

GAIAM, INC  
Form PREM14C  
May 17, 2016  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14C**  
**Information Statement Pursuant to Section 14(c) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No.       )**

Check the appropriate box:

- Preliminary Information Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14c-5(6)(2))**
- Definitive Information Statement

**GAIAM, INC.**

**(Name of Registrant as Specified in Its Charter)**

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

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- (1) Title of each class of securities to which transaction applies:
  
- (2) Aggregate number of securities to which transaction applies:
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
- (4) Proposed maximum aggregate value of transaction:

\$167,000,000

- (5) Total fee paid:

\$16,817

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1). Amount Previously Paid:

- (2). Form, Schedule or Registration Statement No.:

- (3). Filing Party:

- (4). Date Filed:



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Dear Shareholder:

We are furnishing the enclosed information statement to the holders of the Class A common stock of Gaiam, Inc., a Colorado corporation ( "Gaiam" ), in connection with the shareholder approval by written consent of (i) the sale by Gaiam of all of the assets and liabilities, primarily related to, or used in, Gaiam's fitness, yoga and wellness consumer products business, referred to in the enclosed information statement as the "Brand Business" (the "Brand Business Sale" ), (ii) by a non-binding advisory vote, certain compensation arrangements, as described in the enclosed information statement, for Gaiam's named executive officers in connection with the Brand Business Sale, and (iii) the amendment of Gaiam's Amended and Restated Articles of Incorporation to change its corporate name to "Gaia, Inc.", effective following the consummation of the Brand Business Sale and upon filing of the articles of amendment with the Colorado Secretary of State.

Following the completion of the Brand Business Sale, we will continue to own and operate the streaming subscription business "Gaia," referred to in this information statement as our "Subscription Business." The Subscription Business is a global digital video streaming service and online community that provides curated conscious media content to its subscribers in over 100 countries. Over 90% of its 7,000 titles are available for streaming exclusively on Gaia through almost any device connected to the Internet and 80% of the views are generated by content produced or owned by Gaia. The subscription also allows our subscribers to download and view files from the library without being actively connected to the internet.

After careful consideration, the transactions described above have each been unanimously approved by our board of directors and by the holders of a majority of the voting interests of our issued and outstanding common stock at the time of such approval, acting by written consent in lieu of a meeting. Our board of directors believes the Brand Business Sale is advisable and in the best interest of Gaiam and its shareholders. Shareholders holding shares of common stock representing a majority of the voting interest of our issued and outstanding common stock have approved each of the transactions by written consent.

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

Because the transactions described above have been approved by less than the unanimous consent of our shareholders, we are providing the accompanying information statement to shareholders of record as of (i) May 10, 2016, the record date for the written consent approving the Brand Business Sale, and (ii) May 16, 2016, the record date for the written consent approving the non-binding advisory vote of certain compensation arrangements in connection with the Brand Business Sale, and the change of Gaiam's corporate name to "Gaia, Inc." The accompanying information statement is for informational purposes only. However, we urge you to read the information statement in its entirety for a more complete description of the transactions referenced above, and the actions taken by our board of directors and the holders of a majority of the voting interests of our issued and outstanding common stock at the time of the approval of the transactions.

Gaiam expects to consummate the Brand Business Sale on or after \_\_\_\_\_, 2016, which is a date that is at least 20 days after the first mailing of the accompanying information statement to the holders of our common stock. We intend to first mail or deliver the enclosed information statement to our shareholders on or around \_\_\_\_\_, 2016.

We thank you for your continued support of Gaiam, Inc.

By Order of the Board of Directors,

, 2016

John Jackson, Secretary

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**Gaiam, Inc.**

**833 West South Boulder Road**

**Louisville, Colorado 80027**

**PRELIMINARY INFORMATION STATEMENT**

**REGARDING**

**SHAREHOLDER ACTION TAKEN BY WRITTEN CONSENT**

**IN LIEU OF A MEETING**

**WE ARE NOT ASKING YOU FOR A PROXY**

**AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

We are furnishing this information statement to the shareholders of Gaiam, Inc., a Colorado corporation ( we, us, our, Gaiam ), to inform you of the adoption of resolutions by written consent of the holders of a majority of the voting interests of our issued and outstanding common stock, approving the following actions:

1. Authorize the sale by Gaiam of all of the assets and liabilities primarily related to, or used in Gaiam's fitness, yoga and wellness consumer products business, referred to in this information statement as the Brand Business, in the following two related transactions:

- a. the sale by Gaiam of all of the issued and outstanding membership interests of Gaiam Brand Holdco, LLC, a Delaware limited liability company ( Brand Holdco ), that, directly, and indirectly through its subsidiaries, owns all of the assets and liabilities primarily related to, or used in Gaiam's fitness, yoga and wellness consumer products business, referred to in this information statement as the Brand Business, other than the assets and liabilities transferred and assigned pursuant to the terms of the FFL Purchase Agreement (as defined below), in accordance with the Membership Interest Purchase Agreement by and among Gaiam, Stretch & Bend Holdings LLC, a Delaware limited liability company ( Brand Purchaser ), and Sequential Brands Group, Inc., a Delaware corporation ( Sequential ), dated as of May 10, 2016 (the Brand Purchase Agreement ), as more fully described in this information statement (the Brand Sale );
- b. the sale by Gaiam, by causing the Brand Companies (as defined below in Matter No. 1: The Brand Business Sale The Brand Business Sale ), to sell (i) inventory, (ii) accounts receivable and (iii) all other physical assets, including, without limitation, equipment, furniture and other operating assets, in each case, related to the Brand Business (such assets, collectively, the FFL Acquired Assets ), in accordance with the Asset Purchase Agreement by and among Gaiam and Fit for Life LLC, a Delaware limited liability company ( FFL Purchaser ), dated as of May 10, 2016 (the FFL Purchase Agreement ), pursuant to which FFL Purchaser also will assume (i) specified trade payables of the Brand Companies, (ii) all liabilities and obligations arising from or related to the FFL Acquired Assets in respect of the period on or after the closing date, and (iii) all

liabilities and obligations set forth on the closing statement, as more fully described in this information statement (the Working Capital Sale, and, together with the Brand Sale, the Brand Business Sale );

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2. Approve, by non-binding, advisory vote, certain compensation arrangements, as described in this information statement, for Gaiam's named executive officers in connection with the Brand Business Sale (the Change-in-Control Compensation ); and
3. Approve an amendment of Gaiam's Amended and Restated Articles of Incorporation to change our corporate name from Gaiam, Inc. to Gaia, Inc., effective following the consummation of the Brand Business Sale and upon filing of articles of amendment with the Colorado Secretary of State.

This information statement is furnished by Gaiam to shareholders that are entitled to vote on the actions discussed above, but who have not consented to such action, to comply with the requirement of Section 7-107-104 of Colorado Business Corporation Act (the CBCA ). This information statement has been prepared in compliance with Schedule 14C of the Securities Exchange Act of 1934, as amended (the Exchange Act ). We intend to first mail or deliver this information statement to our shareholders on or around , 2016.

The record dates for shareholders entitled to notice of action taken by written consent by less than unanimous consent of all shareholders entitled to vote upon such action is the close of business on May 10, 2016 and May 16, 2016, which are the dates that written consents upon which the actions are being taken were received by Gaiam. Only shareholders of record at the close of business on May 10, 2016 and May 16, 2016, are entitled to receive a copy of this information statement. As of May 10, 2016 and May 16, 2016, there were 19,141,888 and 19,146,709 shares of our Class A common stock, par value \$0.0001 per share, respectively, and 5,400,000 shares of our Class B common stock, par value \$0.0001 per share, outstanding and entitled to vote. Holders of our Class A common stock are entitled to one vote for each share held, and holders of our Class B common stock are entitled to ten votes for each share held.

In accordance with the CBCA and Gaiam's Amended and Restated Bylaws, approval by written consent of the matters set forth herein requires the affirmative vote of shareholders holding a majority of the voting interests of Gaiam's issued and outstanding common stock.

**WE URGE YOU TO READ THIS INFORMATION STATEMENT AND THE ATTACHED ANNEXES**

Our board of directors unanimously approved the Brand Business Sale, the Brand Purchase Agreement, and the FFL Purchase Agreement after determining that the Brand Business Sale and entering into the Brand Purchase Agreement are in the best interest of Gaiam and our shareholders.

Together with the announcement of the Brand Business Sale, Gaiam announced that it intends, contingent upon the closing of the Brand Business Sale, to use a portion of the proceeds received from the Brand Business Sale to conduct an issuer cash tender offer for up to an aggregate of 12 million shares of Gaiam's Class A common stock or vested stock options, at a price equal to \$7.75 per share, on the terms and subject to the conditions set forth in the Offer to Purchase and other tender offer materials. This information statement is not an offer to purchase or a solicitation of an offer to sell securities, and it not a substitute for any offer materials that Gaiam will file with the Securities and Exchange Commission. Upon commencement of the tender offer, Gaiam will file with the Securities and Exchange Commission a tender offer statement on Schedule TO (including an Offer to Purchase contained therein) relating to the tender offer. **GAIAM SHAREHOLDERS ARE URGED TO READ CAREFULLY THESE DOCUMENTS WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE TENDER OFFER.** Copies of these documents will be available for free after they are filed with the Securities and Exchange Commission by visiting EDGAR on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov) and on Gaiam's website at [corporate.gaiam.com](http://corporate.gaiam.com). Gaiam intends to use the remainder of the proceeds received from the Brand Business Sale for general corporate purposes, including growing the Subscription Business.



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The transactions described in this information statement will not be consummated until at least 20 days after the mailing of this information statement to our shareholders.

The date of this information statement is \_\_\_\_\_, 2016.

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**SUMMARY TERM SHEET**

*The following is a summary of certain information contained elsewhere in this information statement or in its annexes. Reference is made to, and this summary is qualified in its entirety by, the more detailed information contained elsewhere in this information statement and in the attached annexes. You should review this information statement and the annexes to it so that you can gain a more complete understanding of the approved transactions.*

**The Brand Business Sale**

*The Brand Business Sale.* Gaiaam has agreed to sell all of Gaiaam's assets and liabilities primarily related to, or used in, the Brand Business for \$167,000,000 in cash, subject to closing and post-closing adjustments. We will retain all of our other assets, mainly consisting of the assets related to our Subscription Business. See Matter No. 1: The Brand Business Sale – The Brand Business Sale.

*Reasons for the Brand Business Sale.* Our board of directors considered a number of factors before deciding to enter into the Brand Purchase Agreement and the FFL Purchase Agreement, including among other things: potential increase in shareholder value; the price to be paid by Brand Purchaser and the FFL Purchaser; the impending retirement of Gaiaam's Chief Executive Officer; the challenges of executing Gaiaam's long-term business strategy; the opinion provided by Gaiaam's financial advisor as to the fairness to Gaiaam of the aggregate consideration to be received by Gaiaam from the Brand Purchaser and the FFL Purchaser from a financial point of view; the extensive bidding and sale process with respect to the Brand Business that led to entering into the Brand Purchase Agreement and the FFL Purchase Agreement; the expectation that the operating loss carryforward tax assets will be available to offset a substantial portion of the gain realized by Gaiaam in connection with the Brand Business Sale; the high likelihood of consummation; the terms and conditions of the Brand Purchase Agreement and the FFL Purchase Agreement; the strategic and financial benefits the Brand Business Sale is expected to provide to Gaiaam; the future business prospects of the Brand Business and the Subscription Business, either operating together or separately; the lack of synergies between the distinct business segments; and potentially negative factors concerning the Brand Business Sale. See Matter No. 1: The Brand Business Sale – Reasons for the Brand Business Sale.

*Recommendation of the Board of Directors.* Our board of directors has determined by a unanimous vote of the directors present at a meeting of the board of directors on May 10, 2016 that the Brand Business Sale is desirable and in the best interests of Gaiaam and our shareholders, and directed that the Brand Business Sale be submitted to our shareholders for their approval. You should read Matter No. 1: The Brand Business Sale – Reasons for the Brand Business Sale for a discussion of factors that our board of directors considered in deciding to recommend the Brand Business Sale to our shareholders.

*Opinion of Gaiaam's Financial Advisor.* Gaiaam's board of directors received an opinion from Stifel, Nicolaus & Company, Incorporated (Stifel), Gaiaam's financial advisor, that, based upon and subject to the procedures followed, limitations on the review undertaken, assumptions made and qualifications and other matters contained in Stifel's opinion, as of the date of Stifel's opinion, the aggregate consideration of \$167,000,000 in cash to be received by Gaiaam from Brand Purchaser and FFL Purchaser in the Brand Business Sale pursuant to the Brand Purchase Agreement and the FFL Purchase Agreement was fair to

Gaiam, from a financial point of view. See Matter No. 1: The Brand Business Sale Opinion of Gaiam's Financial Advisor.

*Use of Proceeds.* Gaiam intends to use a portion of the proceeds received from Brand Business Sale to conduct an issuer cash tender offer for up to an aggregate of 12 million shares of Gaiam's Class A common stock or vested stock options, and the remainder for general corporate purposes, including growing the Subscription Business. See Matter No. 1: The Brand Business Sale Use of Proceeds.

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**The Brand Purchase Agreement**

The following is a summary of the principal terms of the Brand Purchase Agreement:

The total consideration for the purchase and sale of the membership interests in Brand Holdco is \$145,700,000 in cash, subject to closing and post-closing adjustments. See Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Purchase Price.

The Brand Purchase Agreement contains a number of representations and warranties of Gaiam, with respect to both Gaiam and the Brand Companies (as defined below in Matter No. 1: The Brand Business Sale), as applicable, to Brand Purchaser. The sole recourse for any damages with respect to any breach of, or inaccuracy in, Gaiam's representations and warranties contained in the Brand Purchase Agreement shall be the representation and warranty insurance policy obtained by Brand Purchaser, subject to certain limited exceptions. The representations and warranties made by Gaiam and relating to both Gaiam and the Brand Business relate to, among other things: organization and standing; authority and delivery; execution; capitalization of the Brand Companies; enforceability; lack of conflict with other agreements and applicable law; financial statements of the Brand Companies; no undisclosed liabilities; absence of changes or events; title to certain assets; real property; intellectual property; material contracts; insurance matters; taxes; legal proceedings and judgments; benefit plans; employees and labor matters; compliance with applicable laws and permits; agreements with related parties; absence of unlawful payments; brokers; no other operations; environmental matters; information technology assets; privacy; inventory; product liability; suppliers and customers; and accounts receivable. See Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Representations and Warranties and Matter No. 1: The Brand Business Sale Representations and Warranties Insurance Policy.

The joint conditions precedent to the obligations of each party to complete the Brand Sale include, among others: (i) the expiration or termination of the applicable waiting period under applicable antitrust laws, including the HSR Act (as defined below in Matter No. 1: The Brand Business Sale); and (ii) obtaining the written consent of Gaiam shareholders required to approve the Brand Purchase Agreement and the transactions contemplated by the Brand Purchase Agreement, which consent was received from a majority of the voting interest of our issued and outstanding shares of common stock on May 10, 2016. See Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Conditions to Closing and Matter No. 1: The Brand Business Sale Approval of the Transactions.

The conditions precedent to the obligations of Brand Purchaser (each of which may be waived by Brand Purchaser in whole or in part prior to closing) to complete the Brand Sale include: (i) the representations and warranties of Gaiam in the Brand Purchase Agreement must be true and correct, subject to certain materiality qualifiers; (ii) Gaiam's performance of and compliance with, in all material respects, covenants and conditions set forth in the Brand Purchase Agreement on or before the date of closing of the Brand Sale; (iii) the absence of a Material Adverse Effect (as defined below in Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Representations and Warranties), or any events that would be reasonably be expected to cause a Material Adverse Effect; (iv) the delivery of the signatures, certificates, instruments, agreements, and other deliverables by Gaiam and the Brand Companies, as applicable, that are contemplated

by the Brand Purchase Agreement; and (v) either the consummation of the Working Capital Sale or the transfer and assignment of the FFL Acquired Assets from the Brand Companies to Gaiam. See Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Conditions to Closing.

The conditions precedent to the obligations of Gaiam (each of which may be waived by Gaiam in whole or in part prior to closing) to complete the Brand Sale include: (i) the representations and warranties of Brand Purchaser in the Brand Purchase Agreement must be true and correct, subject to certain materiality qualifiers; (ii) Brand Purchaser's performance of and compliance with, in all

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material respects, covenants and conditions set forth in the Brand Purchase Agreement on or before the date of closing of the Brand Sale; (iii) the delivery of the signatures, certificates, instruments, agreements, and other deliverables by Brand Purchaser that are contemplated by the Brand Purchase Agreement; and (iv) the consummation of the Working Capital Sale. See Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Conditions to Closing.

From and after the closing of the Brand Sale, Gaiam will indemnify, hold harmless and reimburse Brand Purchaser and certain of its related parties for any damages arising out of or relating to: (i) any failure by Gaiam to perform any of its covenants; (ii) any unpaid indebtedness or unpaid transaction expenses not paid and discharged in full on or prior to the date of closing of the Brand Sale; (iii) any liabilities expressly retained by Gaiam in accordance with the Contribution Agreement (described and defined in Matter No. 1: The Brand Business Sale Contribution Agreement ); (iv) any taxes relating to or arising from the contribution of the Brand Business to Brand Holdco; (v) certain taxes related to the pre-closing period; (vi) any pre-closing liabilities of the Brand Companies unrelated to the operation of the Brand Business; and (vii) any shareholder proceedings commenced in connection with the transactions contemplated by the Brand Purchase Agreement. Brand Purchaser is obtaining a representation and warranty insurance policy which will provide the sole recourse in the event of any breaches of representations or warranties made by Gaiam in the Brand Purchase Agreement and with respect to certain tax liabilities, subject to certain limited exceptions. See Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Indemnification.

The Brand Purchase Agreement may be terminated at any time before closing with the mutual written consent of Brand Purchaser and Gaiam, or by either party if the transactions contemplated by the Brand Purchase Agreement have not been completed within 90 days after the execution of the Brand Purchase Agreement (subject to extension), or an order of a governmental entity of competent jurisdiction effectively restrains or prohibits the transactions contemplated by the Brand Purchase Agreement. In addition, the Brand Purchase Agreement may be terminated by Brand Purchaser upon the occurrence of certain events, including, without limitation, the following:

there has been an uncured breach, inaccuracy in, or failure to perform any representation, warranty, covenant, or other agreement made by Gaiam under the Brand Purchase Agreement that would cause the conditions to the obligations of Brand Purchaser at closing not to be satisfied by the Outside Date (as defined below in Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Termination of the Brand Purchase Agreement and Termination Fee);

Gaiam or its subsidiaries, including the Brand Companies, take certain specified actions with respect to pursuing or attempting to initiate, or taking an action that could reasonably be expected to lead to an Alternative Transaction Proposal (as described and defined below in Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Non-Solicitation ); or

Gaiam, its board of directors, or any committee of the board of directors publicly make a recommendation in favor of an Alternative Transaction Proposal or approve or adopt an Alternative Transaction Proposal.



See Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Termination of the Brand Purchase Agreement.

Gaiam must pay to Brand Purchaser a termination fee equal to \$5,010,000 (the Termination Fee ) in the event that the Brand Purchase Agreement is terminated (i) by Brand Purchaser, in connection with Gaiam's breach of its obligations regarding Alternative Transactions, (ii) by either Gaiam or Brand Purchaser, due to the failure to close the Brand Business Sale by or before the Outside Date and Gaiam or Brand Purchaser not having the right to terminate the Brand Purchase Agreement as a result of a breach or failure by the other party to perform any of its representations, warranties, covenants or other agreements contained in the Brand Purchase Agreement and Gaiam's entering into a definitive

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agreement with any third party to consummate, or consummates, an Alternative Transaction, in some cases up to nine months after termination of the Brand Purchase Agreement, or (iii) by Gaiaam, if Gaiaam receives a Superior Proposal and enters into a definitive agreement with any third party with respect to such Superior Proposal. See Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Termination of the Brand Purchase Agreement.

From and after the execution of the Brand Purchase Agreement, Gaiaam may not solicit or encourage any proposal or offer that either is or would reasonably be expected to lead to an Alternative Transaction Proposal. In the event that Gaiaam or its board of directors receives an Alternative Transaction Proposal which the board of directors reasonably believes to be a Superior Proposal (as defined below in Matter No. 1: The Brand Purchase Sale The Brand Purchase Agreement Non-Solicitation ), Gaiaam may engage in negotiations with the prospective purchaser who made the Superior Proposal and ultimately terminate the Brand Purchase Agreement, subject to payment of the Termination Fee to Brand Purchaser.

**The FFL Purchase Agreement**

The following is a summary of the principal terms of the FFL Purchase Agreement:

The total consideration for the purchase and sale of the FFL Acquired Assets is \$21,300,000 in cash, subject to closing and post-closing adjustments for working capital. See Matter No. 1: The Brand Business Sale The FFL Purchase Agreement Purchase Price.

The FFL Purchase Agreement contains a number of limited representations and warranties of Gaiaam, with respect to Gaiaam only, to FFL Purchaser. Gaiaam is not making any representations or warranties with respect to the Acquired Assets (or the FFL Assumed Liabilities) and Gaiaam will sell the FFL Acquired Assets as-is and where is. The representations and warranties made by Gaiaam relate to, among other things: organization; authority and delivery; execution; enforceability; lack of conflict with other agreements and applicable law; and brokers. The FFL Purchase Agreement contains a number of representations and warranties of FFL Purchaser to Gaiaam. The representations and warranties made by FFL Purchaser relate to, among other things: organization; authority and delivery; execution; enforceability; lack of conflict with other agreements and applicable law; brokers; solvency; availability of financing to FFL Purchaser to fund the purchase price; and the lack of representations and warranties with respect to the FFL Acquired Assets and, among other things, financial projections related to the FFL Acquired Assets. See Matter No. 1: The Brand Business Sale The FFL Purchase Agreement Representations and Warranties.

The closing of the Working Capital Sale shall occur immediately before the closing of the Brand Sale and shall occur no earlier than three business days after Gaiaam delivers a written notice to FFL Purchaser containing (i) a statement that the closing conditions under the Brand Purchase Agreement have been satisfied or waived and that Gaiaam and Brand Purchase are ready and prepared to close the Brand Sale, subject only to the occurrence of the closing of the Working Capital Sale, and (ii) the date on which the closing under the Brand Purchase Agreement is to occur (which date will be at least three business days after the delivery of the written notice). At the closing of the Working Capital Sale, Gaiaam and FFL Purchaser shall deliver the signatures, instruments, agreements, and other deliverables that are contemplated by the FFL Purchase Agreement. See Matter No. 1: The Brand Business Sale The FFL Purchase Agreement

Conditions to Closing.

Either Gaiam or FFL Purchaser may terminate the FFL Purchase Agreement at any time before closing if the Brand Purchase Agreement has been validly terminated in accordance with its terms. Gaiam may also terminate the FFL Purchase Agreement if FFL Purchaser fails to fund the net closing consideration at the closing of the Working Capital Sale. See Matter No. 1: The Brand Business Sale The FFL Purchase Agreement Termination of the FFL Purchase Agreement.

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### **Voting Agreement**

On May 10, 2016, in connection with the execution of the Brand Purchase Agreement, one director, and an entity controlled by a director, in their respective capacities as shareholders, each owning more than 10% of Gaiam's issued and outstanding common stock, entered into separate voting agreements with Gaiam, pursuant to which each such shareholder agreed (among other things) to vote beneficially-owned shares of Gaiam's common stock in favor of the Brand Business Sale and against any Alternative Transaction Proposal. Collectively, the shareholders party to the voting agreements beneficially owned 2,926,710 shares of Gaiam's Class A common stock and 5,400,000 shares of Gaiam's Class B common stock, representing approximately 77.8% of the voting interest of Gaiam's common stock, as of May 10, 2016. See Matter No. 1: The Brand Business Sale Voting Agreement. On May 10, 2016, these shareholders executed a written consent approving the Brand Business Sale, Brand Purchase Agreement and the FFL Purchase Agreement, and the transactions contemplated by the Brand Purchase Agreement and the FFL Purchase Agreement. See Matter No. 1: The Brand Business Sale Approval of the Transactions.

### **No Dissenters Right of Appraisal**

Under applicable law, our shareholders do not have dissenters' right of appraisal in connection with the Brand Business Sale.

### **Tax Consequences of the Brand Business Sale**

Our U.S. shareholders will not realize any gain or loss for U.S. federal income tax purposes as a result of the Brand Business Sale. See Matter No. 1: The Brand Business Sale U.S. Federal Income Tax Consequences of the Brand Business Sale.

### **Interests of Certain Persons in or Opposition to Matters to be Acted Upon**

Other than as set forth in this information statement, Gaiam is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director, executive officer or any associate or affiliate of any of the foregoing, in any of the matters to be acted upon.

The Brand Business Sale will result in certain change-in-control and severance compensation being payable to Gaiam's executive officers. See Matter No. 1: The Brand Business Sale Interests of Certain Persons in or Opposition to Matters to be Acted Upon Potential Payments Upon a Change-in-Control.

It is expected that following the closing of the Brand Business Sale, FFL Purchaser will offer employment to 95 of our employees, including certain of our executive officers.

### **Change-in-Control Compensation**

In connection with the Brand Business Sale, certain of our named executive officers will be entitled to additional compensation including:

a transaction bonus in an amount not to exceed 150% of such named executive officer's annual salary as of the trigger date, net of each such officer's operating bonus paid in connection with the prior fiscal year;

accelerated vesting of 50% of all unvested stock options held by such officer at the trigger date;

each of our named executive officers that will be terminated in connection with the Brand Business Sale will receive cash severance in a lump sum equal to such named executive officer's current annual salary; and

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our Chief Executive Officer will continue to receive COBRA coverage at active-employee rates for one year after the trigger date.

See Matter No. 1: The Brand Business Sale Change-in-Control Compensation.

**Name Change**

Immediately after the completion of the Brand Business Sale, in accordance with the Brand Purchase Agreement, Gaiam will change its corporate name to Gaia, Inc. See Matter No. 3: The Name Change.

**Approval of Transactions**

On May 10, 2016, shareholders owning, in the aggregate, a majority of the voting interest of our issued and outstanding shares of common stock, executed and delivered to us, a written consent, approving the Brand Business Sale, the Brand Purchase Agreement, and the FFL Purchase Agreement. On May 16, 2016, shareholders owning, in the aggregate, a majority of the voting interest of our issued and outstanding shares of common stock, executed and delivered to us, a written consent, approving (i) on advisory basis, the Change-in-Control Compensation, and (ii) the Name Change (as defined below in Matter No. 3: The Name Change ). As a result, each of the matters and the transactions contemplated thereby were approved and adopted by holders of a majority of the shares of Gaiam's voting stock, as required by Section 7-112-102 of the CBCA and Gaiam's Amended and Restated Bylaws. No vote of any other shareholder is necessary to approve and adopt (i) the Brand Business Sale, the Brand Purchase Agreement and the FFL Purchase Agreement, (ii) on an advisory basis, the Change-in-Control Compensation, and (iii) the Name Change. See Approval of the Transactions.

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This information statement contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934. Forward-looking statements relate to matters that are not historical facts and provide our current expectations and forecasts about future events. Forward-looking statements may be identified by the use of words such as anticipate, believe, plan, estimate, expect, strive, future, intend, and comparab or the negatives of those words, or by discussions of strategy. While we believe our assumptions and expectations underlying forward-looking statements are reasonable, there can be no assurance that actual results will not be materially different. Risks and uncertainties that could cause actual results to differ include, without limitation, failure to consummate or delays in consummating the Brand Business Sale, transaction costs associated with the Brand Business Sale, unexpected losses of economies of scope or scale, a decrease or adjustment in the purchase price or other amendment to the Brand Purchase Agreement or the FFL Purchase Agreement, failure to obtain necessary governmental approvals, and other risks and uncertainties included in reports we file with or furnish to the Securities and Exchange Commission. We caution you that no forward-looking statement is a guarantee of future performance, and you should not place undue reliance on these forward-looking statements which reflect our view only as of the date of this information statement. We undertake no obligation to update any forward-looking information.

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**APPROVAL OF THE TRANSACTIONS**

On May 10, 2016 at a meeting, after consultation with Gaiaam's financial and legal advisors, and upon consideration of a number of factors that the board of directors believed supported its decision, our board of directors unanimously approved (i) the Brand Business Sale and the Brand Purchase Agreement, including the forms of ancillary documents to be attached as exhibits to the Brand Purchase Agreement, (ii) on an advisory basis, the Change-in-Control Compensation, and (iii) the Name Change. For a discussion of the factors considered by Gaiaam's board of directors see Matter No. 1: The Brand Business Sale – Reasons for the Brand Business Sale.

Section 7-112-102 of the CBCA permits a Colorado corporation to sell all or substantially all of its assets if the sale is approved by shareholders holding a majority of the votes entitled to be cast on the transaction. Each share of Gaiaam's Class A common stock is entitled to one vote per share and each share of Gaiaam's Class B common stock is entitled to ten votes per share. As of May 10, 2016 and May 16, 2016, the record dates for determining shareholders entitled to receive notice of action taken without a meeting, there were approximately 19,141,888 and 19,146,709 shares of Gaiaam's Class A common stock, respectively, and 5,400,000 shares of Gaiaam's Class B common stock issued and outstanding.

On May 10, 2016, one director, and an entity controlled by a director, in their respective capacities as shareholders, beneficially owning in the aggregate, 2,926,710 shares of Gaiaam's Class A common stock and 5,400,000 shares of Gaiaam's Class B common stock, (representing approximately 77.8% of the voting power of Gaiaam's issued and outstanding shares of common stock as of May 10, 2016), executed and delivered their written consent to us, approving and adopting the Brand Business Sale, the Brand Purchase Agreement and the FFL Purchase Agreement. On May 16, 2016, the same shareholders approved by written consent (i) on an advisory basis, the Change-in-Control Compensation, and (ii) the Name Change. As a result, the Brand Business Sale, the Brand Purchase Agreement and the FFL Purchase Agreement were approved and adopted by holders of a majority of the shares of Gaiaam's voting stock, as required by Section 7-112-102 of the CBCA and Gaiaam's Amended and Restated Bylaws. No vote of any other shareholder is necessary to approve and adopt (i) the Brand Business Sale, the Brand Purchase Agreement and the FFL Purchase Agreement, (ii) on an advisory basis, the Change-in-Control Compensation, and (iii) the Name Change, and therefore we are not soliciting shareholder votes.

It is contemplated that the Brand Business Sale will be consummated 20 days after the mailing of this information statement or as immediately thereafter as practicable once the other closing conditions contained in the Brand Purchase Agreement and the FFL Purchase Agreement are satisfied or waived. See Matter No. 1: The Brand Business Sale – The Brand Purchase Agreement – Closing Conditions. and Matter No. 1: The Brand Business Sale – The FFL Purchase Agreement – Closing Conditions. It is expected that Gaiaam will change its corporate name to Gaia, Inc. immediately after the closing of the Brand Business Sale, or as soon as practicable thereafter, upon filing articles of amendment with the Colorado Secretary of State.



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**THE COMPANIES**

**Gaiam, Inc.**

Gaiam, Inc., known in this information statement as we, us, our, or Gaiam, is a publicly traded Colorado corporation whose shares of Class A common stock are traded on the Nasdaq Capital Market under the symbol GAIAM.

Since its start in 1996, Gaiam has built a consumer products business in the markets for yoga, fitness, and wellness products and related content, which are sold through Gaiam's websites as well as national retailers such as Target, Kohl's, Dick's Sporting Goods, Whole Foods, Barnes and Noble, and Macy's. Gaiam brands include: Gaiam, focused on yoga and fitness; Gaiam Restore, focused on wellness; SPRI by Gaiam, focused on fitness; and Gaia, a global digital video subscription service. Prior to 2015, Gaiam also produced and marketed eco-friendly products through catalogs and Gaiam.com. The catalog business was phased out to focus on core yoga, fitness, and wellness products. While this ultimately reduced revenues, profitability was greatly improved.

Gaia is a digital subscription service and online community focusing on personal transformation and longevity. It provides members access to approximately 7,000 video titles, 90% of which are available exclusively to subscribers for digital streaming on almost any internet-connected device anytime, anywhere. Approximately 80% of the views are generated by content produced or owned by Gaia. The subscription also allows our subscribers to download and view files from the library without being actively connected to the Internet.

On February 20, 2015, our wholly-owned subsidiary Gaia, Inc. filed a registration statement on Form 10 in connection with the previously announced proposed separation of the Subscription Business segment from the Brand Business segment into two separate publicly traded companies.

On May 4, 2016, Gaiam divested its majority interest in Natural Habitat, Inc. (Natural Habitat), which operates an adventure travel and ecotourism travel business which provides eco-conscious expeditions and nature-focused small-group tours led by renowned expedition leaders to explore the planet's most remarkable natural destinations (the Travel Business).

In order to effect the Name Change, our subsidiary will first release the corporate name Gaia, Inc. in the state of Colorado by changing its name from Gaia, Inc. at or immediately following the closing of the Brand Business Sale.

The mailing address and telephone number of our principal executive office are:

833 West South Boulder Road

Building G

Louisville, CO 80027-2452

Tel: (303) 222-3600

We file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K with the Securities and Exchange Commission. These reports, any amendments to these reports, proxy and information statements and certain other documents we file with the Securities and Exchange Commission are available through the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov) or free of charge on our website as soon as reasonably practicable after we file the documents with the Securities and Exchange Commission. The public may

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also read and copy these reports and any other materials we file with the Securities and Exchange Commission at the Securities and Exchange Commission's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1 (800) SEC-0330.

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### **Parties to the Brand Business Sale**

#### *Sequential Brands Group, Inc.*

Sequential Brands Group, Inc. ( Sequential ) is a publicly traded Delaware corporation, whose shares of common stock are traded on the Nasdaq Capital Market under the symbol SQBG. Sequential is the direct parent of Brand Purchaser.

Sequential owns, promotes, markets, and licenses a portfolio of consumer brands in the fashion, active, and lifestyle categories. Sequential seeks to ensure that its brands continue to thrive and grow by employing strong brand management, design and marketing teams. Sequential has licensed and intends to license its brands in a variety of consumer categories to retailers, wholesalers and distributors in the United States and around the world.

Sequential's objective is to build a diversified portfolio of lifestyle consumer brands by growing its existing portfolio and by acquiring new brands. To achieve its objective, Sequential intends to increase licensing of existing brands by adding additional product categories, expanding the brands' distribution and retail presence and optimizing sales through innovative marketing that increases consumer awareness and loyalty; develop international expansion through additional licenses, partnerships, joint ventures and other arrangements with leading retailers and wholesalers outside the United States; and acquire consumer brands or the rights to such brands with high consumer awareness, broad appeal, applicability to a range of product categories and an ability to diversify its portfolio. In assessing potential acquisitions or investments, Sequential primarily evaluates the strength of the targeted brand as well as the expected viability and sustainability of future royalty streams.

Sequential's business strategy is designed to maximize the value of its brands through entry into licenses with partners that are responsible for designing, manufacturing and distributing its licensed products. Sequential licenses its brands with respect to a broad range of products, including apparel, eyewear, footwear and fashion accessories. Sequential currently has more than 75 licensees, almost all of which are wholesale licensees. Each of Sequential's licensees has a stipulated territory or territories, as well as distribution channels in which the licensed products may be sold. Currently, the majority of Sequential's revenues are derived from U.S. based licenses.

On August 15, 2014, Sequential acquired four well-known consumer brands including fitness brand Avia and basketball brand AND1. In connection with the transaction, The Carlyle Group L.P., of which Galaxy Brands, LLC was a portfolio company, became a significant shareholder in Sequential, and received one seat on the Sequential board of directors.

On April 8, 2015, Sequential acquired a majority interest in the intellectual property rights associated with the With You brand and other rights. Founded in 2005, With You is a signature lifestyle concept inspired by and designed in collaboration with Jessica Simpson. The growing brand offers 31 product categories including footwear, apparel, fragrance, fashion accessories, maternity apparel, girl's clothing and a home line. The brand is supported by nearly 20 best-in-class licensees and has strong department store distribution through Dillard's, Macy's, Belk, Lord & Taylor and Nordstrom, among other independent retailers.

On September 11, 2015, Sequential purchased certain intellectual property assets used or held for use in Joe's Jeans Inc.'s business operated under the brand names Joe's Jeans, Joe's, Joe's JD and else. Joe's Jeans Inc. retained co-branded retail stores and other assets. Sequential accounted for the acquisition as a business combination in accordance with Financial Accounting Standards Board Accounting Standards Codification 805 Business Combinations.

On December 4, 2015, Sequential acquired Martha Stewart Living Omnimedia, Inc. ( MSLO ). MSLO is a leading provider of original, how-to information, inspiring and engaging consumers with unique lifestyle content and beautifully designed, high-quality products. In connection with the transaction, Martha Stewart became a significant shareholder and a member of the Sequential board of directors.

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The mailing address and telephone number of Sequential's principal executive office are:

5 Bryant Park, 30th Floor

New York, NY 10018

Tel: (646) 564-2577

*Stretch & Bend Holdings, LLC*

Stretch & Bend Holdings, LLC, also known in this information statement as Brand Purchaser, is a Delaware limited liability company and a wholly-owned subsidiary of Sequential. Brand Purchaser was formed on April 25, 2016 for the purpose of effecting the Brand Business Sale. To date, Brand Purchaser has not conducted any activities other than those activities incidental to its formation and the matters contemplated by the Brand Purchase Agreement in connection with the Brand Business Sale.

The mailing address and telephone number of Brand Purchaser's principal executive office are:

c/o Sequential Brands Group, Inc.

5 Bryant Park, 30<sup>th</sup> Floor

New York, NY 10018

Tel: (646) 564-2577

*Fit for Life LLC*

Fit for Life LLC, also known in this information statement as FFL Purchaser, is a Delaware limited liability company formed on September 28, 2015 for the purpose of effecting the Working Capital Sale. To date, FFL Purchaser has not conducted any activities other than those activities incidental to its formation and the matters contemplated by the FFL Purchase Agreement in connection with the Brand Business Sale. Brand Purchaser expects to license certain rights and transfer certain assets and liabilities acquired under the Brand Purchase Agreement to FFL Purchaser upon consummation of the Brand Sale.

The mailing address and telephone number of FFL Purchaser's principal executive office are:

Fit For Life LLC

31 West 34th Street, 11th Floor

New York, NY 10001

(917) 359-3900

*Gaiam Brand Holdco, LLC*

Gaiam Brand Holdco, LLC, also known in this information statement as Brand Holdco, is a Delaware limited liability company and a wholly-owned subsidiary of Gaiam. Brand Holdco was formed on March 15, 2016, to hold all of the assets and liabilities of the Brand Business, as described further in Matter No. 1: The Brand Business Sale, for the purpose of effecting the Brand Business Sale. To date, Brand Holdco has not conducted any activities other than those activities incidental to its formation and the matters contemplated by the Brand Purchase Agreement in connection with the Brand Business Sale. After the completion of the Brand Sale, Brand Holdco will be wholly-owned by Brand Purchaser.

The mailing address and telephone number of Brand Holdco's principal executive office are:

833 West South Boulder Road

Building G

Louisville, CO 80027-2452

Tel: (303) 222-3600

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**MATTER NO. 1: THE BRAND BUSINESS SALE**

**The Brand Business Sale**

At closing, if the Brand Business Sale is completed, Brand Purchaser and FFL Purchaser would acquire substantially all of the assets and assume substantially all of the liabilities, primarily related to, or used in, the Brand Business. The assets and liabilities associated with the Brand Business are held by Brand Holdco, through its direct and indirect subsidiaries (the Brand Business Subsidiaries, and together with Brand Holdco, each a Brand Company and collectively, the Brand Companies ).

The Brand Business develops and markets fitness and yoga accessories, apparel, and media. The Brand Business includes the Gaiam, Gaiam Restore, and SPRI products. These products are sold primarily through major national retailers in the United States, Canada, Europe, and other countries, with placement in over 38,000 retail doors worldwide. The Brand Business products are also marketed and sold through branded websites and catalogs. The products and services are targeted to all levels of yoga and fitness enthusiasts, including professionals. We believe that consumers are attracted to our products because of their design, functional characteristics, and our unique brand heritage. Accessories include yoga mats, bags, straps and blocks, media content including digital media and apps, restorative and massage accessories such as rollers, resistance cords and balance balls, and various other offerings. Apparel products include pants, shorts, tops and jackets designed around yoga.

We believe that the Brand Business business activities have positioned the Brand Business brands as trusted sources for products that are relevant to consumers active lifestyles. In the United States, the Brand Business has a broad distribution network including top retail accounts such as Target, Kohl s, Dick s Sporting Goods, Whole Foods, Barnes and Noble, and Macy s. The Brand Business also sells through its own gaiam.com and spri.com websites, online retailers such as Amazon, and digital channels such as iTunes. The Brand Business also operates internationally with both the Gaiam and SPRI brands in Australia, Canada, the UK, other parts of Europe, and South Korea. The business is vertically integrated from product design and content creation, to product development and sourcing, and ultimately to customer service and distribution.

The Brand Business objective is to drive sustainable and profitable growth by leveraging its brands market positions and heritage to expand product offerings and distribution channels as well as utilize innovative marketing to increase consumer engagement. Recent examples of Gaiam s brand product extensions include the 2012 launch of Gaiam Restore and SPRI Dynamic Recovery brands, at-home rehabilitative and restorative products, the 2013 launch of our SPRI Cross Train line of high-intensity fitness accessories, the 2015 launch of apparel and upcoming lines of stress relief and relaxation products and condition specific wellness products slated for 2016.

With the acquisition of Yoga Studio (a yoga app for mobile and tablet devices) in the fourth quarter of 2014, the Brand Business launched an interactive digital strategy. The Brand Business has also invested in online branding and digital offerings, developed emerging talent, utilized social media, and sponsored local events to increase consumer engagement.

Gaiam directly owns all of the issued and outstanding membership interests of Brand Holdco, and immediately prior to the execution of the Brand Purchase Agreement, Gaiam contributed all remaining assets of the Brand Business to Brand Holdco. Upon the terms and subject to the conditions of the Brand Purchase Agreement, including the satisfaction of the closing conditions, Brand Purchaser will purchase from Gaiam all of the issued and outstanding membership interests of Brand Holdco for \$145,700,000 in cash, subject to adjustments at closing and post-closing. Upon the terms and subject to the conditions of the FFL Purchase Agreement, immediately before the closing of the Brand Sale, FFL Purchaser will purchase from the Brand Companies, the FFL Acquired Assets for \$21,300,000 in

cash, subject to adjustments at closing and post-closing, and assume the FFL Assumed Liabilities. The Brand Business Sale will constitute a sale of substantially all of Gaiam's assets under Colorado law.



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### **Background of the Brand Business Sale**

Gaiam has historically acquired and developed businesses and, when the board of directors determined it appropriate, explored strategic alternatives to maximize the value of those businesses for the benefit of Gaiam and its shareholders. For example, Gaiam owned and built Real Goods Solar, Inc. ( RGSI ), a residential and commercial solar energy power system installer, from 1991 to the consummation of RGSI 's initial public offering in 2008. Gaiam monetized the investment in RGSI during and after that initial public offering. Another example is Gaiam 's development of its entertainment media distribution business segment, which it built through acquisitions and organic growth from 2005 to 2013, when it divested that business segment in a private sale.

Gaiam 's business has been principally comprised of two distinct business segments: (i) the Brand Business, and (ii) the Subscription Business. As each of these segments has expanded, Gaiam 's board of directors and executive management have become aware of several factors that suggest that the segments would benefit from operating independently from each other. Those factors include, without limitation, the following:

***Business focus.*** The two business segments are very different and provide few, if any, synergies to each other. Operating independently would permit each segment and its respective management team to focus on the segment 's core business and growth opportunities

***Market value.*** Gaiam believes that the public markets and securities analysts have a difficult time evaluating Gaiam because its business consists of a combination of two distinct business lines. The board of directors believes that the public market participants may not fully understand each of the business lines and that it is more difficult to compare Gaiam to companies that primarily operate in only one of Gaiam 's business lines. As a result, Gaiam believes that the market prices of Gaiam 's Class A common stock does not accurately reflect the total value of its two business lines.

***Better-defined investment option for investors.*** Operating the Brand Business and the Subscription Business together makes it difficult for investors to define the investment opportunity that Gaiam represents. If Gaiam limited its operations to one of these segments, it may provide investors with a better-defined investment option that may be more attractive to investors than the investment option of one combined company. In addition, the investment community, including analysts, shareholders and prospective investors, should be able to better evaluate Gaiam 's merits and future prospects if operating only one segment, thereby enhancing the likelihood that the company will receive appropriate market recognition of its performance and potential.

***Capital resources.*** Operating the Brand Business and the Subscription Business together means that the two segments inevitably must compete internally for capital resources. This reality makes it difficult to dedicate Gaiam 's capital resources in a way that maximizes the potential of each segment.

***Management incentives.*** Each of the Brand Business and the Subscription Business operates with largely different management personnel and employee bases. Gaiam 's Class A common stock currently represents an interest in both the Brand Business and the Subscription Business, which makes it difficult to structure

equity incentive compensation programs that are tied closely to the efforts and performance of each segment's respective management team and employees.

Over the last few years, Gaiam began to explore new strategies for growth in order to enhance its financial performance and increase shareholder value. Gaiam's board of directors and its senior leadership, in consultation with its advisors, considered a wide range of transactions as alternatives to maximize shareholder value, including the continuation of Gaiam's current operating strategy, the issuance of a tracking stock and potential divestitures, acquisitions and capital formation transactions. As a result of these evaluations, and after considering a variety of factors surrounding the operations and financial results of the Subscription Business and the Brand Business, Gaiam's management and its board of directors concluded that pursuing the separation of the businesses into two independent public companies in a spin-off structured to be tax-free to shareholders was the course most likely to best position the Subscription Business and the Brand Business for success and create the greatest enhancement to shareholder value.

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In each of January, March and June of 2014, February, June, October and December of 2015, and February and April of 2016, Gaia's board of directors met to discuss the spin-off. In these meetings, Gaia's board of directors considered, among other things, the benefits to the businesses and to Gaia's shareholders that are expected to result from the spin-off, the capital allocation strategies and dividend policies for the separated companies, the allocation of Gaia's existing assets, liabilities and businesses between the separated companies, the terms of certain commercial relationships between the separated companies that would exist following the spin-off, the corporate governance arrangements that would be in place at each company following the spin-off and the appropriate members of senior management at each company following the spin-off. In August of 2014, Gaia's board of directors approved a plan to separate Gaia into two independent publicly-traded companies by a tax-free spin-off of the Subscription Business. The separation was to be effected by the pro rata distribution of the common stock of Gaia, Inc., one of Gaia's wholly-owned subsidiaries which, at the time of the distribution, would hold the assets and liabilities associated with the Subscription Business.

On February 20, 2015, Gaia's wholly-owned subsidiary Gaia, Inc. filed a registration statement on Form 10 as a step in the spin-off process. Gaia, Inc. subsequently filed Amendment No. 1 to the Form 10 on May 29, 2015, Amendment No. 2 to the Form 10 on September 9, 2015 and Amendment No. 3 to the Form 10 on February 17, 2016.

At a meeting on February 26, 2015, the board of directors agreed that since consummation of the spin-off process would likely take a significant portion of 2015, it made sense to simultaneously consider other strategic alternatives for Gaia. After reviewing and discussing all of the reports, analyses and recommendations of management, the board of directors unanimously concluded that it was in the best interests of Gaia's shareholders to actively explore the sale of the Brand Business and Gaia's interest in Natural Habitat while the spin-off process continued.

During a telephonic meeting on March 6, 2015, the board of directors discussed the engagement of a qualified investment bank to assist Gaia with considering, evaluating and exploring various strategic alternatives with respect to the potential divestment of Gaia's Brand Business, and determined that it was advisable to do so. The board of directors authorized management to contact investment banks to discuss a potential engagement.

At a March 30, 2015 meeting, the board of directors met with representatives of Stifel to discuss Gaia's engagement of Stifel as its investment bank to assist with the marketing, planning, execution and closing of the sale of the Brand Business and Gaia's interest in Natural Habitat. The board of directors considered Stifel to be a good candidate for the engagement because of Stifel's reputation in the investment banking and merger/acquisition fields, its specific experience and expertise in the consumer products, retail and travel categories, its experience representing publicly-traded companies in general, and its ability to provide full-service investment banking capabilities. On April 20, 2015, Gaia and Stifel executed an engagement letter whereby Gaia retained Stifel as its investment bank and financial advisor to assist with the planning, execution and closing of sales, whether together or separate, of the Brand Business and Gaia's interest in Natural Habitat.

Between April 20, 2015 and May 21, 2015, Stifel and Gaia's management began the process of soliciting interest in the acquisition of the Brand Business and Gaia's interest in Natural Habitat, including contacting prospective purchasers.

On May 22, 2015, Stifel representatives updated certain members of the board of directors on the process to date.

On June 2, 2015, at a meeting of the board of directors, Stifel representatives updated the board of directors regarding the process of the potential transaction involving both the Brand Business and Gaia's interest in Natural Habitat and reviewed initial bids and indications of interest. Following the update from Stifel, the board of directors resolved to continue pursuing the transactions. At the same meeting, the board of directors formed a transaction committee

comprised of Messrs. Jirka Rysavy, Michael Zimmerman, and Chris Jaeb, all of whom are directors of Gaiam, to oversee the sale of the Brand Business and Gaiam's interest in Natural Habitat and work

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with the assistance of Stifel on the same. The transaction committee was directed to monitor the progress of the process, interact with Stifel and management and provide information and feedback to Stifel and management on a more frequent basis than would be practical with the full board of directors. The transaction committee members have not and will not receive any separate compensation in connection with their service on the transaction committee.

During the period from June 2, 2015 through the meeting of the board of directors on February 22, 2016, the members of the transaction committee met among themselves 21 times to discuss the status of the transactions and, in some cases, to receive periodical updates from Stifel.

Stifel representatives began the initial marketing phase and contacted 50 potential buyers, resulting in 31 executed non-disclosure agreements and the delivery of 31 confidential information memoranda. Of the 31 potential acquirers that executed the non-disclosure agreements, six submitted first round bids. Between June and August 2015, Gaiam held management meetings with each of the bidders and provided each with access to a data room containing due diligence information. On August 4, 2015, an initial draft of a purchase agreement was made available to the six bidders. Stifel representatives sent process letters to five of the six bidders detailing a second round bid process with an outside bid date of August 17, 2015 (the sixth bidder withdrew from the process). Stifel representatives received four submissions in the second round.

On August 24, 2015, at a telephonic meeting of the board of directors, Stifel representatives updated the board of directors on the status of the transaction process and summarized each of the four second-round proposals. The board of directors instructed Stifel, after consulting with Stifel, to reject the lowest proposal outright, and to inform the second lowest bidder that its bid was materially lower than the other two bidders. That bidder subsequently withdrew. Two bidders remained, one of which was Brand Purchaser, with cash bids starting at \$180,000,000 for the combined purchase of both the Brand Business and the Travel Business.

On September 10, 2015, at a meeting of the board of directors, Stifel representatives updated the board of directors on the process and the status of negotiations with the two remaining bidders, noting in particular that, since the last board call on August 24, 2015, Gaiam's executive management, with Stifel representatives in attendance, had held calls and responded to diligence requests from both bidders. The board of directors discussed the comments to the purchase agreements submitted by the final two bidders as well as the timing and financing constraints of each bidder. The board of directors spent a portion of the meeting discussing alternatives to consummating a sale of either or both of the Brand Business and Gaiam's interest in Natural Habitat.

During the week of October 12, 2015, one of the final two bidders submitted a revised proposal for a reduced purchase price contingent on debt and equity financing for which the bidder had not received financing commitments. After consulting with Stifel, the board of directors instructed Stifel to inform the bidder that its proposal was rejected and that it did not make sense for that bidder to move forward with the negotiations based on its revised proposal.

During the week of October 19, 2015, Stifel representatives reached out directly to potential acquirers that had previously expressed interest in the process, but that had not previously submitted a bid. Two such potential acquirers indicated that they remained interested but did not desire to submit bids or reenter the process at that time.

During the period from October 20, 2015 through February 22, 2016, the board of directors met periodically with Stifel representatives in attendance providing updates to Gaiam management, the board of director's transaction committee, and the board of directors as to the status of the ongoing sale process. During this period, at the instruction of the board of directors, Stifel representatives began to explore alternative proposals, including a sale of Gaiam's interest in Natural Habitat in a transaction separate from the sale of the Brand Business and a separate sale of Gaiam's SPRI-branded business.



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Between September 10, 2015 and December 3, 2015, Brand Purchaser met with Gaiam's management several times, both at Gaiam's headquarters in Louisville, CO and in New York, NY. Gaiam and Brand Purchaser had several diligence and integration calls and continued to advance the negotiation of the Brand Purchase Agreement. During the same period, Stifel representatives continued to update the transaction committee regarding the process of the negotiations and potential alternative transactions.

On December 3, 2015 at a meeting of the board of directors, Stifel representatives updated the board of directors with respect to the potential sale of Gaiam's interest in Natural Habitat. Stifel representatives reported that they had contacted seven potential acquirers, four of which signed confidentiality agreements and received marketing materials and Natural Habitat financial information, and two of which submitted initial proposals. Stifel representatives summarized the process and key financial terms of each of the initial proposals.

During the week of January 4, 2016, Gaiam and Brand Purchaser agreed that the sale to Brand Purchaser would not include Gaiam's interest in Natural Habitat. On January 25, 2016, taking into account (i) the removal of the Travel Business, (ii) the negotiated allocation of assets and liabilities, (iii) business performance, (iv) financing and capital market trends and (v) other major terms of the Brand Business Sale, the parties agreed to proceed with the Brand Business Sale at a reduced price of \$167,000,000.

On February 22, 2016, at a meeting of the board of directors, Stifel representatives updated the board of directors on the ongoing sale process. Stifel representatives also provided certain financial analyses with respect to the Brand Business Sale.

At the April 27, 2016 meeting of the board of directors, Stifel representatives presented its preliminary financial analyses with respect of the Brand Business Sale and delivered Stifel's preliminary view as to fairness. Stifel representatives responded to a number of questions raised by the board of directors regarding its analyses and methodology.

At the same meeting on April 27, 2016, Gaiam's counsel again reviewed each of the material terms of the draft Brand Purchase Agreement and the open issues under the draft relating thereto. The open issues included, among other things, the methodology of calculating the working capital adjustment to the purchase price, indemnification and employee matters. After hearing from Gaiam's legal and financial advisors, the board of directors discussed the terms of the transaction, including the open issues and determined that management, Stifel, and Gaiam's counsel should attempt to resolve open items and negotiate the final terms of the Brand Purchase Agreement. After further discussion, the board of directors adopted resolutions declaring the Brand Business Sale and the Brand Purchase Agreement, with such changes in the Brand Purchase Agreement as the officers of Gaiam executing the same determined to be acceptable relating to the open points, and the Name Change to be advisable and the best interest of Gaiam's shareholders as an inducement for Brand Purchaser to enter into the Brand Purchase Agreement, and recommending that the shareholders vote in favor of both.

Between April 27, 2016 and May 10, 2016, representatives of the board of directors, Stifel, Gaiam's counsel, Brand Purchaser and Brand Purchaser's counsel, had a series of telephone calls during which the remaining open issues under the Brand Purchase Agreement were resolved.

In early May 2016, Gaiam and Brand Purchaser agreed that the Brand Business Sale would be structured as a sale of the Brand Holdco membership interest to Brand Purchaser and a sale of certain Brand Business assets to FFL Purchaser, one of Brand Purchaser's intended licensees, with FFL Purchaser to assume certain liabilities associated with the Brand Business. On May 6, 2016, Brand Purchaser's counsel circulated a revised draft of the Brand Purchase Agreement and an initial draft of the FFL Purchase Agreement to reflect this structure. During the ensuing days,

Gaiam, Brand Purchaser, FFL Purchaser and their respective counsel negotiated the revised terms of the Brand Purchase Agreement and the terms of the FFL Purchase Agreement.

On May 10, 2016, at a telephonic meeting of the board of directors, Gaiam's management and counsel reviewed the terms of the final drafts of the Brand Purchase Agreement and the FFL Purchase Agreement with the board of



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directors and highlighted the material changes to the transaction terms that had occurred since the April 27, 2016 meeting. In addition, Stifel representatives presented its financial analyses with respect of the Brand Business Sale and then delivered the firm's fairness opinion, which was confirmed by a written opinion delivered after the meeting. The fairness opinion concluded that, based upon and subject to the procedures followed, limitations on the review undertaken and assumptions made and qualifications and other matters contained in Stifel's opinion, Stifel was of the opinion that, as of the date of its opinion, the aggregate consideration to be received by Gaiam from Brand Purchaser and FFL Purchaser in the Brand Business Sale pursuant to the Brand Purchase Agreement and the FFL Purchase Agreement was fair to Gaiam from a financial point of view. After hearing from Gaiam's legal and financial advisors, the board of directors discussed the terms of the transaction, and adopted resolutions declaring the Brand Business Sale, the Brand Purchase Agreement and the FFL Purchase Agreement, and the Name Change to be advisable and the best interest of Gaiam's shareholders as an inducement for Brand Purchaser to enter into the Brand Purchase Agreement, and recommending that the shareholders vote in favor of both.

On May 10, 2016, Gaiam, Brand Purchaser and Sequential executed the Brand Purchase Agreement and Gaiam and FFL Purchaser executed the FFL Purchase Agreement, and Gaiam filed a Current Report on Form 8-K to announce the parties' execution of the Brand Purchase Agreement and the FFL Purchase Agreement.

On May 10, 2016 and May 16, 2016, as applicable, shareholders beneficially owning, in the aggregate, a majority of the voting interest in Gaiam's issued and outstanding common stock, executed and delivered to Gaiam written consents approving (i) the Brand Business Sale, the Brand Purchase Agreement and the FFL Purchase Agreement, (ii) on an advisory basis, the Change-in-Control Compensation, and (iii) the Name Change.

As of the date of this information statement, Gaiam has not had any other offer from a different potential purchaser of its business or assets since Gaiam first publicly announced the execution of the Brand Purchase Agreement and the FFL Purchase Agreement on May 10, 2016.

**Reasons for the Brand Business Sale**

In the course of reaching its decision to approve the Brand Business Sale, the Brand Purchase Agreement, the FFL Purchase Agreement and the transactions contemplated thereby and recommend approval by Gaiam's shareholders of the Brand Business Sale, our board of directors consulted with senior management of Gaiam and Gaiam's financial and legal advisors, and considered a number of factors that the board of directors believed supported its decision, including, but not limited to, the following factors:

*Strategic and Financial Considerations.* The board of director's view that the Brand Business Sale will provide a number of strategic and financial benefits to Gaiam, including the following:

The board of directors believes that the Brand Business Sale would generate greater, and more certain, shareholder value and be more favorable to shareholders than any other alternative reasonably available to Gaiam, including, among others, retaining and operating the Brand Business and other potential acquisition or disposition transactions relating to the Brand Business or the Brand Companies.

The board of directors believes that the costs and time required to operate the two microcap public companies that would result from the spin-off transaction could make it difficult for either to manage their respective business as efficiently as other competitors.

The fact that the share price of Gaiam's Class A common stock has been at a discount to Gaiam's sum-of-the-parts value, and that the aggregate consideration of \$167,000,000 to be paid by Brand Purchaser and FFL Purchaser to acquire the Brand Business and the \$12,850,000 of consideration received in connection with the sale of the Travel Business collectively exceeded the market capitalization of Gaiam by approximately 13%, based on the average closing prices of Gaiam's stock during the 30 trading days immediately preceding May 10, 2016, which is the trading day on which the Brand Purchase Agreement and the transactions contemplated thereby were approved by the board of directors, and the number of shares outstanding on such date.

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The all-cash proceeds from the Brand Business Sale would both better capitalize Gaiam and permit the board of directors to consider options to provide immediate value to Gaiam's shareholders, including through the possible distribution of cash to Gaiam's shareholders through the repurchasing of outstanding shares of Gaiam's Class A common stock, including by means of a tender offer.

The sale of the Brand Business significantly reduces the execution risk implicit in a change in senior management, including the need for Gaiam to find and hire a replacement for Lynn Powers, Gaiam's Chief Executive Officer, who previously announced her intention to retire. Ms. Powers currently dedicates substantially all of her time to the Brand Business.

The sale of the Brand Business and Gaiam's interest in Natural Habitat would allow Gaiam to focus its management's attention and resources on one business (a primary goal of the proposed spin-off), while providing significantly better capitalization for that business than would have been achieved from the spin-off transaction alone.

*Opinion of Financial Advisor.* The opinion of Stifel to Gaiam's board of directors that, based upon and subject to the procedures followed, limitations on the review undertaken, assumptions made and qualifications and other matters contained in Stifel's opinion, as of the date of Stifel's opinion, the aggregate consideration of \$167,000,000 in cash to be received by Gaiam from Brand Purchaser and FFL Purchaser in the Brand Business Sale pursuant to the Brand Purchase Agreement and the FFL Purchase Agreement was fair to Gaiam, from a financial point of view. See Matter No. 1: The Brand Business Sale – Opinion of Gaiam's Financial Advisor.

*Scope and Scale of Process.* Gaiam, with the assistance of Stifel, conducted an extensive sale process with respect to the Brand Business, select divisions of the Brand Business, and Gaiam's interest in Natural Habitat. This sale process included communicating with a total of 50 potential purchasers, executing non-disclosure agreements with 31 potential purchasers, holding management meetings with six of the potential purchasers and receiving initial bids from six potential purchasers. Once the board of directors determined to separately market Gaiam's interest in Natural Habitat, Stifel representatives contacted an additional seven potential purchasers, executing non-disclosure agreements with four of them, and receiving two bids. In addition, the board of director's view was that the Brand Purchaser's proposal, as compared to the other proposals received for the Brand Business, was more favorable than the alternatives available to Gaiam, including the other acquisition proposals submitted for the Brand Business, the alternative of retaining the Brand Business and the spin-off of the Subscription Business.

*Tax Treatment of the Proceeds from the Brand Business Sale.* The board of director's expectation that Gaiam's current tax attributes, including its net operating loss carry forward tax assets, will be available to offset a substantial portion of the gain realized for U.S. federal income tax purposes by Gaiam as a result of the Brand Business Sale.

*Familiarity with the Brand Business.* The board of directors considered its knowledge of the business, operation, financial condition, earnings, and prospects of the Brand Business, including management's future projections for the Brand Business.

*High Likelihood of Consummation.* The board of director's view that the Brand Business Sale has a high likelihood of being completed in a timely manner given the commitment of the parties to complete the Brand Business Sale pursuant to their respective obligations under the Brand Purchase Agreement and the FFL Purchase Agreement, the absence of any significant closing conditions under the Brand Purchase Agreement, other than shareholder approval and expiration or termination of the applicable waiting period under U.S. antitrust laws, and the FFL Purchase Agreement, Brand Purchaser's obligation to close the Brand Sale under the Brand Purchase Agreement even if the

Working Capital Sale under the FFL Purchase Agreement has not closed, and the likelihood that director approval and financing for Brand Purchaser and FFL Purchaser would be obtained.

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*Terms and Conditions of the Brand Purchase Agreement.* The board of director's view that the following terms and conditions of the Brand Purchase Agreement and the FFL Purchase Agreement were favorable to Gaiam:

an all-cash purchase price in an amount in excess of Gaiam's market capitalization (when taking into account the value of the consideration received in connection with the sale of the Travel Business);

the absence of a financing condition for Brand Purchaser and FFL Purchaser;

a guaranty by Sequential, a publicly-traded company with a market capitalization of approximately \$344.7 million as of April 29, 2016, of Brand Purchaser's obligations under the Brand Purchase Agreement;

a cap on the amount of any post-closing adjustment to the working capital of the Brand Companies;

Brand Purchaser's willingness to obtain and solely rely on a representation and warranty insurance policy with respect to any breach of, or inaccuracy in, Gaiam's representations and warranties and with respect to certain tax matters, subject to certain limited exceptions;

Brand Purchaser's willingness to be liable for the deductible (if payable) for the representation and warranty insurance policy;

the absence of any significant representations and warranties by Gaiam in the FFL Purchase Agreement and FFL Purchaser's willingness to acquire the FFL Acquired Assets as is, where is ;

the limited survival of the majority of post-closing covenants in the Brand Purchase Agreement to 12 months;

Brand Purchaser's obligation to close the Brand Sale under the Brand Purchase Agreement even if the Working Capital Sale under the FFL Purchase Agreement has not closed; and

Gaiam's right to terminate the Brand Purchase Agreement and accept a superior proposal, subject to Gaiam paying to Brand Purchaser the Termination Fee.

*Analysis of the Spin-Off of the Subscription Business and other Strategic Alternatives.* The board of director's view that the Brand Business Sale is superior to alternative transactions for a number of reasons, including the following:

to preserve the tax free nature of Gaiam's proposed spin-off of the Subscription Business, Gaiam would be prohibited from selling the Brand Business for a period of two years following the effective date of the spin-off, which could prevent Gaiam from completing a sale at the current purchase price, which the board of directors has determined to be favorable to Gaiam, and in the best interests of Gaiam's shareholders;

the Brand Business Sale will immediately provide Gaiam with greater financial resources with which to build the Subscription Business than would be immediately available if the proposed spin-off of the Subscription Business was consummated; and

the execution risk implicit in a change in senior management, including the need for Gaiam to find and hire a replacement for Lynn Powers, Gaiam's Chief Executive Officer, who previously announced her intention to retire. Ms. Powers currently dedicates substantially all of her time to the Brand Business.

The board of directors also considered a variety of risks and other potentially negative factors concerning the Brand Business Sale, the Brand Purchase Agreement, the FFL Purchase Agreement and the transactions contemplated by the Brand Purchase Agreement and the FFL Purchase Agreement, including, among others, the following factors:

the risks and contingencies relating to the announcement and pendency of the Brand Business Sale and the risk and costs to Gaiam if the Brand Business Sale is not completed, including the effect of an announcement of termination of the Brand Purchase Agreement or the FFL Purchase Agreement on the trading price of Gaiam's common stock, business, and relationships with its customers, suppliers and employees;

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if the Brand Purchase Agreement is terminated in connection with Gaiam entering into an Alternative Transaction, the obligation of Gaiam to pay Brand Purchaser the Termination Fee;

the provisions of the Brand Purchase Agreement placing restrictions on the operations of the Brand Companies until the closing of the Brand Business Sale;

the risk of diverting management focus, employee attention and resources from other strategic opportunities and from operational matters while working to complete the Brand Business Sale;

possible negative effects resulting from the uncertainty during the period from the public announcement of the Brand Business Sale until the closing thereof, including, but not limited to, the potential departure of officers and employees;

possible negative effects from the departure of officers and employees as a result of the closing of the Brand Business Sale; and

the substantial costs to be incurred in connection with the Brand Business Sale, including the transaction expenses arising from the Brand Business Sale.

In addition to considering the factors described above, the board of directors considered the fact that some of Gaiam's executive officers have interests in the Brand Business Sale that are different from, or in addition to, the interests of Gaiam's shareholders generally, as discussed under Matter No. 1: The Brand Business Sale - Interests of Certain Persons in or Opposition to Matter to be Acted Upon.

The above discussion of the factors considered by the board of directors is not intended to be exhaustive, but does set forth the material factors that were considered by the board of directors. In view of the wide variety of factors considered in connection with its evaluation of the Brand Business Sale, and the complexity of these matters, the board of directors did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative or specific weight or values to any of the factors discussed above. Individual directors may have held varied views on the relative importance of the factors considered. The board of directors viewed its position and recommendation as being based on an overall review of the totality of the information available to it, including discussions with Gaiam's senior management and legal and financial advisors, and overall considered these factors to be favorable to, and to support the board of director's determination regarding the Brand Business Sale.

This explanation of the board of director's reasons for the Brand Business Sale and other information presented in this section may be forward-looking in nature and should be read in light of the Cautionary Statement Concerning Forward-Looking Statements.

**The Brand Purchase Agreement**

*The following summary describes the material terms and provisions of the Brand Purchase Agreement. The terms and provisions of the Brand Purchase Agreement are complicated and not easily summarized. The Brand Purchase Agreement is attached to this information statement as Annex A and is incorporated by reference into this information statement. You are encouraged to read it carefully in its entirety for a more complete understanding of the Brand*

*Purchase Agreement and the Brand Business Sale.*

*The Brand Purchase Agreement and the following summary have been included to provide you with information regarding the material terms and provisions of the Brand Purchase Agreement and the transactions described in this information statement. Gaiam does not intend that the Brand Purchase Agreement or any of its terms or provisions will constitute a source of business or operational information related to Gaiam. The representations and warranties of Gaiam and its subsidiaries contained in the Brand Purchase Agreement (i) were made for purposes of the Brand Purchase Agreement, (ii) have been qualified by confidential disclosures made to the other parties to the Brand Purchase Agreement in connection with the Brand Purchase Agreement that may contain*



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*some nonpublic information that is not material under applicable securities laws (and shareholders should read the Brand Purchase Agreement in the context of Gaiaam's other public disclosures in order to have a materially complete understanding of the Brand Purchase Agreement disclosures), (iii) are subject to materiality qualifications contained in the Brand Purchase Agreement which may differ from what may be viewed as material by shareholders, (iv) were made only as of the date of the Brand Purchase Agreement or such other date as is specified in the Brand Purchase Agreement, and (v) have been included in the Brand Purchase Agreement for the purpose of allocating risk between the contracting parties rather than establishing matters as facts. Shareholders should not rely on the representations and warranties or any descriptions thereof as characterizations of the actual state of facts or condition of Gaiaam or any of its subsidiaries or affiliates. Other than as disclosed in this information statement, as of the date of this information statement Gaiaam is not aware of any material facts that are required to be disclosed under the federal securities laws that would contradict the representations and warranties in the Brand Purchase Agreement. Gaiaam will provide additional disclosure in its public reports to the extent that it is aware of the existence of any material facts that are required to be disclosed under federal securities laws and that might otherwise contradict the terms and information contained in the Brand Purchase Agreement and will update such disclosure as required by federal securities laws. Further, information concerning the subject matter of these representation or warranties may have changed since the date of the Brand Purchase Agreement. To the extent any such material change has occurred or occurs in the future, Gaiaam has included and will include in its public reports any material information necessary to provide shareholders a materially complete understanding of the Brand Purchase Agreement disclosures. Accordingly, the Brand Purchase Agreement should not be read alone, but should instead be read in conjunction with the other information regarding Gaiaam and its subsidiaries that has been, is or will be contained in, or incorporated by reference into, the Forms 10-K, Forms 10-Q, Forms 8-K, proxy statements, registration statements and other documents that Gaiaam files with the Securities and Exchange Commission. Business and operational information regarding Gaiaam can be found elsewhere in this information statement and in the other public documents that Gaiaam files with the Securities and Exchange Commission. See *The Companies* Gaiaam, Inc.*

*General*

Under the Brand Purchase Agreement, Brand Purchaser will purchase from Gaiaam all of Gaiaam's interest in Brand Holdco, which, directly, and indirectly through its subsidiaries, holds substantially all of Gaiaam's assets, and assume substantially all of the liabilities, primarily related to, or used in the Brand Business, other than the FFL Acquired Assets and the FFL Assumed Liabilities which will be transferred and assigned pursuant to the terms of the FFL Purchase Agreement immediately before the closing of the Brand Sale. The assets and liabilities associated with the Brand Business are held by the Brand Companies and include such assets and liabilities as described in Matter No. 1: The Brand Business Sale The Brand Business Sale.

*Purchase Price*

The aggregate purchase price for the membership interest of Brand Holdco under the Brand Purchase Agreement will be \$145,700,000 in cash, subject to adjustments at closing and post-closing for cash and cash equivalents, indebtedness and transaction expenses of the Brand Companies.

*Adjustment Escrow Account*

At the closing of the Brand Sale, a portion of the purchase price equal to \$5,010,000 (the Adjustment Escrow Amount) shall be deposited by Brand Purchaser into an escrow account to be held in escrow by an escrow agent in accordance with the terms of an escrow agreement among Gaiaam, the Brand Purchaser and such escrow agent.

*Purchase Price Adjustment*

Brand Purchaser will pay estimated net cash consideration to Gaiam at the closing of the Brand Sale and the parties will determine the final net cash consideration after closing and reconcile any shortfall or excess.

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Before the closing of the Brand Sale, Gaiam will provide Brand Purchaser with estimated closing amounts of the Brand Companies' cash and cash equivalents, indebtedness and unpaid Brand Business Sale transaction expenses. At closing of the Brand Sale, Brand Purchaser will pay to Gaiam an estimated net cash consideration equal to the \$145,700,000 purchase price, minus the Adjustment Escrow Amount, plus the estimated closing cash and cash equivalents, minus estimated indebtedness and minus the estimated unpaid Brand Company transaction expenses.

As promptly as practicable after the closing of the Brand Sale, Brand Purchaser will calculate the final net cash consideration, using the calculation for estimated net cash consideration described above, based on the actual closing amounts of the Brand Companies' cash and cash equivalents, indebtedness and unpaid Brand Company transaction expenses.

If the final net cash consideration is greater than the estimated net cash consideration paid at the closing of the Brand Sale, within three business days of the determination of the final net cash consideration, Brand Purchaser shall pay a cash amount equal to the excess to Gaiam, and Gaiam and Brand Purchaser shall deliver a joint instruction to the escrow agent to distribute all funds remaining in the Adjustment Escrow Account to Gaiam.

If the final net cash consideration is less than the estimated net cash consideration paid at the closing of the Brand Sale, within three business days of the determination of the final net cash consideration, Gaiam and Brand Purchaser shall deliver a joint instruction to the escrow agent to distribute from the Adjustment Escrow Amount held in escrow (a) to Brand Purchaser, a cash amount equal to the deficit (not to exceed the Adjustment Escrow Amount), and (b) to Gaiam, any portion of the Adjustment Escrow Amount remaining thereafter.

Any severance payments that are due and payable to any Brand Company employee upon their termination at any time prior to the closing of the Brand Sale, as well as any applicable payroll taxes related to such severance payments, will be part of the Brand Company transaction expenses and deducted from the purchase price as described above, unless such termination was requested in writing by Brand Purchaser.

*Representations and Warranties*

The Brand Purchase Agreement contains representations and warranties made by each of the parties regarding aspect of its business, financial condition and structure and other facts pertinent to the Brand Sale. The sole recourse for any damages with respect to any breach of, or inaccuracy in, Gaiam's representations and warranties contained in the Brand Purchase Agreement shall be the representation and warranty insurance policy in favor of Brand Purchaser as discussed in greater detail under the heading *Matter No. 1: The Brand Business Sale - Representations and Warranties Insurance Policy*, subject to certain limited exceptions. See disclaimer regarding these representations and warranties under the heading *Matter No. 1: The Brand Business Sale - The Brand Purchase Agreement*. The Brand Purchase Agreement contains certain representations and warranties made by Gaiam regarding, among other things, the following subjects:

Gaiam's corporate organization and power, and good standing;

absence of restrictions preventing the payment of dividends and other distributions by any of the Brand Companies;

the authorization, execution, delivery, performance, and enforceability of the Brand Purchase Agreement and the documents, instruments, certificates and agreements executed in connection with the Brand Purchase Agreement, including without limitation, an escrow agreement, an intellectual property license agreement and a transition services agreement (the Brand Collateral Agreements );

approval by Gaiam s board of directors;

the absence of conflicts with, or defaults under, Gaiam s organizational documents, material contracts, and applicable law;

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Gaiam's good and valid title to the issued and outstanding equity securities of Brand Holdco, free and clear of any liens other than permitted liens;

no outstanding judgments impair the consummation of the transactions contemplated by the Brand Purchase Agreement;

solvency of Gaiam; and

broker fees and expenses.

In addition, the Brand Purchase Agreement contains certain representations and warranties made by Gaiam with respect to the Brand Companies, regarding, among other things the following subjects:

corporate organization and power, qualification, and good standing;

the capitalization and due authorization and valid issuance of the outstanding equity securities of the Brand Companies;

the authorization, execution, delivery, performance, and enforceability of the Brand Collateral Agreements by the Brand Companies;

the absence of conflicts with, or defaults under, the Brand Companies' organizational documents, other contracts, and applicable law;

the financial statements and their compliance with U.S. generally accepted accounting principles;

the absence of certain undisclosed liabilities, off-balance sheet arrangements, and pending claims entitling any director or officer of Gaiam or any Brand Company to indemnification;

the absence of certain material adverse changes since December 31, 2015;

good and valid title, or valid and enforceable leasehold interests, by the Brand Companies to tangible and intangible personal property and assets included in the financial statements or thereafter acquired, as applicable;

leased real property;

intellectual property;

material contracts related to the Brand Business, including materiality requirements and thresholds related thereto;

insurance policies;

tax compliance and related matters with respect to Gaiam and the Brand Companies;

the absence of litigation proceedings and outstanding judgments;

benefit plans, and employee and labor matters;

compliance with applicable laws and possession of necessary permits;

agreements with related parties;

compliance with applicable anti-bribery and anti-corruption laws;

broker fees and expenses;

Brand Holdco's status as a holding company, its operations, assets, contracts and liabilities, and the assignment of assets and liabilities to Brand Holdco under the Contribution Agreement;

environmental matters;

information technology assets;

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privacy matters;

possession and characteristics of the Brand Business inventory;

absence of material defects and absence of product liability claims since January 1, 2012;

continuing relationships with certain existing suppliers and customers since December 31, 2015; and

proper statement, validity and enforceability of the Brand Companies' accounts receivable.

In addition, Brand Purchaser made certain representations and warranties to us regarding, among other things, the following subjects:

the authorization, execution, delivery, performance, and enforceability of the Brand Purchase Agreement and the Brand Collateral Agreements;

the absence of conflicts with, or defaults under, Brand Purchaser's organizational documents, material contracts, and applicable law;

solvency of Brand Purchaser after closing, assuming accuracy of representations and warranties of Gaiam;

debt financing and debt commitment letter related to the financing of the purchase price;

absence of outstanding judgements;

non-reliance of Brand Purchaser and acknowledgment of no other representations or warranties;

broker fees and expenses;

investment intention; and

investigation and verification of the business, operations and financial conditions of the Brand Companies. A number of our representations and warranties contained in the Brand Purchase Agreement are qualified by materiality or include a material adverse effect standard. For the purposes of our representations and warranties in the Brand Purchase Agreement, "Material Adverse Effect" is defined to mean any change, event, effect, condition or

circumstance, or series of related changes, events, effects, conditions or circumstances that, individually or when taken together:

has or would reasonably be likely to have a materially adverse effect on the business, assets, liabilities, results of operations or condition (financial or otherwise) of the Brand Companies, taken as a whole; or

would reasonably be expected to materially prevent the consummation of the transactions contemplated by the Brand Purchase Agreement.

However, any change, event, effect, condition or circumstance that would satisfy the bullets above that occurred after the date of the Brand Purchase Agreement will not be deemed to constitute a Material Adverse Effect if it is related to, or arises from:

actions or inactions expressly required or expressly permitted by the Brand Purchase Agreement;

the announcement or pendency of the Brand Purchase Agreement and the transactions contemplated by the Brand Purchase Agreement;

the failure of the Brand Companies to meet their financial projections;

a change in general political, economic, or financial market conditions;

a change that affected the industries in which the Brand Companies operate generally;



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any changes after the date of the Brand Purchase Agreement in U.S. generally accepted accounting principles or applicable law; and

natural disaster, sabotage, acts of terrorism, war (whether or not declared) or other outbreak of hostilities. However, with respect to each of the last four bullets, there will be a Material Adverse Effect if such change, event, effect, condition or circumstance has a disproportionately adverse effect on the Brand Companies relative to others operating in the industry in which the Brand Companies operate.

*Conditions to Closing*

Gaiam and Brand Purchaser are not obligated to complete the Brand Sale unless a number of conditions are satisfied or waived. The joint closing conditions include:

the waiting periods (and all extensions thereof) under antitrust laws relating to the transactions contemplated under the Brand Purchase Agreement will have expired or been terminated and all other material regulatory and government approvals required under antitrust laws in connection with the transactions will have been obtained;

no governmental entity of competent jurisdiction will have issued any temporary restraining order, preliminary, or permanent injunction or other order that has the effect of, or seeks to, prohibit or challenge the consummation of the transactions contemplated by the Brand Purchase Agreement; and

the approval by Gaiam's shareholders of the Brand Purchase Agreement and the transactions contemplated by the Brand Purchase Agreement has been obtained.

In addition, the obligation of Brand Purchaser to effect the Brand Business Sale is subject to the satisfaction or waiver of additional closing conditions, including:

each of the representations and warranties of Gaiam shall be true and correct in all respects on and as of the date of signing of the Brand Purchase Agreement and on the date of closing of the Brand Sale (subject to certain exceptions and materiality requirements as set forth in the Brand Purchase Agreement);

Gaiam must have performed or complied in all material respects with all covenants required by the Brand Purchase Agreement, that are to be performed or complied with by Gaiam;

since the date of execution of the Brand Purchase Agreement, no Material Adverse Effect has occurred and no other events shall have occurred that would, in the aggregate, reasonably be expected to have a Material Adverse Effect;

Brand Purchaser must have received all of the items required to be delivered to it by Gaiam and the Brand Companies, as applicable, at the closing of the Brand Sale, pursuant to the Brand Purchase Agreement; and

either the consummation of the Working Capital Sale, or the transfer and assignment of the FFL Acquired Assets from the Brand Companies to Gaiam.

In addition, the obligation of Gaiam to effect the Brand Sale is subject to the satisfaction or waiver of additional closing conditions, including:

each of the representations and warranties of Brand Purchaser shall be true and correct in all material respects on and as of the date of signing of the Brand Purchase Agreement and on the date of closing of the Brand Business Sale (subject to certain exceptions and materiality requirements as set forth in the Brand Purchase Agreement).

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Brand Purchaser must have performed or complied in all material respects with all covenants required by the Brand Purchase Agreement that are to be performed or complied with by Brand Purchaser;

Gaiam must have received all of the items required to be delivered to it by Brand Purchaser at the closing of the Brand Business Sale, pursuant to the Brand Purchase Agreement; and

the consummation of the Working Capital Sale.

*Covenants*

The Brand Purchase Agreement contains numerous covenants of Brand Purchaser, Sequential, Gaiam and the Brand Companies during the period up to and including the date of closing of the Brand Business Sale, and in some instances, after the date of closing of the Brand Business Sale.

The Brand Purchase Agreement contains covenants of Brand Purchaser and Sequential, as applicable, relating to, among other things:

providing commercially reasonable access upon reasonable notice to information and documentation of the Brand Companies for a period of time after the closing of the Brand Business Sale;

maintaining books and records of the Brand Business for a period of time after the closing of the Brand Business Sale;

using commercially reasonable efforts to take such actions as are necessary to cause the conditions to the obligations of the other party to be satisfied;

using reasonable best efforts to take, or cause to be taken, all actions necessary to have fully bound by the closing date the representation and warranty policy;

using best efforts to obtain debt financing to fund the purchase price for the Brand Business Sale;

non-disparagement by Sequential, Brand Purchaser and their respective representatives;

non-competition and non-interference by Sequential and Brand Purchaser for two years following the closing of the Brand Business Sale; and

non-solicitation of employees by Sequential and Brand Purchaser for two years following the closing of the Brand Business Sale;

Brand Purchaser paying to the Brand Companies payroll provider an aggregate amount equal to \$1,341,864, subject to adjustment, in respect of the Brand Companies severance obligations as of the closing date for further distribution to the employees receiving severance; and

Brand Purchaser paying an aggregate amount equal to the required payments in lieu of notice for the balance of the applicable WARN notice period to the Brand Companies payroll provider as of the closing date for further distribution to certain employees, if the closing date occurs before 60 days following the date on which WARN notices were delivered to those employees.

The Brand Purchase Agreement contains covenants of Gaiam and the Brand Companies relating to, among other things:

the conduct of Gaiam's and the Brand Companies' business operations before the closing of the Brand Business Sale, as discussed below in Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Conduct of Business Pending the Consummation of the Brand Business Sale;

providing Brand Purchaser, its financing sources and their respective representatives with access to, and deliveries of, certain information related to the Brand Companies prior to, and for a period of time after, the closing of the Brand Business Sale;

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providing commercially reasonable access upon reasonable notice to information and documentation of Gaiaam for a period of time after the closing of the Brand Business Sale;

the declaration and payment of dividends or distributions by the Brand Companies;

reasonable cooperation with Brand Purchaser in connection with Brand Purchaser obtaining its debt financing to fund the purchase price for the Brand Business Sale before the closing of the Brand Business Sale;

keeping certain information concerning Gaiaam s and the Brand Companies business and other matters confidential;

making public statements with respect to the Brand Purchase Agreement or the transactions contemplated by the Brand Purchase Agreement;

using commercially reasonable efforts to take such actions as are necessary to cause the conditions to the obligations of the other party to be satisfied;

complying with the notification and reporting requirements of the HSR Act within 10 business days after execution of the Brand Purchase Agreement, and using commercially reasonable efforts to obtain early termination of the waiting period under the HSR Act;

using commercial reasonable efforts to obtain consents and approvals as necessary from governmental entities in connection with the Brand Business Sale;

using commercially reasonable efforts to obtain certain required third party consents;

using reasonable efforts to assist Brand Purchaser in obtaining a fully bound buyer-side representations and warranties policy, for which a portion of the premiums thereunder, estimated to be \$2,246,357, shall be paid by Gaiaam;

providing prompt notification of certain matters including any material proceedings in connection with the Brand Sale and related transactions, or the occurrence of any change, effect, condition or circumstance that has had or would reasonably be expected to have a Material Adverse Effect;

certain employee and employee benefits-related matters;

the purchase and maintenance of an insurance tail policy with respect to director's and officer's insurance;

using best efforts to obtain the required shareholder consent;

payment of, and filings related, to taxes and fees incurred in connection with the Brand Business Sale and other transactions contemplated by the Brand Purchase Agreement;

non-disparagement by Gaiam and its representatives;

non-competition and non-interference by Gaiam for two years following the closing of the Brand Sale, subject to certain exceptions;

non-solicitation of employees, clients, customers, suppliers, licensees and business relations by Gaiam for two years following the date of closing of the Brand Sale, subject to certain exceptions;

intellectual property title matters and Gaiam and its affiliates' use of intellectual property following the closing;

review and filing of this information statement with the Securities and Exchange Commission;

alternative transactions, non-solicitation and superior proposals, as explained in greater detail in Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Non-Solicitation;

delivering certain notifications to employees of the Brand Companies; and

restrictions on termination, amendment, modification or supplement of the FFL Purchase Agreement in any material respect.

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*Conduct of Business Pending the Consummation of the Brand Sale*

Except as expressly permitted or required by the terms of the Brand Purchase Agreement, or as required by applicable law, Gaiam has agreed that, from the date of the Brand Purchase Agreement to the closing of the Brand Sale, Gaiam shall cause the Brand Companies to conduct their respective businesses in the ordinary course consistent with past practice, unless Brand Purchaser otherwise consents in writing. Without limiting the generality of the foregoing, Gaiam has agreed that it shall not, and shall cause the Brand Companies not to, do any of the following, without Brand Purchaser's prior written consent (which consent shall not be unreasonably withheld or delayed):

to amend any of the Brand Companies' organizational documents;

authorize for issuance, issue, sell or deliver any equity securities of the Brand Companies;

split, combine, redeem, reclassify, purchase or otherwise acquire, directly or indirectly, any equity securities of the Brand Companies, or make any other change in the capital structure of the Brand Companies;

allow any Brand Company to:

incur or assume any debt for borrowed money or guarantee any such debt, in excess of \$50,000 other than in the ordinary course of business consistent with past practice;

permit or allow any of its assets, including intellectual property, to become subjected to any lien which is not released on or before the closing of the Brand Sale (other than liens permitted in the Brand Purchase Agreement);

acquire by merger, consolidation, purchase or in any other manner any business or entity or other business organization or division thereof;

form any subsidiary;

write off as uncollectible any notes or accounts receivable in excess of \$250,000, except write-offs in the ordinary course of business consistent with past practice;

make or incur capital expenditures outside the ordinary course of business in excess of \$100,000;

other than pursuant to the FFL Purchase Agreement, other than the sale of inventory in the ordinary course of business consistent with past practice, sell, lease, license, transfer, cancel or otherwise dispose of any of its assets, including but not limited to intellectual property (other than non-exclusive licenses granted in the ordinary course of business consistent with past practice), that are material, individually or in the aggregate, to the Brand Business as a whole;

purchase or enter into any lease of real property other than extensions of existing leases in the ordinary course of business;

except as required by U.S. generally accepted accounting principles, make any material change in any method of accounting or auditing practice;

(i) make, revoke or amend any tax election, change in any respect any accounting method for tax purposes, file any tax return outside the ordinary course of business or amend any tax return, (ii) settle any tax claim or enter into any tax sharing or similar, contract, (iii) surrender any right to claim a material tax refund, or (iv) consent to any extension or waiver of the limitations period (other than one resulting from obtaining a valid extension of time to file tax returns in the ordinary course) applicable to any tax claim or assessment;

settle or compromise any dispute regarding a tax liability outside the ordinary course of business;

discharge or settle any material litigation or other proceeding, other than with respect to certain matters disclosed in the Brand Purchase Agreement and payments, discharges, settlements or satisfactions in the ordinary course of business and consistent with past practice;



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except in the ordinary course of business consistent with past practice, (i) increase the number of Brand Business employees by more than 2% from that in effect as of the date of the Brand Purchase Agreement or terminate any key employee, (ii) increase the base compensation, bonus opportunity, pension, welfare, fringe or other benefits payable to Brand Business employees, (iii) pay any bonus or make any incentive awards to Brand Business employees, (iv) adopt or enter into, amend, modify or terminate certain benefit plans with respect to Brand Business employees, (v) negotiate, assume, amend, extend or renew or enter into any labor or collective bargaining agreement relating to the Brand Business, or (vi) take any action to amend, waive or accelerate the vesting or payment of any compensation or benefit under any benefit plan with respect to Brand Business employees (for the avoidance of doubt, the Brand Purchase Agreement does not prohibit Gaiam from taking any such actions with respect to benefit plans for Gaiam employees who are not also Brand Business employees);

plan, announce, implement or effect any reduction in force, lay off, early retirement program, severance program or other program or effort concerning the termination of employment of employees of the Brand Business (other than routine employee terminations for cause);

allow any Brand Business insurance policies to lapse or any changes to be made to any such insurance policies so as to adversely affect the insurance coverage of the Brand Companies or their properties and assets following the closing of the Brand Business Sale; or

enter into any contract, agree, commit or offer to take any of the foregoing actions.

*No Solicitation*

**Alternative Transaction Proposal**

Gaiam shall not, and shall cause its subsidiaries (including the Brand Companies) and its and their respective representatives to not, (i) solicit, initiate or knowingly facilitate, induce or encourage the making of any proposal or offer that constitutes or would reasonably be expected to lead to an Alternative Transaction Proposal, or (ii) enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any person any information with respect to, or otherwise cooperate in any way that would otherwise reasonably be expected to lead to, any Alternative Transaction Proposal.

**Superior Proposal**

In the event that Gaiam or any Brand Company receives after the date of the Brand Purchase Agreement an unsolicited, bona fide written Alternative Transaction Proposal which the board of directors determines to be, or to be reasonably likely to result in, a Superior Proposal, Gaiam may then take the following actions so long as (i) the board of directors concludes in good faith, after consultation with its outside legal counsel, that the failure to take the following actions would be inconsistent with its fiduciary duties under applicable law, (ii) Gaiam has given Brand Purchaser prior written notice of its intention to take any of the following actions, the identity of the person or group making such Alternative Transaction Proposal, and the material terms and conditions of such Alternative Transaction, and (iii) Gaiam has not breached any of, and continues to comply with all of, its obligations under the Brand Purchase Agreement with respect to an Alternative Transaction:

furnish nonpublic information with respect to Gaiam and its subsidiaries and the Brand Business to the person or group making the Alternative Transaction Proposal; provided, that prior to furnishing any such nonpublic information, it receives from such person or group an executed confidentiality agreement at least as restrictive as the terms contained in the confidentiality agreement entered into with Brand Purchaser in connection with the Brand Business Sale and which shall not contain any exclusivity provision or other term that would restrict, in any manner, Gaiam's ability to consummate the transactions contemplated by the Brand Purchase Agreement; and

engage in discussions or negotiations with such person or group with respect to such Alternative Transaction Proposal.

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**Changes of Recommendation**

Except with respect to a Superior Proposal properly brought before Gaiam's board of directors in compliance with the Brand Purchase Agreement, neither the board of directors nor any committee thereof shall (i) (a) withdraw or qualify (or amend or modify in a manner adverse to Brand Purchaser), or fail to make the approval, recommendation or declaration of advisability by the board of directors or any committee thereof of the Brand Purchase Agreement, or the transactions contemplated by the Brand Purchase Agreement, (b) recommend, adopt or approve any Alternative Transaction Proposal, (c) publicly make any recommendation in connection with an Alternative Transaction Proposal other than a recommendation against such proposal, or (d) if an Alternative Transaction Proposal shall have been publicly announced or disclosed, if so requested by Brand Purchaser, fail to recommend against such Alternative Transaction Proposal or fail to reaffirm the approval, recommendation and declaration of advisability of the Brand Purchase Agreement and the transactions contemplated by the Brand Purchase Agreement, on or prior to the fourth business day after public announcement or disclosure of such Alternative Transaction Proposal (any action described in this clause (i) being referred to as an Adverse Recommendation Change ), or (ii) approve or recommend or allow Gaiam or any of its affiliates to execute or enter into, any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement or other similar agreement, arrangement or understanding (a) relating to any Alternative Transaction Proposal or any offer or proposal that would reasonably be expected to lead to an Alternative Transaction Proposal or (b) requiring it (or that would require it) to abandon, terminate or fail to consummate the transactions contemplated by the Brand Purchase Agreement.

Solely in response to a Superior Proposal, Gaiam's board of directors may make an Adverse Recommendation Change or terminate the Brand Purchase Agreement to enter into a definitive agreement with respect to such Superior Proposal if all of the following conditions are met:

a Superior Proposal has been made and has not been withdrawn and continues to be a Superior Proposal;

Gaiam shall have (i) provided to Brand Purchaser four business days prior written notice, which notice shall state expressly (a) that it has received a Superior Proposal, (b) the material terms and conditions of the Superior Proposal (including the consideration offered therein (and the portion thereof attributable to the Brand Business) and the identity of the person or group of persons making the Superior Proposal), and shall have contemporaneously provided copies of the relevant proposed transaction agreements with the person or group of persons making such Superior Proposal (the Alternative Acquisition Agreement ) (any material amendment to the financial terms or any other material term of such Superior Proposal require a new notice and a new four business day period) and (c) that it intends to effect an Adverse Recommendation Change and the manner in which it intends to do so or that it intends to terminate the Brand Purchase Agreement in order to enter into the Alternative Acquisition Agreement, as applicable, and (ii) prior to making such Adverse Recommendation Change or terminating the Brand Purchase Agreement, as applicable, to the extent requested by Brand Purchaser, engaged in good faith negotiations with Brand Purchaser during such four business day period to amend the Brand Purchase Agreement in such a manner that the Alternative Acquisition Agreement ceases to constitute a Superior Proposal;

the board of directors shall have determined in good faith, after consultation with its outside legal counsel, that, in light of such Superior Proposal and taking into account any revised terms offered by Brand

Purchaser, the failure to make an Adverse Recommendation Change or terminate the Brand Purchase Agreement is inconsistent with its fiduciary duties under applicable law; and

Gaiam has complied with and has not breached any of the provisions under the Brand Purchase Agreement with respect to Alternative Transactions.

An Alternative Transaction means any of the following transactions: (i) any acquisition or purchase of a majority of either the voting power or economic value of the equity securities of Gaiam, Brand Holdco or the

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Brand Business Subsidiaries by any person other than Brand Purchaser; provided, however, that for the purpose of determining a Superior Proposal, the reference to a majority of the equity securities in the definition of Alternative Transaction shall be deemed to be a reference to 80% or more of its total voting power or economic value; (ii) any merger, consolidation, business combination or similar transaction involving Gaiam or Brand Holdco (after the contribution of the Brand Business to the Brand Companies pursuant to the Contribution Agreement) and any person other than Brand Purchaser; or (iii) any sale, lease, exchange, transfer, license, acquisition or disposition of (a) all or substantially all of the consolidated assets of Gaiam, Brand Holdco and the Brand Business Subsidiaries (which shall include the Brand Business) or (b) all or substantially all of the assets of the Brand Business, in each case, in any single transaction or series of related transactions, in each case, other than the Brand Business Sale and the transactions contemplated by the Brand Purchase Agreement; provided, however, that, for the purpose of determining a Superior Proposal, subsections (a) and (b) shall be deemed to be a reference to all or substantially all of the consolidated assets of Gaiam, Brand Holdco and the Brand Business Subsidiaries (which shall include the Brand Business). In no event will Alternative Transaction include any transaction solely involving or solely relating to the business of the Subscription Business.

An Alternative Transaction Proposal means any offer, proposal, letter of intent or indication of interest, written or oral (whether binding or non-binding), to Brand Holdco or Gaiam, relating to an Alternative Transaction.

A Superior Proposal means any unsolicited bona fide written Alternative Transaction Proposal not attributable to or arising from a breach of the Brand Purchase Agreement, which Gaiam's board of directors determines in good faith (after consultation with its outside legal counsel and an independent financial advisor of nationally recognized reputation), taking into account all legal, financial, regulatory, timing and other aspects of the Alternative Transaction Proposal (including financing and breakup fee provisions) and the person making such Alternative Transaction Proposal, (i) is reasonably capable of being completed on substantially the same or superior terms and conditions as set forth in the Brand Purchase Agreement; (ii) to the extent financing is required, is supported by fully committed financing; (iii) results in Gaiam receiving a purchase price of which the portion attributable to the Brand Business is at least 5% greater than the purchase price under the Brand Purchase Agreement; and (iv) is otherwise on terms that Gaiam's board of directors has determined would be, if such Alternative Transaction is consummated, more favorable to the shareholders of Gaiam than the transactions contemplated by the Brand Purchase Agreement.

*Termination of the Brand Purchase Agreement and Termination Fee*

The Brand Purchase Agreement may be terminated at any time before the closing upon the mutual consent of Brand Purchaser and Gaiam. In addition, either party may terminate the Brand Purchase Agreement at any time before the closing if, subject to certain exceptions:

the transactions contemplated by the Brand Purchase Agreement have not been completed within 90 days after the execution of the Brand Purchase Agreement (the Outside Date); provided, however, that the parties may mutually consent in writing to extend the Outside Date for any reason and, if any person shall initiate litigation or other proceeding seeking to enjoin the transactions contemplated by the Brand Purchase Agreement and succeeded in obtaining a temporary restraining order or injunction, the Outside Date shall be automatically extended for an additional 30 days, and, thereafter at Gaiam's or Brand Purchaser's option, for up to two additional 30 day period; or

if a governmental entity of competent jurisdiction shall have issued a nonappealable final judgment or taken any other action effectively and permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by the Brand Purchase Agreement, provided, however, that the terminating party has complied with its obligation under the Brand Purchase Agreement to use commercially reasonable efforts to consummate the Brand Business Sale.

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Brand Purchaser may terminate the Brand Purchase Agreement upon the occurrence of certain events, including, without limitation the following:

if Gaiam has breached or failed to perform any of its representations, warranties, covenants, or other agreements contained in the Brand Purchase Agreement (other than with respect to an Alternative Transaction), which breach or failure to perform would cause the conditions to the obligations of Brand Purchaser at closing of the Brand Business Sale to not be satisfied by the Outside Date and which breach or failure, if capable of being cured, shall not have been cured prior to the earlier of (i) the Outside Date and (ii) 10 calendar days following receipt by Gaiam of written notice of such breach or failure from Purchaser;

if Gaiam breaches in any material respects its obligations with respect to an Alternative Transaction; or

if Gaiam, its board of directors, or any committee of Gaiam's board of directors (i) effects an Adverse Recommendation Change, or (ii) approves or recommends any Alternative Transaction Proposal.

Gaiam may terminate the Brand Purchase Agreement upon the occurrence of certain events, including, without limitation, the following:

if Brand Purchaser shall have breached or failed to perform any of its representations, warranties, covenants, or other agreements contained in the Brand Purchase Agreement, which breach or failure to perform would cause the conditions to the obligations of Gaiam at closing of the Brand Business Sale to not be satisfied by the Outside Date and which breach or failure, if capable of being cured, shall not have been cured prior to the earlier of (i) the Outside Date or (ii) 10 calendar days following receipt by Brand Purchaser of written notice of such breach or failure from Gaiam; or

if (i) Gaiam receives a Superior Proposal; (ii) Gaiam has complied in all material respects with its obligations under the Brand Purchase Agreement with respect to an Alternative Proposal; (iii) Gaiam's board of directors approves, and Gaiam, concurrently with the termination of the Brand Purchase Agreement, enters into, such Alternative Acquisition Agreement with respect to such Superior Proposal; and (iv) concurrently with such termination, Gaiam pays to Brand Purchaser the Termination Fee (described and defined below).

Gaiam must pay to Brand Purchaser a one-time termination fee equal to \$5,010,000 (the Termination Fee) if the Brand Purchase Agreement is terminated:

by Brand Purchaser (i) in connection with Gaiam's breach, in any material respects, of its obligations with respect to an Alternative Transaction, or (ii) Gaiam, its board of directors, or any committee of Gaiam's board of directors (a) effected an Adverse Recommendation Change, or (b) approved or recommended an Alternative Transaction Proposal;

(i) by (a) either Brand Purchaser or Gaiam because the transactions contemplated by the Brand Purchase Agreement have not been completed by the Outside Date and Gaiam did not have the right to terminate the Brand Purchase Agreement due to an uncured breach of the Brand Purchase Agreement by Brand Purchaser; or (b) Brand Purchaser if there has been an uncured breach, inaccuracy in, or failure to perform any representation, warranty, covenant, or other agreement made by Gaiam and contained in the Brand Purchase Agreement that would cause the conditions to the obligations of Brand Purchaser at closing not to be satisfied by the Outside Date, and, in either case, prior to such termination, an Alternative Transaction Proposal has been made, and (ii) within nine months after such termination, Gaiam or any of its subsidiaries (including any Brand Company) enters into a definitive agreement with any third party to consummate, or consummates, an Alternative Transaction;

(i) by (a) either Brand Purchaser or Gaiam because the transactions contemplated by the Brand Purchase Agreement have not been completed by the Outside Date and Gaiam did not have the right to terminate the Brand Purchase Agreement due to an uncured breach of the Brand Purchase Agreement by Brand Purchaser, or (b) by Brand Purchaser if there has been an uncured breach, inaccuracy in, or



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failure to perform any representation, warranty, covenant, or other agreement made by Gaiam and contained in the Brand Purchase Agreement that would cause the conditions to the obligations of Brand Purchaser at closing not to be satisfied by the Outside Date and, in either case, prior to such termination, no Alternative Transaction Proposal has been made, and (ii) within six months after such termination, Gaiam or any of its subsidiaries (including any Brand Company) enters into a definitive agreement with any third party to consummate, or consummates, an Alternative Transaction; or

by Gaiam if (i) Gaiam receives a Superior Proposal; (ii) Gaiam complied in all material respects with its obligations under the Brand Purchase Agreement with respect to an Alternative Proposal; (iii) Gaiam's board of directors approves, and Gaiam, concurrently with the termination of the Brand Purchase Agreement, enters into, such Alternative Acquisition Agreement with respect to such Superior Proposal; and (iv) concurrently with such termination, Gaiam pays to Brand Purchaser the Termination Fee.

The Termination Fee is the sole and exclusive remedy available at law or in equity to Brand Purchaser for termination of the Brand Purchase Agreement in circumstances triggering payment of the Termination Fee.

*Indemnification*

From and after the closing of the Brand Sale, Brand Purchaser will indemnify and hold harmless Gaiam and its affiliates, representatives, successors and assigns (collectively, the Gaiam Indemnified Parties ) from and against any and all damages that any Gaiam Indemnified Party suffers, incurs or pays, directly or indirectly, resulting from, arising out of or related to:

any failure of any representation or warranty of Brand Purchaser contained in the Brand Purchase Agreement to be true and correct (without giving effect to materiality and material adverse effect qualifiers);

any breach by Brand Purchaser of any covenant in the Brand Purchase Agreement;

any claim made by FFL Purchaser against Gaiam or any of its affiliates pursuant to the FFL Purchase Agreement (excluding any breach by Gaiam thereunder), and subject to the parties' compliance with certain covenants regarding the FFL Acquired Assets after giving effect to the sale or collection of any Acquired Assets, any breach by FFL Purchaser of the FFL Purchase Agreement; and

any damages imposed on, sustained, incurred or suffered by, or asserted against, any of them, whether in respect of third-party claims, direct claims or otherwise, directly or indirectly relating to, arising out of or resulting from the arrangement of Brand Purchaser's debt financing to fund the purchase price for the Brand Business Sale, any other financing and/or the provision of information utilized in connection therewith.

From and after the closing of the Brand Sale, Gaiam will indemnify and hold harmless Brand Purchaser, Sequential, each Brand Company, and their respective affiliates, representatives, successors and assigns (collectively, the Brand Indemnified Parties ) from and against any and all damages that any Brand Purchaser Party suffers, incurs or pays, directly or indirectly, resulting from, arising out of or related to:

any breach by Gaiam of a covenant contained in the Brand Purchase Agreement;

any indebtedness of the Brand Companies that is not paid and discharged in full on or prior to the date of closing of the Brand Sale and has not been taken into account pursuant to the terms of the Brand Purchase Agreement;

any transaction expenses that are not paid and discharged on or prior to the date of closing of the Brand Sale and have not been taken into account pursuant to the terms of the Brand Purchase Agreement;

any liabilities expressly retained by Gaiam pursuant to the terms of the Contribution Agreement;

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any taxes relating to a pre-closing period arising directly from: (i) taxes imposed on Brand Purchaser or the Brand Companies resulting from the Section 338(h)(10) election; (ii) the contribution of the Brand Business Subsidiaries to Brand Holdco; (iii) any liability of the Brand Business Subsidiaries under Treasury Regulations Section 1.1502-6 for taxes reported on a tax return; (iv) Gaiam's breach of any representations and warranties relating to the Section 338(h)(10) election; (v) Gaiam's breach of certain tax-related covenants; and (vi) certain matters specifically disclosed in the disclosure schedule to the Brand Purchase Agreement (collectively, the Specified Taxes );

any taxes imposed on, asserted against or attributable to the properties, income or operations of Gaiam or the Brand Companies or any taxes for which Gaiam or any Brand Company is otherwise liable with respect to all pre-closing periods;

any pre-closing liabilities of the Brand Companies relating to or arising from any events, circumstances or matters unrelated to the operation of the Brand Business; and

any litigation or other proceeding commenced or brought by any shareholder of Gaiam in connection with the transactions contemplated by the Brand Purchase Agreement.

The indemnification obligations are subject to the following limitations:

The representations and warranties in the Brand Purchase Agreement generally survive for a 14 month period following the closing of the Brand Business Sale; provided, however, (i) the representations and warranties concerning title to the membership interests of Brand Holdco and capitalization will survive until the expiration of the applicable statute of limitations, and (ii) representations and warranties concerning taxes survive until 60 days after the expiration of the applicable statute of limitation.

The covenants and the agreements in the Brand Purchase Agreement generally survive for a 12 month period following the closing of the Brand Sale; provided, however, (i) that the covenants and agreements set forth in the Brand Purchase Agreement which are to be performed after the closing of the Brand Sale survive until such covenants or agreements have been fully performed, and (ii) with respect to Gaiam's indemnification obligations for taxes related to a pre-closing period, other than Specified Taxes, which shall survive until 60 days after the expiration of the applicable statute of limitations.

Except with respect to fundamental representations and warranties of Brand Purchaser or fraud by Brand Purchaser, Gaiam Indemnified Parties may not recover any amounts resulting from a breach of a representation or warranty by Brand Purchaser unless the damages arising out of the same or related events, sets of facts or circumstances is at least \$50,000 and the aggregate damages actually incurred by Gaiam Indemnified Parties exceeds \$1,000,000, at which time the Gaiam Indemnified Parties may recover only damages in excess of \$1,000,000.

Brand Purchaser's aggregate indemnification obligation to any and all Gaiam Indemnified Parties under the Brand Purchase Agreement is capped at \$11,690,000; however, such cap amount will not apply to (i) fraud in connection with any breach of a representation or warranty, and (ii) any indemnification claim in connection with a breach by FFL Purchaser under the FFL Purchase Agreement.

Gaiam's aggregate indemnification obligation to any and all Brand Indemnified Parties under the Brand Purchase Agreement is capped at \$11,690,000, however such cap amount will not apply to (i) any indemnification claim in connection with the Specified Taxes, (ii) any liabilities expressly retained by Gaiam pursuant to the terms of the Contribution Agreement, (iii) any pre-closing liabilities of the Brand Companies relating to or arising from any events, circumstances or matters unrelated to the Brand Business, (iv) any litigation or other proceeding commenced by any shareholder of Gaiam in connection with the transactions contemplated by the Brand Purchase Agreement, and (v) fraud in connection with any breach of a representation or warranty.

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The Brand Indemnified Parties' sole recourse with respect to (i) any breach of, or inaccuracy in, Gaiam's representations and warranties contained in the Brand Purchase Agreement, and (ii) indemnification claims for taxes related to a pre-closing period, other than the Specified Taxes, is against a buyer-side representation and warranty insurance policy, and neither Gaiam nor its affiliates, representative, successors or assigns will be liable for any damages with respect to (i) any breach of, or inaccuracy in, Gaiam's representations and warranties contained in the Brand Purchase Agreement, or (ii) indemnification claims for taxes related to a pre-closing period, other than the Specified Taxes.

From and after the first anniversary of the closing of the Brand Sale, no Brand Indemnified Party or Gaiam Indemnified Party is entitled to indemnification, to sue for damages or to assert any other claim or remedy under the Brand Purchase Agreement with respect to any damages, cause of action or other claim if such Brand Indemnified Party or Gaiam Indemnified Party, as applicable, failed to give written notice of such damages, cause of action or other claim within 90 days after the date on which such Brand Indemnified Party learned of such damages, cause of action or other claim.

In the event of a breach by any party of a covenant under the Brand Purchase Agreement, the right of each party to assert and receive indemnification pursuant to the Brand Purchase Agreement, from and after the closing date, is the sole and exclusive right and remedy of such party for any indemnifiable losses with respect to any breach by any other party of any covenant, representation, warranty or otherwise under the Brand Purchase Agreement, relating to the Brand Purchase Agreement or relating to the transactions contemplated by the Brand Purchase Agreement, except; (i) in the case of fraud by representatives of Gaiam or by Brand Purchaser, in each case, with respect to a representation or warranty under the Brand Purchase Agreement; (ii) the dispute resolution provisions set forth in the Brand Purchase Agreement in respect of the calculation of the final net closing cash consideration (as described in *Matter No. 1: The Brand Business Sale – The Brand Purchase Agreement – Purchase Price Adjustment*); (iii) the right to the termination fee (as described in *Matter No. 1: The Brand Business Sale – The Brand Purchase Agreement Termination of the Brand Purchase Agreement and Termination Fee*); and (iv) the right to specific performance in the event of a breach by any party of a covenant under the terms of the Brand Purchase Agreement.

*Representation and Warranty Insurance Policy*

Brand Purchaser is required to use reasonable best efforts to take, or cause to be taken, all actions necessary to have fully bound by the closing of the Brand Sale a representation and warranty insurance policy in favor of the Brand Purchaser. Brand Purchaser's and the Brand Indemnified Parties' sole recourse with respect to (i) any breach of, or inaccuracy in, Gaiam's representations and warranties (including all fundamental representations) contained in the Brand Purchase Agreement, subject to some limited exceptions, and (ii) indemnification claims for taxes related to a pre-closing period, other than the Specified Taxes, shall be against the representation and warranty policy insurer, pursuant to the terms of the policy. Neither Gaiam nor its affiliates shall be liable for any damages arising from any breach or inaccuracy of Gaiam's representations and warranties in the Brand Purchase Agreement or any indemnification claims for taxes related to a pre-closing period, other than the Specified Taxes.

*Parent Guaranty*

Sequential, the owner of 100% of the outstanding membership interests of Brand Purchaser, is guaranteeing Brand Purchaser's performance of its payment obligations under the Brand Purchase Agreement. Gaiam may recover directly from Sequential the full amount of any guaranteed obligation on demand to the extent that Brand Purchaser has breached or defaulted on any guaranteed obligations.

*Relationship Between the Brand Purchase Agreement and the FFL Purchase Agreement*

Pursuant to the terms of the FFL Purchase Agreement, Gaiam and FFL Purchaser have agreed to consummate the Working Capital Sale immediately before the closing of the Brand Sale. Pursuant to the terms of the Brand

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Purchase Agreement, either (i) the consummation of the Working Capital Sale or (ii) the transfer and assignment of the FFL Acquired Assets from the Brand Companies to Gaiaam is a condition precedent to the consummation of the Brand Sale.

Gaiaam may not, without the prior written consent of Brand Purchaser (which consent may be withheld in its reasonable discretion), terminate, amend, modify or supplement the FFL Purchase Agreement in any material respect. In the event FFL Purchaser fails to close the Working Capital Sale, or otherwise fails to fund the purchase price at the closing of the Working Capital Sale, (i) Gaiaam has the right to (A) terminate the FFL Purchase Agreement, and (B) to cause the Brand Companies to transfer and assign the FFL Acquired Assets to Gaiaam immediately before the Brand Sale; (ii) during the 60 day period following the closing of the Brand Sale, Gaiaam and Brand Purchaser will work together in good faith to allow Gaiaam to sell and/or collect the FFL Acquired Assets in the ordinary course of business; and (iii) following the closing of the Brand Sale, the Brand Companies shall grant to Gaiaam a limited royalty-free, sublicensable, worldwide license to use, reproduce and display certain Brand Business trademarks solely as necessary to market and sell and/or collect the FFL Acquired Assets and such license shall be sublicensable to any subsequent purchaser or assignee of the FFL Acquired Assets solely as necessary to market and sell any FFL Acquired Assets that are inventory bearing any such trademarks.

**The FFL Purchase Agreement**

*The following summary describes the material terms and provisions of the FFL Purchase Agreement. The terms and provisions of the FFL Purchase Agreement are complicated and not easily summarized. The FFL Purchase Agreement is attached to this information statement as Annex B and is incorporated by reference into this information statement. You are encouraged to read it carefully in its entirety for a more complete understanding of the FFL Purchase Agreement and the Working Capital Sale.*

*The FFL Purchase Agreement and the following summary have been included to provide you with information regarding the material terms and provisions of the FFL Purchase Agreement and the transactions described in this information statement. Gaiaam does not intend that the FFL Purchase Agreement or any of its terms or provisions will constitute a source of business or operational information related to Gaiaam. The representations and warranties of Gaiaam and its subsidiaries contained in the FFL Purchase Agreement (i) were made for purposes of the FFL Purchase Agreement, (ii) are subject to materiality qualifications contained in the FFL Purchase Agreement which may differ from what may be viewed as material by shareholders, (iii) were made only as of the date of the FFL Purchase Agreement or such other date as is specified in the FFL Purchase Agreement, and (iv) have been included in the FFL Purchase Agreement for the purpose of allocating risk between the contracting parties rather than establishing matters as facts. Shareholders should not rely on the representations and warranties or any descriptions thereof as characterizations of the actual state of facts or condition of Gaiaam or any of its subsidiaries or affiliates. Other than as disclosed in this information statement, as of the date of this information statement Gaiaam is not aware of any material facts that are required to be disclosed under the federal securities laws that would contradict the representations and warranties in the FFL Purchase Agreement. Gaiaam will provide additional disclosure in its public reports to the extent that it is aware of the existence of any material facts that are required to be disclosed under federal securities laws and that might otherwise contradict the terms and information contained in the FFL Purchase Agreement and will update such disclosure as required by federal securities laws. Further, information concerning the subject matter of these representation or warranties may have changed since the date of the FFL Purchase Agreement. To the extent any such material change has occurred or occurs in the future, Gaiaam has included and will include in its public reports any material information necessary to provide shareholders a materially complete understanding of the FFL Purchase Agreement disclosures. Accordingly, the FFL Purchase Agreement should not be read alone, but should instead be read in conjunction with the other information regarding Gaiaam and its subsidiaries that has been, is or will be contained in, or incorporated by reference into, the Forms*

*10-K, Forms 10-Q, Forms 8-K, proxy statements, registration statements and other documents that Gaiam files with the Securities and Exchange Commission. Business and operational information regarding Gaiam can be found elsewhere in this information statement and in the other public documents that Gaiam files with the Securities and Exchange Commission. See The Companies Gaiam, Inc.*



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### *General*

Under the FFL Purchase Agreement, FFL Purchaser will purchase from the Brand Companies, and Gaiam will cause the Brand Companies to sell to FFL Purchaser, (i) inventory, (ii) accounts receivable, and (iii) other physical assets, including, without limitation, furniture and other operating assets, in each case, related to each such Brand Company's business. In addition, FFL Purchaser will assume: (a) certain trade payables of the Brand Companies; (b) all liabilities and obligations arising from or related to the acquired assets in respect of the period on or after the closing date; and (c) all liabilities and obligations set forth on the closing statement. Brand Purchaser expects to license certain rights and transfer certain assets and liabilities acquired under the Brand Purchase Agreement to FFL Purchaser upon consummation of the Brand Purchase Sale.

### *Purchase Price*

Under the FFL Purchase Agreement, FFL Purchaser agreed to pay Gaiam \$21,300,000 in cash, subject to adjustments at closing and post-closing for working capital. FFL Purchaser will pay estimated net cash consideration to Gaiam at the closing equal to the \$21,300,000 purchase price, minus the Brand Companies' working capital target amount, and plus the estimated working capital amount (which working capital estimate may not exceed the working capital target plus \$5,000,000).

### *Purchase Price Adjustment*

FFL Purchaser will pay estimated net cash consideration to Gaiam at the closing of the Working Capital Sale and the parties will determine the final net cash consideration after the closing of the Working Capital Sale, using the calculation for estimated net cash consideration described above, based on the actual amounts of the Brand Companies' working capital as of the closing of the Working Capital Sale, and reconcile any shortfall or excess.

Before the closing of the Working Capital Sale, Gaiam will provide FFL Purchaser with estimated closing working capital amount. At closing of the Brand Sale, Brand Purchaser will pay to Gaiam an estimated net cash consideration equal to the \$21,300,000 purchase price, minus the working capital target, plus the estimated working capital amount, minus the accrued liabilities credit amount.

After closing of the Working Capital Sale, the parties will calculate the final net cash consideration, using the calculation for estimated net cash consideration described above, based on the actual closing amounts of the Brand Companies' working capital amount.

If the final net cash consideration is greater than the estimated net cash consideration paid at the closing, FFL Purchaser shall pay a cash amount equal to the excess to Gaiam within three business days of such determination. If the final net cash consideration is less than the estimated net cash consideration paid at the closing, Gaiam and Brand Purchaser shall deliver a joint instruction to the escrow agent to distribute from the escrow account established under the Brand Purchase Agreement to FFL Purchaser a cash amount equal to the deficit (such deficit not to exceed the amount in escrow) to the extent the funds in the escrow account established under the Brand Purchase Agreement are not payable to Brand Purchaser under the terms of the Brand Purchase Agreement.

### *Representations and Warranties*

The FFL Purchase Agreement contains limited representations and warranties made by each of the parties regarding aspect of its ability to enter into the FFL Purchase Agreement, consummate the transactions contemplated in the FFL Purchase Agreement and other facts pertinent to the Working Capital Sale. See disclaimer regarding these

representations and warranties under the heading Matter No. 1: The Brand Business Sale The FFL Purchase Agreement. The FFL Purchase Agreement contains certain representations and warranties made by Gaiam regarding, among other things, the following subjects:

Gaiam's corporate organization and power, and good standing;

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the authorization, execution, delivery, performance, and enforceability of the FFL Purchase Agreement and the documents, instruments, certificates and agreements executed in connection with the FFL Purchase Agreement, including without limitation, a transition services agreement, a reception services agreement, an amendment and assignment of lease agreement, and a bill of sale (the FFL Collateral Agreements );

approval by Gaiam's board of directors;

the absence of conflicts with, or defaults under, Gaiam's organizational documents, material contracts, and applicable law; and

broker fees and expenses.

In addition, FFL Purchaser made certain representations and warranties to us regarding, among other things, the following subjects:

the authorization, execution, delivery, performance, and enforceability of the FFL Purchase Agreement and the FFL Collateral Agreements;

the absence of conflicts with, or defaults under, FFL Purchaser's organizational documents, material contracts, and applicable law;

broker fees and expenses;

solvency of FFL Purchaser after closing;

debt financing and debt commitment letter related to the financing of the purchase price; and

non-reliance of FFL Purchaser and acknowledgment of no other representations or warranties.

*Conditions to Closing*

The closing of the Working Capital Sale shall occur immediately before the closing of the Brand Sale and shall occur no earlier than three business days after Gaiam delivers a written notice to FFL Purchaser containing (i) a statement that the closing conditions under the Brand Purchase Agreement have been satisfied or waived and that Gaiam and Brand Purchase are ready and prepared to close the Brand Sale, subject only to the occurrence of the closing of the Working Capital Sale, and (ii) the date on which the closing under the Brand Purchase Agreement is to occur (which date will be at least three business days after the delivery of the written notice). At the closing of the Working Capital Sale, Gaiam and FFL Purchaser shall deliver the signatures, instruments, agreements, and other deliverables that are contemplated by the FFL Purchase Agreement.

*Covenants*

The FFL Purchase Agreement contains numerous covenants of FFL Purchaser and Gaiam during the period up to and including the date of closing of the Working Capital Sale, and in some instances, after the date of closing of the Working Capital Sale.

The FFL Purchase Agreement contains covenants of FFL Purchaser relating to, among other things:

using best efforts to obtain debt financing to fund the purchase price for the Working Capital Sale;

non-solicitation of employees by FFL Purchaser for two years following the closing of the Working Capital Sale; and

non-competition and non-interference by FFL Purchaser for two years following the closing of the Working Capital Sale.

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The FFL Purchase Agreement contains covenants of Gaiam relating to, among other things:

non-competition and non-interference by Gaiam for two years following the closing of the Working Capital Sale, subject to certain exceptions; and

non-solicitation of employees, clients, customers, suppliers, licensees and business relations by Gaiam for two years following the date of closing of the Working Capital Sale, subject to certain exceptions.

*Termination of the FFL Purchase Agreement*

Either Gaiam or FFL Purchaser may terminate the FFL Purchase Agreement by delivery of written notice to the other party if the Brand Purchase Agreement has been validly terminated in accordance with its terms. In addition, Gaiam may, at Gaiam's election, terminate the FFL Purchase Agreement in the event that FFL Purchaser fails to fund the net closing consideration on the date of closing of the Working Capital Sale.

**Voting Agreements**

On May 10, 2016, Jirka Rysavy and Prentice Consumer Partners, LP (executed by Prentice Capital Management, LP, its investment manager), in each case, in their respective capacity as a shareholder beneficially owning more than 10% of Gaiam's issued and outstanding common stock, entered into separate voting agreements with Gaiam (each a Voting Agreement, and together, collectively the Voting Agreements). Mr. Rysavy, our founder, Chairman and a member of our board of directors beneficially owned 348,682 shares of Gaiam's Class A common stock and 5,400,000 shares of Gaiam's Class B common stock, representing approximately 74.3% of the voting interest of Gaiam's common stock, as of May 10, 2016. Prentice Consumer Partners, LP beneficially owned 2,566,323 shares of Gaiam's Class A common stock, representing approximately 13.4% of the voting interest of Gaiam's common stock, as of May 10, 2016. Michael Zimmerman, one of our directors, shares voting and dispositive power over the securities beneficially owned by Prentice Consumer Partners, LP. Mr. Zimmerman disclaims beneficial ownership over the securities, except to the extent of his pecuniary interest therein.

Pursuant to the Voting Agreements, each shareholder agreed to vote, subject to the conditions contained in the Voting Agreements, at a shareholders' meeting or deliver a written consent with respect to beneficially owned shares of Gaiam's Class A common stock and Gaiam's Class B common stock, as applicable, (i) in favor of (a) the approval and adoption of the Brand Purchase Agreement, the FFL Purchase Agreement and the transactions contemplated thereby, (b) any proposal to adjourn or postpone any meeting of Gaiam's shareholder to a later date if there are not sufficient votes to approve the adoption of the Brand Purchase Agreement and the FFL Purchase agreement on the date on which such meeting is held, and (c) any other matter necessary for the consummation of the transactions contemplated under the Brand Purchase Agreement and the FFL Purchase Agreement that is considered at any such meeting of the shareholders, and (ii) against (a) any action or agreement that is intended or would reasonably be expected to result in a breach of any covenant, representation or warranty or any other obligation or agreement of Gaiam under the Brand Purchase Agreement or the FFL Purchase Agreement or of such shareholder under the Voting Agreement, (b) any Alternative Transaction Proposal (as defined in the Voting Agreements), (c) any other action, agreement or transaction involving Gaiam or any Brand Company that is intended or would reasonably be expected to impede, interfere with, delay, postpone, adversely affect, inhibit or prevent the consummation of the transactions contemplated by the Brand Purchase Agreement or the FFL Purchase Agreement or the performance by Gaiam of its obligations under the Brand Purchase Agreement or the FFL Purchase Agreement or by the shareholder of its obligations under the Voting Agreement, or (d) any amendment or change to Gaiam's organizational documents as in effect as of the date of the

Voting Agreement except as contemplated or permitted by the Brand Purchase Agreement; provided, however, nothing in the Voting Agreement prohibits, prevents or restricts such shareholder from voting (or causing to be voted) or delivering (or causing to be delivered) a written consent with respect to beneficially owned shares of Gaiam's Class A and Class B common stock, as applicable, in favor of a Superior Proposal, if Gaiam has complied with its obligations under the Brand Purchase Agreement with respect to such Superior Proposal and Gaiam and Brand Purchaser shall have, at the request of the Brand Purchaser, engaged in good faith

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negotiations to amend the Brand Purchase Agreement. Pursuant to the Voting Agreement, each shareholder irrevocably appoints Gaiam (or its designees) as its proxy and attorney-in-fact, with full power of substitution and resubstitution, in place of such shareholder and to the full extent of such shareholder's voting rights, to vote and execute written consents to approve the matters described in the Voting Agreements.

In the event there is an amendment to the Brand Purchase Agreement or the FFL Purchase Agreement that (a) reduces the amount of the combined \$167,000,000 purchase price of the Brand Business Sale, (b) changes the form of the purchase price in either the Brand Purchase Agreement or the FFL Purchase Agreement to include or substitute therefor any consideration other than cash, (c) amends the conditions precedent in the Brand Purchase Agreement (except in the case of a waiver by Sequential), or (d) results in any additional liability or potential liability to Gaiam in excess of \$2,000,000, neither shareholder will be required to take the actions listed above unless such shareholder has consented to such amendment.

Each of the Voting Agreements contains covenants of each shareholder relating to, among other things: (i) the sale or transfer of, the creation of any lien or encumbrance on, or entry into any agreement with respect to the shareholder's shares; (ii) the grant of any proxy, power-of-attorney or other authorization or consent with respect to the shareholder's shares; (iii) the deposit of the shareholder's shares into a trust or entry into a voting agreement; and (iv) any other actions that would restrict, limit or interfere with the performance of the shareholder's obligations under the Voting Agreement or otherwise make any representation or warranty of the shareholder in the Voting Agreement untrue or incorrect. Further, each shareholder has agreed to not (i) solicit, initiate or knowingly facilitate, induce or encourage any inquiries or the making of any proposal or offer that constitutes or would reasonably be expected to lead to an Alternative Transaction, (ii) enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to anyone any information with respect to, or otherwise cooperate in any way that would otherwise be expected to lead to, any Alternative Transaction, or (iii) enter into any contract or other similar agreement with any person relating to any Alternative Transaction.

The shareholders' obligations under the Voting Agreements terminate upon, (i) the termination of the Brand Purchase Agreement or the FFL Purchase Agreement in accordance with their respective terms, (ii) the closing of the Brand Business Sale, (iii) mutual consent of the parties to terminate a Voting Agreement, (iv) the date an Adverse Recommendation Change has occurred, (v) the date of any amendment to or waiver of any provision of the Brand Purchase Agreement, which any shareholder party to the Voting Agreement has rejected, that (a) reduces the purchase price, (b) changes the form of the purchase price to include or substitute therefor any consideration other than cash, (c) amends certain conditions precedent set forth in the Brand Purchase Agreement, or (d) results in any additional liability or potential liability to Gaiam, and (vi) the close of business on August 10, 2016.

**Contribution Agreement**

In connection with the Brand Business Sale, Gaiam and Brand Holdco entered into a Contribution and Assignment Agreement (the Contribution Agreement) to cause the separation of the Brand Business from the Subscription Business, and any other businesses Gaiam or Gaiam's subsidiaries may operate, and to facilitate the contribution of the Brand Business into Brand Holdco. In accordance with the Contribution Agreement, immediately prior to the execution of the Brand Purchase Agreement:

Gaiam contributed to Brand Holdco, free and clear of all liens, all of Gaiam's interest in the issued and outstanding equity securities of Gaiam Americas, together with all of Gaiam's other assets, properties, privileges, claims, contracts, business and rights used primarily in the conduct of the Brand Business;

Gaiam assigned to Brand Holdco, free and clear of all liens, all of Gaiam's right, title and interest in and to, and all of Gaiam's liabilities, obligations and commitments in connection with the contracts used solely in connection with Gaiam and Gaiam's operation of the Brand Business; and



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Brand Holdco assumed all obligations and liabilities of Gaiam related solely to the conduct of the Brand Business, and other liabilities related primarily to the conduct of the Brand Business to the extent set forth in a schedule attached to the Contribution Agreement.

**Treatment of Outstanding Stock Options in Connection with the Brand Business Sale**

Pursuant to Gaiam's form of employee stock option agreement, generally, vesting of stock options cease on the date the grantee ceases to be employed by Gaiam. Thereafter, the grantee may exercise vested stock options within the lesser of (i) the 30 day period commencing on the first day after the grantee's last day of employment with Gaiam or (ii) the remaining term of the option.

Upon the closing of the Brand Business Sale, 50% of all unvested stock options held by employees of the Brand Business immediately prior to the Brand Business Sale will vest automatically. In addition, after the closing of the Brand Business Sale, but following the automatic vesting of 50% of the unvested stock options, it is expected that all employees will be eligible to tender vested stock options in Gaiam's planned tender offer at a purchase price per vested stock option equal to the positive amount, if any, resulting when subtracting the exercise price of each option from the per-share purchase price in Gaiam's planned tender offer. See also Matter No. 1: The Brand Business Sale Interest of Certain Persons in or Opposition to Matters to be Acted Upon and Matter No. 1: The Brand Business Sale Change-in-Control Compensation.

**Use of Proceeds**

Together with the announcement of the Brand Business Sale, Gaiam announced that it intends, contingent upon the closing of the Brand Business Sale, to use up a portion of the proceeds received from the Brand Business Sale to conduct an issuer cash tender offer for up to an aggregate of 12 million shares of Gaiam's Class A common stock or vested stock options, at a price equal to \$7.75 per share, on the terms and subject to the conditions set forth in the Offer to Purchase and other tender offer materials. This information statement is not an offer to purchase or a solicitation of an offer to sell securities, and it not a substitute for any offer materials that Gaiam will file with the Securities and Exchange Commission. Upon commencement of the tender offer, Gaiam will file with the Securities and Exchange Commission a tender offer statement on Schedule TO (including an Offer to Purchase contained therein) relating to the tender offer. GAIAM SHAREHOLDERS ARE URGED TO READ CAREFULLY THESE DOCUMENTS WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE TENDER OFFER. Copies of these documents will be available for free after they are filed with the Securities and Exchange Commission by visiting EDGAR on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov) and on Gaiam's website at [corporate.gaiam.com](http://corporate.gaiam.com). Gaiam intends to use the remainder of the proceeds received from the Brand Business Sale will be used for general corporate purposes, including growing the Subscription Business.

**Gaiam, Inc. After the Brand Business Sale**

On May 4, 2016, Gaiam Travel Inc., Gaiam's wholly-owned subsidiary ( Gaiam Travel ), closed the sale of its entire 51.4% interest in the issued and outstanding capital stock of Natural Habitat for \$12,850,000 in cash (the Travel Business Sale ). Natural Habitat directly, and indirectly through its subsidiaries, owns all of the assets and liabilities, primarily related to, or used in the Travel Business.

Following the Travel Business Sale and the completion of the Brand Business Sale, Gaiam will continue to own and operate the Subscription Business. The Subscription Business is a digital subscription service, providing members access to approximately 7,000 video titles, 90% of which are available exclusively to subscribers for digital streaming on virtually any internet-connected device anytime, anywhere. Gaiam will also continue to own through a subsidiary a

multi-tenant office complex in Louisville, Colorado where its principal offices are located.

In addition, promptly after the closing of the Brand Business Sale, we will cease to operate under the name Gaiam, Inc. and will change our name to Gaia, Inc. See Matter No. 3: The Name Change for a description of the change of Gaiam's corporate name.

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**Governmental and Regulatory Matters**

Under the Hart-Scott-Rodino Antitrust Improvement Act (the HSR Act ) and the rules and regulations promulgated thereunder, Brand Purchaser and Gaiam are required to make certain filings with the Antitrust Division of the U.S. Department of Justice (the DOJ ), and the U.S. Federal Trade Commission (the FTC ). The Brand Sale may not be consummated until the applicable waiting periods under the HSR Act have expired or have been terminated. Brand Purchaser and Gaiam expect to file their respective notification and report forms with the DOJ and the FTC under the HSR Act on or around May 18, 2016.

During or after the statutory waiting periods and clearance of the Brand Sale, and even after completion of the Brand Business Sale, either the DOJ or the FTC could take action under the antitrust laws with respect to the Brand Business Sale, including seeking to enjoin the completion of the Brand Sale, to rescind the Brand Sale or to conditionally approve the Brand Sale upon the divestiture of assets of Brand Purchaser s or Gaiam s or to impose restrictions on the operation of Brand Purchaser of Gaiam post-closing. Moreover, in some jurisdictions, a competitor, customer, state Attorney General or other third party could initiate an action under the antitrust laws challenging or seeking to enjoin the Brand Business Sale, before or after it is completed.

We believe we are not required to make any other material filings or obtain any material governmental consents or approvals before the consummation of the Brand Sale. If any approvals, consents or filings are required to consummate the Brand Business Sale, we will seek or make such consents, approvals or filings as promptly as possible.

There can be no guarantee that the Brand Sale will not be challenged on antitrust grounds or, if such challenge is made, that the challenge will not be successful. Similarly, there can be no assurance that Brand Purchaser or Gaiam will obtain the regulatory approvals necessary to consummate the Brand Sale or that the granting of these approvals will not involve the imposition of conditions to the consummation of the Brand Sale or require changes to the terms of the Brand Sale. These conditions or changes could result in the conditions to the Brand Sale not being satisfied prior to the Outside Date, which would allow Brand Purchaser to terminate the Brand Purchase Agreement. See Matter No. 1: The Brand Business Sale The Brand Purchase Agreement Termination of the Brand Purchase Agreement.

**Opinion of Financial Advisor**

Gaiam s board of directors requested Stifel s opinion, as investment bankers, as to the fairness, from a financial point of view and as of the date of such opinion, to Gaiam of the aggregate consideration of \$167,000,000 in cash to be received by Gaiam from Brand Purchaser and FFL Purchaser in the transactions contemplated under the Brand Purchase Agreement and the FFL Purchase Agreement (the Opinion ). On May 10, 2016, Stifel delivered to Gaiam s board of directors its written opinion that, as of the date of the Opinion and subject to and based on the assumptions made, procedures followed, matters considered, limitations of the review undertaken, assumptions made and qualifications and other matters contained in such Opinion, the aggregate consideration of \$167,000,000 in cash to be received by Gaiam from Brand Purchaser and FFL Purchaser in the Brand Business Sale pursuant to the Brand Purchase Agreement and the FFL Purchase Agreement was fair to Gaiam, from a financial point of view.

Gaiam s board of directors did not impose any limitations on Stifel with respect to the investigations made or procedures followed in rendering the Opinion. In selecting Stifel, Gaiam s board of directors considered, among other things, Stifel s reputation in the investment banking and merger/acquisition industries, its specific experience and expertise in the consumer products, retail and travel categories, its experience representing publicly-traded companies in general, and its ability to provide full-service investment banking capabilities.

The full text of the Opinion is attached to this information statement as Annex C and is incorporated herein by reference. The summary of the Opinion contained in this information statement is qualified in its entirety by

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reference to the full text of the Opinion. Gaiam's shareholders are encouraged to read the Opinion carefully and in its entirety for a discussion of the procedures followed, assumptions made, qualifications and other matters considered and limits of the review undertaken by Stifel in connection with the Opinion.

In rendering the Opinion, Stifel, among other things:

discussed the Brand Business Sale and related matters with Gaiam's counsel and reviewed a draft of the Brand Purchase Agreement, dated May 9, 2016, and a draft of the FFL Purchase Agreement, dated May 9, 2016, such drafts being the last respective drafts of the Brand Purchase Agreement and the FFL Purchase Agreement provided to Stifel;

reviewed unaudited consolidated financial results of the Brand Companies and the Brand Business for the fiscal years ended on December 31, 2013, December 31, 2014 and December 31, 2015, respectively, prepared by Gaiam's management;

reviewed information regarding estimated revenue and expenses of the Brand Companies and the Brand Business for the fiscal year ending December 31, 2016 prepared by Gaiam's management;

reviewed and analyzed certain publicly available information concerning the terms of selected transactions that Stifel considered relevant to its analysis;

reviewed and analyzed certain publicly available financial and stock market data relating to selected public companies that Stifel deemed relevant to its analysis;

participated in certain discussions and negotiations between representatives of Gaiam, Brand Purchaser and FFL Purchaser;

considered the results of Stifel's efforts, at the direction of Gaiam, to solicit indications of interest from selected third parties with respect to a sale transaction relating to the Brand Companies and the Brand Business;

conducted such other financial studies, analyses and investigations and considered such other information as Stifel deemed necessary or appropriate for purposes of the Opinion; and

took into account its assessment of general economic, market and financial conditions and its experience in other transactions, as well as its experience in securities valuations and its knowledge of the Brand Companies' industry and the Brand Business generally.

In rendering the Opinion, Stifel relied upon and assumed, without independent verification, the accuracy and completeness of all of the financial and other information that was provided to Stifel by or on behalf of Gaiam, or that was otherwise reviewed by Stifel, and did not assume any responsibility for independently verifying any of such information. With respect to the revenue and expense forecasts supplied to Stifel by Gaiam, Stifel assumed, at the direction of Gaiam, that they were reasonably prepared on the basis reflecting the best currently available estimates and judgments of Gaiam's management, as to the revenues and expenses of the Brand Companies and the Brand Business for the periods indicated, and that they provided a reasonable basis upon which Stifel could form its opinion. The Opinion states that such forecasts were not prepared with the expectation of public disclosure, that all such revenue and expenses forecasts are based on numerous variables and assumptions that are inherently uncertain, including, without limitation, factors related to general economic and competitive conditions and that, accordingly, actual results could vary significantly from those set forth in such forecasts. Stifel relied on this forecasted information without independent verification or analyses and did not in any respect assume any responsibility for the accuracy or completeness thereof. Stifel did not receive any internal financial analyses, financial forecasts, reports or other information concerning the Brand Companies or the Brand Business prepared by Gaiam's management of a nature that would have enabled Stifel to perform a discounted cash flow analysis of the Brand Companies and the Brand Business's future cash flows.

Stifel also assumed that there were no material changes in the assets, liabilities, financial condition, results of operations, business or prospects of the Brand Companies or the Brand Business since the date of the last

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financial results of the Brand Companies and the Brand Business made available to Stifel. Stifel did not make or obtain any independent evaluation, appraisal or physical inspection of the Brand Companies or the Brand Business's assets or liabilities, including, without limitation, the FFL Acquired Assets and the FFL Assumed Liabilities, nor was Stifel furnished with any such evaluation or appraisal. The Opinion states that estimates of values of companies and assets do not purport to be appraisals or necessarily reflect the prices at which companies or assets may actually be sold and that because such estimates are inherently subject to uncertainty, Stifel assumes no responsibility for their accuracy.

Stifel assumed, with the consent of Gaiam's board of directors, that there are no factors that would delay or subject to any adverse conditions any necessary regulatory or governmental approval and that all conditions to the Brand Business Sale will be satisfied and not waived. In addition, Stifel assumed that the definitive Brand Purchase Agreement and the definitive FFL Purchase Agreement would not differ materially from the drafts Stifel reviewed. Stifel also assumed that the transactions contemplated under the Brand Purchase Agreement and the FFL Purchase Agreement will be consummated simultaneously substantially on the terms and conditions described in the Brand Purchase Agreement and the FFL Purchase Agreement, without any waiver of material terms or conditions by Gaiam or any other party and without any anti-dilution or other adjustment to the consideration, and that obtaining any necessary regulatory approvals or satisfying any other conditions for consummation of the Brand Business Sale will not have an adverse effect on Gaiam, the Brand Companies, the Brand Business, or the Brand Business Sale. Stifel assumed that the Brand Business Sale will be consummated in a manner that complies with the applicable provisions of the Securities Act of 1933, as amended, the Exchange Act and all other applicable federal and state statutes, rules and regulations. Stifel further assumed that Gaiam relied upon the advice of its counsel, independent accountants and other advisors (other than Stifel) as to all legal, financial reporting, tax, accounting and regulatory matters with respect to Gaiam, the Brand Companies, the Brand Business, the Brand Business Sale, the Brand Purchase Agreement and the FFL Purchase Agreement.

Stifel's Opinion was limited to whether the aggregate consideration was fair to Gaiam, from a financial point of view, as of the date of the Opinion, and it does not address any other terms, aspects or implications of the Brand Business Sale, including, without limitation, the form or structure of the Brand Business Sale, any consequences of the Brand Business Sale on Gaiam, the Brand Companies, the Brand Business or Gaiam's and the Brand Companies' shareholders, creditors or otherwise, or any terms, aspects or implications of any voting, support, shareholder or other agreements, arrangements or understandings contemplated or entered into in connection with the Brand Business Sale or otherwise. The Opinion also does not consider, address or include: (i) any other strategic alternatives then (or which were or may have been) contemplated by Gaiam's board of directors or Gaiam; (ii) the legal, tax or accounting consequences of the Brand Business Sale on Gaiam, the Brand Companies, the Brand Business or the respective shareholders of Gaiam and the Brand Companies; (iii) the fairness of the amount or nature of any compensation to any of Gaiam's or the Brand Companies' officers, directors or employees, or class of such persons, relative to the compensation to the holders of Gaiam's securities; (iv) the effect of the Brand Business Sale on, or the fairness of the consideration to be received by, holders of any class of securities of Gaiam or the Brand Companies, or any class of securities of any other party to any transaction contemplated by the Brand Purchase Agreement and the FFL Purchase Agreement; and (v) how the proceeds of the Brand Business Sale may be used or distributed.

Furthermore, Stifel does not express any opinion as to the prices, trading range or volume at which Gaiam's securities would trade following public announcement or consummation of the Brand Business Sale.

The Opinion is necessarily based on economic, market, financial and other conditions as they existed, and on the information made available to Stifel by or on behalf of Gaiam or its advisors, or information otherwise reviewed by Stifel, as of the date of the Opinion. The Opinion states that subsequent developments may affect the conclusion reached in the Opinion and that Stifel does not have any obligation to update, revise or reaffirm the Opinion.

The Opinion was approved by Stifel's fairness committee. The Opinion was for the information of, and directed to, Gaiam's board of directors for its information and assistance in connection with its consideration of the



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financial terms of the Brand Business Sale. The Opinion does not constitute a recommendation to Gaiam's board of directors as to how Gaiam's board of directors should vote on the Brand Business Sale or to any shareholder of Gaiam, Brand Companies, Brand Purchaser or FFL Purchaser as to how any such shareholder should vote at any shareholders meeting at which the Brand Business Sale is considered, or whether or not any shareholder of Gaiam, Brand Companies or Brand Purchaser should enter into a voting, shareholders', or affiliates' agreement with respect to the Brand Business Sale, or exercise any dissenters' or appraisal rights that may be available to such shareholder. In addition, the Opinion does not compare the relative merits of the Brand Business Sale with any other alternative transactions or business strategies which may have been available to Gaiam, the Brand Companies or the Brand Business, and does not address the underlying business decision of Gaiam's board of directors or Gaiam to proceed with or effect the Brand Business Sale.

The following represents a summary of the material financial analyses performed by Stifel in connection with the Opinion. Some of the summaries of financial analyses performed by Stifel include information presented in tabular format. In order to fully understand the financial analyses performed by Stifel, you should read the tables together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the information set forth in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by Stifel.

The analyses described below do not purport to be indicative of actual future results, or to reflect the prices at which any securities may trade in the public markets, which may vary depending upon various factors, including changes in interest rates, dividend rates, market conditions, economic conditions and other factors that influence the price of securities.

### *Selected Public Companies Analysis*

Stifel reviewed the financial metrics of six publicly traded wholesale companies that manufacture and sell non-apparel sports merchandise ( Hardlines Companies ) and three wholesale companies that manufacture and sell sports apparel, accessories, and footwear ( Softlines Companies ), each with a market capitalization lower than \$5 billion at the date of Stifel's opinion and deemed by Stifel to be relevant based on their business profiles and financial metrics, including product portfolios, end-markets, customers, size, growth and profitability, among others. Stifel believes that the groups of companies listed below have business models similar to those of the hardlines and softlines businesses comprising the Brand Companies and the Brand Business, respectively, but noted that none of these companies has the same management, composition, size, operations, financial profile or combination of businesses as the Brand Companies and the Brand Business:

#### Hardlines Companies

Accell Group NV

Amer Sports Corp.

Escalade Inc.

Nautilus Inc.

Performance Sports Group Ltd.

Vista Outdoor Inc.

Softlines Companies

Columbia Sportswear Company

Delta Apparel Inc.

G-III Apparel Group, Ltd.

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Stifel reviewed the last twelve months ( LTM ) financial results and the estimated calendar year 2016 financial results of the Hardlines Companies and Softlines Companies which Stifel obtained from available public sources and calculated the following multiples for each selected company:

Enterprise value ( EV ), which Stifel defined as fully-diluted equity value calculated using the treasury stock method, plus debt, preferred stock and minority interests, less cash and cash equivalents, to the LTM and the estimated calendar year 2016 revenues ( EV/Revenues ); and

EV to LTM and the estimated calendar year 2016 adjusted earnings before non-recurring charges, interest, taxes, stock-based compensation, and depreciation and amortization ( EV/ EBITDA ).

The following table sets forth the multiples indicated by this analysis, which reflects the first quartile, median, mean and third quartile metrics of such companies:

Multiple: <sup>(1)</sup>	1st Quartile	Median	Mean	3rd Quartile
Hardlines Companies LTM EV/Revenues	1.2x	1.4x	1.3x	1.7x
Hardlines Companies CY2016E EV/Revenues	1.1x	1.3x	1.2x	1.3x
Hardlines Companies LTM EV/EBITDA	10.7x	11.1x	11.1x	11.5x
Hardlines Companies CY2016E EV/EBITDA	8.5x	8.8x	9.4x	9.1x
Softlines Companies LTM EV/Revenues	0.7x	0.8x	1.0x	1.2x
Softlines Companies CY2016E EV/Revenues	0.7x	0.7x	1.0x	1.1x
Softlines Companies LTM EV/EBITDA	9.4x	10.4x	10.1x	10.9x
Softlines Companies CY2016E EV/EBITDA	8.3x	8.3x	9.4x	9.9x

(1) Performance Sports Group Ltd. was excluded from the calculation of the multiples for Hardlines Companies because it announced, in its most recent quarterly filing, a write down of its receivable balance of \$24 million related to a U.S. sporting goods retailer that had filed for bankruptcy.

Stifel applied the first and third quartile multiples of Hardlines Companies to the LTM and estimated calendar year 2016 revenue and EBITDA numbers of the Brand Companies and the Brand Business, as provided by Gaiam's management, to derive the following range of implied enterprise values for the Brand Companies and the Brand Business:

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