of this Form 10-K summarizes the significant accounting policies and methods used in the preparation of Gaiam s consolidated financial statements.

Management believes the following to be critical accounting policies whose application has a material impact on Gaiam s financial presentation, and involve a higher degree of complexity, as they require management to make judgments and estimates about matters that are inherently uncertain.

Provisions for Doubtful Accounts and Returns

Gaiam records a provision for doubtful accounts for all receivables not expected to be collected. Gaiam generally does not require collateral. Gaiam evaluates the collectibility of accounts receivable based on a combination of factors. When we are aware of a specific customer s inability to meet its financial obligations (e.g. bankruptcy filings), Gaiam records a specific reserve for bad debts against amounts due. For all other instances, Gaiam recognizes reserves based on historical experience and review of individual accounts outstanding.

Gaiam records a provision for product returns to be received in future periods at the time the original sale is recognized. The amount of the returns provision is based upon historical experience and future expectations.

Inventory

Inventory consists primarily of finished goods held for sale and is stated at the lower of cost (first-in, first-out method) or market. Gaiam identifies the inventory items to be written down for obsolescence based on the item s current sales status and condition. If the item is discontinued or slow moving, it is written down based on an estimate of the markdown to retail price needed to sell through its current stock level of the item.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of assets acquired less liabilities assumed in a business acquisition. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, goodwill is no longer amortized but is reviewed for impairment annually or more frequently if impairment indicators arise, on a reporting unit level. The fair value of a reporting unit is compared with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired.

If the carrying amount of a reporting unit exceeds its fair value, the goodwill impairment test is performed to measure the amount of impairment loss. Gaiam has allocated goodwill to two reporting units, and uses a market value method for the purposes of testing for potential impairment. The annual review requires extensive use of financial judgment and estimates. Application of alternative assumptions and definitions, such as a change in the composition of a reporting unit, could yield significantly different results.

Investments

Investments in corporations over which Gaiam does not have the ability to exercise significant influence, and in which Gaiam has a less than twenty percent ownership interest, are accounted for under the cost method. Under the cost method of accounting, investments in private companies are carried at cost and are adjusted only for other-than-temporary declines in fair value. Investments in limited liability companies in which Gaiam does not have the ability to exercise significant influence or control, and in which it holds a five percent or more membership interest, are accounted for under the equity method. Under the equity method, Gaiam records its share of the income or losses of the investment by increasing or decreasing the carrying value of its investment and recording the income or expense through the consolidated statement of operations. Investments under the cost and equity methods are included on the accompanying consolidated balance sheet in Investments.

Capitalized Production Costs and Media Library

Capitalized production costs include costs incurred to produce media products marketed by Gaiam to retailers and direct-mail and online customers. These costs are deferred for financial reporting purposes until the media is 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. Gaiam s media library consists of titles and content purchased or acquired. At acquisition, the fair market value of the library is established and is amortized over succeeding periods on the basis of its estimated useful life.

Gaiam has not had any significant changes in its critical accounting policies from its Form 10-K filing for the fiscal year ended December 31, 2004.

<u>Results of Operations</u>

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

	For the Year Ended December 31,		
	2005	2004	2003
Net revenue	100.0%	100.0%	100.0%
Cost of goods sold	43.5%	50.3%	48.0%
Gross profit	56.5%	49.7%	52.0%
Expenses:			
Selling and operating	47.5%	47.7%	44.3%
Corporate, general and administrative	6.9%	8.5%	9.0%
Total expenses	54.3%	56.2%	53.3%
Income (loss) from operations	2.2%	-6.5%	-1.3%
Other income (expense), net	-0.1%	0.1%	0.6%
Income (loss) before income taxes and minority interest	2.0%	-6.4%	-0.7%
Income tax (benefit) expense	0.7%	-2.5%	-0.5%
Minority interest in net (income) loss of consolidated subsidiary, net of tax	-0.4%	-0.9%	-0.7%
Net income(loss)	0.9%	-4.8%	-0.9%

Year ended December 31, 2005 compared to year ended December 31, 2004

Revenue of $142.5 million during 2005 was 47% higher than the $96.7 million in revenue generated in 2004. Gaiam s increase in revenue primarily resulted from increased sales volume from content acquired in the GoodTimes asset acquisition, which was coupled with a 19% internal growth rate. Revenue in Gaiam s direct to consumer segment was $72.3 million in 2005, an increase of $19.9 million or 38% over 2004 revenue of $52.4 million, primarily resulting from the advent of club, membership and DRTV revenue, in addition to a 17% internal growth rate in the core components. Gaiam s business segment generated positive internal growth of 21% for the year, and, including revenue generated by acquisitions, increased the total revenue generated by this segment by 58.6% to $70.2 million in 2005 from $44.2 million in 2004.

Gross profit, which consists of revenue less cost of sales (primarily merchandise cost plus inbound freight and duties), increased to $80.5 million for 2005 from $48 million during 2004. As a percentage of revenue, gross profit increased 680 basis points to 56.5% in 2005 from 49.7% in 2004. This was primarily attributable to a sales mix change favoring media, on which Gaiam generates significantly higher gross margins, and the cessation of markdowns and other costs associated with the format change from VHS to DVD which adversely affected 2004 results. Gross profit was also favorably impacted by improved pricing on DVDs associated with the higher volume, and new direct to retailer access, rather than the use of third party distributors, on several new key accounts. These improvements had the greatest impact on the business segment, as gross profit for this segment improved to 57.3% in 2005 from 45.6% in 2004. The direct to consumer segment also improved, as the gross profit in this segment increased to 55.7% in 2005, up from 53.1% in 2004.

Selling and operating expenses increased to $67.6 million for 2005 compared to $46.1 million in the same period of 2004, primarily resulting from increased sales and operating expenses to support the revenue increases described above, and transition expenses associated with the GoodTimes asset acquisition. As a percentage of revenue, selling and operating expenses decreased to 47.5% in 2005 from 47.7% in 2004 due to higher revenue base.

Corporate, general and administration expenses increased to $9.8 million in 2005 from $8.2 million in 2004, but decreased significantly to 6.9% of revenue in 2005 from 8.5% of revenue in 2004. This expense increase primarily resulted from increased facilities, systems and other infrastructure costs associated with the acquired assets and increased business volume.

As a result of the above factors, Gaiam generated $3.1 in income from operations, or 2.2% of revenue, during 2005, as compared to a $6.3 million operating loss in 2004, which was 6.5% of revenue.

Gaiam recorded $175 thousand in other expense during 2005 and $109 thousand in other income during 2004. In August 2005, Gaiam acquired a 19.9% interest in Revolution Living s LIME Media, and recorded a one-time $646 thousand loss on this investment for the period from August 22, 2005 through December 31, 2005. This loss was partially offset by interest income of $358 thousand for 2005. During 2004, Gaiam generated $160 thousand in interest income. The share of net income associated with minority interest in consolidated subsidiaries was $601 thousand in 2005, compared to the share of net income of $897 thousand for the comparable 2004 period.

Gaiam recorded an income tax expense of $974 thousand for 2005 compared to an income tax benefit of $2.4 million in 2004. Gaiam s consolidated effective tax rate fluctuates based upon the distribution of earnings/losses between its domestic and foreign operations.

As a result of the factors described above, Gaiam improved its financial performance over 2004. In 2005, Gaiam produced net income of $1.3 million, or $0.08 per share, as compared to a net loss in 2004 of $4.6 million or $0.32 per share.

Year ended December 31, 2004 compared to year ended December 31, 2003

Revenue of $96.7 million during 2004 was 5.2% lower than the $102 million in revenue generated in 2003. Gaiam s decrease in revenue was due to lower revenues from the business segment of $7.3 million, or 13.6%, as compared to fiscal year 2003. This shortfall resulted from lower sales volume in the U.S. and Canadian trade business, where net media revenue before markdowns, particularly those associated with lower sales and returns attributable to the change out of VHS format for DVD format, dropped by over 26% as compared to the previous year. Additionally, revenue generated by the U.S. business segment was adversely impacted by markdowns given to incent sell-through of VHS tapes and kits containing VHS media, and markdowns given to Target associated with sell-through of products to prepare for an expansion of Gaiam s shelf space, which took place at the end of September 2004. Direct to consumer segment revenues increased 3.9% to $52.4 million for 2004, compared to $50.5 million for the same period in 2003. Internal revenue growth in our Internet businesses continued to be strong at 21%, while our international business posted internal growth of 16% for 2004.

Gross profit, which consists of revenue less cost of sales decreased to $48 million for 2004 from $53.1 million during 2003. As a percentage of revenue, gross profit declined to 49.7% in 2004 from 52% in 2003. This was primarily attributable to a decline in the business segment gross profit from 49.7% in 2003 to 45.6% in 2004. This decline in the business segment gross margin was primarily due to markdowns, inventory write-offs and valuation reserves, and other expenses incurred with the changeover from VHS to DVD products. Gross profit by product line increased, particularly in accessories, but the weighted product revenue mix change from media to accessories resulted in lower overall gross margins. This was partially offset by a favorable change in sales mix from the business segment to the direct to consumer segment, where Gaiam has better overall margins.

Selling and operating expenses increased to $46.1 million for 2004 as compared to $45.2 million in the same period of 2003, primarily resulting from increased sales and marketing efforts in our direct to consumer segment to support the revenue increases described above, and expenses associated with doubling the business segment sales force. As a percentage of revenue, selling and operating expenses increased to 47.7% in 2004 from 44.3% in 2003 due to a combination of revenue contraction and higher direct to consumer segment spending.

Corporate, general and administration expenses decreased to $8.2 million in 2004 from $9.2 million in 2003, and decreased to 8.5% of revenue in 2004 from 9% of revenue in 2003. This expense reduction was generally attributable to cost savings negotiated with service providers and other savings generated by the consolidation of administrative services into Gaiam s Colorado headquarters.

Operating losses increased to $6.3 million in 2004 from $1.3 million in 2003, primarily due to revenue decreases.

Gaiam recorded $109 thousand and $546 thousand in other income in 2004 and 2003, respectively, primarily from interest income in 2004 and a gain on the purchase of stock rights plus interest income in 2003. The share of net income associated with minority interest in consolidated subsidiaries was $897 thousand in 2004, compared to the share of net income of $697 thousand for the comparable 2003 period.

Gaiam recorded an income tax benefit of $2.4 million for 2004 compared to an income tax benefit of $461 thousand 2003. Gaiam s consolidated effective tax rate fluctuates based upon the distribution of earnings/losses between its domestic and foreign operations.

As a result of the factors described above, Gaiam s net loss was $4.6 million for 2004 compared to a net loss of $972 thousand recorded for 2003.

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equ

Quarterly and Seasonal Fluctuations

The following table sets forth our unaudited quarterly results of operations for each of the quarters in 2005 and 2004. 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 2005			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue	$ 26,324	$ 21,706	$ 30,139	$ 64,322
Gross profit	13,749	10,557	16,713	39,496
Operating income (loss)	287	(1,271)	878	3,193
Net income (loss)	116	(766)	505	1,481
Diluted net income (loss) per share	$ 0.01	$ (0.05)	$ 0.03	$ 0.07
Weighted average shares outstanding-diluted	14,820	14,820	18,892	20,595

	Fiscal 2004			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue	$ 23,775	$ 17,031	$ 21,023	$ 34,828
Gross profit	12,676	8,540	9,827	16,968
Operating income (loss)	(329)	(3,634)	(2,324)	(3)
Net income (loss)	(329)	(2,215)	(1,530)	(564)
Diluted net income (loss) per share	$ (0.02)	$ (0.15)	$ (0.10)	$ (0.04)
Weighted average shares outstanding-diluted	14,615	14,686	14,712	14,723

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 generates 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 acquisition and development of media content, development of Internet and new products, acquisitions of new businesses, replacements, expansions and improvements to Gaiam s infrastructure, and future growth. These capital requirements depend on numerous factors, including the rate of market acceptance of Gaiam s product offerings, our ability to expand Gaiam s customer base, the cost of ongoing upgrades to Gaiam s product offerings, our level of expenditures for sales and marketing, our level of investment in distribution systems and facilities and other factors. The timing and amount of these capital requirements are variable and cannot accurately be predicted. Additionally, Gaiam will continue to pursue opportunities to expand our media libraries, evaluate possible investments in businesses, products and technologies (including broadband, subscription clubs and online community), and increase our sales and marketing programs and brand promotions as needed.

Gaiam has a credit agreement with Wells Fargo, which permits borrowings of up to $15 million based upon the collateral value of Gaiam s accounts receivable and inventory. At December 31, 2005, Gaiam had no amounts outstanding under this agreement and complied with all of the financial covenants. This credit agreement expires on July 31, 2007. Should Gaiam choose to borrow under the credit agreement, outstanding advances bear interest at the lower of prime rate less 50 basis points or LIBO plus 275 basis points. Borrowings are secured by a pledge of Gaiam s assets, and the agreement contains various financial covenants, including covenants prohibiting the payment of cash dividends to Gaiam shareholders and requiring compliance with certain financial ratios.

Gaiam s operating activities generated net cash of $6.7 million and $3.1 million in 2005 and 2004, respectively. Gaiam s net cash generated from operating activities in 2005 was primarily attributable to net income and non-cash expenses of $6.4 million. The use of cash to fund the growth in accounts receivable resulting from increased sales volume was offset by the growth in accounts payable. Gaiam s net cash generated from operating activities in 2004 was primarily attributable to a decrease in accounts receivable of $2.6 million along with non-cash charges of $5.1 million in 2004, which was partially offset by an increase in deferred advertising costs associated with earlier distribution of our spring catalogs.

Gaiam s investing and acquisition activities used net cash of $40.4 million and $1.6 million for 2005 and 2004, respectively. During 2005, Gaiam used cash to acquire assets from GoodTimes Entertainment and to fund Gaiam s investment in LIME Media. In 2005 and 2004, Gaiam used $1.6 million in both years for the purchase of property, equipment and media rights.

Gaiam s financing activities generated net cash of $38.7 million and $372 thousand for 2005 and 2004, respectively. On July 7, 2005, we issued and sold 2,821,317 shares of unregistered Class A common stock for an aggregate purchase price of approximately $18.7 million to certain funds advised by Prentice Capital Management, LP. On August 22, 2005, Gaiam issued and sold 2,500,000 shares of unregistered Class A common stock for an aggregate purchase price of $20 million to Revolution Living, LLC. The remaining 2005 and the 2004 cash generated by financing activities resulted primarily from the exercise of stock options under Gaiam s 1999 Long Term Incentive Program.

We believe our available cash, cash expected to be generated from operations, and borrowing capabilities on our unused $15 million line of credit should 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, product development, 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 market. For any future investment, acquisition or joint venture opportunities, we may consider using then-available liquidity, issuing equity securities or incurring additional indebtedness.

Contractual Obligations

Gaiam has commitments pursuant to lease and debt agreements, but does not have any outstanding commitments pursuant to long-term debt obligations or purchase obligations. The following table shows our commitments to make future payments under operating and capital leases (in thousands):

	Total	**< 1 year**	**1-3 years**	**3-5 years**	**> 5 yrs**
Operating lease obligations	$ 7,030	$ 2,861	$ 3,562	$ 348	$ 259

Off-Balance Sheet Arrangements

Gaiam does not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as special purpose entities (SPEs) or variable interest entities (VIEs), which have been established for the purpose of facilitating off-balance sheet arrangements or other limited purposes. As of December 31, 2005, Gaiam is not involved in any unconsolidated SPEs or VIEs.

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equ

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks, which include changes in U.S. interest rates and foreign exchange rates. We do not engage in financial transactions for trading or speculative purposes.

Any borrowings we might make under our bank credit facility would bear interest at the lower of prime rate less 50 basis points or LIBOR plus 275 basis points. Gaiam does not have any amounts outstanding under its credit line, so any unfavorable change in interest rates would not have a material impact on Gaiam s results from operations or cash flows unless Gaiam makes borrowings in the future.

Gaiam purchases a significant amount of inventory from vendors outside of the U.S. in transactions that are primarily U.S. dollar denominated transactions. Because the percentage of our international purchases denominated in currencies other than the U.S. dollar is small, any currency risks related to these transactions are immaterial to Gaiam. A decline in the relative value of the U.S. dollar to other foreign currencies could, however, lead to increased purchasing costs. In order to mitigate this exposure, Gaiam makes virtually all of its purchase commitments in U.S. dollars.

In 2003, Gaiam purchased a 50.1% interest in Gaiam Limited, formerly known as Leisure Systems International Limited, a U.K. based distributor. Because Gaiam Limited s revenues are primarily denominated in foreign currencies, this investment exposes Gaiam to accounting risk associated with foreign currency exchange rate fluctuations. However, we have determined that there was no material market risk exposure to our consolidated financial position, results of operations or cash flows as of December 31, 2005.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

Consolidated Financial Statements:

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Stockholders Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Financial Statement Schedule:
Schedule II Valuation and Qualifying Accounts

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

Gaiam, Inc.

Broomfield, Colorado

We have audited the accompanying consolidated balance sheets of Gaiam, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the two years in the period ended December 31, 2005. Our audits also included the financial statement schedule II for the years ended December 31, 2005 and 2004. We also have audited management s assessment, included in the accompanying Managements Report on Internal Control over Financial Reporting included in Item 9A, that Gaiam, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005 and 2004, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Criteria). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these financial statements, an opinion on management s assessment, and an opinion on the effectiveness of the Company s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gaiam, Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the related financial statement schedule II for the years ended December 31, 2005 and 2004, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein. Also in our opinion, management s assessment that Gaiam, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005 and 2004, is fairly stated, in all material respects, based on the COSO Criteria. Furthermore, in our opinion, Gaiam, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005 and 2004, based on the COSO Criteria.

Ehrhardt Keefe Steiner & Hottman PC

March 15, 2006

Denver, Colorado

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors

Gaiam, Inc.

We have audited the accompanying consolidated statements of operations, stockholders equity, and cash flows of Gaiam, Inc. (the Company) for the year ended December 31, 2003. Our audit also included the financial statement schedule II. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Gaiam, Inc. for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, 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 19, 2004

GAIAM, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	December 31,			
	2005		2004	
Assets				
Current assets:				
Cash and cash equivalents	$	15,028	$	10,439
Accounts receivable, net of allowance for doubtful accounts of $761 in 2005 and $642 in 2004		28,067		14,033
Inventory, less allowances		20,792		16,503
Deferred advertising costs		3,917		2,635
Deferred tax assets		3,627		4,026
Other current assets		4,838		1,324
Total current assets		76,269		48,960
Property and equipment, net		9,428		7,857
Investments		6,822		7,865
Media library, net		38,339		10,884
Non-current deferred tax assets		7,282		2,657
Goodwill and other intangibles		17,541		9,757
Other assets		420		307
Total assets	$	156,101	$	88,287
Liabilities and stockholders equity				
Current liabilities:				
Accounts payable	$	25,843	$	12,910
Accrued liabilities		12,649		3,698
Other current liabilities		561		864
Total current liabilities		39,053		17,472
Long-term liabilities		1,663		
Total liabilities		40,716		17,472
Minority interest		8,099		4,469
Commitments and contingencies				
Stockholders equity:				
Class A common stock, $.0001 par value, 150,000,000 shares authorized, 15,010,736 and 9,411,897 shares issued and outstanding at December 31, 2005 and 2004, respectively		1		1
Class B common stock, $.0001 par value, 50,000,000 shares authorized, 5,400,000 shares issued and outstanding at December 31, 2005 and 2004		1		1
Additional paid-in capital		95,840		54,933
Accumulated other comprehensive income		264		850
Retained earnings		11,180		10,561
Total stockholders equity		107,286		66,346
Total liabilities and stockholders equity	$	156,101	$	88,287

See accompanying notes to the consolidated financial statements.

GAIAM, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Years ended December 31, 2005	2004	2003
Net revenue	$ 142,492	$ 96,657	$ 102,000
Cost of goods sold	61,977	48,646	48,927
Gross profit	80,515	48,011	53,073
Expenses:			
Selling and operating	67,639	46,060	45,184
Corporate, general and administration	9,790	8,241	9,171
Total expenses	77,429	54,301	54,355
Income (loss) from operations	3,086	(6,290)	(1,282)
Other income (expense)	(533)	(51)	472
Interest income	358	160	74
Other income (expense)	(175)	109	546
Income (loss) before income taxes and minority interest	2,911	(6,181)	(736)
Income tax expense (benefit)	974	(2,440)	(461)
Minority interest in net income of consolidated subsidiaries, net of income taxes	(601)	(897)	(697)
Net income (loss)	$ 1,336	$ (4,638)	$ (972)
Net income (loss) per share:			
Basic	$ 0.08	$ (0.32)	$ (0.07)
Diluted	$ 0.08	$ (0.32)	$ (0.07)
Shares used in computing net income (loss) per share:			
Basic	17,140	14,684	14,594
Diluted	17,354	14,684	14,594

See accompanying notes to the consolidated financial statements.

GAIAM, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands, except share data)

	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-In Capital	Deferred Compensation	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at December 31, 2002	9,134,098	$ 1	5,400,000	$ 1	$ 53,342	$ (144)	$	$ 16,171	$ 69,371
Issuance of common stock in conjunction with acquisitions and compensation	68,958				489	72			561
Comprehensive loss:									
Net loss								(972)	(972)
Foreign currency translation adjustment, net of income taxes of $144							525		525
Comprehensive loss									(447)
Balance at December 31, 2003	9,203,056	1	5,400,000	1	53,831	(72)	525	15,199	69,485
Issuance of common stock in conjunction with acquisitions and compensation	208,841				1,102	72			1,174
Comprehensive loss:									
Net loss								(4,638)	(4,638)
Foreign currency translation adjustment, net of income taxes of $75							325		325
Comprehensive loss									(4,313)
Balance at December 31, 2004	9,411,897	1	5,400,000	1	54,933		850	10,561	66,346
Issuance of common stock in conjunction with acquisitions and compensation	5,598,839				40,907				40,907
Retained earnings adjustment to reflect Conscious Media as an equity investment from the date of initial investment through acquisition of a majority interest								(717)	(717)
Comprehensive income:									
Net income								1,336	1,336
							(586)		(586)

Foreign currency translation adjustment, net of income taxes of $(155)									
Comprehensive income									750
Balance at December 31, 2005	15,010,736	$ 1	5,400,000	$ 1	$ 95,840	$	$ 264	$ 11,180	$ 107,286

See accompanying notes to the consolidated financial statements.

28

GAIAM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Years ended December 31, 2005	2004	2003
Operating activities			
Net income (loss)	$ 1,336	$ (4,638)	$ (972)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	2,146	2,822	2,594
Amortization	2,555	2,077	1,644
Stock compensation		72	72
Minority interest in consolidated subsidiaries	601	897	985
Non-cash loss on disposal of property and equipment		259	
Non-cash loss from equity method investment	646		
Non-cash gain on Gaiam.com stock redemption		(442)	(866)
Deferred tax expense	472	(564)	95
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(11,066)	2,622	5,919
Inventory	3,143	304	(574)
Deferred advertising costs	(1,281)	(986)	769
Other current assets	(1,674)	(30)	(252)
Other assets	(139)	330	73
Accounts payable	11,399	192	(58)
Accrued liabilities	(739)	293	(1,845)
Other current liabilities	(665)	(83)	(1,603)
Net cash provided by operating activities	6,734	3,125	5,981
Investing activities			
Purchase of property, equipment, and media content	(1,589)	(1,649)	(5,130)
Purchase of investments and stock rights		26	(115)
Payments for acquisitions and investments	(38,804)		(3,725)
Net cash used in investing activities	(40,393)	(1,623)	(8,970)
Financing activities			
Principal payments on capital leases		(55)	(348)
Proceeds from issuance of common stock	38,708	427	130
Net cash provided by (used in) financing activities	38,708	372	(218)
Effects of exchange rates on cash and cash equivalents	(460)	181	169
Net increase (decrease) in cash and cash equivalents	4,589	2,055	(3,038)
Cash and cash equivalents at beginning of year	10,439	8,384	11,422
Cash and cash equivalents at end of year	$ 15,028	$ 10,439	$ 8,384
Supplemental cash flow information			
Interest paid	$	$ 1	$ 46
Income taxes paid	1,196	679	1,033
Common stock issued for acquisitions	2,150	539	348

See accompanying notes to the consolidated financial statements.

GAIAM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

Gaiam, Inc. (Gaiam) 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 clients who value natural health, personal development, ecological lifestyles and responsible media.

Principle of Consolidation and Basis of Presentation

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

Cash and Cash Equivalents

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. Cash equivalents are carried at cost, which approximate fair value.

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. Gaiam evaluates the collectibility of the accounts receivable based on a combination of factors. When we are aware of a specific customer s inability to meet its financial obligations (e.g. bankruptcy filings), Gaiam records a specific reserve for bad debts against amounts due. For all other instances, Gaiam recognizes reserves based on historical experience and review of individual accounts outstanding.

Inventory

Inventory consists primarily of finished goods held for sale and is stated at the lower of cost (first-in, first-out method) or market. Gaiam identifies its inventory items to write down for obsolescence based on the item s current sales status and condition. If the item is discontinued or slow moving, it is written down based on an estimate of the markdown to retail price needed to sell through its current stock level. The reserve for obsolescence was $1.9 million in 2005 and $1.8 million in 2004.

Advertising Costs

Deferred advertising costs relate to the preparation, printing, advertising and distribution of infomercials and catalogs. Such costs are deferred for financial reporting purposes until the catalogs and infomercials are distributed and advertised, then amortized over succeeding periods on the basis of estimated sales. Seasonal catalogs are amortized within seven months, while the amortization period for annual catalogs does not exceed one year. Historical sales statistics are the principal factor used in estimating the amortization rate. Other advertising and promotional costs are expensed as incurred.

In accordance with Emerging Issues Task Force (EITF) Issue No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products)*, Gaiam records sales discounts or other sales incentives as a reduction to revenues. Gaiam identifies and records as expense those cooperative advertising expenses paid by Gaiam, which are for advertisements meeting the separable benefit and fair value tests, as part of selling and operating expense.

Amounts recorded as advertising expense, including those related to Gaiam s catalogs and infomercials were $17.6 million, $11.6 million and $13.1 million for the years ended December 31, 2005, 2004 and 2003, respectively, and are included in selling and operating expense in the consolidated statement of operations.

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 in accordance with AICPA Statement of Position No. (SOP) 98-1, *Accounting for Costs of Computer Software Developed or Obtained for Internal Use*. 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.

Investments

Investments in corporations over which Gaiam does not have the ability to exercise significant influence, and in which Gaiam has a less than twenty percent ownership interest, are accounted for under the cost method. Under the cost method of accounting, investments in private companies are carried at cost and are adjusted only for other-than-temporary declines in fair value. Investments in limited liability companies in which Gaiam does not have the ability to exercise significant influence or control, and in which it holds a five percent or more membership interest, are accounted for under the equity method. Under the equity method, Gaiam records its share of the income or losses of the investment by increasing or decreasing the carrying value of its investment and recording the income or expense through the consolidated statement of operations. Investments under the cost and equity methods are included on the accompanying consolidated balance sheet in Investments.

In 2002, Gaiam invested $7.8 million for a 15% voting interest in Conscious Media, Inc. (19% economic interest), a multimedia company. Prior to the end of 2005, Gaiam did not have significant influence over the management of Conscious Media, Inc. and accordingly accounted for the investment on a cost basis in all reported periods. On December 30, 2005, Gaiam acquired additional shares of Conscious Media, Inc. which brought Gaiam s total ownership percentage to approximately 51%, and Gaiam s consolidated balance sheet at December 31, 2005 includes the consolidated balance sheet of Conscious Media. The results of operations of Conscious Media will be included in Gaiam s statement of operations commencing in 2006. Please see Note 2 Mergers and Acquistions.

In August 2005, Gaiam, entered into agreements with Revolution Living, LLC; its founder, Steve Case, and Revolution Living s LIME Media (LIME) subsidiary. Under the terms of the Transaction Agreement, Gaiam acquired a minority interest in LIME for approximately $7.5 million. This investment was accounted for using the equity method, so Gaiam s share of the losses sustained by LIME from the date of acquisition through December 31, 2005, totaling $646 thousand, have been reflected in Gaiam s statement of operations for 2005, and the Investments line on the balance sheet has been reduced accordingly. Effective in January 2006, Gaiam reduced its ownership in LIME. Please see Note 11 Subsequent Events.

Gaiam evaluates its long-lived assets, including investments, on at least an annual basis to test for impairment or valuation issues, and concluded that, as of December 31, 2005 and 2004, no indicators of impairment were present.

Media Library

The media library asset represents the cost of the library of produced videos acquired through business combinations, the purchase price of media rights to both video and audio titles, and the cost to produce media content. The media library is presented net of accumulated amortization of approximately $4.1 and

$2.5 million at December 31, 2005 and 2004, respectively, and it is being amortized over the estimated useful life of the titles, which range from five to fifteen years. Additionally, Gaiam estimates approximately $8 million in participation expenses, primarily royalties, on acquired and produced media content during 2006.

In accordance with SOP No. 00-2, *Accounting by Producers or Distributors of Films*, media library costs to produce media content consists of costs incurred to produce the media content, net of accumulated amortization. These costs, as well as participation costs, are recognized as operating expenses on an individual film basis in the ratio that the current year s gross revenues bear to management s estimate of total ultimate gross revenues from all sources to be earned over a seven year period. Capitalized production costs are stated at the lower of unamortized cost or estimated fair value on an individual film basis. Revenue forecasts are continually reviewed by management and revised when warranted by changing conditions. When estimates of total revenues and other events or changes in circumstances indicate that a film has a fair value that is less than its unamortized cost, an impairment loss is recognized in the current period for the amount by which the unamortized cost exceeds the film s fair value.

During 2005, capitalized production costs for released films were approximately $312 thousand, and for those films not yet released was approximately $195 thousand. Additionally, as of December 31, 2005, Gaiam estimates that approximately $1.4 million or 28% of the unamortized costs for released films will be amortized during 2006, and approximately 70% of the unamortized costs for released films will be amortized within the next three years. Accumulated amortization for produced media content at December 31, 2005 and 2004 was approximately $6.8 million and $5.8 million, respectively. Amortization expense for produced media content for the years ended December 31, 2005, 2004 and 2003 was $1 million, $1.4 million, and $1.2 million, respectively.

Amortization expense for acquired media rights for the years ended December 31, 2005, 2004 and 2003 was $1.5 million, $687 thousand, and $492 thousand, respectively. Based upon the acquired and purchased media and audio titles and rights at December 31, 2005 the annual amortization expense for the next five years is expected to approximate $5 million per annum. Gaiam added $29 million in media assets from its acquisition of content and programming from GoodTimes Entertainment.

Based on the acquired and capitalized video production costs at December 31, 2005 and assuming no subsequent impairment of the underlying assets or a material increase in the video productions or media acquired, the amortization expense for the next five to fifteen years is expected to continue to be $3 to $5 million per annum.

Goodwill

Gaiam adopted Statement of Financial Accounting Standards (SFAS) No. 142*, Goodwill and Other Intangible Assets*, effective January 1, 2002.

The standard requires that goodwill no longer be amortized, but tested for impairment at least annually. These tests will be performed more frequently if there is a triggering event indicating potential impairment. Prior to adoption of SFAS No. 142, goodwill was amortized on a straight-line basis over lives ranging from 10 to 20 years.

SFAS No. 142 prescribes a two-step method for determining goodwill impairment. In the first step, the fair value of the reporting unit is determined using a comparable companies market multiple approach. If the net book value of the reporting unit exceeds the fair value, then the second part of the impairment test would be completed. This involves an allocation of the reporting unit s fair value to all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill. The fair value of the goodwill is then compared to its carrying amount to determine impairment. An impairment charge will be recognized only when the implied fair value of a reporting unit s goodwill is less than its carrying amount.

Gaiam completed its annual goodwill tests, using comparable company market multiples to establish the fair value of the reporting units, and found no goodwill impairment in either of its reporting units for 2005 and 2004.

Gaiam has allocated all of its goodwill balance of $17 million at December 31, 2005 to its two reporting units, business and direct to consumer, in the amounts of $11.3 million and $5.7 million, respectively. At December 31, 2004, Gaiam allocated goodwill in the amounts of $4.3 million and $5.5 million, respectively, to its business and direct to consumer reporting units. Goodwill is allocated to reporting units at the time of acquisition. The following table sets forth the changes in goodwill for the period December 31, 2003 through December 31, 2005 by business segment:

Goodwill (in thousands)	**Direct to Consumer Segment**	**Business Segment**	**Total**
Balance at December 31, 2003	$ 5,477	$ 4,032	$ 9,509
Foreign currency rate change		247	247
Balance at December 31, 2004	5,477	4,279	9,756
Additions	231	7,759	7,990
Foreign currency rate change		(351)	(351)
Balance at December 31, 2005	$ 5,708	$ 11,687	$ 17,395

Long-Lived Assets

Gaiam evaluates impairment of its long-lived assets, other than goodwill, in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* The carrying value of long-lived assets held and used, other than goodwill, is evaluated when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows from such asset are separately identifiable and are less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the estimated fair market value of the long-lived asset. Estimated fair market value is determined primarily using the projected cash flows from the asset discounted at a rate commensurate with the risk involved. Losses on long-lived assets held for sale, other than goodwill, are determined in a similar manner, except that fair market values are reduced for disposal costs.

Income Taxes

Gaiam provides for income taxes pursuant to the liability method as prescribed in 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

Revenue from the sale of products is recognized at the time merchandise is shipped to the customer. Revenue for services provided, such as design consultation for solar installations, is recognized when services are rendered. Licensing revenue is recognized upon delivery of the media licensed. Amounts billed to customers for postage and handling charges, which were approximately $7.6 million for 2005, $4 million for 2004, and $4.1 million for 2003 are recognized as revenue at the time that the revenues arising from the product being shipped are recognized. Postage and handling costs, which were approximately $8.3 million for 2005, $4.4 million for 2004, and $3.6 million for 2003, 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 and future expectations.

Fair Value of Financial Instruments

The carrying amounts of Gaiam s financial instruments, including cash, cash equivalents and trade receivables and payables, approximate their fair values.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in our consolidated 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*. Accordingly, no compensation expense is recognized in Gaiam s consolidated financial statements in connection with stock options granted to employees with exercise prices not less than fair value. Deferred compensation for options granted to employees is determined as the difference between the deemed fair market value of Gaiam s common stock on the date options were granted and the exercise price. For purposes of this pro-forma disclosure, the estimated fair value of options is assumed to be amortized to expense over the options vesting periods.

Compensation expense for options granted to non-employees has been determined in accordance with SFAS No. 123 as the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measured. Compensation expense for options granted to non-employees is periodically re-measured as the underlying options vest (in thousands, except per share data).

	For the Years Ended December 31,		
	2005	**2004**	**2003**
Net income (loss) as reported	$ 1,336	$ (4,638)	$ (972)
Add: Stock-based compensation expense included in reported net income (loss), net of related tax effects		72	72
Deduct: Total stock-based compensation expenses determined under fair value based method for all awards, net of related tax effects	(398)	(611)	(161)
Pro forma	$ 938	$ (5,177)	$ (1,061)
Net income (loss) per common share			
As reported	$ 0.08	$ (0.32)	$ (0.07)
Pro forma	$ 0.06	$ (0.35)	$ (0.07)
Fully diluted net income (loss) per common share:			
As reported	$ 0.08	$ (0.32)	$ (0.07)
Pro forma	$ 0.05	$ (0.35)	$ (0.07)

New Accounting Pronouncements

<u>SFAS No. 123R</u>

In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123R). SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values, beginning with the first interim or annual period after December 15, 2005, with early adoption encouraged. SFAS No. 123R will require then outstanding options vesting after the date of initial adoption to be recognized as a charge to operations over the remaining vesting period.

We are required to adopt SFAS 123R beginning January 1, 2006. Under SFAS 123R, we must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. The transition alternatives include modified prospective and modified retroactive adoption methods. Under the modified retroactive method, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The modified prospective method requires that compensation expense be recorded for all unvested stock options and share awards at the beginning of the first quarter of adoption of SFAS 123R, while the modified retroactive methods would record compensation expense for all unvested stock options and share awards beginning in the first period restated. Although we are continuing to evaluate the requirements of SFAS 123R, we have determined that we will use the modified prospective method to adopt SFAS 123R. We have not completed our assessment of the impact of SFAS 123R; however, we believe that the adoption of SFAS No. 123R could have a material impact on our results of operations.

SFAS No. 154

In May 2005, the FASB issued Statement No. 154, *Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3* (SFAS 154). This Statement replaces APB Opinion No. 20, *Accounting Changes,* and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements,* and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be followed. SFAS 154 is effective for accounting changes and corrections or error made in fiscal years beginning after December 15, 2005. Consequently, Gaiam will adopt the provisions of SFAS 154 for its fiscal year beginning on January 1, 2006. Management currently believes that adoption of the provisions of SFAS 154 will not have a material impact on Gaiam s consolidated financial statements.

SFAS No. 155

On February 16, 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Statements No. 133 and 140* (SFAS 155). SFAS 155 allows financial instruments that have embedded derivatives that otherwise would require bifurcation from the host to be accounted for as a whole, if the holder irrevocably elects to account for the whole instrument on a fair value basis. Subsequent changes in the fair value of the instrument would be recognized in earnings. The standard also (i) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133; (ii) establishes a requirement to evaluate interests in securitized financial assets to determine whether interests are freestanding derivatives or are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (iii) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and (iv) eliminates the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest (that is itself a derivative financial instrument). SFAS 155 is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006. Earlier adoption is permitted as of the beginning of an entity s fiscal year, provided the entity has not yet issued financial statements, including financial statements for any interim period for that fiscal year. Gaiam will adopt SFAS 155 in its fiscal year commencing January 1, 2007. Management does not believe that SFAS 155 will have a material impact on Gaiam s consolidated financial statements.

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.

Foreign Currency Translation

Our foreign subsidiaries use their local currency as their functional currency. Assets and liabilities are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense accounts are translated at the average monthly exchange rates during the year. Resulting translation adjustments, net of income taxes, are recorded as a separate component of accumulated other comprehensive income.

Comprehensive Loss

SFAS No. 130, *Reporting on Comprehensive Income* establishes standards for reporting and display of comprehensive income and its components in the consolidated financial statements. Comprehensive income includes all changes in equity during a period from non-owner sources. These include foreign currency translation adjustments, net of income taxes.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to the current period presentations.

Earnings (Loss) Per Share

Basic earnings (loss) per share excludes any dilutive effects of options, warrants and dilutive securities. Basic earnings (loss) 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 of 119 thousand and 102 thousand are excluded from the computation of diluted earnings per share for 2004 and 2003, respectively, because their effect is antidilutive.

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

(In thousands, except per share amounts)	**For the Years Ended December 31, 2005**	**2004**	**2003**
Numerator for basic and diluted earnings (loss) per share	$ 1,336	$ (4,638)	$ (972)
Denominator:			
Weighted average shares for basic earnings (loss) per share	17,140	14,684	14,594
Effect of dilutive securities:			
Weighted average of common stock, stock options, and warrants	214		
Denominators for diluted earnings (loss) per share	17,354	14,684	14,594
Net income (loss) per share basic	$ 0.08	$ (0.32)	$ (0.07)
Net income (loss) per share diluted	$ 0.08	$ (0.32)	$ (0.07)

2. Mergers and Acquisitions

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

On January 20, 2003, Gaiam acquired a 50.1% interest in Leisure Systems International (LSI) Ltd., a U.K. based distributor and marketer of lifestyle products. The total purchase price consisted of the following (in thousands):

Cash	$	4,301
Gaiam Class A common stock 50,000 shares		348
Acquisition, legal and accounting costs		393
Total purchase price	$	5,042

At the acquisition date, LSI met the accounting criteria to be considered a business combination as outlined in SFAS No. 141, *Business Combinations*. Accordingly, Gaiam recorded the excess purchase price over the already allocated fair value of net assets acquired and intangible assets as goodwill. The fair value assigned to intangible assets acquired was determined through established valuation techniques.

The following is a summary of the purchase price allocation (in thousands):

Tangible assets less liabilities	$	2,122
Intangible assets		50
Goodwill		2,870
Total purchase price	$	5,042

The purchase price was based upon an adjusted multiple of the earnings of LSI and factored in the identifiable, tangible assets of LSI. As Gaiam s costs to start a U.K. distribution company of its own, both capital expenditures and working capital, and the loss of income produced by LSI, would have significantly exceeded the goodwill incurred in this purchase transaction. The results of operations of LSI are included in the consolidated financial statements of Gaiam from the effective acquisition date of January 1, 2003, and, in 2005, LSI changed its name to Gaiam Limited.

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 as part of the GoodTimes Entertainment asset acquisition. The operating results of this catalog are included in the results of operations from August 1, 2005. These results are no significant to the overall consolidated Gaiam operations.

In August 2005, Gaiam, entered into agreements with Revolution Living, LLC; its founder, Steve Case, and Revolution Living s LIME Media (LIME) subsidiary. Under the terms of the Transaction Agreement, Gaiam acquired a minority interest in LIME for approximately $7.5 million. This investment was accounted for using the equity method, so Gaiam s share of the losses sustained by LIME from the date of acquisition through December 31, 2005, totaling $646 thousand, have been reflected in Gaiam s statement of operations for 2005, and the Investments line on the balance sheet has been reduced accordingly. Effective in January 2006, Gaiam reduced its ownership in LIME. Please see Note 11 Subsequent Events.

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 $29,087 to the acquired media titles and content, $13,241 to the tangible assets purchased, and recorded $7,302 in 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.

In October 2005, Gaiam acquired a majority interest in a distribution company specializing in placing wellness media products in the grocery and drugstore channels for an approximately $750 thousand cash contribution to the company. Gaiam allocated the purchase price to the net tangible assets, and, as the company had negative net worth, Gaiam recorded $869 thousand in goodwill. Management feels that the company s expertise in product placement in these under-penetrated channels more than compensates for the goodwill recorded.

On December 30, 2005, Gaiam increased its ownership percentage in Conscious Media, Inc., a multimedia company, to 51% for an additional investment of $3.5 million. Gaiam acquired shares directly from the Company for its $1.5 million in notes receivable and issued 146,667 shares of Gaiam Class A common stock and promissory notes totaling $240 thousand to certain Conscious Media shareholders. (One of these shareholders, a non-profit corporation, who had received their shares as a contribution prior to Gaiam s original investment, sold their shares to Gaiam at a discount). Gaiam has recorded a reduction to retained earnings and its investment of $717 thousand to reflect its share of the results from operations of Conscious Media from the date of its original investment in 2002 to the end of 2005, when Gaiam acquired a majority interest. Gaiam valued the net tangible assets of Conscious Media at December 30, 2005, recorded the portion assignable to minority interest and recorded $6.9 million in goodwill. Management believes that Conscious Media s expertise in media programming, development and post production will complement Gaiam s current businesses and future growth, at a cost less than Gaiam could develop on its own. The results of operations of Conscious Media will be included in Gaiam s statement of operations commencing in 2006 and their consolidated balance sheet has been consolidated into Gaiam s balance sheet at December 31, 2005.

3. Property and Equipment

Property and equipment, stated at cost, consists of the following as of December 31:

	2005	2004
Land	$ 3,100	$ 3,100
Buildings	1,545	1,545
Furniture, fixtures and equipment	4,670	4,553
Leasehold improvements	1,321	1,239
Website development costs	4,094	3,761
Studio, computer and telephone equipment	10,890	5,546
Vehicles	636	638
Warehouse equipment	1,462	779
	27,718	21,161
Accumulated depreciation and amortization	(18,290)	(13,304)
	$ 9,428	$ 7,857

4. Leases

Gaiam leases office, retail, and warehouse space through operating leases. Gaiam has renewal clauses in some of these leases, which range from 1 to 10 years. The following schedule represents the annual future minimum payments, as of December 31, 2005 (in thousands):

	Operating
2006	$ 2,861
2007	2,615
2008	947

2009		187
2010		161
2011		139
2012		120
Total minimum lease payments	$	7,030

Gaiam incurred rent expense of $2.7 million, $2 million and $1.8 million for the years ended December 31, 2005, 2004 and 2003, respectively.

5. Accrued Liabilities

Accrued liabilities consist of the following as of December 31:

	2005	2004
Accrued royalties	$ 6,596	$ 538
Deferred funding obligation LIME investment	2,078	
Accrued compensation	1,395	599
Other accrued liabilities	2,580	2,561
	$ 12,649	$ 3,698

6. Line of Credit

Gaiam is party to a revolving line of credit agreement with a financial institution, which expires during 2007. The credit agreement permits borrowings up to the lesser of $15 million or Gaiam s borrowing base which is calculated 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 LIBO plus 275 basis points. Borrowings are secured by a pledge of Gaiam s cash and investments held at the financial institution, accounts receivable, inventory and certain property and equipment. The credit agreement contains various financial covenants, including covenants prohibiting the payment of cash dividends to Gaiam s shareholders and requiring the maintenance of certain financial ratios. At December 31, 2005, Gaiam had no amounts outstanding under this agreement, and was in compliance with all the financial covenants.

7. Income Taxes

Gaiam s provision for income taxes is comprised of the following:

	For the Years Ended December 31,		
	2005	2004	2003
Current:			
Federal	$ 346	$ (2,157)	$ (686)
State	48	(381)	(122)
International	301	662	512
	695	(1,876)	(296)
Deferred:			
Federal	232	(482)	(142)
State	47	(82)	(23)
	279	(564)	(165)

Total	$ 974	$ (2,440)	$ (461)

Variations from the federal statutory rate are as follows:

	2005	2004	2003
Expected federal income tax expense at statutory rate of 34%	$ 978	$ (2,079)	$ (262)
Effect of permanent differences	30	28	44
State income tax expense, net of federal benefit and utilization of net operating loss	66	(301)	(91)
Effect of differences between U.S. taxation and foreign taxation	(100)	(88)	(153)
Other			1
Income tax expense	$ 974	$ (2,440)	$ (461)

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

39

components of the net accumulated deferred income tax asset as of December 31, 2005 and 2004 are as follows:

	December 31,			
		2005		2004
Deferred tax assets (liabilities):				
Current:				
Provision for doubtful accounts	$	130	$	217
Inventory-related expense		560		653
Accrued liabilities		1,090		792
Prepaid and deferred catalog costs		(900)		(533)
Net operating loss carryback		2,746		2,881
Other				16
Total current deferred tax assets	$	3,627	$	4,026
Non-current:				
Depreciation and amortization		(267)		(260)
Net operating loss carryforward		7,613		3,136
Foreign exchange rate gain		(64)		(219)
Total non-current deferred tax assets	$	7,282	$	2,657
Total net deferred tax assets	$	10,909	$	5,538

At December 31, 2005, no provision had been made for U.S. federal and state income taxes on approximately $2 million of undistributed foreign earnings, which are expected to be reinvested outside of the U.S. indefinitely. Upon distribution of those earnings in the form of dividends or otherwise, Gaiam would be subject to U.S. income taxes (subject to an adjustment for foreign tax credits), state income taxes, and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation. Gaiam s foreign subsidiaries generated income before minority interest and income taxes of approximately $1.2 million, $2.1 million and $2.0 million in 2005, 2004 and 2003, respectively.

At December 31, 2005 Gaiam had net operating loss (NOL) carry forwards of approximately $19.6 million associated with acquisitions completed in 2001, 2002 and 2005, which may be used to offset future taxable income. These carryforwards expire beginning in 2019. 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 the utilization of NOL carryforwards from tax periods prior to the ownership changes. Gaiam s NOL carryforwards as of December 31, 2005 are subject to annual limitations due to changes in ownership.

Gaiam expects the deferred tax assets at December 31, 2005 to be fully recoverable and the deferred tax liabilities at December 31, 2005 to be fully satisfied through the reversal of taxable temporary differences in future years as a result of normal business activities. Accordingly, no valuation allowances for deferred tax items were considered necessary as of December 31, 2005 or 2004.

8. Stockholders Equity

In 2003, Gaiam issued 50,000 shares of Class A common stock in conjunction with the acquisition of 50.1% of Leisure Systems International Ltd. and 3,750 shares of Class A common stock to Gaiam s independent directors in lieu of cash compensation for services rendered in 2002. In addition, Gaiam issued 15,208 shares of Class A common stock upon exercise of options granted under the 1999 Long-Term Incentive Plan.

In 2004, Gaiam issued 97,590 shares of Class A common stock upon exercise of options granted under the 1999 Long-Term Incentive Plan, and 11,251 shares of Class A common stock to Gaiam s independent directors in lieu of cash compensation for services rendered in 2003.

In 2005, Gaiam issued a total of 8,221 shares of Class A common stock to Gaiam s independent directors, in lieu of cash compensation, for services rendered in 2004, and issued 62,634 shares of Class A common stock upon exercise of options granted under Gaiam s 1999 Long-Term Incentive Plan. On July 7, 2005, Gaiam issued and sold 2,821,317 shares of unregistered Class A common stock for an aggregate purchase price of approximately $18.7 million to certain funds advised by Prentice Capital Management, LP. These shares contain certain registration rights. On August 22, 2005, Gaiam issued and sold 2,500,000 shares of unregistered Class A common stock for an aggregate purchase price of $20 million to Revolution Living, LLC. Additionally, Gaiam issued 60,000 shares of Class A common stock as purchase consideration for a media catalog business and issued 146,667 shares of Class A common stock to purchase shares of Conscious Media, Inc.

As of December 31, 2005, Gaiam had the following Class A common shares reserved for future issuance:

Conversion of Class B common shares	5,400,000
Awards under the 1999 Long-Term Incentive Plan	
Stock options outstanding	1,566,600
Shares reserved for issuance to directors in lieu of cash compensation for 2005 services rendered	8,221
Total shares reserved for future issuance	6,974,821

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, 2005 and 2004, 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, family members, and charitable organizations. 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 2.1 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 terminates 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. Grants generally expire seven years from the date of grant.

Gaiam s compensation expense was $72 thousand in each of 2004 and 2003. 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 to non-employees, Gaiam used the Black Scholes option pricing model, with the following weighted-average assumptions used for grants in 2005, 2004 and 2003: risk-free interest rates ranging from 2.26% to 4.39%; expected dividend yield of zero; expected option lives of 5 years, and expected volatility of 0.42, 0.69 and 0.70, respectively. The amortization of deferred compensation is charged to operations over the vesting period of the options, which is typically 5 years. Total amortization expense recognized in 2004 and 2003 related to deferred compensation was $72 thousand in each year.

A summary of stock option activity and weighted average exercise prices for the years ended December 31, 2005 and 2004 follows:

	2005			2004		
	Shares		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price
Outstanding at beginning of year	1,566,600	$	7.57	1,704,680	$	7.52
Granted:						
Price equal to fair value	206,500	$	9.88	38,000	$	6.23
Exercised	(62,634)	$	5.60	(97,590)	$	6.34
Forfeited	(205,902)	$	8.98	(78,490)	$	5.95
Outstanding at end of year	1,504,564	$	7.74	1,566,600	$	7.57
Exercisable at end of year	1,071,714	$	7.91	917,080	$	7.47
Shares available on December 31, for options that may be granted	307,792			315,532		

A summary of stock options outstanding as of December 31, 2005 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	445,164	0.5	$	4.38	442,464	$	4.38
$	5.00 - $5.99	431,220	4.1	$	5.27	188,800	$	5.19
$	6.00 - $6.99	29,800	5.4	$	6.63	9,570	$	6.60
$	9.00 - $9.99	3,500	3.6	$	9.75	3,500	$	9.75
$	10.00 - $10.99	361,100	4.5	$	10.21	196,100	$	10.21
$	12.00 - $12.99	30,000	2.2	$	12.38	30,000	$	12.38
$	13.00 - $13.99	2,500	6.9	$	13.37	0	$	0.00
$	14.00 - $14.99	5,000	3.5	$	14.81	5,000	$	14.81
$	15.00 - $15.99	187,280	2.5	$	15.31	187,280	$	15.31
$	16.00 - $16.99	7,000	1.8	$	16.35	7,000	$	16.35
$	17.00 - $17.99	2,000	1.6	$	17.18	2,000	$	17.18
		1,504,564	2.9	$	7.74	1,071,714	$	7.91

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 2005, 2004 and 2003, respectively: risk-free interest rates ranging from 2.26% and 4.39%, expected dividend yield of zero; expected option lives of 5 years, and expected volatility of 0.42, 0.69 and 0.70, respectively.

	2005	2004	2003
Weighted-average fair value of options granted during the year:			
Price equal to fair value	$ 4.37	$ 3.48	$ 3.21
Price less than fair value	$	$	$

Option valuation models such as the minimum value and Black-Scholes methods described above require the input of highly subjective assumptions. Because Gaiam s employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management s opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

10. Segment and Geographic Information

Gaiam manages its business and aggregates its operational and financial information in accordance with two reportable segments. The direct to consumer segment contains the catalog and Internet sales channels, while the business segment comprises the retailers, media and corporate account channels.

Although Gaiam is able to track revenues by sales channel, the management, allocation of resources and analysis and reporting of expenses is solely on a combined basis, at the reportable segment level.

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 (in thousands):

Segment Information

	Year Ended December 31,		
	2005	2004	2003
Net revenue:			
Direct to consumer	$ 72,337	$ 52,428	$ 50,457
Business	70,155	44,229	51,543
Consolidated net revenue	142,492	96,657	102,000
Contribution margin:			
Direct to consumer	(781)	(82)	594
Business	3,867	(6,208)	(1,876)
Consolidated contribution margin	3,086	(6,290)	(1,282)
Reconciliation of contribution margin to net income (loss):			
Other income (expense)	(175)	109	546
Income tax expense (benefit)	974	(2,440)	(461)
Minority interest in net income of consolidated subsidiary, net of income taxes	(601)	(897)	(697)
Net income (loss)	$ 1,336	$ (4,638)	$ (972)

Long-lived assets

The direct to consumer segment had allocated long-lived assets of $11.2 million, $6.0 million, and $6.8 million at December 31, 2005, 2004, and 2003, respectively. The business segment had allocated long-lived assets of $36.8 million, $13.0 million, and $16.2 million at December 31, 2005, 2004 and 2003, respectively. The following represents the composition of long-lived assets:

	2005	2004	2003
Long-lived assets (in thousands):			
Property and equipment, net	$ 9,428	$ 7,857	$ 10,313
Media library, net	38,339	10,884	12,178
Other assets (1)	282	205	456
Total long-lived assets	$ 48,049	$ 18,946	$ 22,947

(1) Excludes security deposits of $138, $102, and $200 for 2005, 2004 and 2003, respectively.

Major Customer

Sales to our largest customer for 2005, 2004 and 2003 accounted for approximately 12.1%, 13.2% and 10.9% of total revenue, respectively, during these periods.

Geographic Information

Gaiam has three major geographic territories where it sells and distributes essentially the same products. The geographic territories are the U.S., Canada and the United Kingdom. The following represents geographical data for Gaiam s operations:

	2005	2004	2003
Revenue:			
Canada	$ 801	$ 450	$ 2,201
United Kingdaom	13,657	16,815	14,484
United States	128,034	79,392	85,315
	$ 142,492	$ 96,657	$ 102,000
Long-Lived Assets:			
The Netherlands	$ 740	$ 801	$ 863
United Kingdom	989	1,028	1,710
United States	44,879	17,014	20,374
	$ 46,608	$ 18,843	$ 22,947

10. Quarterly Results of Operations (Unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2005 and 2004 (in thousands, except for per share data):

	Fiscal 2005			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue	$ 26,324	$ 21,706	$ 30,139	$ 64,322
Gross profit	13,749	10,557	16,713	39,496
Operating income (loss)	287	(1,271)	878	3,193
Net income (loss)	116	(766)	505	1,481
Diluted net income (loss) per share	$ 0.01	$ (0.05)	$ 0.03	$ 0.07
Weighted average shares outstanding-diluted	14,820	14,820	18,892	20,595

	Fiscal 2004			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue	$ 23,775	$ 17,031	$ 21,023	$ 34,828
Gross profit	12,676	8,540	9,827	16,968
Operating income (loss)	(329)	(3,634)	(2,324)	(3)
Net income (loss)	(329)	(2,215)	(1,530)	(564)
Diluted net income (loss) per share	$ (0.02)	$ (0.15)	$ (0.10)	$ (0.04)
Weighted average shares outstanding-diluted	14,615	14,686	14,712	14,723

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

11. Subsequent Events

Gaiam has entered into an agreement with Alps Communications LLC and Life Balance Media Holdings LLC, effective January 5, 2006, to sell 19,968 Series A Preferred Units of LIME. The purchase price per unit was equal to the amount of Gaiam paid for its investment. Alps Communications assumed all unpaid Series A Capital Contribution commitments from Gaiam and executed a promissory note in the principal amount of $2,250,000. After the closing of this transaction, Gaiam owns 4,876 units, or less than 4%, of LIME.

Financial Statement Schedule II

Gaiam, Inc.

Schedule II - Consolidated Valuation and Qualifying Accounts

Years Ended December 31, 2005, 2004 and 2003

(in thousands)

	Balance at beginning of Year	Additions Charged to costs and expenses	Deductions	Balance at end of Year (1)
Allowance for Doubtful Accounts:				
2005	$ 642	$ 945	$ 826	$ 761
2004	$ 801	$ 892	$ 1,051	$ 642
2003	$ 854	$ 1,157	$ 1,210	$ 801
Reserve for Sales Returns:				
2005	$ 1,814	$ 6,159	$ 1,935	$ 6,038
2004	$ 1,133	$ 1,153	$ 472	$ 1,814
2003	$ 931	$ 608	$ 406	$ 1,133

(1) Includes reserves associated with acquired assets/companies

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

Not applicable.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Gaiam s chief executive officer and chief financial officer conducted an evaluation of the effectiveness of the design and operation of Gaiam s disclosure controls and procedures, as defined in Rules 13a-15(e) and Rule 15d-15(e) under the Exchange Act. Based upon their evaluation as of December 31, 2005, they have concluded that those disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have been no changes in Gaiam s internal control over financial reporting during the quarter ended December 31, 2005 that have materially affected, or are reasonably likely to affect, Gaiam s internal control over financial reporting.

Management s Report on Internal Control over Financial Reporting

The management of Gaiam is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Gaiam s management assessed the effectiveness of Gaiam s internal control over financial reporting as of December 31, 2005. In making the assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on that assessment, management concluded that, as of December 31, 2005, Gaiam s internal control over financial reporting is effective based on those criteria.

Gaiam s assessment of the effectiveness of Gaiam s internal control over financial reporting as of December 31, 2005 has been audited by Ehrhardt Keefe Steiner & Hottman PC, an independent registered public accounting firm, as stated in their report, which is included herein.

Item 9B. Other Information

Not applicable.

Part III

Item 10. Directors and Executive Officers of the Registrant

The information required by this Item is incorporated herein by reference to Gaiam s Proxy Statement for its Annual Meeting of Shareholders, to be held on June 22, 2006, to be filed with the Commission pursuant to Regulation 14A.

Code of Ethics

We have adopted a Code of Ethics applicable to our employees, including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. We have posted a copy of our Code of Ethics on the corporate section of our Internet website at www.gaiam.com/corporate. Any waivers of the Code of Ethics must be approved, in advance, by our full Board of Directors. Any amendments or waivers from the Code of Ethics that apply to our executive officers and directors will be posted on the Code of Ethics section of our Internet website located at www.gaiam.com/corporate.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to Gaiam s Proxy Statement for its Annual Meeting of Shareholders, to be held on June 22, 2006, to be filed with the Commission pursuant to Regulation 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to Gaiam s Proxy Statement for its Annual Meeting of Shareholders to be held on June 22, 2006, 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 Shareholders to be held on June 22, 2006, to be filed with the Commission pursuant to Regulation 14A.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to Gaiam s Proxy Statement for its Annual Meeting of Shareholders to be held on June 22, 2006, to be filed with the Commission pursuant to Regulation 14A.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Consolidated Financial Statements.

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

2. Financial Statement Schedules.

   Schedule II Consolidated Valuation
   and Qualifying Accounts.

3. Exhibits:

   The following exhibits are incorporated by reference or are filed or furnished 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. (filed herewith).
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	Amended and Restated Credit Agreement dated July 29, 2005 between Gaiam, Inc. and Wells Fargo Bank, National Association (incorporated by reference to exhibit 10.2 of Gaiam s quarterly report on Form 10-Q for the quarter ended June 30, 2005).
10.2	Gaiam, Inc. 1999 Long-Term Incentive Plan (filed herewith).
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	First Lease Amendment, dated March 1, 2000, between Gaiam, Inc. and Duke-Weeks Realty Limited Partnership (incorporated by reference to exhibit 10.4 of Gaiam s annual report on Form 10-K for the year ended December 31, 2002).
10.5	Second Lease Amendment, dated October 5, 2005, between Gaiam, Inc. and Duke-Weeks Realty (filed herewith).
10.6	Lease Amendment, dated October 5, 2005, between Gaiam, Inc. and Dugan Realty (filed herewith).
10.7	Class A Stock Purchase Agreement, dated as of June 10, 2005, as amended and restated June 16, 2005, among Gaiam, Inc. and the purchasers set for on the signature pages to the Agreement (incorporated by reference to exhibit 10.1 of Gaiam s current report on Form 8-K dated June 10, 2005).

10.8	Asset Purchase Agreement, dated as of July 8, 2005, among Gaiam, Inc., GT Brands LLC, GT Merchandising & Licensing LLC, Gym Time, LLC, BSBP Productions LLC, and GoodTimes Entertainment LLC (incorporated by reference to exhibit 10.1 of Gaiam s current report on Form 8-K dated July 7, 2005), as amended by Amendment dated as of September 8, 2005 among Gaiam, Inc., GT Brands LLC, GT Merchandising & Licensing LLC, Gym Time, LLC, BSBP Productions LLC, and GoodTimes Entertainment LLC (incorporated by

	reference to exhibit 10.1 of Gaiam s current report on Form 8-K dated September 13, 2005).
10.9	Transaction Agreement dated as of August 4, 2005 among Gaiam, Inc., Revolution Living, LLC and Life Balance Media Holdings, LLC (incorporated by reference to exhibit 10.1 of Gaiam s current report on Form 8-K dated August 3, 2005).
10.10	Shareholders Agreement dated as of August 4, 2005 among Gaiam, Inc., Jirka Rysavy, Revolution Living, LLC, and Stephen M. Case (incorporated by reference to exhibit 10.1 of Gaiam s current report on Form 8-K dated August 3, 2005).
10.11	Form of Employment Agreement between Gaiam, Inc. and Jirka Rysavy (incorporated by reference to exhibit 10.1 of Gaiam s current report on Form 8-K dated August 3, 2005).
10.12	Form of Employment Agreement between Gaiam, Inc. and Lynn Powers (incorporated by reference to exhibit 10.1 of Gaiam s current report on Form 8-K dated August 3, 2005).
10.13	Insurance and Stock Redemption Agreement dated as of August 4, 2005 between Gaiam, Inc. and Jirka Rysavy (incorporated by reference to exhibit 10.1 of Gaiam s current report on Form 8-K dated August 3, 2005).
10.14	Gaiam, Inc. Executive Officer Salaries (incorporated by reference to exhibit 10.6 of Gaiam's current report on Form 8-K dated August 3, 2005, and additional disclosure filed herewith).
10.15	Gaiam, Inc. Nonemployee Director Compensation (filed herewith).
10.16	Form of Stock Option Agreement under Gaiam s 1999 Long-Term Incentive Plan (incorporated by reference to exhibit 10.1 of Gaiam s quarterly report on Form 10-Q for the quarter ended June 30, 2005).
21.1	List of Gaiam Subsidiaries (filed herewith).
23.1	Consent letter from Ehrhardt Keefe Steiner & Hottman (filed herewith).
23.2	Consent of Ernst & Young LLP (filed herewith).
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 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 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished 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 13th day of March, 2006.

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 (Principal Executive Officer)	March 13, 2006
/s/ Lynn Powers Lynn Powers	President, Secretary and Director	March 13, 2006
/s/ James Argyropoulos James Argyropoulos	Director	March 13, 2006
/s/ Barnet M. Feinblum Barnet M. Feinblum	Director	March 13, 2006
/s/ Barbara Mowry Barbara Mowry	Director	March 13, 2006
/s/ Ted Nark Ted Nark	Director	March 13, 2006
/s/ Paul H. Ray Paul H. Ray	Director	March 13, 2006
/s/ Janet Mathews Janet Mathews	Chief Financial Officer (Principal Financial Officer)	March 13, 2006
/s/ Michael Frazho Michael Frazho	Controller (Principal Accounting Officer)	March 13, 2006