QEP CO INC
Form 10-Q
January 13, 2003

Securities and Exchange Commission
Washington D.C. 20549

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

For the fiscal quarter ended: November 30, 2002
Commission file number: 0-21161

Q.E.P. CO., INC.
(Exact name of registrant as specified in its charter)

Delaware	13-2983807
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1081 Holland Drive
Boca Raton, Florida 33487
(Address of principal executive offices)
(Zip code)

(561) 994-5550
(Registrant's telephone number, including area code)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate the number of shares outstanding of each of the registrant's classes of common stock: as of January 14, 2003, 3,381,190 shares of common stock, par value $.001 per share.

Q.E.P. CO., INC. AND SUBSIDIARIES

INDEX

2

PART I. FINANCIAL INFORMATION
ITEM I. FINANCIAL STATEMENTS

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	November 30
	(UNAUDI
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 80
Accounts receivable, less allowance for doubtful accounts of $368,000 and $422,000 at November 30, 2002 and February 28, 2002, respectively	20,40
Notes receivable	2
Inventories	22,43
Prepaid expenses	1,54
Deferred income taxes	48
Total current assets	45,69
Property and equipment, net	6,21
Deferred income taxes	86
Intangible assets, net	12,26
Notes receivable	2
Other assets	51
Total assets	$ 65,58

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES	
Lines of credit	$ 17,42
Acquisition notes payable	63
Current maturities of long-term debt	1,77
Accounts payable	8,34
Accrued liabilities	4,72
Total current liabilities	32,90
Notes payable	3,77
Acquisition notes payable	1,45
Subordinated long term debt	4,02
Deferred income taxes	50
Warrant put liability	95
Commitments and contingencies	
SHAREHOLDERS' EQUITY	
Preferred stock, 2,500,000 shares authorized, $1.00 par value; 336,660 shares issued and outstanding at November 30, 2002 and February 28, 2002, respectively	33
Common stock, 20,000,000 shares authorized, $.001 par value; 3,381,190 shares issued and outstanding at November 30, 2002 and February 28, 2002, respectively	
Additional paid-in capital	9,06
Retained earnings	14,95
Cost of stock held in treasury	(43
Accumulated other comprehensive loss	(1,97
	$ 21,95
Total liabilities and shareholders' equity	$ 65,58

The accompanying notes are an integral part of these statements

3

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS AND THREE MONTHS ENDED NOVEMBER 30, 2002 AND 2001
(UNAUDITED)

	Nine Months Ended November 30,		Three Nov
	2002	2001	2002
Net Sales	$ 96,950,655	$ 82,799,415	$ 32,351,50
Cost of goods sold	63,679,614	54,992,347	21,193,04
Gross profit	33,271,041	27,807,068	11,158,46
Costs and expenses			

Shipping	8,838,459	7,226,292	2,895,24
General and administrative	8,521,044	7,608,567	2,986,72
Selling and marketing	10,378,003	8,884,184	3,571,48
Other expense (income), net	304,640	(220,774)	63,08
	28,042,146	23,498,269	9,516,52
Operating income	5,228,895	4,308,799	1,641,93
Interest income	653	9,615	2
Interest expense	(1,470,142)	(1,812,565)	(513,64
Income before provision for income taxes and cumulative effect of change in accounting principle	3,759,406	2,505,849	1,128,31
Provision for income taxes	(1,585,377)	(954,124)	(464,36
Net Income before cumulative effect of change in accounting principle	2,174,029	1,551,725	663,95
Cumulative effect of change in accounting principle	(3,047,788)	--	-
Net (loss) income	$ (873,759)	$ 1,551,725	$ 663,95
Basic and diluted (loss) earnings per common share:			
Income before cumulative effect of change in accounting principle	$ 0.64	$ 0.46	$ 0.2
Cumulative effect of change in accounting principle	(0.89)	--	-
Net (loss) income	$ (0.25)	$ 0.46	$ 0.2

The accompanying notes are an integral part of these statements.

4

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED NOVEMBER 30, 2002 AND 2001
(UNAUDITED)

	November
Cash flows from operating activities:	
Net (loss) income	$ (

Adjustments to reconcile net (loss) income to net cash provided by operating activities:	
Cumulative effect of change in accounting principle	3,
Change in fair value of warrant put liability	
Depreciation and amortization	1,
Bad debt expense	
Deferred income taxes	
Changes in assets and liabilities, net of acquisitions	
Accounts receivable	(2,
Inventories	(1,
Prepaid expenses	
Other assets	(
Accounts payable and accrued liabilities	1,
Net cash provided by operating activities	1,
Cash flows from investing activities	
Capital expenditures	(
Acquisitions, net of cash acquired	(
Net cash used in investing activities	(1,
Cash flows from financing activities:	
Net borrowings under lines of credit	
Borrowings of long-term debt	4,
Repayments of long-term debt	(4,
Repayments of acquisition notes payable	(
Purchase of treasury stock	
Payments received on notes receivable	
Purchase of common stock warrants	
Dividends	
Net cash provided by (used in) financing activities	
Cumulative currency translation adjustment	(
Net increase (decrease) in cash	
Cash and cash equivalents at beginning of period	
Cash and cash equivalents at end of period	$
Supplemental disclosure of cash flow information:	
Interest paid	$ 1,
Income taxes paid	$

The accompanying notes are an integral part of these statements.

5

Q.E.P. CO., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Basis of Presentation

The accompanying financial statements for the interim periods are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the periods presented. These financial statements should be read in conjunction with the financial statements and notes thereto, together with Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the Annual Report on Form 10-K for the year ended February 28, 2002, of Q.E.P. Co., Inc. (the "Company") as filed with the Securities and Exchange Commission. The February 28, 2002 balance sheet was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. The results of operations for the nine and three months ended November 30, 2002 are not necessarily indicative of the results for the full fiscal year ending February 28, 2003.

Note 2. Inventories

The major classes of inventories are as follows:

	November 30, 2002	February 28, 2002
Raw materials and work-in-process	$ 3,958,325	$ 3,837,402
Finished goods	18,479,444	16,041,076
	$22,437,769	$19,878,478

Note 3. Earnings per Share

Basic earnings per share is computed by dividing net income, after deducting preferred stock dividends accumulated during the period, by the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share is computed by dividing net income, after deducting preferred stock dividends accumulated during the period, by the weighted average number of shares of common and dilutive common stock equivalent shares outstanding during each period. Diluted common stock equivalent shares consist of stock options and warrant common stock equivalent shares which are not used when the effect is antidilutive.

For the nine months and three months ended November 30, 2002 and 2001, the weighted average number of basic shares of common stock outstanding amounted to 3,381,190. For the nine months ended November 30, 2002 and November 30, 2001, the weighted average number of diluted shares of common stock outstanding amounted to 3,440,424 and 3,386,819, respectively. For the three months ended November 30, 2002 and November 30, 2001, the weighted average number of diluted shares of common stock outstanding amounted to 3,434,731 and 3,393,212, respectively.

Q.E.P. CO., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 4. Comprehensive Income

The Company records comprehensive income in accordance with Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." SFAS 130 requires foreign currency translation adjustments to be included in other comprehensive income.

For the nine months ended November 30, 2002 and 2001, the Company's comprehensive (loss) income totaled ($1,033,736) and $980,071, respectively. Excluding the effect of the change in accounting principle, the Company's comprehensive income for the nine months ended November 30, 2002 was $2,014,052. For the three months ended November 30, 2002 and 2001, the Company's comprehensive income totaled $670,824 and $16,211, respectively. The change in accounting principle did not effect comprehensive income for the three months ended November 30, 2002.

Note 5. Non-cash Investing and Financing Activities

In July 2002, the Company made an acquisition of an Australian distributor. In connection with this acquisition, liabilities were assumed as follows:

Cash paid	$ 495,630
Liabilities assumed	718,222
Issuance of notes to related seller	795,470
Purchase price	$ 2,009,322
Fair value of assets acquired	1,596,296
Excess of purchase price over fair value of assets acquired	$ 413,026

Note 6. Debt Refinancing

In November 2002 the Company entered into an amended and restated loan agreement with its existing lender. Under the terms of the agreement the Company obtained a $4 million dollar term loan, which was used to refinance its existing two term loans with this lender and provide additional working capital. Under the terms of the new loan, which will mature in 2007, the Company will pay $400,000 per quarter during the first year of the loan and $200,000 per quarter thereafter. The agreement, which now includes another financial institution as a participant, also increased the Company's borrowing capacity under a revolving loan facility to $23 million dollars under the same formula for eligible accounts receivable and inventory that currently exists for the Company. The term loan and the revolver each have an interest rate that ranges from Libor plus 1.50% to Libor plus 2.25%, and are collateralized by substantially all of the Company's assets. The agreement also prohibits the Company from incurring certain additional indebtedness, limits certain investments, advances or loans and restricts substantial asset sales and capital expenditures. At November 30, 2002, the rate was Libor (1.69% at November 30, 2002) plus 2.00% and the Company had approximately $2,420,000 available for future borrowings under its facility.

Prior to this agreement the Company's revolver provided borrowings for up to $20 million dollars. Interest on this revolver and one of its term loans ranged from Libor plus 1.75% to Libor plus 2.5%. The Company also had a second term note, which it obtained in April 2001 at an interest rate of Libor plus 2.75%. Both of these term notes were repaid as a result of the November 2002 refinancing.

The lending institutions have also agreed to refinance the Company's mortgage loan in Canada and to finance the Company's expansion of this facility. The mortgage refinancing will be for 80% of the as-built appraisal, is expected to be approximately $1.4 million, will amortize over a 15-year period, will mature in October 2007 and will bear an interest rate of Libor plus 2.00%.

Finally, under the terms of the agreement, the lending institutions will also provide the Company with approximately $4.5 million in a second term financing to refinance its existing Subordinated Debt Facility. This financing will be available to the Company no earlier than May 2003 and is to be repaid in monthly installments over a three year period, requires the personal guaranty of the Company's Chairman, has an interest rate of Libor plus 3.25% and is conditioned upon the Company meeting certain financial covenants. The Company has not closed on either the mortgage or the second term loan.

Note 7. Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 provides accounting and reporting guidance for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction or normal operations of long-lived assets. This standard is effective for fiscal years beginning after June 30, 2002. The Company is currently reviewing the provisions of this standard and expects that adoption of the standard will not have a material effect on its financial statements.

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections". FASB No. 145 rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements". This Statement also rescinds FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers". This Statement amends FASB Statement No. 13, "Accounting for Leases", to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical

corrections, clarify meanings, or describe their applicability under changed conditions. This Statement is effective for financial statements issued on or after May 15, 2002. The adoption of this standard did not have an effect on the financial statements of the Company.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. The standard is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company anticipates that the adoption of this standard will not have a material effect on its financial statements.

Note 8. Adoption of SFAS No. 142, "Goodwill and Other Intangible Assets"

On July 20, 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Intangible Assets." SFAS No. 141 is effective for all business combinations completed after June 30, 2001. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS No. 142. Major provisions of these statements and their effective dates for the Company are as follows: (i) all business combinations initiated after June 30, 2001 must use the purchase method of accounting, and the pooling of interest method of accounting is prohibited except for transactions initiated before July 1, 2001; (ii) intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, licensed, rented or exchanged, either individually or as part of a related contract, asset or liability; (iii) goodwill, as well as intangible assets with indefinite lives, acquired after June 30, 2001, will not be amortized, and effective March 1, 2002, all previously recognized goodwill and intangible assets with indefinite lives were not subject to amortization; (iv) effective March 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever there is an impairment indicator; and (v) all acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting. As of March 1, 2002, the Company stopped amortizing goodwill in accordance with SFAS No. 142.

In August 2002, the Company completed the valuation of its goodwill for impairment under the provisions of SFAS No. 142. As a result of this evaluation, the Company determined that the goodwill associated with its Latin American and European subsidiaries was impaired and, as a result, the Company recorded a charge to earnings of approximately $3,048,000 effective March 1, 2002 and this charge was recognized as a cumulative effect of a change in accounting principle.

As a result of the adoption of SFAS No. 142, the Company did not recognize goodwill amortization for the three nor six months ended November 30, 2002. If SFAS No. 142 was in effect during the comparable three and nine months ended November 30, 2001, the Company would not have recognized approximately $117,000 and $353,000, respectively in goodwill amortization; therefore, net income applicable to common shareholders would have increased to approximately $455,000 and $1,905,000, respectively and earnings per share applicable to common shareholders would have increased by $0.03 and $0.10, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Q.E.P. Co., Inc. (the "Company") manufactures, markets and distributes a broad line of specialty tools and flooring related products for the home improvement market. The Company markets over 3,000 specialty tools and flooring related products used primarily for surface preparation and installation of ceramic tile, carpet and marble. The Company's products are sold to home improvement retailers, specialty distributors to the hardware, construction, flooring and home improvement trades, chain or independent hardware, tile and carpet retailers for use by the do-it-yourself consumer as well as the construction or remodeling professional and original equipment manufacturers. Dollar figures set forth below are rounded to the nearest thousand.

A summary of significant accounting policies followed by the Company is set forth in Note B to the Company's consolidated financial statements in the Company's Annual Report on Form 10K for the year ended February 28, 2002, which is incorporated herein by reference.

Forward-Looking Statements

This report contains certain forward-looking statements that are made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. Statements as to what the Company "believes," "intends," "expects," or "anticipates" and other similar anticipatory expressions, are generally forward-looking and are made only as of the date of this report and are not related to historical results. Such statements include statements relating to the adequacy of the Company's liquidity sources to meet the Company's working capital needs and anticipated expenditures. Additionally, the report is subject to risks and uncertainties which could cause actual results to differ materially from those discussed in the forward-looking statements and from historical results of operations. Among the risks and uncertainties which could cause such a difference are the assumptions upon which the Company bases its assessments of its future working capital and capital expenditure requirements and those relating to the Company's ability to satisfy its working capital needs and to finance its anticipated capital expenditures which could prove to be different than expected, the Company's dependence upon a limited number of customers for a substantial portion of its sales, the Company's reliance upon suppliers and sales agents for the purchase of finished products which are then resold by it, the level of demand for the Company's products among existing and potential new customers, the Company's dependence upon certain key personnel and its ability to successfully integrate new management personnel into the Company, the Company's ability to accurately predict the number and type of employees required to conduct its European and South American operations and the compensation required to be paid to such personnel, its ability to manage its growth, the risk of economic and market factors affecting the Company or its customers, the Company's belief that there will be no future adverse effect on the fair value of the Company's assets in accordance with the provisions of SFAS No. 142 and other risks and uncertainties described elsewhere herein.

Results of Operations

Nine months ended November 30, 2002 compared to nine months ended November 30, 2001

Net sales for the nine months ended November 30, 2002 were approximately $96,951,000 compared to approximately $82,799,000 for the nine months ended November 30, 2001, an increase of $14,152,000 or 17.1%. Sales increased primarily as a result of an increase in volume to the Company's home center customer base resulting from new product introduction into existing stores and an increase in the number of home center stores operated by these customers, in addition to increased sales attributable to the acquisition of the Australian distributor (approximating $2.6 million). Selling prices remained relatively stable during the period.

Gross profit for the fiscal 2003 period was approximately $33,271,000 compared to $27,807,000 for the fiscal 2002 period, an increase of $5,464,000 or 19.6%. As a percentage of net sales, gross profit increased to 34.3% in the fiscal 2003 period from 33.6% in the fiscal 2002 period. The Company has increased its gross margin through a reduction of certain raw material costs and a change, by its customers, towards higher margin products. Additionally, the Company experienced an increase in gross margin at the Company's European subsidiary.

Shipping expenses for the fiscal 2003 period were approximately $8,838,000 compared to $7,226,000 for the fiscal 2002 period, an increase of $1,612,000 or 22.3%. As a percentage of net sales, these expenses increased to 9.1% in the fiscal 2003 period from 8.7% in the fiscal 2002 period primarily as a result of a decrease in the Company's average order size and an increase in freight rates charged by common carriers. The actual increase is a result of the higher sales volume to home center customers and the absorption, by the Company, of a higher percentage of freight costs to its domestic distributor customers. Further, the newly acquired Australian distributor accounted for approximately $200,000 of the actual increase.

General and administrative expenses for the fiscal 2003 period were approximately $8,521,000 compared with approximately $7,609,000 for the fiscal 2002 period, an increase of $912,000 or 12.0%. As a percentage of net sales, these expenses decreased to 8.8% in the fiscal 2003 period from 9.2% in the fiscal 2002 period, principally due to the absorption of certain fixed costs over a higher sales volume and the elimination of goodwill amortization in accordance with SFAS No. 142 amounting to approximately $353,000. The actual increase was primarily the result of an increase in personnel resulting from the Company's Australian acquisition and its domestic e-commerce operations.

Selling and marketing costs for the fiscal 2003 period were approximately $10,378,000 compared to $8,884,000 for the fiscal 2002 period, an increase of $1,494,000 or 16.8%. As a percentage of net sales, these expenses remained flat at 10.7% in the fiscal 2003 and fiscal 2002 periods. The actual increase is the result of an increase in commissions and marketing allowances paid resulting from the increase in sales to home center customers and an increase in the Company's marketing and product management costs to facilitate future growth. Additionally, approximately $210,000 of the increase is a result of the newly acquired Australian distributor.

Other expenses for the nine months ended November 30, 2002 include, among other things, a charge of $376,000 resulting from a change in the future value of the Put Warrants. For the comparable fiscal 2002 period, there was no effect on earnings as a result of the Put Warrants.

Interest income for the fiscal 2003 period was approximately $1,000 compared to $10,000 in the fiscal 2002 period. Interest expense for the fiscal 2003 period was approximately $1,470,000 compared to approximately $1,813,000 in the fiscal 2002 period. Interest expense decreased primarily as a result of a decrease in the borrowing rate applied to the Company's outstanding indebtedness and the elimination of the interest rate swap agreements that negatively impacted the fiscal 2002 period.

Provision for income taxes was approximately $1,585,000 in the fiscal 2003 period compared to approximately $954,000 in the fiscal 2002 period, an increase of $631,000 or 66.1%. The effective tax rate was approximately 42.2% for the fiscal 2003 period and 38.1% for the fiscal 2002 period. The estimated tax rate is based upon the most recent effective tax rates available and is higher in fiscal 2003 primarily due to the Company not recognizing an income tax benefit for the European subsidiary's loss and the aforementioned adjustment to the warrant put liability.

In August 2002, the Company completed the valuation of its goodwill in accordance with the provisions of SFAS No. 142. The result of this valuation was an impairment loss to goodwill at the Company's European and Latin American subsidiaries. This impairment loss, amounting to approximately $3,048,000, was recorded as a cumulative effect of a change in accounting principle and was effected as of March 1, 2002.

As a result of the above, net income, exclusive of the cumulative effect of a change in accounting principle, for the fiscal 2003 period increased to $2,174,000 from $1,552,000 in the fiscal 2002 period, an increase of $622,000 or 40.1% and net income as a percentage of net sales increased to 2.2% in the fiscal 2003 period compared to 1.9% in the fiscal 2002 period. Inclusive of the approximate $3,048,000 change in accounting principle, the Company's net loss for the fiscal 2003 period was approximately $874,000.

Three months ended November 30, 2002 compared to three months ended November 30, 2001.

Net sales for the three months ended November 30, 2002 were approximately $32,352,000 compared to approximately $26,646,000 for the three months ended November 30, 2001, an increase of $5,706,000 or 21.4%. The increase is primarily the result of an increase in sales to the Company's home center customer base resulting from new store openings and new product introduction into existing stores. Also, the newly acquired Australian distributor accounted for approximately $1.3 million of the increase in net sales. Selling prices remained relatively stable during the period.

Gross profit for the fiscal 2003 quarter was approximately $11,158,000 compared to approximately $8,898,000 in the fiscal 2002 quarter, an increase of $2,260,000 or 25.4%. As a percentage of net sales, gross profit increased from 33.4% in the fiscal 2002 quarter to 34.5% in the fiscal 2003 quarter, primarily due to a reduction in certain raw material costs and a change in the Company's domestic product mix towards higher margin products and an increase in margin at the Company's European subsidiary.

Shipping expenses for the fiscal 2003 quarter were approximately $2,895,000 compared to approximately $2,384,000 for the fiscal 2002 quarter, an increase of $511,000 or 21.4%. As a percentage of net sales, these expenses remained flat at 8.9% in the fiscal 2003 and 2002 periods. The actual increase was the result of the higher sales volume and approximately $121,000 from the newly acquired Australian distributor.

General and administrative expenses for the fiscal 2003 quarter were approximately $2,987,000 compared to approximately $2,490,000 for the fiscal 2002 quarter, an increase of $497,000 or 20.0%. As a percentage of net sales, general and administrative expenses decreased to 9.2% in the fiscal 2003 quarter from 9.3% in the fiscal 2002 quarter, primarily as a result of fixed costs being spread over an increased sales volume. The actual increase is primarily the result of an increase in costs at the Company's foreign subsidiaries, an increase in personnel costs and e-commerce costs at the Company's domestic operations and approximately $100,000 from the Australian distributor recently acquired by the Company offset by the elimination of goodwill amortization in accordance with SFAS No. 142 in the approximate amount of $117,000.

Selling and marketing costs for the fiscal 2003 quarter were approximately $3,571,000 compared to approximately $2,906,000 for the fiscal 2002 quarter, an increase of $665,000 or 22.9%. As a percentage of net sales, these expenses increased to 11.0% in the fiscal 2003 quarter from 10.9% in the fiscal 2002 quarter, reflecting higher commissions paid to the Company's sales force. The actual increase is primarily the result of an increase in commissions and marketing allowances paid as a result of the increase in sales volume to the Company's home center customer base and an approximate $110,000 increase attributable to the newly acquired Australian distributor.

Other expenses for the fiscal 2003 period include, among other things, a charge of $120,000 resulting from the change in the future value of the Put Warrants. For the comparable fiscal 2002 period, there was no effect on earnings resulting from the Put Warrants.

Interest income for the fiscal 2003 quarter was insignificant compared to $9,000 for the fiscal 2002 quarter. Interest expense for the fiscal 2003 quarter was approximately $514,000 compared to approximately $579,000 in the fiscal 2002 quarter. Interest expense decreased as a result of a reduction in the amount of the Company's outstanding long-term indebtedness and a reduction in the borrowing rate applied to that indebtedness. Further, the prior period was negatively impacted by the interest rate swap agreements in existence in the prior year.

Provision for income taxes was approximately $464,000 in the fiscal 2003 period compared to $208,000 in the fiscal 2002 quarter, an increase of approximately $256,000 or 123.1%. The effective tax rate was approximately 41.1% for the fiscal 2003 quarter and 38.0% for the 2002 quarter. The estimated tax rate is based upon the most recent tax rates available and is higher in fiscal 2003 primarily due to the Company not recognizing an income tax benefit for the European subsidiary's loss and the aforementioned adjustment to the warrant put liability.

As a result of the above, net income for the fiscal 2003 quarter was approximately $664,000 compared to approximately $338,000 for the fiscal 2002 quarter, an increase of $326,000 or 96.4%. As a percentage of net sales, the net income was 2.1% in the fiscal 2003 quarter compared to a net income of 1.3% in the fiscal 2002 quarter.

Liquidity and Capital Resources

Working capital as of November 30, 2002 increased from approximately $9,710,000 at February 28, 2002 to $12,788,000, an increase of $3,078,000, primarily as a result of an increase in the Company's income from operations, the refinancing of the Company's debt in November 2002 as further described herein and an approximate increase of $1,177,000 resulting from the acquisition of the Australian distributor. Any cash in excess of anticipated requirements is invested in commercial paper or overnight repurchase agreements with a financial institution. The Company states the value of such investments at market price and classifies them as cash equivalents on its balance sheet.

Net cash provided by operating activities during the fiscal 2003 period was approximately $1,413,000 compared to approximately $1,981,000 for the comparable fiscal 2002 period. The decrease is primarily due to an increase in the Company's income from operations, as adjusted for non-cash charges, and an increase in accounts receivable and inventory offset by an increase in accounts payable. Net cash used in investing activities was approximately $1,364,000 compared to approximately $286,000 for the comparable fiscal 2002 period. The change is primarily due to an increase in capital expenditures of approximately $580,000 and approximately $500,000 of cash used to purchase the Australian distributor.

For the fiscal 2003 period, cash provided by financing activities was approximately $477,000 compared to cash used in financing activities of approximately $1,179,000 for the comparable fiscal 2002 period. Cash provided by financing activities for the current year was primarily the result of an increase in long term debt and the Company's line of credit facility offset by payments of long term debt. Cash used in financing activities for the prior year was principally the result of payments of certain subordinated, term and acquisition debt amounting to approximately $8,200,000 offset by new long-term borrowings of $6,000,000 and an increase in the Company's line of credit facility to fund working capital needs

In November 2002 the Company entered into an amended and restated loan agreement with its existing lender. Under the terms of the agreement the Company obtained a $4 million dollar term loan, which was used to refinance its existing two term loans with this lender and provide additional working capital. Under the terms of the new loan, which will mature in 2007, the Company will pay $400,000 per quarter during the first year of the loan and $200,000 per quarter thereafter. The agreement, which now includes another financial institution as a participant, also increased the Company's borrowing capacity under a revolving loan facility to $23 million dollars under the same formula for eligible accounts receivable and inventory that currently exists for the Company. The term loan and the revolver have an interest rate that ranges from Libor plus 1.50% to Libor plus 2.25%, and are collateralized by substantially all of the Company's assets. The agreement also prohibits the Company from incurring certain additional indebtedness, limits certain investments, advances or loans and restricts substantial asset sales and capital expenditures. At November 30, 2002, the rate was Libor (1.69% at November 30, 2002) plus 2.00% and the Company had approximately $2,420,000 available for future borrowings under its facility.

Prior to this agreement the Company's revolver provided borrowings for up to $20 million dollars. Interest on this revolver and one of its term loans ranged from Libor plus 1.75% to Libor plus 2.5%. The Company also had a second term note, which it obtained in April 2001 at an interest rate of Libor plus 2.75%. Both of these term notes were repaid as a result of the November 2002 refinancing.

The lending institutions have also agreed to refinance the Company's mortgage loan in Canada and to finance the Company's expansion of this facility. The mortgage refinancing will be for 80% of the as-built appraisal, is expected to be approximately $1.4 million, will amortize over a 15-year period, will mature in October 2007 and will bear an interest rate of Libor plus 2.00%.

13

Finally, under the terms of the agreement, the lending institutions will also provide the Company approximately $4.5 million in a second term financing to refinance its existing Subordinated Debt Facility. This financing will be available to the Company no earlier than May 2003 and is to be repaid in monthly installments over a three year period, requires the personal guaranty of the Company's Chairman, has an interest rate of Libor plus 3.25% and is conditioned upon the Company meeting certain financial covenants. The Company has not closed on either the mortgage or the second term loan.

The Company's Chilean subsidiary has a revolving credit facility with a financial institution which permits borrowings of up to $50,000 with interest at 18% per year. The facility is secured by a standby letter of credit given by the Company. This facility expires on May 31, 2003 and, at November 30, 2002, the Chilean subsidiary had the full amount of the facility available for future borrowings.

The Company's Australian subsidiary has an overdraft facility which allows it to borrow against a certain percentage of inventory and receivables. At November 30, 2002 the maximum permitted borrowing was approximately $363,000 and was fully utilized.

In connection with an acquisition in July 2002, the Company's Australian subsidiary entered into a new term loan facility with an Australian financial institution to provide financing of up to AUD$ 2,500,000 (approximately US $1,300,000). This facility includes a term facility and a short-term foreign and domestic facility that will be used to provide the capital necessary for acquisitions and general working capital purposes. The term facility expires in June 2005 and requires quarterly payments of AUD $25,000 (approximately US $13,000) and a final balloon payment. Further, in July 2002 approximately AUD $1,298,000 (approximately US $715,000) of this facility was used to provide financing for the acquisition of an Australian distributor and, in addition, the Company issued a note to the related seller in the approximate amount of AUD $1,445,000 (approximately US $795,500). This note requires monthly payments in the amount of approximately $14,700 through December 2006 with interest at 6.5%.

On April 5, 2001 the Company entered into a new $4,500,000 subordinated credit facility with HillStreet Fund LP. This facility bears an interest rate of 15% per annum and matures on April 5, 2007. Equal quarterly payments of $562,500 are required beginning on July 1, 2005. The agreement also provides for an additional 3% interest if the Company does not meet certain financial covenants. In addition, the Company issued 325,000 10-year warrants which have an exercise price of $3.63 per share. These warrants can be put to the Company on and after April 5, 2006 based on criteria set forth in the warrant agreement. In addition, the Company may call these warrants on and after April 5, 2007 based on the same criteria. The Company has recorded a liability for the Put Warrants based on an independent appraisal. Any change to the fair value of the Put Warrants is being recognized in the earnings of the Company in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The original discount of the subordinated credit facility is being amortized over the life of the debt.

In connection with certain acquisitions during fiscal years 1999 through 2000, the Company issued three notes to the respective sellers. The first note, having an original principal balance of $900,000 was originally payable in equal installments over a three year period with interest at the Company's prevailing borrowing rate. In October 2002, the Company paid $50,000 and amended the agreement to provide for payments of $125,000 each on October 10, 2003 and 2004. Interest on the extended payments is payable quarterly at 7%. The amount outstanding on this note as of November 30, 2002 was $250,000. The second note, in the principal amount of $825,000, is payable in installments: $312,500 plus interest of $12,500 was paid in December, 2000, $312,500 plus interest of $12,500 was partially paid in December, 2001 and the balance was paid over a ten month period beginning January, 2002; the final installment of $200,000 plus interest of $25,000 is due in December, 2003. The amount outstanding on this note as of November 30, 2002 was $200,000. The third note, in the original principal amount of $1,600,000, is payable quarterly at $80,000 plus interest at 8% from October 1, 2000 through October 1, 2005 and the amount outstanding as of November 30, 2002 was $880,000.

In October 2000, the Company entered into an agreement to purchase its Bramalea, Ontario facility for approximately $988,000. In connection with this purchase, the Company paid approximately $318,000 in cash and

obtained a loan for the balance from a Canadian lending institution of approximately $670,000 payable over ten years at an interest rate to be set annually (6.1% as of November 30, 2002). At November 30, 2002, the outstanding balance of this loan was approximately $522,000 and required payments are approximately $5,700 per month.

The Company believes its existing cash balances, internally generated funds from operations and its available bank lines of credit will provide the liquidity necessary to satisfy the Company's working capital needs, including the growth in inventory and accounts receivable balances, and will be adequate to finance anticipated capital expenditures and debt obligations for the next twelve months. There can be no assurance, however, that the assumptions upon which the Company bases its future working capital and capital expenditure requirements and the assumptions upon which it bases that funds will be available to satisfy such requirements will prove to be correct. If these assumptions are not correct, the Company may be required to raise additional capital through loans or the issuance of debt securities that would require the consent of the Company's current lender, or the issuance of equity securities. To the extent the Company raises additional capital by issuing equity securities or obtaining borrowings convertible into equity, ownership dilution to existing stockholders will result, and future investors may be granted rights superior to those of existing stockholders. Moreover, additional capital may be unavailable to the Company on acceptable terms or may not be available at all.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The Company averaged approximately $21,400,000 and $21,300,000 of variable rate debt during the nine and three months ended November 30, 2002, respectively. If interest rates would have increased by 10%, the effect on the Company would have been an increase to interest expense of approximately $54,000 and $27,000, respectively.

On April 5, 2001, in connection with the consummation of a loan transaction, the Company issued warrants to HillStreet Fund LP to purchase up to 325,000 shares of the Company's common stock at an exercise price of $3.63 per share (the "Put Warrants"). The Put Warrants are exercisable until April 5, 2011 and contain put and call provisions. The put price of the Put Warrants is variable based upon the Company's value at the time the put rights are exercised, and a change in the put price of $0.10 would result in an adjustment to earnings of $32,500.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon the evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in timely alerting them to material information relating to the Company and its consolidated subsidiaries required to be included in the Company's periodic filings. There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of the evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There have been no other material developments in any litigation proceedings to which the Company is a party since the Company's report on Form 10-K was filed with the Securities and Exchange Commission on May 22, 2002.

Item 6. Exhibits and Reports on Form 8-K

(a) List of Exhibits

Exhibit Number	Description
3.1	Certificate of Incorporation of the Company /(1)/
3.2	By-Laws of the Company /(2)/
4.1	Specimen Common Stock Certificate /(1)/
4.1.1	Form of Warrant issued by the Company to the representative of the underwriters Company's initial public offering /(1)/
10.1	Employment Agreement dated May 1, 2002 by and between Lewis Gould and the Compan
10.2	Second Amended and Restated Loan Agreement dated November 14, 2002, by and among Company, its subsidiaries, Fleet Capital Corporation, HSBC Bank USA and Fleet Ca Corporation, as Agent.
10.3	Form of Term Note, Domestic Advances Note, Foreign Advances Note and B.V. Note e in connection with Second Amended and Restated Loan Agreement dated November 14,
99.1	Certification by Lewis Gould, Chief Executive Officer and Chairman of the Board Directors, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 90 the Sarbanes-Oxley Act of 2002.
99.2	Certification by Marc P. Applebaum, Senior Vice President and Chief Financial Of pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

/(1)/ Incorporated by reference to Exhibit of the same number filed with the Company's Registration Statement on Form S-1 (Reg. No. 333-07477).

/(2)/ Incorporated by reference to Exhibit of the same number filed with the Company's Annual Report on Form 10-K filed on May 28, 1997.

(b) Reports on Form 8-K

There were no Current Reports on Form 8-K filed by the Company during its fiscal quarter ended November 30, 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Q.E.P. CO., INC.

Dated: January 14, 2003

By: /s/ Lewis Gould

Lewis Gould, Chairman, Chief Executive Officer and Director (Principal Executive Officer)

Dated: January 14, 2003

By: /s/ Marc P. Applebaum

Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

18

CERTIFICATIONS

I, Lewis Gould, Chairman of the Board of Directors and Chief Executive Officer of Q.E.P. Co., Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Q.E.P. Co., Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on

our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: January 14, 2003

/s/ Lewis Gould

Chairman, Chief Executive Officer
and Director

I, Marc P. Applebaum, Senior Vice President and Chief Financial Officer of Q.E.P. Co., Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Q.E.P. Co., Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: January 14, 2003

/s/ Marc P. Applebaum

Senior Vice President and Chief Financial Officer

20

Exhibit Index

Exhibit Number	Description
10.1	Employment Agreement dated May 1, 2002 by and between Lewis Gould and the Company.
10.2	Second Amended and Restated Loan Agreement dated November 14, 2002, by and among the Company, its subsidiaries, Fleet Capital Corporation, HSBC Bank USA and Fleet Capital Corporation, as agent.
10.3	Form of Term Note, Domestic Advances Note, Foreign Advances Note and B.V. Note executed in connection with Second Amended and Restated Loan Agreement dated November 14, 2002.
99.1	Certification by Lewis Gould, Chief Executive Officer and Chairman of the Board of Directors, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification by Marc Applebaum, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the

Sarbanes-Oxley Act of 2002.

t-family:Times New Roman" SIZE="1">**Bonus (3)** **Option**
Awards (4) **All Other**
Compensation (5) **Total**

Jirka Rysavy

2012 $60,000 $60,000

Chairman and Director

2011 $47,585 $47,585 2010 $233,051 $233,051

Lynn Powers (1)

2012 $407,890 $329,600 $78,963 $41,115 $857,568

Chief Executive Officer

2011 $380,137 $503,469 $1,500 $885,106

and Director

2010 $343,753 $100,000 $93,077 $1,500 $538,330

William Sondheim (2)

2012 $407,890 $329,600 $1,500 $738,990

President

2011 $380,137 $42,500 $1,500 $424,137 2010 $343,753 $185,000 $1,500 $530,253

John Jackson

2012 $291,575 $236,000 $34,217 $28,365 $590,158

Vice President of Corporate

2011 $279,041 $279,041

Development and Secretary

2010 $266,877 $50,000 $63,895 $380,772

Stephen J. Thomas (2)

2012 $239,726 $200,000 $6,009 $24,038 $469,773

Chief Financial Officer and

2011 $212,055 $212,055

Vice President

2010	$186,932	$50,000	$139,177		$376,109

(1) Ms. Powers has served as Chief Executive Officer since March 2009 and served as President from February 1996 to November 2010.

(2) Mr. Thomas became Chief Financial Officer and Mr. Sondheim became President in November 2010.

(3) The *Salary* and *Bonus* columns represent amounts when earned and, because of the timing of payments, do not represent amounts paid during each presented year. The annual salary for each named executive officer as of December 31, 2012 was $60,000 for Mr. Rysavy; $412,000 for each of Ms. Powers and Mr. Sondheim; $295,000 for Mr. Jackson; and $250,000 for Mr. Thomas. Commencing in 2011, Mr. Rysavy voluntarily requested that his salary rate be reduced to reflect the decrease in his time devoted to our business. Bonuses are generally given at the discretion of our board of directors compensation committee and are typically paid between February and June of the year following the year earned. Mr. Rysavy has requested that he not be given any bonuses. For Mr. Sondheim, $42,500 and $85,000 of his yearly bonuses were guaranteed and paid quarterly during 2011 and 2010, respectively.

(4) The amounts in the *Option Awards* column reflect the grant date fair value of awards given to Ms. Powers during 2011 and to Mr. Jackson and Mr. Thomas during 2010, and the incremental fair value of options modified in 2012 for Ms. Powers, Mr. Jackson and Mr. Thomas, and in 2010 for Ms. Powers, the fair values of which were computed in accordance with FASB ASC Topic 718. Mr. Rysavy has requested that he not be granted any options. In November 2010, the expiration date for certain options awards granted to Ms. Powers was extended to March 31, 2012. In March 2012, for all employee grants that were scheduled to expire within the next two years, we extended the expiration dates by two years. As a result of these grant modifications, the expiration dates for Ms. Powers grant that was to expire on March 31, 2012, as well as certain option awards granted to Mr. Jackson and Mr. Thomas, were each extended by two years. These awards were issued pursuant to our 2009 and 1999 Long-Term Incentive Plans. Assumptions used in the calculation of the amounts are included in footnote 11 to our audited financial statements for the year ended December 31, 2012, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 18, 2013.

(5) *All Other Compensation* includes for 2012 the cash payout of accrued paid time off balances as of December 31, 2012 for Ms. Powers, Mr. Jackson and Mr. Thomas, and also for each of Ms. Powers and Mr. Sondheim includes $1,500 of 401(k) company match given during each of the years presented in the Summary Compensation Table.

GRANTS OF PLAN-BASED AWARDS

No options were granted to our executive officers named above in the Summary Compensation Table during the year ended December 31, 2012.

Table of Contents

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The following table includes certain information as of December 31, 2012 with respect to unexercised options previously awarded to our executive officers named above in the Summary Compensation Table.

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (1)(2)	Option Expiration Date (1)(3)
Lynn Powers	200,000		$ 5.30	3/31/14
	39,000	11,000	$ 5.00	11/13/15
	36,000	164,000	$ 5.31	5/12/21
William Sondheim	75,000		$ 5.00	5/4/14
	19,500	5,500	$ 5.00	11/13/15
John Jackson	35,000		$ 5.00	6/26/15
	20,000		$ 5.00	9/14/15
	6,000	14,000	$ 7.18	11/18/17
Stephen J. Thomas	10,000		$ 5.00	12/13/15
	4,400	600	$ 5.00	6/3/15
	3,900	1,100	$ 5.00	11/13/15
	9,200	10,800	$ 7.65	3/4/17
	6,000	14,000	$ 7.18	11/18/17

(1) This table reflects the status of option awards granted pursuant to our 2009 and 1999 Long-Term Incentive Plans as of December 31, 2012. The options vest and become exercisable at 2% per month over the 50 months beginning in the 11th month after date of grant. The exercise price of the options is equal to or greater than the closing stock market price of our Class A Common Stock on the date of grant. Options granted prior to 2011 expire seven years from date of grant and options granted during 2011 and thereafter expire ten years from the date of grant. For further information, see footnote 11 to our audited financial statements for the year ended December 31, 2012, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 18, 2013.

(2) During 2009, certain option awards originally granted prior to 2009 for Messrs. Sondheim, Jackson and Thomas were repriced to $5.00 per share.

(3) In March 2012, for all employee grants that were scheduled to expire within the next two years, we extended the expiration dates by two years. As a result of these grant modifications, the option expiration date of option awards granted (a) to Ms. Powers that were scheduled to expire on March 31, 2012, (b) to Mr. Jackson that were scheduled to expire on June 26, 2013 and September 14, 2013, and (c) to Mr. Thomas that was scheduled to expire on December 13, 2013, were each extended by two years.

OPTION EXERCISES AND STOCK VESTED TABLE

No options were exercised by our executive officers named above in the Summary Compensation Table during the year ended December 31, 2012.

GENERALLY AVAILABLE BENEFIT PROGRAMS.

We maintain a tax-qualified 401(k) Plan, which provides for broad-based employee participation. Our executive officers are eligible to participate in the 401(k) Plan on the same basis as other employees. On April 1, 2007, we started making matching contributions to the 401(k) Plan. As of that date, under the 401(k) Plan, all of our employees are eligible to receive matching contributions from us, and this matching contribution equals $0.50 for each dollar contributed by an employee up to a maximum annual matching benefit of $1,500 per person. The matching contribution is calculated and paid on a payroll-by-payroll basis subject to applicable Federal limits. We do not provide defined benefit pension plans or defined contribution retirement plans to our executives or other employees other than our 401(k) Plan described herein.

In 2012, our executive officers were eligible to receive the same health care coverage that is generally available to other of our employees. We also offered a number of other benefits to our named executive officers pursuant to benefit programs that provide for broad-based employee participation. These benefits programs included medical, dental and vision insurance, long-term and short-term disability insurance, life and accidental death and dismemberment insurance, health and dependent care flexible spending accounts, business travel insurance, wellness programs (including chiropractic, massage therapy, acupuncture, and fitness classes), relocation/expatriate programs and services, educational assistance, and certain other benefits.

Our compensation committee believes that our 401(k) Plan and the other generally available benefit programs allow us to remain competitive for employee talent, and that the availability of the benefit programs generally enhances employee productivity and loyalty to us. The main objectives of our benefits programs are to give our employees access to quality healthcare, financial protection from unforeseen events, assistance in achieving retirement financial goals, and enhanced health and productivity, in full compliance with applicable legal requirements. Typically, these generally available benefits do not specifically factor into decisions regarding an individual executive officer s total compensation or Long-Term Incentive Plan award package.

STOCK OPTION GRANT TIMING PRACTICES

During 2012, our compensation committee and our board consistently applied the following guidelines for stock option grant timing practices.

- ***New Employees***: stock option grants to new hires are effective on the first day of the new employee s employment with us or upon approval by our compensation committee, and the exercise price for the options is set at the closing price of our Class A Common Stock on that date.

- ***Existing Employees***: stock option grants to existing employees are effective on the date that our compensation committee approves the grant, and the exercise price for the options is set at or above the closing price of our Class A Common Stock on that date.

COMPENSATION OF MR. RYSAVY

During 2011 and 2012, the board approved annual base salary for Mr. Rysavy was $400,000 and $412,000, respectively; however, he voluntarily requested that his salary rate be reduced to reflect the decrease in his time devoted to our business. As a result, Mr. Rysavy received an aggregate salary of $47,585 during 2011 and $60,000 during 2012. Mr. Rysavy served as our Chief Executive Officer until March 2009. He continues to serves as our Chairman and is our largest shareholder. At Mr. Rysavy s request, he has not been given any bonuses in recent years or awarded any stock options in the last ten years. Our compensation committee and our board of directors strongly believe that Mr. Rysavy s salary and overall compensation level are modest given the importance of Mr. Rysavy to our future, his previous experience and business accomplishments and the market value of his skill set as an executive.

EMPLOYMENT CONTRACTS AND POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL

We do not have employment agreements with any of our executive officers, and we do not have change of control agreements with any of our executive officers. Our directors, officers, and managers are required to sign a confidentiality agreement and, upon receiving a stock option grant, a two-year non-compete agreement commencing with the date they leave our company.

ACCOUNTING AND TAX CONSIDERATIONS

In designing our compensation programs, we take into consideration the accounting and tax effect that each element will or may have on us and the executive officers and other employees as a group. We aim to keep the expense related to our compensation programs as a whole within certain affordability levels. When determining how to apportion between differing elements of compensation, our goal is to meet our objectives while maintaining relative cost neutrality. For instance, if we increase benefits under one program resulting in higher compensation expense, we may seek to decrease costs under another program in order to avoid a compensation expense that is above the level then deemed affordable under existing circumstances. We recognize a charge to earnings for accounting purposes equally from the grant date until the end of the vesting period.

We believe we have structured our compensation program to comply with Internal Revenue Code Sections 162(m) and 409A. Under Section 162(m), a limitation is placed on tax deductions of any publicly-held corporation for individual compensation to certain executives of such corporation exceeding $1,000,000 in any taxable year, unless the compensation is performance-based. If an executive is entitled to nonqualified deferred compensation benefits that are subject to Section 409A, and such benefits do not comply with Section 409A, then the benefits are taxable in the first year they are not subject to a substantial risk of forfeiture. In such case, the service provider is subject to regular federal income tax, interest and an additional federal income tax of 20% of the benefit includible in income. We do not believe we have individuals with non-performance based compensation paid in excess of the Section 162(m) tax deduction limit.

Table of Contents

DIRECTOR COMPENSATION TABLE

The following table provides compensation information for the one year period ended December 31, 2012 for each non-employee member of our board of directors:

Name	Fees Earned or Paid in Cash (2)	Stock Awards (1)(2)(3)	Option Awards (4)	Total
James Argyropoulos		$ 51,750		$ 51,750
Barnet M. Feinblum	$ 13,500	$ 25,250		$ 38,750
Barbara Mowry	$ 52,250	$ 6,750		$ 59,000
Paul H. Ray	$ 29,250			$ 29,250
Paul Sutherland		$ 29,000		$ 29,000

(1) Amounts in the *Stock Awards* column reflect the aggregate grant date fair value of awards granted during 2012 and have been computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of grant date fair values of awards for the year ended December 31, 2012 are included in footnote 11 to our audited financial statements for the year ended December 31, 2012, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 18, 2013.

(2) Amounts in the *Fees Earned or Paid in Cash* and *Stock Awards* columns include fees for services rendered during 2012, some of which were not administratively paid or issued until 2013.

(3) On March 31, 2012, Mr. Argyropoulos, Mr. Feinblum and Ms. Mowry received stock awards with grant date fair values of $6,750, $6,500 and $6,750, respectively. On June 30, 2012, Mr. Argyropoulos and Mr. Feinblum received stock awards with grant date fair values of $15,000 and $10,250, respectively. On September 30, 2012, Mr. Argyropoulos, Mr. Feinblum and Mr. Sutherland received stock awards with grant date fair values of $4,000, $2,000 and $2,000, respectively. On December 31, 2012, Mr. Argyropoulos, Mr. Feinblum and Mr. Sutherland received stock awards with grant date fair values of $26,000, $6,500 and $27,000, respectively. Such awards represent 2012 compensation, in lieu of cash, for services as directors.

(4) At year end, each of Mr. Argyropoulos, Mr. Feinblum, and Mr. Ray had 35,000 outstanding option awards, of which 32,500 were exercisable, and the aggregated grant date fair value of each director s awards was $144,097. Also at year end, Ms. Mowry had 20,000 outstanding option awards, of which 17,500 were exercisable, and the aggregated grant date fair value of the awards was $98,745. Mr. Sutherland does not have any outstanding option awards at year end.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2012, our compensation committee was comprised of Ms. Mowry (chairperson) and Messrs. Ray and Argyropoulos. None of the members of our compensation committee has at any time been an officer or employee or our company or has any interlocking relationships that are subject to disclosure under the rules of the Securities and Exchange Commission relating to compensation committees.

COMPENSATION COMMITTEE REPORT

Our compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis for 2012. Based on the review and discussions, our compensation committee recommended to the board, and the board has approved, that the Compensation Discussion and Analysis be included in our annual report on Form 10-K for the fiscal year ended December 31, 2012. This report is submitted by our compensation committee.

Compensation Committee

Barbara Mowry, Chairperson

James Argyropoulos

Paul H. Ray

The information contained in this report shall not be deemed to be soliciting material or filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C or the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically request that the information be treated as soliciting material or specifically incorporate it by reference into a document filed under the Securities Act of 1933, as Amended (the Securities Act) or the Exchange Act.

10

Table of Contents

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
EQUITY COMPENSATION PLAN INFORMATION AT FISCAL YEAR-END

The following table summarizes equity compensation plan information for our Class A common stock at December 31, 2012:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	1,406,450	$ 5.61	2,246,221
Equity compensation plans not approved by security holders			
Total	1,406,450	$ 5.61	2,246,221

BENEFICIAL OWNERSHIP OF SHARES

The following table sets forth information with respect to the beneficial ownership of our common stock as of April 15, 2013 (except as noted) for (i) each person (or group of affiliated persons) who, insofar as we have been able to ascertain, beneficially owned more than 5% of the outstanding shares of our Class A Common Stock or Class B Common Stock, (ii) each director, (iii) each executive officer named above in the Summary Compensation Table, and (iv) all current directors and executive officers as a group. We have based our calculation of the percentage of beneficial ownership on 17,340, 345 shares of our Class A Common Stock and 5,400,000 shares of our Class B Common Stock outstanding on April 15, 2013.

Title of Class of Common Stock	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class
Class A	Prentice Capital Management, LP (2)	2,578,028	14.88%
	Financial & Investment Management Group, Ltd (3)	1,853,325	10.69%
	Ariel Investments, LLC (4)	1,823,682	10.52%
	Columbia Wanger Asset Management, LLC (5)	1,487,595	8.58%
	FMR, LLC (6)	1,392,888	8.04%
	Mazama Capital Management, Inc. (7)	1,361,000	7.85%
	Royce & Associates, LLC (8)	978,004	5.64%
	Mill Road Capital II, L.P. (9)	993,017	5.73%
	Jirka Rysavy (10)	6,068,682	26.69%
	Lynn Powers (11)	529,000	3.00%
	William Sondheim (12)	97,500	*
	John Jackson (13)	64,121	*
	Stephen Thomas (14)	39,500	*
	James Argyropoulos (15)	503,608	2.90%
	Barnet M. Feinblum (16)	90,699	*
	Barbara Mowry (17)	74,259	*
	Paul H. Ray (18)	41,121	*
	Paul Sutherland (3)	1,853,325	10.69%

	All directors and officers as a group (10 persons)	9,361,815	40.06%
Class B	Jirka Rysavy	5,400,000	100.0%
	All directors and officers as a group (10 persons)	5,400,000	100.0%

* Indicates less than one percent ownership.

(1) This table is based upon information supplied by officers, directors and principal shareholders directly to us or on Schedules 13D and 13G and Forms 3, 4 and 5 filed with the Securities and Exchange Commission. All beneficial ownership is direct and the beneficial owner has sole voting and investment power over the securities beneficially owned unless otherwise noted. Share amounts and percent of class include stock options exercisable and restricted stock vesting within 60 days after April 15, 2013 except as noted.

(2) According to a report on Schedule 13D/A filed with the Securities and Exchange Commission on June 8, 2012 by Prentice Capital Management, LP and Michael Zimmerman. According to the filing, the securities consist of (a) 2,566,323 shares of our Class A Common Stock directly held by investment funds and in investment accounts managed by Prentice Capital Management, LP over which Prentice Capital Management, LP and Michael Zimmerman share voting and dispositive power; and (b) 11,705 shares of our Class A Common Stock directly held by The Michael & Holly Zimmerman Family Foundation, Inc. over which Michael Zimmerman shares voting and dispositive power. Prentice Capital Management, LP and Michael Zimmerman disclaim beneficial ownership over the securities. The address for Prentice Capital Management, LP and Mr. Zimmerman is 33 Benedict Place, 2nd Floor, Greenwich, CT 06830.

Table of Contents

(3) Based on information received from FIMgroup and Mr. Sutherland about their beneficial ownership of shares of our Class A Common Stock as of April 15, 2013. The securities consist of (a) 1,829,348 shares of our Class A Common Stock beneficially owned by FIMgroup in its capacity as investment adviser to its clients; (b) 5,900 shares of our Class A Common Stock directly owned by FIMgroup; (c) 4,000 shares of our Class A Common Stock directly owned by FIMgroup s 401(k) plan; and (d) 14,077 shares of our Class A Common Stock directly owned by Mr. Sutherland. According to a report on Schedule 13G filed with the Securities and Exchange Commission on March 21, 2013, FIMgroup is an investment adviser and shares voting and dispositive power over the securities beneficially owned with its clients. Mr. Sutherland, in his capacity as an officer of FIMgroup, has shared voting and shared dispositive control over the securities beneficially owned by FIMgroup. FIMgroup and Mr. Sutherland disclaim beneficial ownership of the shares of Class A Common Stock not directly owned by them, respectively. The address for FIMgroup and Mr. Sutherland is 111 Cass St., Traverse City, MI 49684.

(4) According to a report on Schedule 13G/A filed with the Securities and Exchange Commission on April 10, 2013, Ariel Investments, LLC is an investment adviser. Ariel Investments, LLC has sole voting power over 901,942 of the securities and no voting power over the balance of the securities. The address for Ariel Investments, LLC is 200 E. Randolph Drive, Suite 2900, Chicago, IL 60601.

(5) According to a report on Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2013 by Columbia Wanger Asset Management, LLC and Columbia Acorn Trust. Columbia Wanger Asset Management, LLC is an investment adviser and the securities are owned by Columbia Acorn Trust and various other investment companies and managed accounts. Columbia Wanger Asset Management, LLC disclaims beneficial ownership over the securities. Columbia Acorn Trust has sole voting and investment power over 1,371,366 shares of Class A common stock. The address for Columbia Wagner Asset Management, LLC and Columbia Acorn Trust is 227 West Monroe Street, Suite 3000, Chicago, Illinois 60606.

(6) According to a report on Schedule 13G filed with the Securities and Exchange Commission on February 17, 2009 filed by FMR LLC and Edward C. Johnson 3d. According to the filing, the securities consist of (a) 722,000 shares of our Class A Common Stock beneficially owned by Fidelity Management & Research Company, a wholly-owned subsidiary of FMR LLC and an investment adviser, as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940; Edward C. Johnson 3d and FMR LLC, through its control of Fidelity Management & Research Company, and the investment companies each has sole dispositive power over the 722,000 shares; and (b) 670,888 shares of our Class A Common Stock beneficially owned by Pyramis Global Advisors Trust Company, an indirect wholly-owned subsidiary of FMR LLC and a bank as defined in Section 3(a)(6) of the Exchange Act, as a result of its serving as investment manager of institutional accounts owning such shares; Edward C. Johnson 3d and FMR LLC, through control of Pyramis Global Advisors Trust Company, each has sole dispositive power over 670,888 of the shares and sole voting power over 587,600 of the shares. Edward C. Johnson 3d, Chairman of FMR, LLC, and members of the Johnson family may be deemed to form a controlling group with respect to FMR, LLC. The address for FMR, LLC and Edward C. Johnson 3d is 82 Devonshire Street, Boston, Massachusetts 02109.

(7) According to a report on Schedule 13G filed with the Securities and Exchange Commission on February 8, 2008. According to the filing, Mazama Capital Management, Inc. is an investment adviser and has sole voting power over 738,100 shares of our Class A Common Stock and sole dispositive power over 1,361,000 shares of our Class A Common Stock. The address for Mazama Capital Management, Inc. is One Southwest Columbia Street, Suite 1500, Portland, Oregon 97258.

(8) According to a report on Schedule 13G/A filed with the Securities and Exchange Commission on January 11, 2013. According to the filing, Royce & Associates, LLC, is an investment adviser. The address for Royce & Associates, LLC is 745 Fifth Avenue, New York, NY 10151.

(9) According to a report on Schedule 13D/A filed with the Securities and Exchange Commission on March 21, 2013 by Mill Road Capital, L.P. (Fund I), Mill Road Capital GP LLC (GP I), Mill Road Capital II, L.P. (Fund II), Mill Road Capital GP II LLC (GP I), Thomas E. Lynch and Scott P. Scharfman. According to the filing, Fund II directly holds the securities. GP II is the sole general partner of Fund II. Messrs. Lynch and Scharfman are the management committee directors of GP II and share voting and dispositive power over these securities. Fund I and GP I do not beneficially own any Gaiam securities. The address for Mill Road Capital, L.P. is 382 Greenwich Avenue, Suite One, Greenwich, CT 06830.

(10) Includes 5,400,000 shares of our Class A Common Stock issuable upon conversion of shares of our Class B Common Stock.

(11) Consist of 224,000 shares of our Class A Common Stock, 295,000 shares of our Class A Common Stock issuable upon exercise of stock options that are currently exercisable, and 10,000 shares of our Class A Common Stock issuable upon exercise of stock options exercisable within 60 days after April 15, 2013.

(12) Consist of 96,500 shares of our Class A Common Stock issuable upon exercise of stock options that are currently exercisable, and 1,000 shares of our Class A Common Stock issuable upon exercise of stock options exercisable within 60 days after April 15, 2013.

(13) Consist of 721 shares of our Class A Common Stock, 62,600 shares of our Class A Common Stock issuable upon exercise of stock options that are currently exercisable, and 800 shares of our Class A Common Stock issuable upon exercise of stock options exercisable within 60 days after April 15, 2013.

(14) Consist of 37,500 shares of our Class A Common Stock issuable upon exercise of stock options that are currently exercisable, and 2,000 shares of our Class A Common Stock issuable upon exercise of stock options exercisable within 60 days after April 15, 2013.

(15) Consist of 165,275 shares of our Class A Common Stock directly held by Mr. Argyropoulos, 303,333 shares of our Class A Common Stock directly held by Argyropoulos Investors, GP, 32,500 shares of our Class A Common Stock issuable upon exercise of stock options that are currently exercisable, and 2,500 shares of our Class A Common Stock issuable upon exercise of stock options exercisable within 60 days after April 15, 2013.
(16) Consist of 51,699 shares of our Class A Common Stock held by Mr. Feinblum, 4,000 shares of our Class A Common Stock held by Mr. Feinblum s wife, 32,500 shares of our Class A Common Stock issuable upon exercise of stock options that are currently exercisable, and 2,500 shares of our Class A Common Stock issuable upon exercise of stock options exercisable within 60 days after April 15, 2013.
(17) Consist of 54,259 shares of our Class A Common Stock, 17,500 shares of our Class A Common Stock issuable upon exercise of stock options that are currently exercisable, and 2,500 shares of our Class A Common Stock issuable upon exercise of stock options exercisable within 60 days after April 15, 2013.
(18) Consist of 6,121 shares of our Class A Common Stock, 32,500 shares of our Class A Common Stock issuable upon exercise of stock options that are currently exercisable, and 2,500 shares of our Class A Common Stock issuable upon exercise of stock options exercisable within 60 days after April 15, 2013.

Item 13. Certain Relationships and Related Transactions, and Director Independence
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Any related party transaction is reviewed by disinterested members of management and, if material, by disinterested members of our board or a committee thereof to ensure that the transaction reflects terms that are at least as favorable for us as we would expect in a similar transaction negotiated at arm s length by unrelated parties.

Jacquelyn Abraham, the daughter of Gaiam s Director and Chief Executive Officer, Lynn Powers, is Gaiam s Vice President of Human Resources, and for 2012 Ms. Abraham earned an annual salary of $158,153 and received a bonus of $10,000.

DIRECTOR INDEPENDENCE

Our board of directors currently consists of seven members and meets regularly during the year. Our board of directors has determined that each of Messrs. Argyropoulos, Feinblum, Ray and Sutherland and Ms. Mowry are independent as defined by the listing standards of the NASDAQ Global Market.

Item 14. Principal Accounting Fees and Services
The following table presents fees for professional services rendered by EKS&H LLLP for the years ended December 31, 2012 and 2011:

Audit and Non-Audit Fees (in $000 s)	2012	2011
Audit fees (1)	$ 511	$ 258
Audit related fees (2)	$	$ 12
Tax fees (3)	$ 51	$ 24
Total	$ 562	$ 294

(1) Audit fees are fees that we paid for the audit of our annual financial statements included in our annual report on Form 10-K and review of unaudited financial statements included in our quarterly reports Form 10-Q; for the audit of our internal control over financial reporting; for services that are normally provided by the auditor in connection with business combination, statutory or regulatory filings or engagements, including our acquisition of Vivendi Entertainment; and all costs and expenses in connection with the above.
(2) Audit related fees consisted of accounting consultations.
(3) Tax fees represent fees charged for services for tax advice, tax compliance, and tax planning.

In accordance with the policies of our audit committee and legal requirements, all services to be provided by our independent registered public accounting firm are pre-approved by our audit committee. Pre-approved services include audit services, audit-related services, tax services and other services. In some cases, pre-approval is provided by the full audit committee for up to a year, and such services relate to a particular defined task or scope of work and are subject to a specific budget. In other cases, the chairman of our audit committee has the delegated authority from our audit committee to pre-approve additional services, and such action is then communicated to the full audit committee at the next audit committee meeting. To avoid certain potential conflicts of interest, the law prohibits a publicly traded company from obtaining certain non-audit services from its auditing firm. If we need such services, we obtain them from other service providers.

Table of Contents

EKS&H LLLP is currently engaged to provide auditing services through the third quarter of 2013. Our audit committee is in negotiations with EKS&H LLLP to be our independent registered public accounting firm for the remainder of 2013. Representatives of EKS&H LLLP are expected to be present at our 2013 annual meeting of shareholders and will have an opportunity to make a statement if they desire to do so. We expect EKS&H LLLP to be available to respond to appropriate questions.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Consolidated Financial Statements.

The consolidated financial statements required to be filed as part of the Original Filing are included in Item 8 of Part II of the Original Filing, filed on March 18, 2013.

2. Financial Statement Schedules:

Schedule II Consolidated Valuation and Qualifying Accounts are included with the Original Filing, filed on March 18, 2013.

The consolidated financial statements as of December 31, 2012 of Real Goods Solar, Inc., a 37.5% owned equity method investee, required pursuant to Rule 3-09 of the Securities and Exchange Commission s Regulation S-X are included with Amendment No. 1, filed on April 1, 2013.

3. Exhibits:

The following exhibits are incorporated by reference or are filed or furnished with this Amendment, the Original Filing or Amendment No. 1 as indicated below:

Exhibit No.	Description
2.1	Purchase Agreement, dated as of March 6, 2012 among Gaiam Americas, Inc. and Universal Music Group Distribution, Corp. (incorporated by reference to Exhibit 2.1 of Gaiam s current report on Form 8-K dated March 28, 2011 and filed April 3, 2012 (No. 000-27517)).***
2.2	First Amendment, dated March 9, 2012 to Purchase Agreement dated as of March 6, 2012 among Gaiam Americas, Inc. and Universal Music Group Distribution, Corp. (incorporated by reference to Exhibit 2.2 of Gaiam s current report on Form 8-K dated March 28, 2011 and filed April 3, 2012 (No. 000-27517)).***
2.3	Second Amendment, dated March 12, 2012 to Purchase Agreement dated as of March 6, 2012 among Gaiam Americas, Inc. and Universal Music Group Distribution, Corp. (incorporated by reference to Exhibit 2.3 of Gaiam s current report on Form 8-K dated March 28, 2011 and filed April 3, 2012 (No. 000-27517)).***
3.1	Amended and Restated Articles of Incorporation of Gaiam, Inc. (incorporated by reference to Exhibit 3.1 of Gaiam s Amendment No. 5 to the registration statement on Form S-1, filed October 25, 1999 (No. 333- 83283)).
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation of Gaiam, Inc. (incorporated by reference to Exhibit 3.1 of Gaiam s quarterly report on Form 10-Q for the quarter ended June 30, 2006 and filed August 7, 2006 (No. 000-27517)).
3.3	

	Amended and Restated Bylaws of Gaiam, Inc. (incorporated by reference to Exhibit 3.1 of Gaiam s current report on Form 8-K dated November 29, 2007 and filed November 30, 2007 (No. 000-27517)).
4.1	Form of Gaiam, Inc. Stock Certificate (incorporated by reference to Exhibit 4.1 of Gaiam s Amendment No. 6 to the registration statement on Form S-1, filed October 27, 1999 (No. 333-83283)).
10.1	2005 Amended and Restated Credit Agreement, dated July 29, 2005 between Gaiam, Inc. (and other Gaiam subsidiaries identified therein) and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.2 of Gaiam s quarterly report on Form 10-Q for the quarter ended June 30, 2005 and filed August 9, 2005 (No. 000-27517)).

Exhibit No.	Description
10.2	First Amendment to Credit Agreement, executed October 22, 2007 between Gaiam, Inc. (and other Gaiam subsidiaries identified therein) and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.2 of Gaiam s annual report on Form 10-K for the year ended December 31, 2007 and filed March 17, 2008 (No. 000-27517)).
10.3	Modification Agreement, executed January 21, 2010 between Gaiam, Inc. (and other Gaiam subsidiaries identified therein) and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.3 of Gaiam s annual report on Form 10-K for the year ended December 31, 2009 and filed March 16, 2010 (No. 000-27517)).
10.4	Gaiam, Inc. Amended and Restated 1999 Long-Term Incentive Plan, dated January 15, 2009 (incorporated by reference to Exhibit B of Gaiam s proxy statement dated and filed March 13, 2009 (No. 000-27517)).*
10.5	Gaiam, Inc. 2009 Long-Term Incentive Plan, dated January 15, 2009 (incorporated by reference to Exhibit A of Gaiam s proxy statement dated and filed March 13, 2009 (No. 000-27517)).*
10.6	Lease Agreement, dated December 16, 1999, between Gaiam, Inc. and Duke-Weeks Realty Limited Partnership (incorporated by reference to Exhibit 10.2 of Gaiam s Amendment No. 1 to the registration statement on Form S-4, filed December 6, 2000 (No. 333-50560)).
10.7	First Lease Amendment, dated April 12, 2000 and effective March 1, 2000, between Gaiam, Inc. and Duke-Weeks Realty Limited Partnership (incorporated by reference to Exhibit 10.4 of Gaiam s annual report on Form 10-K for the year ended December 31, 2002 and filed March 12, 2003 (No. 000-27517)).
10.8	Second Lease Amendment, dated October 5, 2005 and effective October 1, 2005, between Gaiam, Inc. and Dugan Financing LLC (successor to Duke-Weeks Realty Limited Partnership) (incorporated by reference to Exhibit 10.5 of Gaiam s annual report on Form 10-K for the year ended December 31, 2005 and filed March 16, 2006 (No. 000-27517)).
10.9	Third Lease Amendment, dated November 8, 2007 and effective October 1, 2007, between Gaiam, Inc. and Dugan Financing LLC (incorporated by reference to Exhibit 10.9 of Gaiam s annual report on Form 10-K for the year ended December 31, 2009 and filed March 16, 2010 (No. 000-27517)).
10.10	Fourth Lease Amendment, dated October 7, 2009 between Gaiam, Inc. and Dugan Financing, LLC (incorporated by reference to Exhibit 10.10 of Gaiam s annual report on Form 10-K for the year ended December 31, 2009 and filed March 16, 2010 (No. 000-27517)).
10.11	Lease Agreement, dated October 5, 2005, between Gaiam, Inc. and Dugan Realty, L.L.C. (incorporated by reference to Exhibit 10.6 of Gaiam s annual report on Form 10-K for the year ended December 31, 2005 and filed March 16, 2006 (No. 000-27517)).
10.12	First Lease Amendment, dated January 25, 2008 and effective October 1, 2007, between Gaiam, Inc. and Dugan Realty, L.L.C (incorporated by reference to Exhibit 10.12 of Gaiam s annual report on Form 10-K for the year ended December 31, 2009 and filed March 16, 2010 (No. 000-27517)).
10.13	Insurance and Stock Redemption Agreement, dated as of August 4, 2005 between Gaiam, Inc. and Jirka Rysavy (incorporated by reference to Exhibit 10.5 of Gaiam s current report on Form 8-K dated August 3, 2005 and filed August 9, 2005 (No. 000-27517)).
10.14	Form of Employee Stock Option Agreement, under Gaiam s 1999 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of Gaiam s quarterly report on Form 10-Q for the quarter ended June 30, 2005 filed August 9, 2005 (No. 000-27517)).*
10.15	Form of Employee Stock Option Agreement, under Gaiam s 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.15 of Gaiam s annual report on Form 10-K for the year ended December 31, 2009 and filed March 16, 2010 (No. 000-27517)).*

Table of Contents

Exhibit No.	Description
10.16	Second Amendment to Credit Agreement, executed October 2, 2010 between Gaiam, Inc. (and other Gaiam subsidiaries identified therein) and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.16 of Gaiam s annual report on Form 10-K for the year ended December 31, 2010 and filed March 11, 2011 (No. 000-27517)).
10.17	Third Amendment to Credit Agreement, executed October 27, 2011 between Gaiam, Inc. (and other Gaiam subsidiaries identified therein) and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of Gaiam s quarterly report on Form 10-Q for the quarter ended September 30, 2011 and filed November 9, 2011 (No. 000-27517)).
10.18	Revolving Credit and Security Agreement, dated as of July 31, 2012, among Gaiam Americas, Inc., SPRI Products, Inc., GT Direct, Inc., VE Newco, LLC and PNC Bank, N.A. (incorporated by reference to Exhibit 10.1 of Gaiam s quarterly report on Form 10-Q for the quarter ended September 30, 2012, filed November 9, 2012 (No. 000-27517)).
10.19	Form of Indemnification Agreement and schedule of directors and officers who have entered into such agreement (incorporated by reference to Exhibit 10.19 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).
21.1	List of Gaiam, Inc. Subsidiaries (incorporated by reference to Exhibit 21.1 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).
23.1	Consent letter from EKS&H LLLP (previously filed as Exhibit 23.1 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517) and Exhibit 23.1 of the Company s Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 2012, filed April 1, 2013 (No. 000-27517)).
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 (filed herewith).
31.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 (filed herewith).
32.1	Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (previously filed as Exhibit 32.1 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517) and Exhibit 32.1 of the Company s Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 2012, filed April 1, 2013 (No. 000-27517)).
32.2	Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (previously filed as Exhibit 32.2 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517) and Exhibit 32.2 of the Company s Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 2012, filed April 1, 2013 (No. 000-27517)).
99.1	Audited Financial Statements for the year ended December 31, 2012 of Real Goods Solar, Inc. (previously filed as Exhibit 99.1 of the Company s Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 2012, filed April 1, 2013 (No. 000-27517)).
101.INS**	XBRL Instance Document (previously filed as Exhibit 101.INS of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).
101.SCH**	XBRL Taxonomy Extension Schema (previously filed as Exhibit 101.SCH of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase (previously filed as Exhibit 101.CAL of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).
101.DEF**	XBRL Taxonomy Extension Definition Linkbase (previously filed as Exhibit 101.DEF of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).

Table of Contents

Exhibit No.	Description
101.LAB**	XBRL Taxonomy Extension Label Linkbase (previously filed as Exhibit 101.LAB of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase (previously filed as Exhibit 101.PRE of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).

* Indicates management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes or Section 18 of the Securities Exchange Act of 1934, and otherwise are not subject to liability under these sections.

*** Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GAIAM, INC.

By: /s/ Lynn Powers

Lynn Powers
Chief Executive Officer
April 30, 2013

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
2.1	Purchase Agreement, dated as of March 6, 2012 among Gaiam Americas, Inc. and Universal Music Group Distribution, Corp. (incorporated by reference to Exhibit 2.1 of Gaiam s current report on Form 8-K dated March 28, 2011 and filed April 3, 2012 (No. 000-27517)).***
2.2	First Amendment, dated March 9, 2012 to Purchase Agreement dated as of March 6, 2012 among Gaiam Americas, Inc. and Universal Music Group Distribution, Corp. (incorporated by reference to Exhibit 2.2 of Gaiam s current report on Form 8-K dated March 28, 2011 and filed April 3, 2012 (No. 000-27517)).***
2.3	Second Amendment, dated March 12, 2012 to Purchase Agreement dated as of March 6, 2012 among Gaiam Americas, Inc. and Universal Music Group Distribution, Corp. (incorporated by reference to Exhibit 2.3 of Gaiam s current report on Form 8-K dated March 28, 2011 and filed April 3, 2012 (No. 000-27517)).***
3.1	Amended and Restated Articles of Incorporation of Gaiam, Inc. (incorporated by reference to Exhibit 3.1 of Gaiam s Amendment No. 5 to the registration statement on Form S-1, filed October 25, 1999 (No. 333- 83283)).
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation of Gaiam, Inc. (incorporated by reference to Exhibit 3.1 of Gaiam s quarterly report on Form 10-Q for the quarter ended June 30, 2006 and filed August 7, 2006 (No. 000-27517)).
3.3	Amended and Restated Bylaws of Gaiam, Inc. (incorporated by reference to Exhibit 3.1 of Gaiam s current report on Form 8-K dated November 29, 2007 and filed November 30, 2007 (No. 000-27517)).
4.1	Form of Gaiam, Inc. Stock Certificate (incorporated by reference to Exhibit 4.1 of Gaiam s Amendment No. 6 to the registration statement on Form S-1, filed October 27, 1999 (No. 333-83283)).
10.1	2005 Amended and Restated Credit Agreement, dated July 29, 2005 between Gaiam, Inc. (and other Gaiam subsidiaries identified therein) and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.2 of Gaiam s quarterly report on Form 10-Q for the quarter ended June 30, 2005 and filed August 9, 2005 (No. 000-27517)).
10.2	First Amendment to Credit Agreement, executed October 22, 2007 between Gaiam, Inc. (and other Gaiam subsidiaries identified therein) and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.2 of Gaiam s annual report on Form 10-K for the year ended December 31, 2007 and filed March 17, 2008 (No. 000-27517)).
10.3	Modification Agreement, executed January 21, 2010 between Gaiam, Inc. (and other Gaiam subsidiaries identified therein) and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.3 of Gaiam s annual report on Form 10-K for the year ended December 31, 2009 and filed March 16, 2010 (No. 000-27517)).
10.4	Gaiam, Inc. Amended and Restated 1999 Long-Term Incentive Plan, dated January 15, 2009 (incorporated by reference to Exhibit B of Gaiam s proxy statement dated and filed March 13, 2009 (No. 000-27517)).*
10.5	Gaiam, Inc. 2009 Long-Term Incentive Plan, dated January 15, 2009 (incorporated by reference to Exhibit A of Gaiam s proxy statement dated and filed March 13, 2009 (No. 000-27517)).*
10.6	Lease Agreement, dated December 16, 1999, between Gaiam, Inc. and Duke-Weeks Realty Limited Partnership (incorporated by reference to Exhibit 10.2 of Gaiam s Amendment No. 1 to the registration statement on Form S-4, filed December 6, 2000 (No. 333-50560)).
10.7	First Lease Amendment, dated April 12, 2000 and effective March 1, 2000, between Gaiam, Inc. and Duke-Weeks Realty Limited Partnership (incorporated by reference to Exhibit 10.4 of Gaiam s annual report on Form 10-K for the year ended December 31, 2002 and filed March 12, 2003 (No. 000-27517)).

Table of Contents

Exhibit No.	Description
10.8	Second Lease Amendment, dated October 5, 2005 and effective October 1, 2005, between Gaiam, Inc. and Dugan Financing LLC (successor to Duke-Weeks Realty Limited Partnership) (incorporated by reference to Exhibit 10.5 of Gaiam s annual report on Form 10-K for the year ended December 31, 2005 and filed March 16, 2006 (No. 000-27517)).
10.9	Third Lease Amendment, dated November 8, 2007 and effective October 1, 2007, between Gaiam, Inc. and Dugan Financing LLC (incorporated by reference to Exhibit 10.9 of Gaiam s annual report on Form 10-K for the year ended December 31, 2009 and filed March 16, 2010 (No. 000-27517)).
10.10	Fourth Lease Amendment, dated October 7, 2009 between Gaiam, Inc. and Dugan Financing, LLC (incorporated by reference to Exhibit 10.10 of Gaiam s annual report on Form 10-K for the year ended December 31, 2009 and filed March 16, 2010 (No. 000-27517)).
10.11	Lease Agreement, dated October 5, 2005, between Gaiam, Inc. and Dugan Realty, L.L.C. (incorporated by reference to Exhibit 10.6 of Gaiam s annual report on Form 10-K for the year ended December 31, 2005 and filed March 16, 2006 (No. 000-27517)).
10.12	First Lease Amendment, dated January 25, 2008 and effective October 1, 2007, between Gaiam, Inc. and Dugan Realty, L.L.C (incorporated by reference to Exhibit 10.12 of Gaiam s annual report on Form 10-K for the year ended December 31, 2009 and filed March 16, 2010 (No. 000-27517)).
10.13	Insurance and Stock Redemption Agreement, dated as of August 4, 2005 between Gaiam, Inc. and Jirka Rysavy (incorporated by reference to Exhibit 10.5 of Gaiam s current report on Form 8-K dated August 3, 2005 and filed August 9, 2005 (No. 000-27517)).
10.14	Form of Employee Stock Option Agreement, under Gaiam s 1999 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of Gaiam s quarterly report on Form 10-Q for the quarter ended June 30, 2005 filed August 9, 2005 (No. 000-27517)).*
10.15	Form of Employee Stock Option Agreement, under Gaiam s 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.15 of Gaiam s annual report on Form 10-K for the year ended December 31, 2009 and filed March 16, 2010 (No. 000-27517)).*
10.16	Second Amendment to Credit Agreement, executed October 2, 2010 between Gaiam, Inc. (and other Gaiam subsidiaries identified therein) and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.16 of Gaiam s annual report on Form 10-K for the year ended December 31, 2010 and filed March 11, 2011 (No. 000-27517)).
10.17	Third Amendment to Credit Agreement, executed October 27, 2011 between Gaiam, Inc. (and other Gaiam subsidiaries identified therein) and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of Gaiam s quarterly report on Form 10-Q for the quarter ended September 30, 2011 and filed November 9, 2011 (No. 000-27517)).
10.18	Revolving Credit and Security Agreement, dated as of July 31, 2012, among Gaiam Americas, Inc., SPRI Products, Inc., GT Direct, Inc., VE Newco, LLC and PNC Bank, N.A. (incorporated by reference to Exhibit 10.1 of Gaiam s quarterly report on Form 10-Q for the quarter ended September 30, 2012, filed November 9, 2012 (No. 000-27517)).
10.19	Form of Indemnification Agreement and schedule of directors and officers who have entered into such agreement (incorporated by reference to Exhibit 10.19 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).
21.1	List of Gaiam, Inc. Subsidiaries (incorporated by reference to Exhibit 21.1 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).

Table of Contents

Exhibit No.	Description
23.1	Consent letter from EKS&H LLLP (previously filed as Exhibit 23.1 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517) and Exhibit 23.1 of the Company s Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 2012, filed April 1, 2013 (No. 000-27517)).
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 (filed herewith).
31.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 (filed herewith).
32.1	Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (previously filed as Exhibit 32.1 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517) and Exhibit 32.1 of the Company s Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 2012, filed April 1, 2013 (No. 000-27517)).
32.2	Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (previously filed as Exhibit 32.2 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517) and Exhibit 32.2 of the Company s Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 2012, filed April 1, 2013 (No. 000-27517)).
99.1	Audited Financial Statements for the year ended December 31, 2012 of Real Goods Solar, Inc. (previously filed as Exhibit 99.1 of the Company s Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 2012, filed April 1, 2013 (No. 000-27517)).
101.INS**	XBRL Instance Document (previously filed as Exhibit 101.INS of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).
101.SCH**	XBRL Taxonomy Extension Schema (previously filed as Exhibit 101.SCH of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase (previously filed as Exhibit 101.CAL of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).
101.DEF**	XBRL Taxonomy Extension Definition Linkbase (previously filed as Exhibit 101.DEF of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).
101.LAB**	XBRL Taxonomy Extension Label Linkbase (previously filed as Exhibit 101.LAB of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase (previously filed as Exhibit 101.PRE of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed March 18, 2013 (No. 000-27517)).

* Indicates management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes or Section 18 of the Securities Exchange Act of 1934, and otherwise are not subject to liability under these sections.

*** Portions of this exhibit have been omitted pursuant to a request for confidential treatment.