

Great American Group, Inc.  
Form 10-K  
March 30, 2012

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-K**

(Mark  
One)

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

For the fiscal year ended December 31, 2011

or

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 000-54010**

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**GREAT AMERICAN GROUP, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

27-0223495  
(I.R.S. Employer Identification No.)

**21860 Burbank Boulevard, Suite 300 South**

**Woodland Hills, CA**  
(Address of Principal Executive Offices)

**91367**  
(Zip Code)

**(818) 884-3737**

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act: None**

**Securities registered pursuant to Section 12(g) of the Act:**

**Common Stock, par value \$0.0001 per share**

**(Title of Class)**

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes:  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes:  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes:  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes:  No

The aggregate market value of the registrant's common stock held by non-affiliates, based on the closing price of the registrant's common stock as reported on the OTC Bulletin Board on June 30, 2011, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$1.8 million. For purposes of this calculation, it has been assumed that all shares of the registrant's common stock held by directors, executive officers and shareholders beneficially owning ten percent or more of the registrant's common stock are held by affiliates. The treatment of these persons as affiliates for purposes of this calculation is not conclusive as to whether such persons are, in fact, affiliates of the registrant.

The number of shares outstanding of the registrant's common stock as of March 21, 2012 was 31,001,609.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive Proxy Statement relating to the registrant's 2012 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report.

**GREAT AMERICAN GROUP, INC.**

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**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

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#### TRADEMARKS

We have registered U.S. trademarks for Great American Group and the Great American logo. Each trademark, trade name or service mark of another company appearing in this Annual Report on Form 10-K belongs to its holder, and does not belong to us.

## PART I

This Annual Report on Form 10-K (this “Annual Report”) contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “see,” “estimate” and similar expressions are generally intended to identify forward-looking statements, but are not exclusive means of identifying forward-looking statements in this Annual Report. Because these forward-looking statements involve known and unknown risks and uncertainties, there are important factors that could cause actual results, events or developments to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed in “Part I—Item 1A. Risk Factors” contained in this Annual Report. You should not place undue reliance on such forward-looking statements, which are based on the information currently available to us and speak only as of the date on which this Annual Report was filed with the Securities and Exchange Commission (the “SEC”). We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

*Except as otherwise required by the context, references in this Annual Report to:*

*“Great American,” “the “Company,” “we,” “us” or “our” refer to the combined business of Great American Group, Inc. and all of its subsidiaries after giving effect to (i) the contribution to Great American Group, Inc. of all of the membership interests of Great American Group, LLC by the members of Great American, which transaction is referred to herein as the “Contribution”, and (ii) the merger of Alternative Asset Management Acquisition Corp. with and into its wholly-owned subsidiary, AAMAC Merger Sub, Inc., referred to herein as “Merger Sub”, in each case, which occurred on July 31, 2009, referred to herein as the “Merger”. The Contribution and Merger are referred to herein collectively as the “Acquisition”;*

*“GAG, Inc.” refers to Great American Group, Inc.;*

*“GAG, LLC” refers to Great American Group, LLC;*

*“the Great American Members” refers to the members of Great American Group, LLC prior to the Acquisition;*

*“Phantom Equityholders” refers to certain members of senior management of Great American Group, LLC prior to the Acquisition that were participants in a deferred compensation plan; and*

*“AAMAC” refers to Alternative Asset Management Acquisition Corp.*

## Item 1. BUSINESS

### *General*

We are a leading provider of asset disposition and valuation and appraisal services to a wide range of retail, wholesale and industrial clients, as well as lenders, capital providers, private equity investors and professional service firms throughout the United States, Canada and the United Kingdom. We operate our business in two segments: auction and liquidation solutions and valuation and appraisal services. The divisions in our auction and liquidation segment assist clients in maximizing return and recovery rates through the efficient disposition of assets and provide clients with capital advisory, financing and real estate services. Such assets include multi-location retail inventory, wholesale inventory, trade fixtures, machinery and equipment, intellectual property and real property. Our valuation and appraisal services division provides our clients with independent appraisals in connection with asset based loans, acquisitions, divestitures and other business needs. The financial statements in this Annual Report are presented in a manner consistent with our operating structure. For additional information regarding our operating segments, see Note 20 of the Notes to our Consolidated Financial Statements.

Our significant industry experience, network of highly skilled employees and scalable network of independent contractors and industry-specific advisors allow us to tailor our auction and liquidation solutions to the specific needs of a multitude of clients, logistical challenges and distressed circumstances. We have established appraisal and valuation methodologies and practices in a broad array of asset categories which have made us a recognized industry leader. Furthermore, our scale and pool of resources allow us to offer our services on a nationwide basis. As a result of this market expertise and flexibility, our proven track record and our ability to offer cost-attractive services, we believe that we are well positioned to generate revenue growth and increase our market share across all of our service offerings.

Great American, together with our predecessors, has been in business since 1973. For over 35 years, Great American and its predecessors have provided retail, wholesale and industrial auction and liquidation solutions to clients. Past clients include Boeing, Apple Computers, Borders Group, Circuit City, Friedman's Jewelers, Hechinger, Mervyns, Tower Records, TJ Hughes, Eaton's, Hancock Fabrics, Movie Gallery, Linens N Things, Kmart, Sears, Montgomery Ward, Whitehall Jewelers, Gottschalks, Fortunoff, and Ritz Camera. Since 1995, we have participated in liquidations involving over \$23 billion in aggregate asset value and auctioned assets with an estimated aggregate value of over \$6 billion.

Our valuation and appraisal services division provides valuation and appraisal services to financial institutions, lenders, private equity investors and other providers of capital. These services primarily include the valuation of assets (i) for purposes of determining and monitoring the value of collateral securing financial transactions and loan arrangements and (ii) in connection with potential business combinations. Our valuation and appraisal services divisions operate through limited liability companies that are majority owned by us. Our clients include major

financial institutions such as Bank of America, Credit Suisse, GE Capital, JPMorgan Chase, Union Bank of California, and Wells Fargo. Our clients also include private equity firms such as Apollo Management, Goldman Sachs Capital Partners, Laurus Funds, Sun Capital Partners and UBS Capital.

We were incorporated in Delaware in May 2009 as a subsidiary of AAMAC. On July 31, 2009, we closed the Acquisition, pursuant to which (i) the Great American Members contributed all of their membership interests in GAG, LLC to us in exchange for 10,560,000 shares of our common stock and a subordinated unsecured promissory note in an initial principal amount of \$60.0 million issued in favor of the Great American Members and the Phantom Equityholders and (ii) AAMAC merged with and into Merger Sub, our wholly owned subsidiary. As a result of the Acquisition, GAG, LLC and AAMAC became our wholly-owned subsidiaries. The Acquisition has been accounted for as a reverse merger accompanied by a recapitalization and is more fully described in Note 1 and 2 of our Consolidated Financial Statements.

### ***Recent Developments***

In January 2011, the Keen Consultants' real estate team joined us and now operates as GA Keen Realty Advisors. This division provides real estate analysis, valuation and strategic planning services, brokerage, mergers and acquisition, auction services, lease restructuring services, and real estate capital market services as part of our auction and liquidation segment. GA Keen Realty Advisors offers services to property owners, tenants, secured and unsecured creditors, attorneys, and financial advisors.

In July 2011, our operations in the auction and liquidation segment experienced an increase in business activity with the liquidation engagement for TJ Hughes Limited, a 57 store discount department chain in the United Kingdom, and our participation in a joint venture involving the liquidation of Borders Group, Inc., a going-out-of-business sale for all 399 remaining Borders bookstore locations. During the year ended December 31, 2011, revenues from these two retail liquidation engagements totaled \$17.1 million.



### *Generation of Revenue*

We provide services to clients on a guarantee, fee or outright purchase basis.

*Guarantee.* When providing services on a guarantee basis, we guarantee the client a specific recovery often expressed as a percentage of retail inventory value or wholesale inventory cost or, in the case of machinery or equipment, a set dollar amount. This guarantee is often required to be supported by a letter of credit, a cash deposit or a combination thereof. Cash deposits are typically funded in part with available cash together with short term borrowings under our credit facilities. Often when we provide auction or liquidation services on a guarantee basis, we do so through a collaborative arrangement with other service providers. In this situation, each collaborator agrees to provide a certain percentage of the guaranteed amount to the client through a combination of letters of credit, cash and financing. If we are engaged individually, we receive 100% of the net profit, less debt financing fees, sale related expenses (if any) and any share of the profits due to the client as a result of any profit sharing arrangement entered into based on a pre-negotiated formula. If the engagement was conducted through a collaborative arrangement, the profits or losses are divided among us and our partner or partners as set forth in the agreement governing the collaborative arrangement. If the net sales proceeds after expenses are less than the guarantee, we, together with our partners if the engagement was conducted through a collaborative arrangement, are responsible for the shortfall and will recognize a loss on the engagement.

*Fee.* When we provide services on a fee basis, clients pay a pre-negotiated flat fee for the services provided, a percentage of asset sales generated or a combination of both.

*Outright Purchase.* When providing services on an outright purchase basis, we purchase the assets from the client and typically sell them at auction, orderly liquidation, through a third-party broker or, less frequently, as augmented inventory in conjunction with another liquidation that we are conducting. In an outright purchase, we take, together with any collaboration partners, title to the assets and absorb the profit or loss associated with the asset disposition.

### *Services*

We provide a wide variety of services to clients seeking auction and liquidation solutions or valuation and appraisal services.

#### *Auction and Liquidation Solutions*

## *Retail*

We enable our clients to quickly and efficiently dispose of under-performing assets and generate cash from excess inventory by conducting or assisting in store closings, going out of business sales, bankruptcy sales and fixture sales. With the goal of providing a single-source solution to our retail clients, we also provide merger and acquisition due diligence through our auction and liquidation segment and reverse logistics and appraisal services through our valuation and appraisal services segment. Financial institution and other capital providers rely on us to maximize recovery rates in distressed asset sales and in retail bankruptcy situations. Additionally, healthy, mature retailers utilize our proven inventory management and strategic disposition solutions, relying on our extensive network of retail professionals, to close unproductive stores and dispose of surplus inventory and fixtures as existing stores are updated.

For example, in a potential bankruptcy engagement, the debtor provides potential disposition firms with a snapshot of inventory and other assets available for sale. The disposition firms must analyze the inventory data and generate an estimate of potential recovery based on their valuation expertise and past liquidation experience. Typically, this process takes one to four weeks. The disposition firms then submit bids that guarantee a minimum recovery based on a percentage of retail value or cost. The successful bidder assumes management of the debtor's stores on a contract basis and conducts the orderly disposition of the inventory and assets in these stores. Profits are generated by efficiently merchandizing inventory, managing the orderly closing of store locations and pricing remaining products to balance margin with speed of sale and liquidation expenses. Unlike merchandisers who employ a "top down" approach by focusing only on driving total sales (because overhead costs are fixed), disposition firms take a "bottom up" approach by focusing on balancing cost savings with maximizing proceeds. A typical retail disposition process spans eight to twelve weeks from the bankruptcy court's approval of the successful bid to the final store closure.

We often conduct large retail liquidations that entail significant capital requirements through collaborative arrangements with other liquidators. By entering into an agreement with one or more collaborators, we are able to bid on larger engagements that we couldn't conduct on our own due to the significant capital outlay involved, number of independent contractors required or financial risk associated with the particular engagement. We act as the lead partner in many of the collaborative arrangements that we enter into, meaning that we have primary responsibility for the due diligence, contract negotiation and execution of the engagement.

In April 2009, we expanded our operations into Europe by opening an office in the United Kingdom. We provide services to help retailers downsize through inventory liquidation and store closures in addition to providing appraisal and valuation services. In 2010, we hired a number of key employees to increase our presence and expand the operations of our retail liquidations solutions business throughout Europe. Revenues from services and fees from auction and liquidation services engagements and valuation and appraisal engagements in the United Kingdom increased to \$11.6 million during the year ended December 31, 2011 from \$0.6 million during the year ended December 31, 2010. The revenues in 2011 were primarily generated from two retail liquidation services engagements conducted in the United Kingdom.



We provide retail auction and liquidation services on a fee and guarantee basis. In guarantee retail liquidation engagements, we take title to any unsold inventory. In these rare instances, we typically utilize the unsold inventory as augmented inventory in other liquidations we conduct.

### ***Wholesale and Industrial***

We design and implement customized disposition programs for our clients seeking to convert excess wholesale and industrial inventory and operational assets into capital. We manage projects of all sizes and scopes across a variety of asset categories. We believe that our databases of information regarding potential buyers that we have collected from past transactions and engagements, our nationwide name recognition and experience with alternative distribution channels allow us to provide superior wholesale and industrial disposition services. We offer clients the following wholesale and industrial disposition strategies:

*Orderly Liquidations.* Assets in an orderly liquidation are available for sale on a privately negotiated basis over a period of months. Orderly liquidations work well for assets in large and repetitive quantities. This sale method is often employed to dispose of furniture, fixtures and equipment in connection with retail liquidations as well as wholesale inventory or industrial equipment for which a short term public auction sale is not feasible due to limited market demand or specialized application of the equipment.

*Live Auctions .* The live public auction is the most traditional sales technique for wholesale and industrial asset dispositions and one of our most frequently utilized services. In live auctions, bidders gather at a specified date and time to competitively bid against one another, with each item selling to the highest bidder. We believe that our auctioneers are recognized throughout the industry for their auctioneering skills, project experience, engaging personalities and ability to extract top prices. Our live auctions can cover single sites or multiple locations, and we utilize point-of-sale software to generate customized sales reports and invoices and to track assets.

*Webcast Auctions.* Increasingly, we have been webcasting our live auctions over the Internet. This auction format allows online bidders to compete in real time against bidders at the live auction. Bidders can log onto the auction from personal computers, view and bid on lots as they come up for sale, hear the auctioneers as the sale is being conducted and, in some cases, view live streaming video of the auctioneer calling the bids on-site. We believe that this auction format maximizes proceeds by providing access to otherwise unavailable potential bidders, including international participants, thereby increasing competition. In some cases, particularly when assets are located in remote areas that are not easily accessible to bidders, we may determine, in consultation with the client, that a webcast only auction is the most appropriate format.

*Online Auctions.* In the online auction format, the sale of assets takes place exclusively online, without a live auctioneer calling the sale. Similar to the timed auctions popularized by online auction sites such as eBay, assets are posted for sale online and buyers can bid on lots and items for a set period of time, usually one week. The online auction format is optimal for clients that have idle assets in quantities insufficient to justify the cost of a live auction.

*Wind Down Services.* When businesses or manufacturers discontinue operations in whole or in part, they are often faced with the challenge of converting large quantities of raw materials, work-in-process inventory and equipment into cash. We have the resources and expertise to analyze the cost effectiveness of continuing production to deplete inventory on hand as an alternative to conducting an auction of the inventory. We also provides advisory services relating to the wind down process from beginning to end, including negotiation of early lease terminations, sale of intellectual property and sale of completed inventory through the client's historical distribution channels.

*Reverse Logistics.* We assist clients with managing the disposition of customer returns, obsolete inventory, extraneous fixtures and dated equipment. We serve as a broker, providing assistance in reaching target markets and potential buyers or marketing to our extensive database of buyers and end users. Alternatively, we can conduct a liquidation or auction sale to dispose of these assets.

*Private Sales.* In private sales, we step into the shoes of the seller and handle all negotiations with a single buyer, based upon terms provided by the seller. This type of sale is tailored to a specific target market when specialized assets are involved. This type of sale may be required by certain legal rulings or mediation between multiple parties.

*Sealed Bid Sales.* We perform sealed bid sales in situations where asset disposition requires anonymity of the buyer or seller or involves other confidentiality concerns. In this process, potential buyers submit bids without knowledge of the amount bid by other participants. At the conclusion of the bidding timeframe, the highest bidder wins the right to purchase the asset.

We provide wholesale and industrial services on a fee, guarantee and an outright purchase basis.

***Capital Advisory Services***

We provide capital advisory services to clients with a concentration and focus in the retail industry that are in need of junior secured loans for growth capital, working capital, and turnaround financing. We advise borrowers and source loans between \$10 million and \$100 million to be secured by collateral assets of the borrowers, including inventory, accounts receivable, real estate and intellectual property.

***Financing Activities***

We provide financing activities to clients in the United Kingdom with a focus in the retail industry that are in need of junior secured loans for growth capital, working capital, and turnaround financing. Because of the difference in the legal regime in which retailers operate in the United Kingdom, our business activities in the United Kingdom may frequently involve lending activities that includes the acquisition of debt of distressed retailers from banks and finance companies at a discount to face value. These loans are serviced by us and are generally secured by assets of the retailer, including inventory, accounts receivable, real estate and intellectual property. These financing activities may result in the liquidation of a retailer where we are also engaged to perform liquidation services on a fee basis.

***Real Estate Services***

We provide real estate services to clients to property owners, tenants, secured and unsecured creditors, attorneys and financial advisors through our GA Keen Realty Advisors division. Our real estate services include real estate analysis, valuation and strategic planning services, brokerage, mergers and acquisition, auction services, lease restructuring services and real estate capital market services.

***Valuation and Appraisal Services***

Our valuation and appraisal teams provide independent appraisals to financial institutions, lenders and other providers of capital and other professional service firms for estimated liquidation values of assets. These teams include experts specializing in particular industry niches and asset classes. We provide valuation and appraisal services across five general categories:

*Consumer and Retail Inventory.* Representative types of appraisals and valuations include inventory of specialty apparel retailers, department stores, jewelry retailers, sporting goods retailers, mass and discount merchants, home furnishing retailers and footwear retailers.

*Wholesale and Industrial Inventory.* Representative types of appraisals and valuations include inventory held by manufacturers or distributors of automotive parts, chemicals, food and beverage products, wine and spirits, building and construction products, industrial products, metals, paper and packaging.

*Machinery and Equipment.* Representative types of asset appraisals and valuations include a broad range of equipment utilized in manufacturing, construction, transportation and healthcare.

*Intangible Assets.* Representative types of asset appraisals and valuations include intellectual property, goodwill, brands, logos, trademarks and customer lists.

*Real Estate.* Representative types of asset appraisals and valuations include owned and leased manufacturing and distribution facilities, retail locations and corporate offices. We do not perform appraisals of residential properties.

We provide valuation and appraisal services on a pre-negotiated flat fee basis.

### ***Sales and Marketing***

Our sales and marketing efforts benefit from dedicated business development officers focused on each of our primary service offerings. We actively promote the cross-selling of our services and market our single-source solution services to existing and potential clients.

Our marketing programs incorporate a range of strategies as a result of our diverse universe of potential referral sources, clients and buyers. Key marketing programs include public relations initiatives and news releases, industry trade journal advertising, local television, newspaper and radio advertising, participation in industry trade shows and conferences, speaking engagements, direct marketing, email blasts and Internet based advertising.

As of December 31, 2011, we employed 17 business development officers located throughout the United States and in London.





Our retail business development efforts target accounting and consulting firms, bankruptcy professionals, attorneys and financial institution restructuring groups focused on the retail industry as sources for referrals.

Our business development officers who are tasked with identifying and obtaining wholesale and industrial auction and liquidation engagements are industry experts and market directly to management at companies in their specific areas of expertise. These individuals also develop and maintain relationships with secondary market participants, such as equipment dealers, who are often sources of referrals for disposition opportunities. The business development officers leverage our years of experience in the auction business, valuation expertise and database of historical auction results to provide potential clients with accurate estimates of asset values.

Our valuation and appraisal business development efforts target lenders, private equity groups, other debt and equity providers, turnaround and crisis management firms, restructuring firms, investment banks and large financial institutions. We focus on developing and managing relationships with clients to produce ongoing valuation and appraisal opportunities, but will also pursue single opportunities as they arise.

Our capital advisory business development efforts target clients primarily in the retail industry that are in need of junior secured loans for growth capital, working capital, and turnaround financing. We advise borrowers and source loans between \$10 million and \$100 million to be secured by collateral assets of the borrowers, including inventory, accounts receivable, real estate and intellectual property.

### *Customers*

We serve retail, corporate, capital provider and individual customers across our services lines. Revenues from liquidation service contracts and financing activities to two retailers represented 15.2% and 11.5% of total revenues during the year ended December 31, 2011. No revenues from individual liquidation services contracts represented more than 10% of total revenues during the year ended December 31, 2010. Revenues from two liquidation service contracts represented 19.6% and 11.3% of total revenues during the year ended December 31, 2009. The services provided to these customers were under short-term liquidation contracts that generally do not exceed a period of six months. There were no recurring revenues from year to year in connection with the services we performed under these contracts.

### *Auction and Liquidation Solutions*

#### *Retail*

Our retail auction and liquidation solution clients include financially healthy retailers as well as distressed retailers, bankruptcy professionals, financial institution workout groups and a wide range of professional service providers. Some retail segments in which we specialize include apparel, arts and crafts, department stores, discount stores, drug / health and beauty, electronics, footwear, grocery stores, hardware / home improvement, home goods and linens, jewelry, office / party supplies, specialty stores, and sporting goods. Recent clients include Borders Group, Circuit City, Friedman's Jewelers, Hechinger, Mervyns, Tower Records, TJ Hughes, Eaton's, Hancock Fabrics, Movie Gallery, Linens N Things, KB Toys, Kmart, Sears, Montgomery Ward, Whitehall Jewelers, Fortunoff, Gottschalks and Ritz Camera.

### ***Wholesale and Industrial***

We provide auction services and customized disposition programs to a wide range of clients. Specifically, we have experience in providing auction and liquidation solutions to the following industries: aircraft / aerospace, casino / hospitality, construction / mining / earthmoving, food and beverage processing, hospital / medical, machine tools / metalworking, material handling, packaging / bottling, plastics and rubber processing, printing / bindery, pulp processing / paper converting, restaurant / bar / bakery, retail / trade fixtures, stadium / arena, textile / apparel, transportation / rolling stock, warehouse / distribution centers, and woodworking / lumber. Representative recent clients include the Stardust Hotel & Casino, Boeing, Midas International, Callaway Golf, Lillian Vernon, Saint Vincent Medical Center of New York and Dreyer's Ice Cream.

### ***Valuation and Appraisal Services***

We are engaged by financial institutions, lenders, private equity investors and other capital providers, as well as professional service providers, to provide valuation and advisory services. We have extensive experience in the appraisal and valuation of retail and consumer inventories, wholesale and industrial inventories, machinery and equipment, intellectual property and real estate. We maintain ongoing client relationships with major asset based lenders including Bank of America, CIT Group, Citibank, Credit Suisse, Deutsche Bank, GE Capital, HSBC, JPMorgan Chase, Union Bank of California, US Bank, Wells Fargo Foothill and Wells Fargo Retail Finance. In addition, our clients include private equity firms such as Apollo Management, Goldman Sachs Capital Partners, H.I.G. Capital, Harvest Partners, Laurus Funds, Sun Capital Partners and UBS Capital.

### ***Competition***

We face competition in each of our primary service areas. While some competitors are unique to specific service offerings, some competitors cross multiple service offerings. A number of companies provide services or products to the auction and liquidation and valuation and appraisal markets, and existing and potential clients can, or will be able to, choose from a variety of qualified service providers. Competition in certain of our service offerings is intense. Some of our competitors may even be able to offer discounts or other preferred pricing arrangements. In a cost-sensitive environment, such arrangements may prevent us from acquiring new clients or new engagements with existing clients. Some of our competitors may be able to negotiate secure alliances with clients and affiliates on more favorable terms, devote greater resources to marketing and promotional campaigns or to the development of technology systems than us. In addition, new technologies and the expansion of existing technologies with respect to the online auction business may increase the competitive pressures on us. We must also compete for the services of skilled professionals. There can be no assurance that we will be able to compete successfully against current or future competitors, and competitive pressures we face could harm our business, operating results and financial condition.

We face competition for our retail services from traditional liquidators as well as Internet-based liquidators such as overstock.com and eBay. Our wholesale and industrial services competitors include traditional auctioneers and fixed site auction houses that may specialize in particular industries or geographic regions as well as other large, prestigious or well-recognized auctioneers. We also face competition and pricing pressure from the internal remarketing groups of our clients and potential clients and from companies that may choose to liquidate or auction assets and/or excess inventory without assistance from service providers like us. We face competition for our home auction services from established real estate auctioneers, foreclosure/courthouse auctions, short sales and traditional real estate services. We face competition for our valuation and appraisal services from large accounting, consulting and other professional service firms as well as other valuation, appraisal and advisory firms.

### ***Regulation***

We are subject to federal and state consumer protection laws, including regulations prohibiting unfair and deceptive trade practices. In addition, numerous states and municipalities regulate the conduct of auctions and the liability of auctioneers. We and/or our auctioneers are licensed or bonded in the following states where we conduct, or have conducted, retail, wholesale or industrial asset auctions: California, Florida, Georgia, Illinois, Massachusetts, Ohio, South Carolina, Texas, Virginia and Washington. In addition, we are licensed or obtain permits in cities and/or counties where we conduct auctions, as required. If we conduct an auction in a state where we are not licensed or where reciprocity laws do not exist, we will work with an auctioneer of record in such state.

### ***Employees***

As of December 31, 2011, we had 145 full time employees and five part time employees. We are not a party to any collective bargaining agreements. We have never experienced a work stoppage or strike and believe that relations with our employees are good.

We rely significantly on the expertise of independent contractors whom we engage in connection with specific transactions. As of December 31, 2011, we maintained a network of approximately 155 independent contractors who we engage from time to time to provide services pursuant to the terms of independent contractor agreements.

***Available Information***

We maintain a website at [www.greatamerican.com](http://www.greatamerican.com). We file reports with the Securities and Exchange Commission ("SEC"), and make available, free of charge, on or through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.. The information on our website is not a part of, or incorporated in, this Annual Report.

## Item 1A. RISK FACTORS

Given the nature of our operations and services we provide, a wide range of factors could materially affect our operations and profitability. Changes in competitive, market and economic conditions also affect our operations. The risks and uncertainties described below are not the only risks and uncertainties facing us. Additional risks and uncertainties not presently known or that are currently considered to be immaterial may also materially and adversely affect our business operations or stock price. If any of the following risks or uncertainties occurs, our business, financial condition or operating results could materially suffer.

### *Our revenues and results of operations are volatile and difficult to predict.*

Our revenues and results of operations fluctuate significantly from quarter to quarter, due to a number of factors. These factors include, but are not limited to, the following:

- our ability to attract new clients and obtain additional business from our existing client base;
- the number, size and timing of our engagements;
- the extent to which we acquire assets for resale, or guarantee a minimum return thereon, and our ability to resell those assets at favorable prices;
- variability in the mix of revenues from the auction and liquidation solutions business and the valuation and appraisal services business;
- the rate of growth of new service areas, including the new real estate services division and international expansion;
  - the types of fees we charge clients, or other financial arrangements we enter into with clients; and
- changes in general economic and market conditions.

We have limited or no control over some of the factors set forth above and, as a result, may be unable to forecast our revenues accurately. We rely on projections of revenues in developing our operating plans for the future and will base

our expectations regarding expenses on these projections and plans. If we inaccurately forecast revenues and/or earnings, or fail to accurately project expenses, we may be unable to adjust our spending in a timely manner to compensate for these inaccuracies and, as a result, may suffer operating losses and such losses could have a negative impact on our financial condition and results of operations. If, for any reason, we fail to meet company, investor or analyst projections of revenue, growth or earnings, the market price of the common stock could decline and you may lose all or part of your investment.

***We have experienced losses and may not maintain profitability.***

Although we were profitable during the years ended December 31, 2011 and 2009, we incurred a loss from operations during the year ended December 31, 2010. Our operations in 2010 were negatively impacted by fewer retail liquidation engagements during the year as economic conditions for retailers and credit markets improved. Revenues in our auction and liquidation segment were \$21.0 million during the year ended December 31, 2010 as compared to \$40.8 million and \$61.6 million during the years ended December 31, 2011 and 2009, respectively. Our profitability in each reporting period is impacted by the number and size of retail liquidation engagements we perform on a quarterly or annual basis. It is possible that we will experience losses with respect to our current operations as we continue to expand our operations. In addition, we expect that our operating expenses will increase to the extent that we grow our business. We may not be able to generate sufficient revenues to maintain profitability.

***Our substantial level of indebtedness may make it difficult for us to satisfy our debt obligations and may adversely affect our ability to obtain financing for working capital, capitalize on business opportunities or respond to adverse changes in our industry.***

In connection with the consummation of the Acquisition on July 31, 2009, we issued subordinated unsecured promissory notes in the principal amount of \$55.6 million payable to the Great American Members and the Phantom Equityholders, which includes our Vice Chairman and CEO who own or control, in the aggregate, 10,560,000 shares of our common stock or 34.1% of our outstanding common stock as of December 31, 2011. As of December 31, 2011, an aggregate principal amount of \$53.9 million remains outstanding on the promissory notes. We have entered into amendments and waivers with the Great American Members and certain of the Phantom Equityholders that reduce the interest rate of the notes, defer interest payments and, with respect to the Great American Members, extend the maturity date of the notes and increase the principal amount payable by the amount of accrued but unpaid interest under the notes. As of December 31, 2011, an aggregate principal amount of \$48.8 million remains in notes outstanding to the Great American Members. These notes have an interest rate of 3.75% and a maturity date of July 31, 2018 (subject to annual principal payments based upon our cash flow, with certain limitations). As of December 31, 2011, there is an aggregate principal amount of \$5.1 million in notes outstanding payable to the Phantom Equityholders. Of this amount, \$52.0 million have an interest rate of 3.75% and \$1.9 million have an interest rate of 12.0%.

However, despite these amendments to the promissory notes and the waivers of our obligation to make interest payments, we may not have sufficient funds available to make payments of interest or principal on the promissory notes in the future, and we may be unable to obtain further waivers or amendments from the noteholders. If we are required to make such payments, we may be required to use funds that would otherwise be required to operate our business, which could have a material impact on our business and financial results. This indebtedness could have material consequences for our business, operations and liquidity position, including the following:

- it may be more difficult for us to satisfy our other debt obligations;
- our ability to obtain additional financing for working capital, debt service requirements, general corporate or other purposes may be impaired;
  - a substantial portion of our cash flow will be used to pay interest and principal on our indebtedness, which will reduce the funds available for other purposes; and
- our ability to refinance indebtedness may be limited.

***Because of their significant stock ownership, some of our existing stockholders will be able to exert control over us and our significant corporate decisions.***

Our executive officers, directors and their affiliates own or control, in the aggregate, approximately 40.9% of our outstanding common stock as of December 31, 2011. In particular, our Vice Chairman and CEO own or control, in the aggregate, 10,560,000 shares of our common stock or 34.1% of our outstanding common stock as of December 31, 2011. These stockholders are able to exercise influence over matters requiring stockholder approval, such as the election of directors and the approval of significant corporate transactions, including transactions involving an actual or potential change of control of the company or other transactions that non-controlling stockholders may not deem to be in their best interests. This concentration of ownership may harm the market price of our common stock by, among other things:

- delaying, deferring, or preventing a change in control of our company;
- impeding a merger, consolidation, takeover, or other business combination involving our company;
- causing us to enter into transactions or agreements that are not in the best interests of all stockholders; or

- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our company.

***We may incur losses as a result of “guarantee” based engagements that we enter into in connection with our auction and liquidation solutions business.***

In many instances, in order to secure an engagement, we are required to bid for that engagement by guaranteeing to the client a minimum amount that such client will receive from the sale of inventory or assets. Our bid is based on a variety of factors, including: our experience, expertise, perceived value added by engagement, valuation of the inventory or assets and the prices we believe potential buyers would be willing to pay for such inventory or assets. An inaccurate estimate of any of the above or inaccurate valuation of the assets or inventory could result in us submitting a bid that exceeds the realizable proceeds from any engagement. If the liquidation proceeds, net of direct operating expenses, are less than the amount we guaranteed in our bid, we will incur a loss. Therefore, in the event that the proceeds, net of direct operating expenses, from an engagement are less than the bid, the value of the assets or inventory decline in value prior to the disposition or liquidation, or the assets are overvalued for any reason, we may suffer a loss and our financial condition and results of operations could be adversely affected.



***We may incur losses as a result of lending activities in the United Kingdom that include the acquisition of distressed debt from banks and finance or investment companies in connection with our auction and liquidation solutions business.***

In some instances, we may provide financing to clients in the United Kingdom with a focus in the retail industry that are in need of junior secured loans for growth capital, working capital, and turnaround financing. Because of the difference in the legal regime in which retailers operate in the United Kingdom, our business activities in the United Kingdom may frequently involve lending activities that include the acquisition of debt of distressed retailers from banks and finance companies at a discount to face value. These loans are serviced by us and are generally secured by assets of the retailer, including inventory, accounts receivable, real estate and intellectual property. The determination of the amount we may lend or the purchase price we pay to acquire the distressed debt is based on a variety of factors, including: our evaluation of the estimated realized value of the inventory of the retailer and collateral of the debt in the event the retailer would need to be liquidated. An inaccurate estimate of any of the above or inaccurate valuation of the assets or inventory could result in us lending amounts or purchasing debt for an amount that may not be realizable in the event the retailer would need to be liquidated. Therefore, we may suffer credit losses from these financing activities and our financial condition and results of operations could be adversely affected.

***Losses due to any auction or liquidation engagement may cause us to become unable to make payments due to our creditors and may cause us to default on our debt obligations.***

We have three engagement structures: (i) a “fee” based structure under which we are compensated for our role in an engagement on a commission basis, (ii) purchase on an outright basis (and take title to) the assets or inventory of the client, and (iii) “guarantee” to the client that a certain amount will be realized by the client upon the sale of the assets or inventory based on contractually defined terms in the auction or liquidation contract. We bear the risk of loss under the purchase and guarantee structures of auction and liquidation contracts. If the amount realized from the sale or disposition of assets, net of direct operating expenses, does not equal or exceed the purchase price (in purchase transaction), we will recognize a loss on the engagement, or should the amount realized, net of direct operating expenses, not equal or exceed the “guarantee,” we are still required to pay the guaranteed amount to the client.

***We could incur losses in connection with outright purchase transactions in which we engage as part of our auction and liquidation solutions business.***

When we conduct an asset disposition or liquidation on an outright purchase basis, we purchase from the client the assets or inventory to be sold or liquidated and therefore, we hold title to any assets or inventory that we are not able to sell. In other situations, we may acquire assets from our clients if we believe that we can identify a potential buyer and sell the assets at a premium to the price paid. We store these unsold or acquired assets and inventory until they can be sold or, alternatively, transported to the site of a liquidation of comparable assets or inventory that we are conducting. If we are forced to sell these assets for less than we paid, or are required to transport and store assets

multiple times, the related expenses could have a material adverse effect on our results of operations.

***We depend on financial institutions as primary clients for our valuation and appraisal services business. Consequently, the loss of any financial institutions as clients may have an adverse impact on our business.***

A majority of the revenue from our valuation and appraisal services business is derived from engagements by financial institutions. As a result, any loss of financial institutions as clients of our valuation and advisory services, whether due to changing preferences in service providers, failures of financial institutions or mergers and consolidations within the finance industry, could significantly reduce the number of existing, repeat and potential clients, thereby adversely affecting our revenues. In addition, any larger financial institutions that result from mergers or consolidations in the financial services industry could have greater leverage in negotiating terms of engagements with us, or could decide to internally perform some or all of the valuation and appraisal services which we currently provide to one of the constituent institutions involved in the merger or consolidation or which we could provide in the future. Any of these developments could have a material adverse effect on our valuation and appraisal services business.

***Our business may be impacted by changing economic and market conditions.***

Certain aspects of our business are cyclical in nature and changes in the current economic environment may require us to adjust our sales and marketing practices and react to different business opportunities and modes of competition. For example, we are more likely to conduct auctions and liquidations in connection with insolvencies and store closures during periods of economic downturn relative to periods of economic expansion. In addition, during an economic downturn, financial institutions that provide asset-based loans typically reduce the number of loans made, which reduces their need for our valuation and appraisal services. If we are not successful in reacting to changing economic conditions, we may lose business opportunities which could harm our financial condition.

***We may face liability or harm to our reputation as a result of a claim that we provided an inaccurate appraisal or valuation and our insurance coverage may not be sufficient to cover the liability.***

We could face liability in connection with a claim by a client that we provided an inaccurate appraisal or valuation on which the client relied. Any claim of this type, whether with or without merit, could result in costly litigation, which could divert management's attention and company resources and harm our reputation. Furthermore, if we are found to be liable, we may be required to pay damages. While our appraisals and valuations are typically provided only for the benefit of our clients, if a third party relies on an appraisal or valuation and suffers harm as a result, we may become subject to a legal claim, even if the claim is without merit. We carry insurance for liability resulting from errors or omissions in connection with our appraisals and valuations; however, the coverage may not be sufficient if we are found to be liable in connection with a claim by a client or third party.

***We could be forced to mark down the value of certain assets acquired in connection with outright purchase transactions.***

In most instances, inventory is reported on the balance sheet at its historical cost; however, according to U.S. Generally Accepted Accounting Principles, inventory whose historical cost exceeds its market value should be valued conservatively, which dictates a lower value should apply. Accordingly, should the replacement cost (due to technological obsolescence or otherwise), or the net realizable value of any inventory we hold be less than the cost paid to acquire such inventory (purchase price), we will be required to "mark down" the value of such inventory held. If the value of any inventory held on our balance sheet, including, but not limited to, oil rigs and other equipment related to the oil exploration business and airplane parts, is required to be written down, such write down could have a material adverse effect on our financial position and results of operations.

***We operate in highly competitive industries. Some of our competitors may have certain competitive advantages, which may cause us to be unable to effectively compete with or gain market share from our competitors.***

We face competition with respect to all of our service areas. The level of competition depends on the particular service area and category of assets being liquidated or appraised. We compete with other companies in bidding for assets and inventory to be liquidated. In addition, we compete with online services for liquidating assets and inventory, the demand for which are rapidly growing. These online competitors include other e-commerce providers, auction websites such as eBay, as well as government agencies and traditional liquidators and auctioneers that have created websites to further enhance their product offerings and more efficiently liquidate assets. We expect the market to become even more competitive as the demand for such services continues to increase and traditional and online liquidators and auctioneers continue to develop online and offline services for disposition, redeployment and remarketing of wholesale surplus and salvage assets. In addition, manufacturers, retailers and government agencies may decide to create their own websites to sell their own surplus assets and inventory and those of third parties.

We also compete with other providers of valuation and advisory services. Competitive pressures within the valuation and appraisal services market, including a decrease in the number of engagements and/or a decrease in the fees which can be charged for these services, could affect revenues from our valuation and appraisal services as well as our ability

to engage new or repeat clients. We believe that given the relatively low barriers to entry in the valuation and appraisal services market, this market may become more competitive as the demand for such services increases.

Some of our competitors may be able to devote greater financial resources to marketing and promotional campaigns, secure merchandise from sellers on more favorable terms, adopt more aggressive pricing or inventory availability policies and devote more resources to website and systems development than we are able to do. Any inability on our part to effectively compete could have a material adverse effect on our financial condition, growth potential and results of operations.

***If we are unable to attract and retain qualified personnel, we may not be able to compete successfully in our industry.***

Our future success depends to a significant degree upon the continued contributions of senior management and the ability to attract and retain other highly qualified management personnel. We face competition for management from other companies and organizations; therefore, we may not be able to retain our existing personnel or fill new positions or vacancies created by expansion or turnover at existing compensation levels. Although we have entered into employment agreements with key members of the senior management team, there can be no assurances such key individuals will remain with us. The loss of any of our executive officers or other key management personnel would disrupt our operations and divert the time and attention of our remaining officers and management personnel which could have an adverse effect on our results of operations and potential for growth.

We also face competition for highly skilled employees with experience in our industry, which requires a unique knowledge base. We may be unable to recruit or retain other existing technical, sales and client support personnel that are critical to our ability to execute our business plan.

***Expanding our services internationally exposes us to additional operational challenges, and if we fail to meet these challenges, our growth will be limited and our results of operations may be harmed.***

We recently expanded our operations into the United Kingdom and plan to enter other European and Asian markets, either through acquisition, partnership, joint venture or by expansion. Our management has limited experience in operating a business at the international level. As a result, we may be unsuccessful in carrying out any of our plans for expansion in a timely fashion, if at all, obtaining the necessary licensing, permits or market saturation, or in successfully navigating other challenges posed by operating an international business. Such international expansion is expected to require a significant amount of start up costs, as well. If we fail to execute this strategy, our growth will be limited and our results of operations may be harmed.

***We frequently use borrowings under credit facilities in connection with our guaranty engagements, in which we guarantee a minimum recovery to the client, and outright purchase transactions.***

In engagements where we operate on a guaranty or purchase basis, we are typically required to make an upfront payment to the client. If the upfront payment is less than 100% of the guarantee or the purchase price in a “purchase” transaction, we may be required to make successive cash payments until the guarantee is met or we may issue a letter of credit in favor of the client. Depending on the size and structure of the engagement, we may borrow under our credit facilities and may be required to issue a letter of credit in favor of the client for these additional amounts. If we lose any availability under our credit facilities, are unable to borrow under credit facilities and/or issue letters of credit in favor of clients, or borrow under credit facilities and/or issue letters of credit on commercially reasonable terms, we may be unable to pursue large liquidation and disposition engagements, engage in multiple concurrent engagements, pursue new engagements or expand our operations. We are required to obtain approval from the lenders under our existing credit facilities prior to making any borrowings thereunder in connection with a particular engagement. Any inability to borrow under our credit facilities, or enter into one or more other credit facilities on commercially reasonable terms may have a material adverse effect on our financial condition, results of operations and growth.

***Defaults under our credit agreements could have an adverse impact on our ability to finance potential engagements.***

The terms of our credit agreements contain a number of events of default and, in the past, we have defaulted under the credit agreements for failing to provide timely financial statements and for failing to maintain minimum net worth requirements. Should we default under any of our credit agreements in the future, lenders may take any or all remedial actions set forth in such credit agreement, including, but not limited to, accelerating payment and/or charging us a default rate of interest on all outstanding amounts, refusing to make any further advances or issue letters of credit, or terminating the line of credit. As a result of our reliance on lines of credit and letters of credit, any default under a credit agreement, or remedial actions pursued by lenders following any default under a credit agreement, may require us to immediately repay all outstanding amounts, which may preclude us from pursuing new liquidation and

disposition engagements and may increase our cost of capital, each of which may have a material adverse effect on our financial condition and results of operations.

***If we cannot meet our future capital requirements, we may be unable to develop and enhance our services, take advantage of business opportunities and respond to competitive pressures.***

We may need to raise additional funds in the future to grow our business internally, invest in new businesses, expand through acquisitions, enhance our current services or respond to changes in our target markets. If we raise additional capital through the sale of equity or equity derivative securities, the issuance of these securities could result in dilution to our existing stockholders. If additional funds are raised through the issuance of debt securities, the terms of that debt could impose additional restrictions on our operations or harm our financial condition. Additional financing may be unavailable on acceptable terms.

***Our common stock price may fluctuate substantially, and your investment could suffer a decline in value.***

The market price of our common stock may be volatile and could fluctuate substantially due to many factors, including, among other things:

- actual or anticipated fluctuations in our results of operations;
- announcements of significant contracts and transactions by us or our competitors;
- sale of common stock or other securities in the future;
- the trading volume of our common stock;
- changes in our pricing policies or the pricing policies of our competitors; and
- general economic conditions.

In addition, the stock market in general and the market for shares traded on the OTCBB in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These broad market factors may materially harm the market price of our common stock, regardless of our operating performance.

***There is a limited market for our common shares and the trading price of our common shares is subject to volatility.***

Our common shares began trading on the OTCBB in August 2009, following the completion of the Acquisition. The trading market for our common shares is limited and an active trading market may not develop. Selling our common shares may be difficult because the limited trading market for our shares on the OTCBB could result in lower prices and larger spreads in the bid and ask prices of our shares, as well as lower trading volume.

In addition, our stock may be defined as a “penny stock” under Rule 3a51-1 under the Exchange Act. “Penny stocks” are subject to Rule 15g-9, which imposes additional sales practice requirements on broker-dealers that sell low-priced

securities to persons other than established customers and institutional accredited investors. For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. Consequently, the rule may affect the ability of broker-dealers to sell our common stock and affect the ability of holders to sell their shares of our common stock in the secondary market. To the extent our common stock is subject to the penny stock regulations, the market liquidity for the shares will be adversely affected.

***Our certificate of incorporation authorizes our board of directors to issue new series of preferred stock that may have the effect of delaying or preventing a change of control, which could adversely affect the value of your shares.***

Our certificate of incorporation, as amended, provides that our board of directors will be authorized to issue from time to time, without further stockholder approval, up to 10,000,000 shares of preferred stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each series, including the dividend rights, dividend rates, conversion rights, voting rights, rights of redemption, including sinking fund provisions, redemption price or prices, liquidation preferences and the number of shares constituting any series or designations of any series. Such shares of preferred stock could have preferences over our common stock with respect to dividends and liquidation rights. We may issue additional preferred stock in ways which may delay, defer or prevent a change of control of our company without further action by our stockholders. Such shares of preferred stock may be issued with voting rights that may adversely affect the voting power of the holders of our common stock by increasing the number of outstanding shares having voting rights, and by the creation of class or series voting rights.



*Anti-takeover provisions under our charter documents and Delaware law could delay or prevent a change of control and could also limit the market price of our stock.*

Our certificate of incorporation, as amended, and our bylaws, as amended, contain provisions that could delay or prevent a change of control of our company or changes in our board of directors that our stockholders might consider favorable. For example, our certificate of incorporation and bylaws provide that our board of directors is classified into three classes of directors, with each class elected at a separate election. The existence of a staggered board could delay or prevent a potential acquirer from obtaining majority control of our board, and thus defer potential acquisitions. We are also governed by the provisions of Section 203 of the Delaware General Corporate Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These and other provisions in our certificate of incorporation, our bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by the then-current board of directors, including delaying or impeding a merger, tender offer, or proxy contest or other change of control transaction involving our company. Any delay or prevention of a change of control transaction or changes in our board of directors could prevent the consummation of a transaction in which our stockholders could receive a substantial premium over the then current market price for their shares.

**Item 1B. UNRESOLVED STAFF COMMENTS**

None.

**Item 2. PROPERTIES**

Our headquarters are located in Woodland Hills, California in a leased facility. The following table sets forth the location and use of each of our properties, all of which are leased as of December 31, 2011.

Location	Use
Woodland Hills, California	Headquarters; Accounting, Information Technology and Human Resources offices; Appraisal and Auction offices
San Francisco, California	Appraisal and Marketing offices
Atlanta, Georgia	Marketing offices
Chicago, Illinois	Appraisal and Marketing offices
Deerfield, Illinois	Executive offices; Marketing and Legal offices
Boston, Massachusetts	Appraisal and Marketing offices
Needham, Massachusetts	Appraisal offices
New York, New York	Real Estate Services, Appraisal and Marketing offices
Charlotte, North Carolina	Marketing offices
London, England	Appraisal and Marketing offices

We believe that our existing facilities are suitable and adequate for the business conducted therein, appropriately used and have sufficient capacity for their intended purpose.

**Item 3. LEGAL PROCEEDINGS**

From time to time, we are involved in litigation which arises in the normal course of our business operations. We believe that we are not currently a party to any proceedings the adverse outcome of which, individually or in the aggregate, would have a material adverse effect on our financial position or results of operations.

**Item 4. MINE SAFETY DISCLOSURES.**

**Not applicable.**

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**Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDERS MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**Stock Market and Other Information**

Our common stock is traded on the OTC Bulletin Board under the symbol: “GAMR”.

The following table sets forth the high and low closing sale prices of a share of our Common Stock as reported by the OTC Bulletin Board on a quarterly basis for the years ended December 31, 2010 and 2011.

	High	Low
2010:	\$4.40	\$3.18
Quarter ended March 31, 2010	3.95	2.20
Quarter ended June 30, 2010	2.34	1.51
Quarter ended September 30, 2010	1.50	0.35
Quarter ended December 31, 2010	0.71	0.40
2011:		
Quarter ended March 31, 2011	\$0.60	\$0.27
Quarter ended June 30, 2011	0.35	0.30
Quarter ended September 30, 2011	0.39	0.05
Quarter ended December 31, 2011	0.15	0.10

As of March 15, 2012, there were approximately 18 holders of record of our Common Stock. This number does not include beneficial owners holding shares through nominees or in “street” name.

**Dividend Policy**

We have not paid any cash dividends since the consummation of the Acquisition on July 31, 2009 and anticipate that we will retain any available funds for use in the operation of our business. We do not currently intend to pay any cash dividends in the foreseeable future. Our Board of Directors will determine the payment of future cash dividends, if any. Certain of our current bank credit facilities restrict the payment of cash dividends and future borrowings may contain similar restrictions.



**Item 6. SELECTED FINANCIAL DATA**

The following table sets forth our selected consolidated financial data as of and for each of the five fiscal years ended December 31, 2011, and is derived from our Consolidated Financial Statements. The Consolidated Financial Statements as of December 31, 2011 and 2010, and for each of the years in the three-year period ended December 31, 2011, are included elsewhere in this report. The following data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Financial Statements and Notes thereto included elsewhere in this report.

**Consolidated Statement of Operations Data:****(Dollars in thousands)**

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Revenues:					
Services and fees	\$60,627	\$37,026	\$70,810	\$48,496	\$40,247
Sale of goods	2,899	5,119	12,611	4,673	11,703
Total revenues	63,526	42,145	83,421	53,169	51,950
Operating expenses:					
Direct cost of services	19,749	15,417	17,491	20,595	24,807
Cost of goods sold	3,391	6,674	12,669	4,736	10,470
Selling, general and administrative	32,946	31,413	35,743	21,696	21,320
Total operating expenses	56,086	53,504	65,903	47,027	56,597
Operating income (loss)	7,440	(11,359)	17,518	6,142	(4,647)
Other income (expense):					
Interest income	476	522	32	158	393
Other income (expense)	—	—	18	112	56
Loss from equity investment in Great American Group Real Estate, LLC	(369)	(1,640)	(861)	(17)	—
Interest expense	(4,885)	(3,667)	(11,273)	(4,063)	(1,037)
Income (loss) from continuing operations before (provision) benefit for income taxes	2,662	(16,144)	5,434	2,332	(5,235)
(Provision) benefit for income taxes	(2,060)	5,106	11,664	—	—
Income (loss) from continuing operations	602	(11,038)	17,098	2,332	(5,235)
Loss from discontinued operations, net of tax	—	—	(142)	(2,069)	(5,072)
Net income (loss)	\$602	\$(11,038)	\$16,956	\$263	\$(10,307)
Basic earnings (loss) per share, continuing operations	\$0.02	\$(0.39)	\$0.96	\$0.22	\$(0.59)
Basic earnings (loss) per share, discontinued operations	0.00	0.00	(0.01)	(0.20)	(0.56)
Basic earnings (loss) per share	\$0.02	\$(0.39)	\$0.95	\$0.02	\$(1.15)

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Diluted earnings (loss) per share, continuing operations	\$0.02	\$(0.39	) \$0.92	\$0.22	\$(0.59	)
Diluted loss per share, discontinued operations	0.00	0.00	(0.01	) (0.20	) (0.56	)
Diluted earnings (loss) per share	\$0.02	\$(0.39	) \$0.91	\$0.02	\$(1.15	)
Weighted average basic shares outstanding	28,539,651	28,075,758	17,786,686	10,560,000	8,934,644	
Weighted average diluted shares outstanding	29,408,466	28,075,758	18,664,049	10,560,000	8,934,644	

PRO FORMA COMPUTATION RELATED TO CONVERSION TO C CORPORATION FOR INCOME TAX PURPOSES

(unaudited):

Historical income (loss) from continuing operations before income taxes			\$5,434	\$2,332	\$(5,235	)
Pro forma benefit (provision) for income taxes			(2,141	) (919	) 2,063	
Pro forma income (loss) from continuing operations			3,293	1,413	(3,172	)
Pro forma loss from discontinued operations, net of tax			(116	) (1,254	) (3,074	)
Pro forma net income (loss)			\$3,177	\$159	\$(6,246	)
Pro forma basic earnings (loss) per share, continuing operations			\$0.19	\$0.13	\$(0.36	)
Pro forma basic loss per share, discontinued operations			(0.01	) (0.11	) (0.34	)
Pro forma basic earnings (loss) per share			\$0.18	\$0.02	\$(0.70	)
Pro forma diluted earnings (loss) per share, continuing operations			\$0.18	\$0.13	\$(0.36	)
Pro forma diluted loss per share, discontinued operations			(0.01	) (0.11	) (0.34	)
Pro forma diluted earnings (loss) per share			\$0.17	\$0.02	\$(0.70	)
Pro forma weighted average basic shares outstanding			17,786,686	10,560,000	8,936,644	
Pro forma weighted average diluted shares outstanding			18,664,049	10,560,000	8,936,644	

**Consolidated Balance Sheet Data:****(Dollars in thousands)**

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Cash and cash equivalents	\$ 15,034	\$ 20,080	\$ 37,989	\$ 16,965	\$ 16,029
Restricted cash	—	—	459	3,653	—
Total assets	76,358	72,274	78,673	55,831	44,092
Total current liabilities	32,394	28,966	35,110	37,113	26,599
Total long-term liabilities	52,220	52,211	44,563	4,217	4,321
Total stockholders equity (deficit)	(8,256 )	(8,903 )	(1,000 )	14,501	13,172



**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*This report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially.*

*Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we, nor any other person, assume responsibility for the accuracy and completeness of the forward-looking statements. We are under no obligation to update any of the forward-looking statements after the filing of this Annual Report to conform such statements to actual results or to changes in our expectations.*

*The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes and other financial information appearing elsewhere in this Annual Report. Readers are also urged to carefully review and consider the various disclosures made by us which attempt to advise interested parties of the factors which affect our business, including without limitation the disclosures made in Item 1A of Part I of this Annual Report under the caption "Risk Factors".*

*Risk factors that could cause actual results to differ from those contained in the forward-looking statements include but are not limited to risks related to: volatility in our revenues and results of operations; our ability to generate sufficient revenues to achieve and maintain profitability; our substantial level of indebtedness; the accuracy of our estimates and valuations of inventory or assets in "guarantee" based engagements; potential losses related to our auction or liquidation engagements; potential losses related to purchase transactions in our auction and liquidations business; the potential loss of financial institution clients; our ability to successfully implement cost savings measures; changing economic and market conditions; potential liability and harm to our reputation if we were to provide an inaccurate appraisal or valuation; potential mark-downs in inventory in connection with purchase transactions; failure to successfully compete; loss of key personnel; the international expansion of our business; our ability to borrow under our credit facilities as necessary; failure to comply with the terms of our credit agreements; and our ability to meet future capital requirements.*

*Except as otherwise required by the context, references in this Annual Report to:*

- "Great American," "the "Company," "we," "us" or "our" refer to the combined business of Great American Group, Inc. and all of its subsidiaries after giving effect to (i) the contribution to Great American Group, Inc. of all of the membership

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interests of Great American Group, LLC by the members of Great American, which transaction is referred to herein as the “Contribution”, and (ii) the merger of Alternative Asset Management Acquisition Corp. with and into its wholly-owned subsidiary, AAMAC Merger Sub, Inc., referred to herein as “Merger Sub”, in each case, which occurred on July 31, 2009, referred to herein as the “Merger”. The Contribution and Merger are referred to herein collectively as the “Acquisition”;

- “GAG, Inc.” refers to Great American Group, Inc.;
  
- “GAG, LLC” refers to Great American Group, LLC;
  - the “Great American Members” refers to the members of Great American Group, LLC prior to the Acquisition;
  
  - “Phantom Equityholders” refers to certain members of senior management of Great American Group, LLC prior to the Acquisition that were participants in a deferred compensation plan;
  
  - the “Contribution Consideration Recipients” refers collectively to the Great American Members and the Phantom Equityholders; and
  
- “AAMAC” refers to Alternative Asset Management Acquisition Corp.

### *The Acquisition*

On July 31, 2009, GAG, Inc., GAG, LLC and AAMAC completed the Acquisition. As a result of the Acquisition, GAG, LLC and AAMAC became subsidiaries of the Company. Immediately following the consummation of the Acquisition, the former shareholders of AAMAC had an approximate 63% voting interest in the Company and the Great American Members had an approximate 37% voting interest in the Company. We received net proceeds of \$69.3 million from AAMAC as a result of the Acquisition and issued 19,346,626 shares of our common stock to AAMAC shareholders. Upon the closing of the Acquisition, the Great American Members received 10,560,000 shares of our common stock and \$82.4 million consisting of (i) cash distributions totaling \$31.7 million from GAG, LLC and (ii) an aggregate of \$50.7 million in unsecured subordinated promissory notes. Unsecured subordinated promissory notes amounting to an aggregate of \$9.3 million were issued to the Phantom Equityholders in settlement of accrued compensation payable pursuant to a deferred compensation plan.

### *Notes Payable*

We have entered into multiple amendments to and waivers of our obligations under the unsecured subordinated promissory notes issued in connection with the Acquisition. As a result of these amendments and waivers, in 2010 the interest rate was reduced to 3.75% with respect to an aggregate of \$52.4 million of the then-outstanding \$55.6 million in promissory notes. In addition, the maturity date for the then-outstanding \$47.0 million in notes payable to the Great American Members was extended to July 31, 2018, subject to annual prepayments based upon our cash flow, provided that we are not obligated to make such prepayments if our minimum adjusted cash balance is below \$20.0 million. The 2010 amendments and waivers also permitted us to defer the payment of interest owed under \$52.4 million of the notes until July 31, 2011.

Effective July 31, 2011, we entered into individual amendments with the Great American Members that increased the principal amount of the promissory notes for the \$1.8 million of accrued interest that was due to them on July 31, 2011. The addition to the principal amount will accrue interest at the note rate of 3.75% and continue to be subject to annual prepayments based upon our cash flow and the maintenance of a minimum adjusted cash balance as provided in the notes prior to the capitalization of the accrued interest. We are not required to make any principal prepayments under these notes for the fiscal years ended December 31, 2010 and 2011. Also effective July 31, 2011, we entered into agreements permitting us to defer payment of \$1.4 million in interest owed to the Phantom Equityholders from July 31, 2011 to the fourth quarter of 2011. As of December 31, 2011, there was \$48.8 million in aggregate principal amount outstanding under the notes payable to the Great American Members and \$5.1 million in aggregate principal amount outstanding under the notes payable to the Phantom Equityholders. Of this amount, \$52.0 million accrues interest at 12% and \$1.9 million accrues interest at 3.75%.

### *Overview*

We are a leading provider of asset disposition and valuation and appraisal services to a wide range of retail, wholesale and industrial clients, as well as lenders, capital providers, private equity investors and professional service firms throughout the United States and Canada and more recently in the United Kingdom as a result of the expansion of our retail liquidation services in Europe in April 2009. We operate our business in two segments: auction and liquidation solutions and valuation and appraisal services. Our auction and liquidation segment seeks to assist clients in maximizing return and recovery rates through the efficient disposition of assets and provide clients with capital advisory, financing and real estate services. Such assets include multi-location retail inventory, wholesale inventory, trade fixtures, machinery and equipment, intellectual property and real property. Our valuation and appraisal services segment provides our clients with independent appraisals in connection with asset-based loans, acquisitions, divestitures and other business needs. These services are provided to a wide range of retail, wholesale and industrial companies, as well as lenders, capital providers, private equity investors and professional service firms throughout the United States and Canada.

Our significant industry experience and network of highly skilled employees and independent contractors allow us to tailor our auction and liquidation solutions to the specific needs of a multitude of clients, logistical challenges and distressed circumstances. We have established appraisal and valuation methodologies and practices in a broad array of asset categories which have made us a recognized industry leader. Furthermore, our scale and pool of resources allow us to offer our services on a nationwide basis.

Together with our predecessors, we have been in business since 1973. For over 35 years, we and our predecessors have provided retail, wholesale and industrial auction and liquidation solutions to clients. Past clients include Boeing, Apple Computers, Borders Group, Circuit City, Friedman's Jewelers, Hechinger, Mervyns, Tower Records, TJ Hughes, Eaton's, Hancock Fabrics, Movie Gallery, Linens N Things, Kmart, Sears, Montgomery Ward, Whitehall Jewelers, Gottschalks, Fortunoff, and Ritz Camera. Since 1995, we have participated in liquidations involving over \$23 billion in aggregate asset value and auctioned assets with an estimated aggregate value of over \$6 billion.

Historically, revenues from our auction and liquidation segment have comprised a significant amount of our total revenues and operating profits. During the years ended December 31, 2011, 2010 and 2009, revenues from our auction and liquidation segment were 64.1%, 49.9% and 73.9% of total revenues. Our profitability in each reporting period is impacted by the number and size of retail liquidation engagements we perform on a quarterly or annual basis. Revenues from liquidation service contracts and financing activities to two retailers represented and financing activities to two retailers 15.2% and 11.7% of total revenues during the year ended December 31, 2011. Revenues from two liquidation service contracts represented 19.6% and 11.3% of total revenues during the year ended December 31, 2009. Our revenues in the auction and liquidation segment during the year ended December 31, 2010 were negatively impacted by fewer liquidation engagements during the year as economic conditions for retailers and credit markets improved from the prior years.

Our valuation and appraisal services division provides valuation and appraisal services to financial institutions, lenders, private equity investors and other providers of capital. These services primarily include the valuation of assets (i) for purposes of determining and monitoring the value of collateral securing financial transactions and loan arrangements and (ii) in connection with potential business combinations. Our valuation and appraisal services divisions operate through limited liability companies that are majority owned by us. Our clients include major financial institutions such as Bank of America, Credit Suisse, GE Capital, JPMorgan Chase, Union Bank of California, and Wells Fargo. Our clients also include private equity firms such as Apollo Management, Goldman Sachs Capital Partners, Laurus Funds, Sun Capital Partners and UBS Capital.

In September 2008, we partnered with Kelly Capital to launch Great American Real Estate, LLC through which we and Kelly Capital conduct public auctions of foreclosed residential real estate and market residential and commercial loan sales to third parties on behalf of financial institutions and other private parties. We commenced auctions for foreclosed residential real estate properties in the fourth quarter of 2009 and we commenced residential and commercial loan sales to third parties on behalf of financial institutions and other private parties in the first quarter of 2010. During 2010, the market for providers of services for foreclosed residential real estate properties was challenging and we incurred losses from our equity investment in Great American Real Estate, LLC of \$1.6 million. The flow of new inventory of residential home foreclosures into the market was impacted by legislation at the state and federal levels. This impacted our ability to establish new relationships as the auction broker with major financial institutions, lenders, portfolio managers and investment firms, which hold title to foreclosed homes. During the fourth quarter of 2010, we limited operations of the joint venture with Kelly Capital to the sale of certain residential and commercial loan sales that the joint venture purchased through an investment with a third party. During the year ended December 31, 2011, we incurred a loss from our equity investment in Great American Real Estate, LLC of \$0.4 million.

In April 2009, we expanded our operations into Europe by opening an office in the United Kingdom. We provide services to help retailers downsize through inventory liquidation and store closures in addition to providing appraisal and valuation services. In 2010, we hired a number of key employees to increase our presence and expand the operations of our retail liquidations solutions business throughout Europe. Because of the difference in the legal regime in which retailers operate in the United Kingdom, our business activities in the United Kingdom may frequently involve lending activities that includes the acquisition of debt of distressed retailers from banks and finance companies at a discount to face value. Revenues from services, fees and financing activities from our auction and

liquidation segment and valuation and appraisal services segment in the United Kingdom increased to \$11.6 million during the year ended December 31, 2011 from \$0.6 million during the year ended December 31, 2010. The revenues in 2011 were primarily generated from two retail liquidation service engagements conducted in the United Kingdom.

In October 2009, we formed GA Capital, LLC (“GA Capital”), a majority owned subsidiary of the Company. GA Capital focuses on services to retailers that are in need of junior secured loans for growth capital, working capital, and turnaround financing as part of our auction and liquidation segment. GA Capital advises borrowers and sources loans between \$10 million and \$100 million secured by collateral assets of the borrowers, including inventory, accounts receivable, real estate and intellectual property. During the year ended December 31, 2011, revenue from capital advisory services performed by our GA Capital operations increased to \$7.3 million from \$2.6 million during the year ended December 31, 2010.

In January 2011, the Keen Consultants’ real estate team joined us and is operating as GA Keen Realty Advisors. This newly formed division provides real estate analysis, valuation and strategic planning services, brokerage, mergers and acquisition, auction services, lease restructuring services, and real estate capital market services as part of our auction and liquidation segment. GA Keen Realty Advisors offers services to property owners, tenants, secured and unsecured creditors, attorneys, and financial advisors.

During 2011, our operations in the retail and liquidation segment experienced an increase in business activity with the liquidation engagement for TJ Hughes Limited, a 57 store discount department chain in the United Kingdom, and our participation in a joint venture involving the liquidation of Borders Group, Inc., a going-out-of-business sale for all 399 remaining Borders bookstore locations. During the year ended December 31, 2011, revenues from these two retail liquidation engagements totaled \$17.1 million.

*Results of Operations*

The following period to period comparisons of our financial results are not necessarily indicative of future results.

***Year Ended December 31, 2011 Compared to Year Ended December 31, 2010*****Consolidated Statements of Operations****(Dollars in thousands)**

	Year Ended December 31, 2011		Year Ended December 31, 2010	
	Amount	%	Amount	%
Revenues:				
Services and fees	\$60,627	95.4 %	\$37,026	87.9 %
Sale of goods	2,899	4.6 %	5,119	12.1 %
Total revenues	63,526	100.0%	42,145	100.0%
Operating expenses:				
Direct cost of services	19,749	31.1 %	15,417	36.6 %
Cost of goods sold	3,391	5.3 %	6,674	15.8 %
Selling, general and administrative expenses	32,946	51.9 %	31,413	74.6 %
Total operating expenses	56,086	88.3 %	53,504	127.0%
Operating income (loss)	7,440	11.7 %	(11,359)	-27.0 %
Interest income	476	0.8 %	522	1.2 %
Loss from equity investment in Great American Real Estate, LLC	(369 )	-0.6 %	(1,640 )	-3.9 %
Interest expense	(4,885 )	-7.7 %	(3,667 )	-8.6 %
Income (loss) before (provision) benefit for income taxes	2,662	4.2 %	(16,144)	-38.3 %
(Provision) benefit for income taxes	(2,060 )	-3.2 %	5,106	12.1 %
Net income (loss)	\$602	0.9 %	\$(11,038)	-26.2 %

**Revenues.** Total revenues increased \$21.4 million to \$63.5 million during the year ended December 31, 2011 from \$42.1 million during the year ended December 31, 2010. The increase in revenues was primarily due to a \$19.7 million increase in revenues in the auction and liquidation segment and a \$1.7 million increase in revenues in the valuation and appraisal services segment in 2011 as compared to the same period in 2010. The increase in revenues in the auction and liquidation segment in 2011 was primarily due to (a) an increase in revenues of \$13.6 million from

retail liquidation engagements, \$9.5 million of which resulted from our United Kingdom operations; (b) an increase in revenues of \$1.5 million from financing activities to a retailer in the United Kingdom, (c) an increase in revenues of \$4.7 million from capital advisory fees performed by our GA Capital operations; and (d) an increase in revenues of \$1.4 million from our GA Keen Realty Advisors division, a division formed in January 2011, offset by a decrease in revenues of \$1.5 million from the auction of wholesale and industrial equipment. The increase in revenues from retail liquidation engagements for the year ended December 31, 2011 was primarily due to revenues from the TJ Hughes Limited liquidation engagement in Europe and our participation in the joint venture involving the liquidation of Borders Group, Inc. The increase in revenues of \$1.7 million in the valuation and appraisal services segment was primarily due to an increase in revenues of \$1.2 million related to appraisals for machinery and equipment and an increase in revenues of \$0.5 million for appraisal engagements where we perform valuations for the monitoring of collateral for financial institutions, lenders, and private equity investors. Revenues from gross sales of goods where we held title to the goods decreased to \$2.9 million during the year ended December 31, 2011 from \$5.1 million during the year ended December 31, 2010, primarily due to a decrease in the volume of the sale of goods in 2011 as compared to 2010.



**Revenue and Gross Margin by Segment****(Dollars in thousands)****Auction and Liquidation Segment:**

	Year Ended December 31, 2011		Year Ended December 31, 2010	
	Amount	%	Amount	%
Revenues:				
Services and fees	\$37,830	92.9 %	\$15,902	75.6 %
Sale of goods	2,899	7.1 %	5,119	24.4 %
Total revenues	40,729	100.0%	21,021	100.0%
Direct cost of services	10,097	24.8 %	5,977	28.4 %
Cost of goods sold	3,391	8.3 %	6,674	31.7 %
Total operating expenses	13,488	33.1 %	12,651	60.1 %
Gross margin	\$27,241	66.9 %	\$8,370	39.9 %
Gross margin services and fees	73.3 %		62.4 %	
Gross margin sales of goods	-17.0 %		-30.4 %	

Revenues in the auction and liquidation segment increased \$19.7 million to \$40.7 million during the year ended December 31, 2011 from \$21.0 million during the year ended December 31, 2010. The increase in revenues in the auction and liquidation segment in 2011 was primarily due to (a) an increase in revenues of \$13.6 million from retail liquidation engagements, \$9.5 million of which resulted from our United Kingdom operations; (b) an increase in revenues of \$1.5 million from financing activities to a retailer in the United Kingdom; (c) an increase in revenues of \$4.7 million from capital advisory fees performed by our GA Capital operations; and (d) an increase in revenues of \$1.4 million from our GA Keen Realty Advisors division, a division formed in January 2011 offset by a decrease in revenues of \$1.5 million from the auction of wholesale and industrial equipment. The increase in revenues from retail liquidation engagements for the year ended December 31, 2011 was primarily due to revenues from the TJ Hughes Limited liquidation engagement in Europe and our participation in the joint venture involving the liquidation of Borders Group, Inc. Revenues from gross sales of goods where we held title to the goods decreased \$2.2 million to \$2.9 million during the year ended December 31, 2011 from \$5.1 million during the year ended December 31, 2010, primarily due to fewer auction engagements where we sell assets during the year ended December 31, 2011 as compared to 2010.

Gross margin in the auction and liquidation segment increased to 73.3% of revenues during the year ended December 31, 2011, as compared to 62.4% of revenues during the year ended December 31, 2010. The increase in the gross margin during the year ended December 31, 2011 was primarily due to an increase in revenues earned in 2011 from services and fees and gross margin from liquidation engagements where we provided a minimum recovery value for goods sold at bankruptcy liquidation sales. The increase in the gross margin during the year ended December 31, 2011

was primarily due to an increase in revenues from capital advisory services and retail liquidation engagements we performed in the United Kingdom and an increase in revenues from retail liquidation engagements in the United States as compared to the same period in 2010.

Gross margin from the sales of goods where we held title improved to (17.0%) during the year ended December 31, 2011 as compared to a gross margin of (30.4%) during the year ended December 31, 2010. The gross margin was favorably impacted by liquidation sales of certain equipment with higher profit margins in 2011 as compared to the same period in 2010. The gross margin in 2011 were negatively impacted by a \$0.2 million inventory valuation charge and the gross margins in 2010 were negatively impacted by a \$1.4 million inventory valuation charge. The inventory valuation charge in 2011 and 2010 was to write down the carrying value of certain goods held for sale or auction to lower of cost or market.

**Valuation and Appraisal Segment:**

	Year Ended December 31, 2011		Year Ended December 31, 2010	
	Amount	%	Amount	%
Revenues - Services and fees	\$22,797	100.0%	\$21,124	100.0%
Direct cost of services	9,652	42.3 %	9,440	44.7 %
Gross margin	\$13,145	57.7 %	\$11,684	55.3 %

Revenues in the valuation and appraisal segment increased \$1.7 million, or 7.9%, to \$22.8 million during the year ended December 31, 2011 from \$21.1 million during the year ended December 31, 2010, primarily due to an increase in revenues of \$1.2 million related to appraisals for machinery and equipment and an increase in revenues of \$0.5 million for appraisal engagements where we perform valuations for the monitoring of collateral for financial institutions, lenders, and private equity investors.

Gross margins in the valuation and appraisal segment increased to 57.7% of revenues during the year ended December 31, 2011 as compared to 55.3% of revenues during the year ended December 31, 2010. Gross margins in 2011 were favorably impacted by the cost reduction measures that were implemented in September 2010 which resulted in a decrease in headcount and travel and entertainment related expenses in the valuation and appraisal segment as compared to 2010. The gross margins in 2011 were also favorably impacted by an increase in average pricing on asset valuations for lenders on asset-based loans for machinery and equipment.

## Operating Expenses

**Direct Costs of Services.** Total direct costs of services increased \$4.3 million, to \$19.7 million during the year ended December 31, 2011 from \$15.4 million during the year ended December 31, 2010. Direct costs of services in the auction and liquidation segment increased \$4.1 million to \$10.1 million during the year ended December 31, 2011 from \$6.0 million during the year ended December 31, 2010. The increase in expenses was primarily due an increase in the number of fee and commission type of engagements where we contractually bill fees, commissions and reimbursable expenses in 2011 as compared to the same period in 2010. Direct costs of services in the valuation and appraisal services segment increased \$0.2 million, or 2.5%, to \$9.6 million during the year ended December 31, 2011 from \$9.4 million during the year ended December 31, 2010, primarily due to an increase in business activity in our valuation and appraisal segment in 2011 as compared to the same period in 2010.

**Cost of Goods Sold.** Cost of goods sold decreased \$3.3 million to \$3.4 million during the year ended December 31, 2011 from \$6.7 million during the year ended December 31, 2010. As a percentage of gross sales of goods where we hold title to the goods, costs of goods sold was 117.0% during the year ended December 31, 2011 as compared to 130.4% during the year ended December 31, 2010. The slight improvement in negative margin was primarily due to an improvement in the margin realized on the sale of goods where we hold title in 2011 as compared to the same period in 2010. Cost of goods sold during the year ended December 31, 2011 and 2010 included a non-cash charge of \$0.2 million and \$1.4 million, respectively, to increase the reserve for slow moving goods held for sale or auction.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses during the year ended December 31, 2011 and 2010 were comprised of the following:

### Selling, General and Administrative Expenses by Segment

(Dollars in thousands)

Year Ended December 31,	Year Ended December 31,	Change
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	2011		2010			
	Amount	%	Amount	%	Amount	%
Auction and liquidation	\$13,528	41.1 %	\$8,103	25.8 %	\$5,425	67.0 %
Valuation and appraisal	7,319	22.2 %	7,811	24.9 %	(492 )	-6.3 %
Corporate and other	12,099	36.7 %	15,499	49.3 %	(3,400)	-21.9 %
Total selling, general & administrative expenses	\$32,946	100.0 %	\$31,413	100.0 %	\$1,533	4.9 %

Total selling, general and administrative expenses increased \$1.5 million, or 4.9%, to \$32.9 million during the year ended December 31, 2011 from \$31.4 million for the year ended December 31, 2010. Selling, general and administrative expenses in the auction and liquidation segment increased \$5.4 million, to \$13.5 million during the year ended December 31, 2011 from \$8.1 million for the year ended December 31, 2010. The increase was primarily due to (a) an increase in payroll and operating expenses of \$2.0 million from our GA Keen Realty Advisors division, which was formed in January 2011; (b) an increase in operating expenses of \$2.0 million related to the expansion of our operations in the United Kingdom; (c) an increase of \$0.3 million related to unrealized loss from foreign currency exchange rates during the year; and (d) an increase of \$1.1 million in operating expenses primarily related to payroll and bonus expense for GA Capital, our majority owned subsidiary that performs capital advisory services. The increase in operating expenses of \$2.0 million related to the expansion of our operations in the United Kingdom in 2011 is primarily related to an increase in payroll and related expenses of \$0.7 million as a result of the hiring of additional personnel to staff our operations, an increase in professional and consulting fees of \$1.1 million related to retail and liquidation engagements in the United Kingdom and an increase in general corporate expenses of \$0.2 million. The unrealized loss from foreign currency exchange rates is the result of cash advances we made to our European operations to fund the liquidation of T.J. Hughes Limited. The increase in payroll and bonus expense of \$1.1 million for GA Capital is the result of contractual obligations we have with the noncontrolling shareholder which provide for the payment of a bonus based on a percentage of operating profits from its operations.

Selling, general and administrative expenses in the valuation and appraisal services segment decreased \$0.5 million, or 6.3%, to \$7.3 million during the year ended December 31, 2011 from \$7.8 million for the year ended December 31, 2010. The decrease was primarily due to a decrease in payroll and related expenses as a result of the cost reduction measures that were implemented in September 2010.

Selling, general and administrative expenses for corporate and other decreased \$3.4 million, or 21.9%, to \$12.1 million during the year ended December 31, 2011 from \$15.5 million for the year ended December 31, 2010. The decrease was primarily due to (a) a decrease in share based compensation expense of \$3.6 million in 2011 related to consideration paid to the Phantom Equityholders in connection with the Acquisition; (b) a decrease in payroll and related expenses of \$0.9 million related to headcount reductions and voluntary salary reductions by executive officers and members of senior management, and (c) a decrease in professional fees \$0.5 million and general corporate expenses of \$0.9 million from cost savings initiatives in 2011, offset by an increase of \$0.3 million related to bonuses accrued in 2011 and an increase of \$2.2 million in compensation expense for noncontrolling interests in our majority owned subsidiaries.

**Other Income (Expense) and Interest.** Other expenses and interest was \$4.8 million during the year ended December 31, 2011 and year ended December 31, 2010. During the year ended December 31, 2011, the loss from our equity investment in Great American Real Estate, LLC decreased by \$1.2 million to a loss of \$0.4 million during the year ended December 31, 2011 from a loss of \$1.6 million during the year ended December 31, 2010.9 million. This decrease was offset by an increase in interest expense of \$1.2 million which was primarily due to (a) an increase in interest expense of \$1.1 million incurred on our \$100 million credit facility that was used to finance retail liquidation engagements in 2011, (b) interest expense and fees of \$1.1 incurred for a note payable in 2011 that was used to fund a portion of a retail liquidation engagement, (c) interest expense of \$0.1 million incurred in 2011 on the new accounts receivable line of credit with one of our majority owned subsidiaries, offset by a decrease in interest expense of \$0.5 million on the notes payable to the former Great American Members and Phantom Equityholders which was primarily due to a reduction in the interest rate in 2011 and the remaining decrease in interest expense of \$0.6 million is the result of the impact of the second amendment to the note payable that is used to finance the purchase of certain machinery and equipment that is included in goods held for sale or auction as more fully described in note 12 to our consolidated financial statements. The decrease in loss from equity investment in Great American Real Estate, LLC of \$1.2 million was primarily due to a decrease in the Company's share of losses from its 50% interest in Great American Real Estate, LLC during 2011.

**Income (Loss) from Operations Before Income Taxes.** Income from operations before income taxes was \$2.7 million during the year ended December 31, 2011 as compared to a loss from operations before income taxes of \$16.1 million during the year ended December 31, 2010. The increase in income from operations before income taxes during the year ended December 31, 2011 was primarily due to an increase in revenues and profits earned in the auction and liquidation segment during 2011 from our participation in the joint venture liquidating Borders Group, Inc., the TJ Hughes Limited retail liquidation engagement in Europe and revenues and profits earned from capital advisory services from our GA Capital operations.

**Net Income (Loss).** Net income for the year ended December 31, 2011 was \$0.6 million as compared to a net loss of \$11.0 million for the year ended December 31, 2010. The increase in net income during the year ended December 31, 2011 was primarily due to an increase in revenues and profits earned in the auction and liquidation segment from our participation in the joint venture liquidating Borders Group, Inc., the TJ Hughes Limited retail liquidation engagement in Europe and revenues and profits earned from capital advisory services from our GA Capital operations.

*Year Ended December 31, 2010 Compared to Year Ended December 31, 2009***Consolidated Statements of Operations****(Dollars in thousands)**

	<b>Year Ended December 31, 2010</b>		<b>Year Ended December 31, 2009</b>		
	Amount	%	Amount	%	
<b>Revenues:</b>					
Services and fees	\$37,026	87.9	%	\$70,810	84.9 %
Sale of goods	5,119	12.1	%	12,611	15.1 %
Total revenues	42,145	100.0	%	83,421	100.0%
<b>Operating expenses:</b>					
Direct cost of services	15,417	36.6	%	17,491	21.0 %
Cost of goods sold	6,674	15.8	%	12,669	15.2 %
Selling, general and administrative expenses	31,413	74.6	%	35,743	42.8 %
Total operating expenses	53,504	127.0	%	65,903	79.0 %
Operating income (loss)	(11,359)	-27.0	%	17,518	21.0 %
Interest income	522	1.2	%	32	0.0 %
Other income	-	n/a		18	0.0 %
Loss from equity investment in Great American Real Estate, LLC	(1,640 )	-3.9	%	(861 )	-1.0 %
Interest expense	(3,667 )	-8.6	%	(11,273)	-13.5 %
Income (loss) from continuing operations before benefit for income taxes	(16,144)	-38.3	%	5,434	6.5 %
Benefit for income taxes	5,106	12.1	%	11,664	14.0 %
Income (loss) from continuing operations	(11,038)	-26.2	%	17,098	20.5 %
Loss from discontinued operations, net of tax	-	n/a		(142 )	-0.2 %
Net income (loss)	\$(11,038)	-26.2	%	\$16,956	20.3 %

**Revenues.** Total revenues decreased \$41.3 million to \$42.1 million during the year ended December 31, 2010 from \$83.4 million during the year ended December 31, 2009. The decrease in revenues was primarily due to a \$40.6 million decrease in revenues in the auction and liquidation segment and a \$0.7 million decrease in revenues in the valuation and appraisal services segment in 2010 as compared to the same period in 2009. Revenues in the auction and liquidation segment during the year ended December 31, 2010 were negatively impacted by fewer liquidation engagements during the year as economic conditions for retailers and credit markets improved from the prior year and a decline in revenues from the auction of machinery and equipment. Revenues in the auction and liquidation segment were \$21.0 million during the year ended December 31, 2010. In comparison, during the year ended December 31, 2009 revenues in the auction and liquidation segment were \$61.6 million which included revenues earned of \$16.4

million and \$9.4 million from two large liquidation service engagements where we provided a minimum recovery value for goods being sold at bankruptcy liquidation sales. The decrease in revenues during the year ended December 31, 2010 in the auction and liquidation segment were also negatively impacted by a \$7.5 million decrease in the sale of goods where we purchase assets and sell at auction. The decrease in revenues of \$0.7 million in the valuation and appraisal services segment was primarily due to a decrease in revenues related to asset valuations that we perform for asset-based loans on machinery and equipment.



**Revenue and Gross Margin by Segment****(Dollars in thousands)****Auction and Liquidation Segment:**

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Amount	%	Amount	%
Revenues:				
Services and fees	\$ 15,902	75.6 %	\$ 49,005	79.5 %
Sale of goods	5,119	24.4 %	12,611	20.5 %
Total revenues	21,021	100.0 %	61,616	100.0 %
Direct cost of services	5,977	28.4 %	7,839	12.7 %
Cost of goods sold	6,674	31.7 %	12,669	20.6 %
Total operating expenses	12,651	60.1 %	20,508	33.3 %
Gross margin	\$ 8,370	39.9 %	\$ 41,108	66.7 %
Gross margin services and fees	62.4 %		84.0 %	
Gross margin sales of goods	-30.4 %		-0.5 %	

Revenues in the auction and liquidation segment decreased \$40.6 million to \$21.0 million during the year ended December 31, 2010 from \$61.6 million during the year ended December 31, 2009. Revenues from services and fees decreased \$33.1 million to \$15.9 million during the year ended December 31, 2010 from \$49.0 million during the year ended December 31, 2009. The decrease in revenues from services and fees of \$33.1 million during the year ended December 31, 2010 was primarily due to fewer liquidation engagements during the year as economic conditions for retailers and credit markets improved from the prior year and a decline in revenues from the auction of machinery and equipment. In comparison, during the year ended December 31, 2009 we earned revenues of \$16.4 million and \$9.4 million from two large liquidation service engagements where we provided a minimum recovery value for goods being sold at bankruptcy liquidation sales. Revenues from gross sales of goods where we held title to the goods decreased \$7.5 million to \$5.1 million during the year ended December 31, 2010 from \$12.6 million during the year ended December 31, 2009. The decrease in gross revenues from the sales of goods where we held title to the goods was primarily due to fewer auction engagements where we sell assets during the year ended December 31, 2010 as compared to 2009.

Gross margin in the auction and liquidation segment was 62.4% of revenues during the year ended December 31, 2010, as compared to 84.0% of revenues during the year ended December 31, 2009. The decrease in the gross margin during the year ended December 31, 2010 was primarily due to a decrease in revenues earned in 2010 from services and fees and gross margin from liquidation engagements where we provided a minimum recovery value for goods sold at bankruptcy liquidation sales. The gross margin during the year ended December 31, 2010 was also negatively impacted by the decrease in gross margin from the sale of goods where we held title which decreased to

(30.4%) during the year ended December 31, 2010 as compared to a gross margin of (0.5%) during the year ended December 31, 2009.

Gross margin from the sales of goods where we held title was (30.4%) during the year ended December 31, 2010 as compared to (0.5%) during the year ended December 31, 2009. The gross margin in 2010 was negatively impacted by a \$1.4 million inventory valuation charge in the second quarter of 2010 and the gross margin in 2009 was negatively impacted by a \$1.2 million inventory valuation charge in the fourth quarter of 2009. These charges were to write down the carrying value of certain goods held for sale or auction to lower of cost or market. Excluding this inventory valuation charge, the gross margin from the sale of goods where we hold title was (3.2%) and 9.1% during the years ended December 31, 2010 and 2009, respectively.

**Valuation and Appraisal Segment:**

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Amount	%	Amount	%
Revenues - Services and fees	\$21,124	100.0%	\$21,805	100.0%
Direct cost of services	9,440	44.7 %	9,652	44.3 %
Gross margin	\$11,684	55.3 %	\$12,153	55.7 %

Revenues in the valuation and appraisal segment decreased \$0.7 million, or 3.1%, to \$21.1 million during year ended December 31, 2010 from \$21.8 million during the year ended December 31, 2009. The decrease in revenues was primarily due to a decrease in revenues related to asset valuations conducted for lenders on asset-based loans for machinery and equipment.

Gross margins in the valuation and appraisal segment decreased to 55.3% of revenues during the year ended December 31, 2010 as compared to 55.7% of revenues during the year ended December 31, 2009. Gross margins in 2010 were negatively impacted by a reduction the average pricing we earned from asset valuations for lenders on asset-based loans for machinery and equipment. The decrease in average pricing on asset valuations for lenders on asset-based loans for machinery and equipment was primarily due to increased competition in the marketplace.

## Operating Expenses

**Direct Costs of Services.** Total direct costs of services decreased \$2.1 million, or 11.9%, to \$15.4 million during the year ended December 31, 2010 from \$17.5 million during the year ended December 31, 2009. Direct costs of services in the auction and liquidation segment decreased \$1.8 million to \$6.0 million during the year ended December 31, 2010 from \$7.8 million during the year ended December 31, 2009. The decrease in expenses was primarily due to lower volume and decreased margins we realized on fee and commission type of engagements where we contractually bill fees, commissions and reimbursable expenses in 2010 as compared to the same period in 2009. Direct costs of services in the valuation and appraisal services segment decreased \$0.3 million, or 2.2%, to \$9.4 million during the year ended December 31, 2010 from \$9.7 million during the year ended December 31, 2009. This decrease in direct costs of services in the valuation and appraisal services segment was favorably impacted from a reduction in employee headcount during the second quarter of 2010 which resulted in a decrease in salaries and wages in 2010 as compared to 2009.

**Cost of Goods Sold.** Cost of goods sold decreased \$7.5 million to \$5.1 million during the year ended December 31, 2010 from \$12.6 million during the year ended December 31, 2009. As a percentage of gross sales of goods where we hold title to the goods, costs of goods sold was 130.4% during the year ended December 31, 2010 as compared to 100.5% during the year ended December 31, 2009. The decrease in costs of goods sold during the year ended December 31, 2010 was primarily due to fewer auction engagements in 2010 where we sell assets as compared to the same period in 2009. This decrease was offset by a non-cash charge of \$1.4 million during the second quarter of 2010 to increase the reserve for slow moving goods held for sale or auction.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses during the year ended December 31, 2010 and 2009 were comprised of the following:

### Selling, General and Administrative Expenses by Segment

(Dollars in thousands)

Change

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	Year Ended		Year Ended			
	December 31,		December 31,			
	2010		2009			
	Amount	%	Amount	%	Amount	%
Auction and liquidation	\$8,103	25.8 %	\$6,691	18.7 %	\$1,412	21.1 %
Valuation and appraisal	7,811	24.9 %	8,017	22.4 %	(206 )	-2.6 %
Corporate and other	15,499	49.3 %	21,035	58.9 %	(5,536)	-26.3 %
Total selling, general & administrative expenses	\$31,413	100.0%	\$35,743	100.0%	\$(4,330)	-12.1 %

Total selling, general and administrative expenses decreased \$4.3 million, or 12.1%, to \$31.4 million during the year ended December 31, 2010 from \$35.7 million for the year ended December 31, 2009. The decrease in selling, general and administrative expenses was primarily due to a decrease in corporate and other offset by an increase in selling, general and administrative expenses in the auction and liquidation segment. Selling, general and administrative expenses in the auction and liquidation segment increased \$1.4 million, or 21.1%, to \$8.1 million during the year ended December 31, 2010 from \$6.7 million for the year ended December 31, 2009. The increase was primarily due to an increase in payroll and operating expenses from the expansion of our European operations during the year ended December 31, 2010. Selling, general and administrative expenses in the valuation and appraisal services segment decreased \$0.2 million, or 2.6%, to \$7.8 million during the year ended December 31, 2010 from \$8.0 million for the year ended December 31, 2009. This decrease was primarily due to a decrease in professional fees paid to outside consultants in 2010 as compare to 2009. Selling, general and administrative expenses for corporate and other decreased \$5.5 million, or 26.3%, to \$15.5 million during the year ended December 31, 2010 from \$21.0 million for the year ended December 31, 2009. This decrease was primarily due to a decrease of \$4.0 million in compensation expense related to the deferred compensation plan for the Phantom Equityholders, a decrease of \$1.8 million of bonus expense , and a decrease of \$1.4 million for legal, accounting and professional fees related to the Acquisition on July 31, 2009, offset by an increase of \$0.5 million in share based compensation expense in 2010 in connection with the consideration paid to the Phantom Equityholders in connection with the Acquisition on July 31, 2009 and an increase in payroll and related expenses of \$0.9 million due to the hiring of additional finance and accounting personnel in 2010 as compared to 2009. In October 2010, in connection with voluntary salary reductions the base salaries of the executive officer's and members of senior management of the Company were reduced by a range from 10% to 40%.

**Other Income (Expense) and Interest.** Other expenses and interest decreased \$7.3 million to \$4.8 million during the year ended December 31, 2010 from \$12.1 million during the year ended December 31, 2009. The decrease of \$7.3 million is comprised of a decrease in interest expense of \$7.6 million, an increase in interest income of \$0.5 million and an increase in the loss from equity investment in Great American Real Estate, LLC of \$0.8 million. The decrease in interest expense of \$7.6 million is primarily due to a decrease in interest expense \$5.0 million related to the Company's credit facilities on guarantee arrangements for the auction and liquidation segment as there were fewer auction and liquidation services engagements in 2010 as compared to 2009 and \$1.6 million related to the note payable issued in May 2008 to finance the purchase of certain machinery and equipment. The increase in interest income of \$0.5 million is primarily due to interest income earned on notes receivable issued to related parties as more fully described in note 19 to the consolidated financial statements. The increase in loss from equity investment in Great American Real Estate, LLC of \$0.8 million was primarily due to an increase in the Company's share of losses from its 50% interest in Great American Real Estate, LLC which began operating in the second quarter of 2009.

**Benefit for Income Taxes.** Benefit for income taxes was \$5.1 million during the year ended December 31, 2010 as compared to \$11.7 million during the year ended December 31, 2009. The benefit for income taxes in 2009 was comprised of an income tax benefit of \$7.0 million as a result of a change in our tax status to a C corporation in connection with the consummation of the Acquisition and \$4.6 million income tax benefit from operations during the period from the date of consummation of the Acquisition through December 31, 2009.

**Income (Loss) from Continuing Operations.** Loss from continuing operations was \$11.0 million during the year ended December 31, 2010 as compared to income from continuing operations of \$17.0 million during the year ended December 31, 2009. The decrease was primarily due to the a decrease in income in the auction and liquidation segment and a decrease in the benefit for income taxes during the year ended December 31, 2010 as compare to 2009.

**Net Income (Loss).** Net loss for the year ended December 31, 2010 was \$11.0 million as compared to net income of \$17.0 million for the year ended December 31, 2009. The decrease in net income during the year ended December 31, 2010 was primarily due to the decrease in revenues and profits earned in the auction and liquidation segment as previously discussed.

### **Discontinued Operations**

We discontinued the operations of our retail furniture liquidation business segment on June 30, 2008. The business primarily involved the purchase of supplemental consignment inventory, or augmented inventory, to support a store closing sale. As the store closing sales were conducted and the economy began to deteriorate, revenues from most of these engagements fell short of our sales estimates. As a consequence, we extended the sales to sell through remaining inventory which resulted in expense overages. Once the engagements were completed, we were left with significant levels of inventory. During the year ended December 31, 2009 and 2008, we recorded losses from discontinued operations before taxes of \$0.2 million and \$2.1 million, respectively.

## **Liquidity and Capital Resources**

Our growth has been funded through a combination of operating profits generated from operations and proceeds received from AAMAC in connection with the Acquisition, which was completed on July 31, 2009. Although we were profitable during the years ended December 31, 2011 and 2009, we incurred a loss from operations during the year ended December 31, 2010. Our profitability is impacted by the number and size of retail liquidation engagements we perform on a quarterly or annual basis. These factors, in addition to the interest expense on the \$53.9 million of subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders, have resulted in the net use of \$2.0 million of cash from operations during the year ended December 31, 2011 and net use of \$6.1 million of cash from operations during the year ended December 31, 2010.

As of December 31, 2011, we had \$15.0 million in unrestricted cash and no borrowings outstanding under our asset based credit facility. We believe that our current cash and cash equivalents, funds available under our asset based credit facility and cash expected to be generated from operating activities will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months. We continue to monitor our financial performance to ensure sufficient liquidity to fund operations.

### ***Acquisition Overview***

We received net proceeds of \$69.3 million from AAMAC as a result of the Acquisition and issued 19,346,626 shares of common stock of the Company to AAMAC shareholders. The Great American Members received 10,560,000 shares of our common stock and \$82.4 million in accordance with the Purchase Agreement consisting of (i) cash distributions totaling \$31.7 million from GAG, LLC and (ii) \$50.7 million representing their share of the \$60.0 million unsecured subordinated promissory note. The remaining portion of the unsecured subordinated promissory note, which amounted to \$9.3 million, was issued to the Phantom Equityholders in settlement of accrued compensation payable pursuant to the deferred compensation plan as more fully described in Note 14(b) in the accompanying consolidated financial statements. In connection with the Acquisition, on October 2, 2009, we redeemed all of the outstanding warrants to purchase shares of our common stock for \$0.50 in accordance with the terms of the warrants. The aggregate warrant redemption consideration paid to the warrant holders was approximately \$23.0 million, which was paid with the \$23.0 million that had been deposited in a separate account at the closing of the Acquisition for that purpose.

Our principal sources of liquidity to finance our business are cash and cash equivalents as a result of the Acquisition, cash provided by operating activities, and funds available under revolving credit facilities and special purpose financing arrangements.

	Year Ended December 31,		
	2011	2010	2009
	(Dollars in thousands)		
Net cash provided by (used in):			
Operating activities	\$(2,045)	\$(6,083 )	\$18,881
Investing activities	1,240	(6,657 )	1,241
Financing activities	(4,001)	(5,155 )	902
Effect of foreign currency on cash	(240 )	(14 )	—
Net (decrease) increase in cash and cash equivalents	\$(5,046)	\$(17,909)	\$21,024

***Year Ended December 31, 2011 Compared to Year Ended December 31, 2010***

Cash used in operating activities was \$2.0 million for the year ended December 31, 2011 compared to cash used in operating activities of \$6.1 million in 2010. Cash used in operating activities includes net income adjusted for noncash items and changes in operating assets and liabilities. During 2011, cash used in operating activities was negatively impacted due to cash used from operations to fund the loan receivable in the amount which amounted to \$8.3 at December 31, 2011. In February and March 2012, \$5.1 million of the loan receivable was collected. The decrease in cash used in operating activities in 2011 was primarily due to an increase in revenue and income from operations in the auction and liquidation segment in 2011 as compared to 2010. Revenues and profits in the auction and liquidation segment increased as the result of two retail liquidation engagements that generated revenues of \$17.1 million during the year ended December 31, 2011. On a comparative basis, revenues in 2010 were negatively impacted due to fewer liquidation engagements as economic conditions for retailers and credit markets improved in 2010 from the prior year.

Cash provided by investing activities was \$1.2 million for the year ended December 31, 2011 compared to cash used in investing activities of \$6.7 million in 2010. During the year ended December 31, 2011, cash provided by investing activities was primarily comprised of cash received from the notes receivable – related party in the amount of \$2.7 million, offset by the use of cash in the amount of \$1.2 million from our equity investments in Great American Real Estate, LLC, and the use of \$0.3 million of cash for capital expenditures. During the year ended December 31, 2010, cash used in investing activities was primarily comprised of cash for loans to related parties in the form of notes receivable in the amount of \$5.9 million, \$0.9 million of equity investments in Great American Real Estate, LLC, and the use of \$0.6 million of cash for capital expenditures, offset by proceeds from the redemption of officers life insurance of \$0.3 million and a decrease in restricted cash of \$0.4 million.

Cash used in financing activities for the year ended December 31, 2011 decreased to \$4.0 million from cash used in financing activities of \$5.2 million in 2010. During the year ended December 31, 2011, cash used in financing activities included \$1.7 million of principal payments on our notes payable to the Phantom Equityholders, \$3.3 million of distributions to noncontrolling interests and \$0.1 million for the payment of employment taxes on the vesting of restricted stock that was awarded to the Phantom Equityholders in connection with the Acquisition, offset by cash generated from financing activities of \$1.9 million from our new accounts receivable revolving line of credit. Cash used in financing activities during the year ended December 31, 2011 also include borrowings of \$7.0 million from a note payable and the repayment of the face amount of the note payable in the amount of \$7.6 million. The note was used to finance one of our retail liquidation engagements. During the year ended December 31, 2010, cash used by financing activities included \$0.8 million for the payment of financing costs, \$1.7 million of principal payments on our notes payable to the Great American Members and Phantom Equityholders, \$1.1 million for the payment of employment taxes on the vesting of restricted stock that was awarded to the Phantom Equityholders in connection with the Acquisition, and \$1.5 million of distributions to noncontrolling interests.

***Year Ended December 31, 2010 Compared to Year Ended December 31, 2009***

Cash used in operating activities was \$6.1 million for the year ended December 31, 2010 compared to cash provided by operating activities of \$18.9 million in 2009. The decrease in cash provided by operating activities in 2010 was primarily due to a decrease in revenue and income from operations in the auction and liquidation segment. Revenues and profits in the auction and liquidation segment during the year ended December 30, 2010 were negatively impacted due to fewer liquidation engagements during the year as economic conditions for retailers and credit markets improved from the prior year.



Cash used in investing activities was \$6.7 million for the year ended December 31, 2010 compared to cash provided by investing activities of \$1.2 million in 2009. During the year ended December 31, 2010, cash used in investing activities was primarily comprised of cash for loans to related parties in the form of notes receivable in the amount of \$5.9 million, \$0.9 million of equity investments in Great American Real Estate, LLC, and the use of \$0.6 million of cash for capital expenditures, offset by proceeds from the redemption of officers life insurance of \$0.3 million and the result of a decrease in restricted cash of \$0.4 million. During the year ended December 31, 2009, cash provided by investing activities was primarily comprised of the proceeds as a result of a decrease in restricted cash of \$3.2 million offset by a use of cash of \$0.8 million for capital expenditures.

Cash used by financing activities for the year ended December 31, 2010 was \$5.2 million as compared to cash provided by financing activities of \$0.9 million in 2009. During the year ended December 31, 2010, cash used by financing activities included \$0.8 million for the payment of financing costs, \$1.7 million of principal payments on our notes payable to the Great American Members and Phantom Equityholders, \$1.1 million for the payment of employment taxes on the vesting of restricted stock that was awarded to the Phantom Equityholders in connection with the Acquisition, and \$1.5 million of distributions to noncontrolling interests. During the year ended December 31, 2009, cash provided by financing activities was primarily the result of \$69.3 million of proceeds we received in connection with the Acquisition on July 31, 2009, offset by the use of cash for the repayment of \$10.2 million of notes payable, long-term debt and capital lease obligations, \$33.9 million of distributions to stockholders, \$23.0 million for the warrant redemption, and \$1.3 million of distributions to noncontrolling interests.

### *Credit Agreements*

From time to time, we utilize our asset based credit facility to fund costs and expenses incurred in connection with liquidation engagements. We also utilize this credit facility in order to issue letters of credit in connection with liquidation engagements conducted on a guaranteed basis. We are permitted to borrow up to \$100.0 million under the credit facility; however, borrowings under the credit facility are only made at the discretion of the lender. The base rate for the credit facility is the greater of (i) the Wells Fargo prime rate, (ii) LIBOR plus 1.00% and (iii) the Federal Funds Effective Rate plus 0.50%. The credit facility is secured by the proceeds received for services rendered in connection with the liquidation service contracts pursuant to which any outstanding loan or letters of credit are issued and the assets that are sold at liquidation related to such contract, if any. We typically seek borrowings on an engagement-by- engagement basis. The credit facility expires in July 2013; however, borrowings under the credit facility are generally required to be repaid within 180 days. At December 31, 2011 and December 31, 2010, there was no outstanding balance under the credit facility for borrowing or outstanding letters of credit.

On May 29, 2008, Great American Group Energy Equipment, LLC (“GAGEE”) entered into a credit agreement to finance the purchase of oil rigs and other equipment related to the oil exploration business to be sold at auction or liquidation. Under the original credit agreement, the principal amount of the loan was \$12.0 million and borrowings bear interest at a rate of 20% per annum. The loan is collateralized by the oil rigs and other equipment related to the oil exploration business that was purchased with the proceeds from the loan. GAGEE is required to make principal and interest payments from proceeds from the sale of the oil rigs and other equipment related to the oil exploration

business. GAGEE is a special purpose entity created to purchase the oil rigs and other equipment related to the oil exploration business, whose assets consist only of the oil rigs and other equipment related to the oil exploration business in question and whose liabilities are limited to the lenders' note and certain operational expenses related to this transaction. GAGEE entered into a forbearance agreement with the lenders and administrative agent effective September 27, 2009 and an amendment to the credit agreement effective December 18, 2009. Pursuant to the terms of the amendment, the interest rate was reduced from 20% to 0% and the lender agreed to reimburse GAGEE for certain expenses from proceeds of the sale of assets that collateralize the amended credit agreement. The forbearance agreement expired on November 18, 2010. GAGEE entered into a Second Amendment to the Credit Agreement on May 9, 2011, which extended the maturity date of the note payable to November 19, 2011 with an interest rate of 0% through maturity. The Second Amendment to the Credit Agreement also provided for the lender to reimburse GAGEE for certain expenses from proceeds of the sale or lease of the assets that collateralize the note payable. As a result of the delay in entering into the Second Amendment to the Credit Agreement, interest in the amount of \$0.3 million was accrued from the date of the expiration of the First Amendment to the Credit Agreement on November 18, 2010 to December 31, 2010 at an interest rate of 22% (the default rate). This accrued interest of \$0.3 million was reversed in the first quarter of 2011, as the Second Amendment to the Credit Agreement provides for 0% interest for that period, and reflected in the consolidated statement of operations as a reduction of interest expense. GAGEE entered into a Third Amendment to the Credit Agreement on March 19, 2012, which extended the maturity date of the note payable to December 31, 2012 with an interest rate of 0% through maturity. The Second and Third Amendment to the Credit Agreement also provided for the lender to reimburse GAGEE for certain expenses from proceeds of the sale or lease of the assets that collateralize the note payable.

GAG, LLC guaranteed GAGEE's liabilities to the lenders up to a maximum of \$1.2 million. GAG, LLC made a payment of \$1.2 million on October 9, 2009 in full satisfaction of its guaranty under the credit agreement, which reduced the principal amount of borrowings and interest due under the credit agreement. The credit agreement does not provide for other recourse against us, GAG, LLC or any of our other subsidiaries. At December 31, 2011 and December 31, 2010, the aggregate principal balance of the note payable was \$11.6 million and \$12.0 million, respectively. Interest expense in connection with this note payable was \$0.3 million and \$2.1 million for the years ended December 31, 2010 and 2009, respectively.

One of our majority owned subsidiaries utilized a factoring agreement to provide working capital to finance the operations within the valuation and appraisal segment. The factoring agreement provided for the factor, at its discretion, to purchase on a nonrecourse basis, all of our subsidiary's customer receivables. The factor was responsible for servicing the receivables and paid 90% of the net receivable invoice amount upon request by our subsidiary and retained the remaining 10% in a reserve. The factoring agreement was terminated on May 20, 2011. Accounts receivable sold to the factor were \$5.1 million, \$13.8 million and \$14.2 million for the years ended December 31, 2011, 2010 and 2009, respectively. Factoring commissions and other fees based on advances were \$0.1 million for the year ended December 31, 2010 and \$0.2 million for the year ended December 31, 2009.

### *Accounts Receivable Line of Credit*

On May 17, 2011, one of our majority owned subsidiaries entered into an Accounts Receivable Line of Credit with a finance company. Proceeds from the Accounts Receivable Line of Credit were used to pay off borrowings under the factoring agreement. The Accounts Receivable Line of Credit is collateralized by the accounts receivable of our majority owned subsidiary and allows for borrowings in the amount of 85% of the net face amount of prime accounts, as defined in the Accounts Receivable Line of Credit, with maximum borrowings not to exceed \$2.0 million. The interest rate under the Accounts Receivable Line of Credit is the prime rate plus 2%, payable monthly in arrears. The Accounts Receivable Line of Credit was originally scheduled to expire on May 16, 2012; however, the Accounts Receivable Line of Credit was amended effective February 3, 2012 and the expiration date was extended to February 3, 2013 and the maximum borrowings allowed was increased from \$2.0 million to \$3.0 million. The maturity date may be extended for successive periods equal to one year, unless our majority owned subsidiary gives the finance company written notice of its intent to terminate the Accounts Receivable Line of Credit at least thirty days prior to the maturity date of the Accounts Receivable Line of Credit. The finance company has the right to terminate the Accounts Receivable Line of Credit at its sole discretion upon giving sixty days' prior written notice. In connection with the Accounts Receivable Line of Credit, GAG, LLC entered into a limited continuing guaranty of our majority owned subsidiary's obligations under the Accounts Receivable Line of Credit. Borrowings outstanding under the Accounts Receivable Line of Credit were \$1.9 million at December 31, 2011.

### *Promissory Notes*

In 2010 we amended an aggregate of \$52.4 million of the \$55.6 million principal amount then outstanding of the subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders in connection with the Acquisition, which reduced the interest rate on these notes from 12.0% per annum to 3.75% per annum. In addition, the maturity date for \$47.0 million of the \$55.6 million principal amount outstanding of the subordinated, unsecured promissory notes payable to the Great American Members was extended to July 31, 2018, subject to annual prepayments based upon our cash flow, provided that we are not obligated to make such prepayments if our minimum adjusted cash balance is below \$20.0 million. Each prepayment, if any, is due within 30 days of the filing of our Annual Report on Form 10-K, beginning with the Form 10-K for the fiscal year ended December 31, 2010. There were no prepayments due on the notes payable under this prepayment provision on April 30, 2011 and no prepayment is due for the fiscal year ended December 31, 2011. In addition, we entered into

individual waivers for an aggregate of \$51.3 million of the \$55.3 million principal amount then outstanding, whereby the noteholders permitted us to defer the payment of interest payments due on each of October 31, 2010, January 31, 2011, and April 30, 2011 until July 31, 2011. Effective July 31, 2011, we entered into individual amendments with the Great American Members that increased the principal amount of the promissory notes from \$47.0 million to \$48.8 million, for the \$1.8 million of accrued interest that was due on July 31, 2011. The addition to the principal amount will accrue interest at the note rate of 3.75% and continue to be subject to annual prepayments based upon our cash flow and the maintenance of a minimum adjusted cash balance as provided in the notes prior to the capitalization of the accrued interest. On July 26, 2011 and August 3, 2011, we received waivers from certain of the Phantom Equityholders that permitted us to extend the payment date for \$1.4 million of the \$1.7 million of principal amount originally due and payable on July 31, 2011 until the fourth quarter of 2011. Of the \$1.4 million principal amount originally due on July 31, 2011, \$0.6 million of principal amount was paid to two of the Phantom Equityholders on October 1, 2011, \$0.3 million of principal amount was paid to one of the Phantom Equityholders on October 15, 2011, and \$0.5 million of principal amount was paid to the remaining two Phantom Equityholders on November 4, 2011.

As of December 31, 2011, there was \$48.8 million in aggregate principal amount outstanding owed to the Great American Members, all of which accrues interest at 3.75%. As of December 31, 2011, there was \$5.1 million in aggregate principal amount outstanding payable to the Phantom Equityholders. Of this amount, \$52.0 million accrues interest at 3.75% and \$1.9 million accrues interest at 12.0%.

### ***Dialectic Loan Agreement***

On July 21, 2011, GAG, LLC entered into a loan agreement with Dialectic Capital Partners, LP, Dialectic Offshore Ltd., Dialectic Antithesis Partners, LP and Dialectic Antithesis Offshore Fund, Ltd. (collectively, the “Dialectic Lenders”) and Dialectic Capital Management, LLC as collateral agent. The loan agreement provided for the loan of \$7.0 million to GAG, LLC pursuant to a promissory note with a stated principal amount of \$7.6 million. No interest was due on the loan until after November 1, 2011. The loan was used to fund a portion of GAG, LLC’s obligations in connection with its participation in a liquidation transaction. The loan agreement also provided for profit participation payments to the Dialectic Lenders up to a maximum of 5% of the maturity value of the note. The stated principal amount of the note payable and the profit participation payment were paid in full in October 2011. The Dialectic Lenders received \$0.4 million in profit participation payments under the note.

### **Off Balance Sheet Arrangements**

On January 4, 2010, the Company loaned \$2.7 million to GAHA Fund I, a wholly-owned subsidiary of Great American Real Estate, LLC, or GARE. GAHA Fund I was created to purchase land and a commercial building that was subsequently sold by GAHA Fund I in January 2011. The note receivable was collateralized by the land and commercial building which was purchased with the proceeds from the loan. The note receivable bore interest at a rate of 10% per annum. The principal balance on the note and all unpaid interest was paid by GAHA Fund I in January 2011. Interest income was \$0.1 million and \$0.3 million for the years ended December 31, 2011 and 2010, respectively, and is included in interest income in the accompanying consolidated statement of operations. At December 31, 2010, the note receivable in the amount of \$2.7 million was included in note receivable – related party in the accompanying consolidated balance sheet and accrued interest receivable in the amount of \$0.3 million was included in prepaid expenses and other current assets in the accompanying consolidated balance sheet.

On July 8, 2010, the Company loaned \$3.2 million to GARE for the purposes of investing in GAHA Fund II, LLC, a newly formed joint venture which is 50% owned by GARE. GAHA Fund II, LLC is a special purpose entity created to purchase non-performing distressed real estate loans at a discount to par from a financial institution and market the loans and real estate to third parties. The note receivable bears interest at a rate of 15% per annum and all unpaid principal and interest was originally due on July 8, 2011. In July 2011, the maturity date of the loan was extended and the interest rate was reduced to 8% per annum. On December 29, 2011, additional funds in the amount of \$0.6 million were loaned to GARE and the note receivable was amended to increase the outstanding balance to \$3.8 million and extend the maturity date to July 31, 2012. Interest income was \$0.4 million and \$0.2 million for the years ended December 31, 2011 and 2010, respectively, and is included in interest income in the accompanying consolidated statement of operations. The note receivable in the amount of \$3.8 million and \$3.2 million is included in note-receivable – related party and accrued interest receivable in the amount of \$0.6 million and \$0.2 million included in prepaid expenses and other current assets as of December 31, 2011 and 2010, respectively, in the accompanying condensed consolidated balance sheet.

Other than with respect to our arrangements with GAHA Fund I and GAHA Fund II, as further described in Note 15 “Related Party Transactions” to our consolidated financial statements, we have no obligations, assets or liabilities which would be considered off-balance sheet arrangements and do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, established for the purpose of facilitating off-balance sheet arrangements. We have not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

## Contractual Obligations

The following table sets forth aggregate information about our contractual obligations as of December 31, 2011 and the periods in which payments are due:

	<b>Payments due by period</b>				
		Less Than One Year	1-3 Years	4-5 Years	More Than 5 years
	<b>(Dollars in thousands)</b>				
Contractual Obligations					
Long-term debt	\$53,931	\$1,724	\$1,724	\$1,724	\$48,759
Note payable	11,555	11,555	—	—	—
Capital lease obligations, including interest	45	32	13	—	—
Operating lease obligations	3,764	1,653	1,539	406	166
Guarantee contracts	—	—	—	—	—
Total	\$69,295	\$14,964	\$3,276	\$2,130	\$48,925

We anticipate that cash generated from operations and existing borrowing arrangements under our credit facility to fund costs and expenses incurred in connection with liquidation engagements should be sufficient to meet our cash requirements for at least the next twelve months. However, our future capital requirements will depend on many factors, including the success of our businesses in generating cash from operations, continued compliance with financial covenants contained in our credit facility, the timing of principal payments on our long-term debt and the capital markets in general, among other factors.

## Critical Accounting Policies

Our financial statements and the notes thereto contain information that is pertinent to management's discussion and analysis. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. On a continual basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, management's estimates are adjusted accordingly. Actual results may vary from these estimates and assumptions under different and/or future circumstances. Management considers an accounting estimate to be critical if:

it requires assumptions to be made that were uncertain at the time the estimate was made; and

changes in the estimate, or the use of different estimating methods that could have been selected, could have a material impact on results of operations or financial condition.

**Use of Estimates.** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for certain items such as reserves for slow moving goods held for sale or auction, the fair value of mandatorily redeemable noncontrolling interests and accounting for income tax valuation allowances. Estimates are based on historical experience, where applicable, and assumptions that we believe are reasonable under the circumstances. Due to the inherent uncertainty involved with estimates, actual results may differ.

Our significant accounting policies are described in Note 3 to the consolidated financial statements included elsewhere in this Annual Report. Management believes that the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our financial statements.



**Revenue Recognition.** Revenues are recognized in accordance with the accounting guidance when persuasive evidence of an arrangement exists, the related services have been provided, the fee is fixed or determinable, and collection is reasonably assured.

Revenues in the Company's Valuation and Appraisal segment are primarily comprised of fees for valuation and appraisal services. Revenues are recognized upon the delivery of the completed services to the related customers and collection of the fee is reasonably assured. Revenues in the Valuation and Appraisal segment also include contractual reimbursable costs

Revenues in the Company's Auction and Liquidation segment are comprised of (i) commissions and fees earned on the sale of goods at auctions and liquidations; (ii) revenues from auction and liquidation services contracts where the Company guarantees a minimum recovery value for goods being sold at auction or liquidation; (iii) revenue from the sale of goods that are purchased by the Company for sale at auction or liquidation sales events; (iv) fees earned from real estate services and the origination of loans; (v) revenues from financing activities is recorded over the lives of related loans receivable using the interest method and (vi) revenues from contractual reimbursable expenses incurred in connection with auction and liquidation contracts.

Commission and fees earned on the sale of goods at auction and liquidation sales are recognized when evidence of an arrangement exists, the sales price has been determined, title has passed to the buyer and the buyer has assumed the risks of ownership, and collection is reasonably assured. The commission and fees earned for these services are included in revenues.

Revenues earned from auction and liquidation services contracts where the Company guarantees a minimum recovery value for goods being sold at auction or liquidation are recognized based on proceeds received. The Company records proceeds received from these types of engagements first as a reduction of contractual reimbursable expenses, second as a recovery of its guarantee and thereafter as revenue, subject to such revenue meeting the criteria of having been fixed or determinable. Contractual reimbursable expenses and amounts advanced to customers for minimum guarantees are initially recorded as advances against customer contracts in the accompanying consolidated balance sheets. If, during the auction or liquidation sale, the Company determines that the proceeds from the sale will not meet the minimum guaranteed recovery value as defined in the auction or liquidation services contract, the Company accrues a loss on the contract in the period that the loss becomes known.

The Company also evaluates revenue from auction and liquidation engagements in accordance with the accounting guidance to determine whether to report auction and liquidation segment revenue on a gross or net basis. The Company has determined that it acts as an agent in a substantial majority of its auction and liquidation services engagements and therefore reports the auction and liquidation revenues on a net basis.

Revenues from the sale of goods are recorded gross and are recognized in the period in which the sale of goods held for sale or auction are completed, title to the property passes to the purchaser and the Company has fulfilled its obligations with respect to the transaction. These revenues are primarily the result of the Company acquiring title to merchandise with the intent of selling the items at auction or for augmenting liquidation sales.

In the normal course of business, the Company will enter into collaborative arrangements with other merchandise liquidators to collaboratively execute auction and liquidation contracts. The Company's collaborative arrangements specifically include contractual agreements with other liquidation agents in which the Company and such other liquidation agents actively participate in the performance of the liquidation services and are exposed to the risks and rewards of the liquidation engagement. The Company's participation in collaborative arrangements including its rights and obligations under each collaborative arrangement can vary. Revenues from collaborative arrangements are recorded net based on the proceeds received from the liquidation engagement. Amounts paid to participants in the collaborative arrangements are reported separately as direct costs of revenues. Revenue from collaborative arrangements in which the Company is not the majority participant is recorded net based on the Company's share of proceeds received.

***Allowance for Doubtful Accounts.*** We maintain an allowance for doubtful accounts for estimated losses inherent in our accounts receivable portfolio. In establishing the required allowance, management utilizes a specific customer identification methodology. Management also considers historical losses adjusted for current market conditions and the customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The bad debt expense is included as a component of selling, general and administrative expenses in the accompanying consolidated statement of operations.

***Goods Held for Sale or Auction.*** Goods held for sale or auction are stated at the lower of cost or market, determined by the specific-identification method. We write down slow-moving and obsolete goods held for sale or auction based on assessments of market conditions, demand for the goods to be sold at auction, comparable industry sales of similar types of goods, and in part on information obtained from appraisal reports prepared by outside specialists. If these factors were to become less favorable than those projected, additional write-downs of goods held for sale or auction could be required.

***Goodwill and Other Intangible Assets.*** We account for goodwill and intangible assets in accordance with the accounting guidance which requires that goodwill and other intangibles with indefinite lives be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Goodwill includes (i) the excess of the purchase price over the fair value of net assets acquired in a business combination described in Note 8 and (ii) an increase for the subsequent acquisition of noncontrolling interests during the year ended December 31, 2007 (also see Note 8). The Codification requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment). Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. The Company operates two reporting units, which are the same as its reporting segments described in Note 19. Significant judgment is required to estimate the fair value of reporting units which includes estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment.

We reviewed our reporting units for possible goodwill impairment by comparing the fair values of each of the reporting units to the carrying value of their respective net assets. If the fair values exceed the carrying values of the net assets, no goodwill impairment is deemed to exist. If the fair values of the reporting units do not exceed the carrying values of the net assets, goodwill is tested for impairment and written down to its implied value if it is determined to be impaired. Based on a review of the fair value of the reporting units, no impairment is deemed to exist as of December 31, 2011.

In accordance with the Codification, the Company reviews the carrying value of its intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the asset or asset group to the undiscounted cash flows that the asset or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount of the asset or asset group, if any, exceeds its fair market value. No impairment was deemed to exist as of December 31, 2011.

***Discontinued Operations.*** In accordance with the accounting guidance discontinued operations represent a component of an entity that has either been disposed of, or is classified as held for sale, if both the operations and cash flows of the component have been, or will be, eliminated from ongoing operations of the entity as a result of the disposal transaction and the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. The Company classifies a component of the business as held for sale when certain criteria are met. At such time, the respective assets and liabilities are presented separately on the consolidated balance sheets and depreciation is no longer recognized. Assets held for sale are reported at the lower of their carrying amount or their estimated fair value less the estimated costs to sell the assets.

***Fair Value Measurements.*** On January 1, 2009, the Company adopted the new accounting guidance and all other guidance related to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

We record mandatorily redeemable noncontrolling interests that were issued after November 5, 2003 at fair value with fair value determined in accordance with the Codification. Our mandatorily redeemable noncontrolling interests are measured at fair value on a recurring basis and are categorized using the three levels of fair value hierarchy. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) for identical instruments that are highly liquid, observable and actively traded in over-the-counter markets. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable and can be corroborated by market data. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

We determined the fair value of mandatorily redeemable noncontrolling interests described above based on the issuance of similar interest for cash, references to industry comparables, and relied, in part, on information obtained from appraisal reports prepared by outside specialists.

The carrying amounts reported in the consolidated financial statements for cash, restricted cash, accounts receivable, accounts payable and accrued expenses and other current liabilities approximate fair value based on the short-term maturity of these instruments. The carrying amounts of the notes payable (including credit lines used to finance liquidation engagements), long-term debt and capital lease obligations approximate fair value because the contractual interest rates or effective yields of such instruments are consistent with current market rates of interest for instruments of comparable credit risk. The adoption of the new accounting guidance on fair value did not have a material impact on our consolidated financial statements.

**Share-Based Compensation.** The Company's share based payment awards principally consist of grants of restricted stock and restricted stock units. Share based payment awards also include grants of membership interests in the Company's majority owned subsidiaries. The grants of membership interests consist of percentage interests in the Company's majority owned subsidiaries as determined at the date of grant. In accordance with the accounting guidance share based payment awards are classified as either equity or a liability. For equity-classified awards, the Company measures compensation cost for the grant of membership interests at fair value on the date of grant and recognizes compensation expense in the consolidated statement of operations over the requisite service or performance period the award is expected to vest. The fair value of the liability-classified award will be subsequently remeasured at each reporting date through the settlement date. Change in fair value during the requisite service period will be recognized as compensation cost over that period.

**Income Taxes.** As a result of the Acquisition, beginning on July 31, 2009, the Company's results of operations are taxed as a C corporation. Prior to the Acquisition, the Company's operations were taxed as a limited liability company, whereby the Company elected to be taxed as a partnership and the income or loss was required to be reported by each respective member on their separate income tax returns. Therefore, no provision for income taxes has been provided in the accompanying consolidated financial statements for periods prior to July 31, 2009.

This change in tax status to a taxable entity resulted in the recognition of deferred tax assets and liabilities based on the expected tax consequences of temporary differences between the book and tax basis of the Company's assets and liabilities at the date of the Merger. This resulted in a net deferred tax benefit of \$6,987 being recognized and included in the tax benefit for the year ended December 31, 2009.

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company estimates the degree to which tax assets and credit carryforwards will result in a benefit based on expected profitability by tax jurisdiction. A valuation allowance for such tax assets and loss carryforwards is provided when it is determined to be more likely than not that the benefit of such deferred tax asset will not be realized in future periods. Tax benefits of operating loss carryforwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carryforward period, and other circumstances. If it becomes more likely than not that a tax asset will be used, the related valuation allowance on such assets would be reduced.

The Company adopted the provisions of the new accounting guidance for accounting for uncertainty in income taxes on January 1, 2009. The adoption of the new guidance did not have a material impact on our consolidated financial statements.

#### *New Accounting Standards*

In December 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2010-28, *“Intangibles — Goodwill and Other (Topic 350). When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts.”* ASU 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts by requiring an entity to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This update will be effective for fiscal years beginning after December 15, 2010. The adoption of this standard did not have a material impact on the Company’s consolidated financial position and results of operation.

In May 2011, the FASB issued ASU No. 2011-04, *“Fair Value Measurement (Topic 820) – Amendments to Achieve Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS.”* This ASU addresses fair value measurement and disclosure requirements within Accounting Standards Codification (“ASC”) Topic 820 for the purpose of providing consistency and common meaning between U.S. GAAP and IFRS. Generally, this ASU is not intended to change the application of the requirements in Topic 820. Rather, this ASU primarily changes the wording to describe many of the requirements in U.S. GAAP for measuring fair value or for disclosing information about fair value measurements. This ASU is effective for periods beginning after December 15, 2011. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial position and results of operation.

In June 2011, the FASB issued ASC No. 2011-05, *“Comprehensive Income (Topic 220), Presentation of Comprehensive Income.”* The FASB decided to eliminate the option to present components of other comprehensive income as part of the statement of changes in stockholders’ equity, among other amendments in this update. The amendments require that all non-owner changes in stockholder’s equity be presented in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, a company is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The statement of other comprehensive income should immediately follow the statement of net income and include the components of other comprehensive income and total for other comprehensive income, along with a total for comprehensive income. The company is also required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statements where the components of net income and the components of comprehensive income are presented. The amendments in this update should be applied retrospectively, and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

In September 2011, the FASB issued ASU No. 2011-08, “*Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*.” ASU 2011-08 is intended to simplify how entities, both public and nonpublic, test goodwill for impairment. ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is “more likely than not” that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350, *Intangibles-Goodwill and Other*. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity’s financial statements for the most recent annual or interim period have not yet been issued. The Company is currently evaluating the impact of the adoption of this ASU on its consolidated financial statements.

#### Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Great American’s primary exposure to market risk consists of risk related to changes in interest rates. Great American has not used derivative financial instruments for speculation or trading purposes.

##### *Interest Rate Risk*

Our primary exposure to market risk consists of risk related to changes in interest rates. We utilize borrowings under our credit facilities to fund costs and expenses incurred in connection with liquidation contracts. Borrowings under our credit facilities bear interest at a floating rate of interest.

The primary objective of the our investment activities is to preserve capital for the purpose of funding operations while at the same time maximizing the income it receives from its investments without significantly increasing risk. To achieve these objectives, our investments allow it to maintain a portfolio of cash equivalents and short-term investments through a variety of securities, including commercial paper, money market funds and certificates of deposit. Our cash and cash equivalents through December 31, 2011 included amounts in bank checking, certificates of deposit and liquid money market accounts. The Company believes it has minimal interest rate risk. A one percentage point decrease in the average interest rate on our portfolio would have reduced its interest income for the year ended December 31, 2011 by an immaterial amount.

##### *Foreign Currency Risk*

The majority of our operating activities are conducted in U.S. dollars. Approximately 18.2% of our net sales for the year ended December 31, 2011 were denominated in other currencies such as British Pounds or Canadian Dollars. The financial statements of our foreign subsidiaries are translated into U.S. dollars at fiscal year-end rates, with the exception of revenues, costs and expenses, which are translated at average rates during the reporting period. We include gains and losses resulting from foreign currency transactions in income, while we exclude those resulting from translation of financial statements from income and include them as a component of accumulated other comprehensive income. Transaction losses, which were included in our consolidated statement of operations, amounted to a loss of approximately \$0.2 million and \$0.1 million for the years ended December 31, 2011 and 2010, respectively. Furthermore, a 10% appreciation of the U.S. dollar relative to the local currency exchange rates would have resulted in a net increase in our operating income of approximately \$1.0 million for the year ended December 31, 2011. Conversely, a 10% depreciation of the U.S. dollar relative to the local currency exchange rates would have resulted in a net decrease in our operating income of approximately \$1.0 million for the year ended December 31, 2011.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information required by this Item 8 is submitted as a separate section on page F-1 of this Annual Report on Form 10-K.

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.



Item 9A. CONTROLS AND PROCEDURES

*Evaluation of Disclosure Controls and Procedures*

We maintain a system of disclosure controls and procedures (as defined in the Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that is designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures. Based upon the foregoing evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that as of December 31, 2011 our disclosure controls and procedures were effective at the reasonable assurance level.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. These limitations include the possibility of human error, the circumvention or overriding of the controls and procedures and reasonable resource constraints. In addition, because we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, our system of controls may not achieve its desired purpose under all possible future conditions. Accordingly, our disclosure controls and procedures provide reasonable assurance, but not absolute assurance, of achieving their objectives.

*Changes in Our Controls*

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter to which this report relates that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

*Report of Management on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Under the supervision and with the

participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2011.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report.

Item 9B. OTHER INFORMATION

None.

### **PART III**

#### **Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2012 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2011.

#### **Item 11. EXECUTIVE COMPENSATION**

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2012 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2011.

#### **Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2012 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2011.

#### **Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2012 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2011.

#### **Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2012 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2011.



## PART IV

### Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

*Financial Statements.* The Company's Consolidated Financial Statements as of December 31, 2011 and 2010 and for each of the three years in the year ended December 31, 2011 and the notes thereto, together with the report of the independent auditors on those Consolidated Financial Statements are hereby filed as part of this report, beginning on page F-1.

2. Financial Statement Schedules.

Financial Statement Schedules other than those listed above have been omitted because they are either not applicable or the information is otherwise included in the consolidated financial statements or the notes thereto.

(b) Exhibits and Index to Exhibits, below.

#### Exhibit Index

##### Exhibit

Exhibit No.	Description
2.1(1)+	Agreement and Plan of Reorganization, dated May 14, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc., AAMAC Merger Sub, Inc., Great American Group, LLC, the Members of Great American Group, LLC and the Member Representative
2.2(1)	Amendment No. 1 to Agreement and Plan of Reorganization, dated May 29, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc., AAMAC Merger Sub, Inc., Great American Group, LLC, the Members of Great American Group, LLC and the Member Representative
2.3(1)	Amendment No. 2 to Agreement and Plan of Reorganization, dated July 8, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc. AAMAC Merger Sub, Inc., Great American Group, LLC, the Members of Great American Group, LLC and the Member Representative
2.4(2)	Amendment No. 3 to Agreement and Plan of Reorganization, dated July 28, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc. AAMAC Merger Sub, Inc., Great American Group, LLC, the Members of Great American Group, LLC and the Member Representative

- 3.1(1) Certificate of Incorporation of Great American Group, Inc.
- 3.2(1) Bylaws of Great American Group, Inc.
- 4.1(1) Form of common stock certificate
- 4.2(3) Form of warrant certificate
- 4.3(3) Form of Warrant Agreement, dated August 1, 2007, by and between Alternative Asset Management Acquisition Corp. and Continental Stock Transfer & Trust Company
- 4.4(3) Form of Amendment No. 1 to Warrant Agreement, dated July 31, 2009, by and between Alternative Asset Management Acquisition Corp. and Continental Stock Transfer & Trust Company
- 10.1(4) Credit Agreement, dated as of May 29, 2008, by and among Great American Group Energy Equipment, LLC, Garrison Loan Agency Services LLC and the lender parties thereto
- 10.2(4) Great American Group, LLC Guaranty, dated as of May 29, 2008, by Great American Group, LLC in favor of Garrison Special Opportunities Fund LP., Gage Investment Group, LLC and Garrison Loan Agency Services LLC
- 10.3(5) Forbearance Agreement, dated as of October 8, 2009, by and among Great American Group Energy Equipment, LLC, Great American Group, LLC, Garrison Special Opportunities Fund LP, Gage Investment Group LLC and Garrison Loan Agency Services LLC
- 10.4(4) Security Agreement, dated as of May 29, 2008, by and among Great American Group Energy Equipment, LLC, Great American Group, LLC and Garrison Loan Agency Services LLC

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- 10.5(4) Non-Notification Factoring and Security Agreement, dated as of May 22, 2007, by and between Great American Group Advisory & Valuation Services, LLC and FCC, LLC
- 10.6(9) Amended and Restated Credit Agreement, dated as of December 8, 2010, by and between Great American Group WF, LLC as US Borrower, GA Asset Advisors Limited, as English Borrower, and Wells Fargo Bank, National Association
- 10.7(9) Amended and Restated Guarantee, dated as of December 8, 2010, by Great American Group, Inc. and Great American Group, LLC, in favor of Wells Fargo Bank, National Association
- 10.8(4) Security Agreement, dated as of October 21, 2008, by and between Great American Group WF, LLC and Wells Fargo Bank, National Association (Successor to Wells Fargo Retail Finance, LLC)
- 10.9(4) Form of promissory note issued by Great American Group, Inc. in favor of each Contribution Consideration Recipient
- 10.10(3) Registration Rights Agreement by and among Great American Group, Inc. and the stockholders of Great American Group, Inc. named therein
- 10.11(3) Escrow Agreement by and among Great American Group, Inc., the Member Representative and Continental Stock Transfer & Trust Company
- 10.12(3) Form of Lock-up Agreement by and between Great American Group, Inc. and certain stockholders of Great American Group, Inc.
- 10.13(1) Letter Agreement, dated May 14, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc., Great American Group, LLC and the stockholders of Alternative Asset Management Acquisition Corp. named therein
- 10.14(1) Amendment to Letter Agreement, dated as of July 8, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc., Great American Group, LLC and the stockholders of Alternative Asset Management Acquisition Corp. named therein
- 10.15(3) Amendment to Letter Agreement, dated as of July 28, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc., Great American Group, LLC and the stockholders of Alternative Asset Management Acquisition Corp. named therein
- 10.16(3)# Form of Director and Officer Indemnification Agreement
- 10.17(3)# Employment Agreement by and between Great American Group, Inc. and Harvey M. Yellen
- 10.18(3)# Employment Agreement by and between Great American Group, Inc. and Andrew Gumaer
- 10.19(3)# Employment Agreement by and between Great American Group, Inc. and Paul Erickson
- 10.20(3)# Employment Agreement by and between Great American Group, Inc. and Scott Carpenter
- 10.21(4) Form of Phantom Equityholder Amendment Agreement and Release

- 10.22(4) Form of Phantom Equityholder Acknowledgement to Amendment No. 3 to Agreement and Plan of Reorganization
- 10.23(4)# Great American Group, Inc. Amended and Restated 2009 Stock Incentive Plan
- 10.24(4) Sixth Amended and Restated Operating Agreement for Great American Group Advisory & Valuation Services, LLC, dated as of January 1, 2008, by and among Great American Group, LLC, Lester Friedman, John Bankert, Michael Marchlik, and Ken Bloore
- 10.25(4) Operating Agreement for Great American Group Machinery & Equipment, LLC, dated as of April 10, 2007, by and among Great American Group, LLC, Marc Swirsky, Lester Friedman, Paul Erickson and John Bankert
- 10.26(6) First Amendment to Non-Notification Factoring and Security Agreement, dated as of December 1, 2009, by and among Great American Group Advisory & Valuation Services, LLC and Seimens First Capital Commercial Finance, LLC
- 10.27(6) Amendment of Credit Agreement, dated as of December 18, 2009, by and among Great American Group Energy Equipment, LLC, Garrison Special Opportunities Fund LP and Garrison Loan Agency Services LLC
- 10.28(7) Form of Amendment No. 1 to Subordinated Unsecured Promissory Note, dated as of April 30, 2010, by and between the Company and each of the Great American Members
- 10.29(7) Form of Amendment No. 1 to Subordinated Unsecured Promissory Note, dated as of April 30, 2010, by and between the Company and certain of the Phantom Equityholders



- 10.30(8) Second Amendment to and Extension of Credit Agreement and Omnibus Ratification of Loan Documents, dated as of July 16, 2010, by and between Great American Group WF, LLC and Wells Fargo Retail Finance, LLC
- 10.31(9) Form of Waiver to Subordinated Unsecured Promissory Note, dated as of October 27, 2010
- 10.32(10) Waiver and Second Amendment to Credit Agreement, dated as of May 9, 2011, by and among Great American Group Energy Equipment, LLC, Great American Group, LLC and Garrison Loan Agency Services LLC
- 10.33(11) Loan and Security Agreement (Accounts Receivable & Inventory Line of Credit), dated as of May 17, 2011, by and between BFI Business Finance and Great American Group Advisory & Valuation Services, LLC
- 10.34(12) Non-Negotiable Promissory Note, dated as of July 21, 2011, issued by Great American Group, LLC in favor of Dialectic Capital Partners, LP, Dialectic Offshore Ltd., Dialectic Antithesis Partners, LP and Dialectic Antithesis Offshore Fund, Ltd.
- 10.35(13) Form of Waiver to Subordinated Unsecured Promissory Note with Phantom Equityholders
- 10.36(13) Form of Amendment No. 2 to Subordinated Unsecured Promissory Note, dated as of July 31, 2011, by and between the Company and each of the Great American Members
- 21(4) Subsidiary List
- 31.1\* Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
- 31.2\* Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
- 32.1\* Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2\* Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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\*

Filed herewith.

<sup>+</sup> Schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby agrees to furnish a copy of any omitted schedules to the Securities and Exchange Commission upon request.

#

Management contract or compensatory plan or arrangement.

- (1) Incorporated by reference to the registrant's Registration Statement on Form S-4 (File No. 333-159644) declared effective by the Commission on July 17, 2009.
- (2) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on July 30, 2009.
- (3) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on August 6, 2009.

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- (4) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q filed with the SEC on August 31, 2009.
- (5) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on October 15, 2009.
- (6) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on January 7, 2010.
- (7) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on May 6, 2010.
- (8) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q filed with the SEC on November 15, 2010.
- (9) Incorporated by reference to the registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2011.
- (10) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q filed with the SEC on May 16, 2011.
- (11) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on May 26, 2011.
- (12) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on July 27, 2011.
- (13) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on August 4, 2011.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

Great American Group, Inc.

Date: March 30, 2012 /s/ PAUL S. ERICKSON  
(Paul E. Erickson, Chief Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

Signature	Title	Date
/s/ ANDREW GUMAER (Andrew Gumaer)	Chief Executive Officer and Director (Principal Executive Officer)	March 30, 2012
/s/ PAUL S. ERICKSON (Paul S. Erickson)	Chief Financial Officer (Principal Financial Officer)	March 30, 2012
/s/ HOWARD E. WEITZMAN (Howard E. Weitzman)	Chief Accounting Officer (Principal Accounting Officer)	March 30, 2012
/s/ HARVEY M. YELLEN (Harvey M. Yellen)	President, Vice Chairman and Director	March 30, 2012
/s/ MATTHEW J. HART (Matthew J. Hart)	Director	March 30, 2012
/s/ HUGH G. HILTON (Hugh G. Hilton)	Director	March 30, 2012
/s/ MARK D. KLEIN (Mark D. Klein)	Director	March 30, 2012
/s/ MICHAEL J. LEVITT (Michael J. Levitt)	Director	March 30, 2012
/s/ BRYANT R. RILEY (Bryant R. Riley)	Director	March 30, 2012



**GREAT AMERICAN GROUP, INC.**

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors of

Great American Group, Inc.

We have audited the accompanying consolidated balance sheets of Great American Group, Inc. and Subsidiaries (the “Company”) as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders’ equity (deficit) and cash flows for each of the years in the three year period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Great American Group, Inc. and Subsidiaries as of December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the years in the three year period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP  
Marcum LLP

New York, New York  
March 30, 2012

**GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except par value)**

	December 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,034	\$ 20,080
Accounts receivable, net	7,482	3,087
Advances against customer contracts	5,276	3,063
Goods held for sale or auction	12,934	13,504
Loan receivable	8,306	—
Note receivable - related parties	3,844	5,930
Deferred income taxes	4,460	5,463
Prepaid expenses and other current assets	1,110	1,353
Total current assets	58,446	52,480
Property and equipment, net	916	1,369
Goodwill	5,688	5,688
Other intangible assets, net	140	221
Deferred income taxes	10,504	11,372
Other assets	664	1,144
Total assets	\$ 76,358	\$ 72,274
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,718	\$ 10,631
Auction and liquidation proceeds payable	18	1,712
Mandatorily redeemable noncontrolling interests	3,408	2,858
Revolving credit facility	1,942	—
Current portion of long-term debt	1,724	1,724
Note payable	11,555	12,014
Current portion of capital lease obligation	29	27
Total current liabilities	32,394	28,966
Capital lease obligation, net of current portion	13	42
Long-term debt, net of current portion	52,207	52,169
Total liabilities	84,614	81,177
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, \$0.0001 par value; 10,000,000 shares authorized; none issued	—	—
Common stock, \$0.0001 par value; 135,000,000 shares authorized; 31,001,609 and 30,559,036 issued and outstanding as of December 31, 2011 and 2010,		

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respectively	4	4
Additional paid-in capital	3,177	2,878
Retained earnings (deficit)	(11,190 )	(11,792 )
Accumulated other comprehensive income (loss)	(247 )	7
Total stockholders' equity (deficit)	(8,256 )	(8,903 )
Total liabilities and stockholders' equity (deficit)	\$ 76,358	\$ 72,274

The accompanying notes are an integral part of these consolidated financial statements.

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## GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except share data)

	Year Ended December 31,		
	2011	2010	2009
Revenues:			
Services and fees	\$60,627	\$37,026	\$70,810
Sale of goods	2,899	5,119	12,611
Total revenues	63,526	42,145	83,421
Operating expenses:			
Direct cost of services	19,749	15,417	17,491
Cost of goods sold	3,391	6,674	12,669
Selling, general and administrative	32,946	31,413	35,743
Total operating expenses	56,086	53,504	65,903
Operating income (loss)	7,440	(11,359)	17,518
Other income (expense):			
Interest income	476	522	32
Other income	—	—	18
Loss from equity investment in Great American Real Estate, LLC	(369)	(1,640)	(861)
Interest expense	(4,885)	(3,667)	(11,273)
Income (loss) from continuing operations before benefit (provision) for income taxes	2,662	(16,144)	5,434
Benefit (provision) for income taxes	(2,060)	5,106	11,664
Income (loss) from continuing operations	602	(11,038)	17,098
Loss from discontinued operations, net of tax	—	—	(142)
Net income (loss)	\$602	\$(11,038)	\$16,956
Basic earnings (loss) per share, continuing operations	\$0.02	\$(0.39)	\$0.96
Basic loss per share, discontinued operations	0.00	0.00	(0.01)
Basic earnings (loss) per share	\$0.02	\$(0.39)	\$0.95
Diluted earnings (loss) per share, continuing operations	\$0.02	\$(0.39)	\$0.92
Diluted loss per share, discontinued operations	0.00	0.00	(0.01)
Diluted earnings (loss) per share	\$0.02	\$(0.39)	\$0.91
Weighted average basic shares outstanding	28,539,651	28,075,758	17,786,686
Weighted average diluted shares outstanding	29,408,466	28,075,758	18,664,049

## PRO FORMA COMPUTATION RELATED TO CONVERSION TO C CORPORATION FOR INCOME TAX PURPOSES (unaudited):

Historical income from continuing operations before income taxes	\$5,434
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Pro forma provision for income taxes	(2,141 )
Pro forma income from continuing operations	3,293
Pro forma loss from discontinued operations, net of tax	(116 )
Pro forma net income	\$3,177
Pro forma basic earnings per share, continuing operations	\$0.19
Pro forma basic loss per share, discontinued operations	(0.01 )
Pro forma basic earnings per share	\$0.18
Pro forma diluted earnings per share, continuing operations	\$0.18
Pro forma diluted loss per share, discontinued operations	(0.01 )
Pro forma diluted earnings per share	\$0.17
Pro forma weighted average basic shares outstanding	17,786,686
Pro forma weighted average diluted shares outstanding	18,664,049

The accompanying notes are an integral part of these consolidated financial statements.

## GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY (DEFICIT)

(Dollars in thousands)

	Preferred Stock Shares	Common Stock Shares	Additional Paid-in Capital Amount	Additional Paid-in Capital Amount	Deferred Compensation	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
Balance, December 31, 2008	—	10,560,000	\$1	\$31,929	\$(1,643)	\$(15,786)	\$—	\$14,501
Net income	—	—	—	—	—	16,956	—	16,956
Total comprehensive income	—	—	—	—	—	—	—	16,956
Amortization of GAG, LLC deferred compensation arrangements through July 31, 2009	—	—	—	—	621	—	—	621
Termination of GAG, LLC deferred compensation arrangements as of July 31, 2009	—	—	—	—	1,022	—	—	1,022
Reverse merger on July 31, 2009	—	—	—	(31,929)	—	31,929	—	—
Shares issued at time of reverse merger dated July 31, 2009	—	21,846,626	2	70,356	—	—	—	70,358
Warrant redemption liability at time of reverse merger dated July 31, 2009	—	—	—	(23,013)	—	—	—	(23,013)
Shares forfeited at time of reverse merger dated July 31, 2009	—	(2,500,000)	—	—	—	—	—	—
Issuance of shares for services in connection with reverse merger	—	115,852	—	—	—	—	—	—
Share based compensation	—	—	—	3,108	—	—	—	3,108
Distributions to stockholders	—	—	—	(50,700)	—	(33,853)	—	(84,553)
Balance, December 31, 2009	—	30,022,478	3	(249)	—	(754)	—	(1,000)
Net loss	—	—	—	—	—	(11,038)	—	(11,038)
Foreign currency translation adjustment	—	—	—	—	—	—	7	7
Total comprehensive loss	—	—	—	—	—	—	—	(11,031)
Vesting of restricted stock, net of shares withheld for employee taxes	—	536,558	1	(1,133)	—	—	—	(1,132)
Share based compensation	—	—	—	4,260	—	—	—	4,260
Balance, December 31, 2010	—	30,559,036	4	2,878	—	(11,792)	7	(8,903)
Net income	—	—	—	—	—	602	—	602
Foreign currency translation adjustment	—	—	—	—	—	—	(254)	(254)
Total comprehensive income	—	—	—	—	—	—	—	348
Vesting of restricted stock, net of shares withheld for employee taxes	—	442,573	—	(132)	—	—	—	(132)

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Share based compensation	—	—	—	—	431	—	—	—	431
Balance, December 31, 2011	—	\$—	31,001,609	\$4	\$3,177	\$—	\$(11,190)	\$(247)	\$(8,256 )

The accompanying notes are an integral part of these consolidated financial statements.

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## GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Year ended December 31,		
	2011	2010	2009
Cash flows from operating activities:			
Net income (loss)	\$602	\$(11,038)	\$16,956
Loss from discontinued operations	—	—	142
Income (loss) from continuing operations	602	(11,038)	17,098
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	981	792	634
Provision for (recovery of) doubtful accounts	424	60	(18 )
Impairment of goods held for sale or auction	159	1,389	1,426
Share-based payments	431	4,420	3,508
Effect of foreign currency on operations	(14 )	21	—
Accrued compensation plans	—	—	4,005
Noncash interest expense	1,083	(193 )	9
Amortization of discount on note payable	609	—	—
Loss on equity investment in Great American Real Estate, LLC	369	1,640	861
Loss on disposal of assets	4	3	32
Deferred income taxes	1,871	(5,122 )	(11,664)
Change in fair value of mandatorily redeemable noncontrolling interests	(83 )	(205 )	—
Income allocated to mandatorily redeemable noncontrolling interests	3,934	1,806	1,608
Change in operating assets and liabilities:			
Accounts receivable and advances against customer contracts	(7,032 )	(3,524 )	5,006
Income taxes receivable	—	1,100	—
Goods held for sale or auction	224	121	2,477
Loan receivable	(8,306 )	—	—
Prepaid expenses and other assets	1,093	3,222	916
Accounts payable and accrued expenses	3,300	(1,841 )	(5,572 )
Auction and liquidation proceeds payable	(1,694 )	1,266	(1,445 )
Net cash (used in) provided by operating activities	(2,045 )	(6,083 )	18,881
Cash flows from investing activities:			
Purchases of property and equipment	(264 )	(592 )	(828 )
Decrease (increase) in notes receivable - related party	2,706	(5,930 )	—
Equity investment in Great American Real Estate, LLC	(1,202 )	(949 )	(1,125 )
Proceeds from redemption of officer life insurance	—	355	—
Decrease (increase) in restricted cash	—	459	3,194

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Net cash provided by (used in) investing activities	1,240	(6,657 )	1,241
Cash flows from financing activities:			
Proceeds from revolving line of credit	1,942	—	—
Proceeds from note payable	7,000	—	—
Payment of financing costs	—	(752 )	—
Repayment of notes payable	(7,759 )	—	—
Repayments of long-term debt	(1,724 )	(1,724 )	(9,868 )
Repayments of capital lease obligation	(27 )	(25 )	(305 )
Payment of employment taxes on vesting of restricted stock	(132 )	(1,132 )	—
Proceeds from reverse merger dated July 31, 2009	—	—	69,258
Distributions to noncontrolling interests	(3,301 )	(1,522 )	(1,317 )
Warrant redemption for cash	—	—	(23,013)
Distribution to stockholder's	—	—	(33,853)
Net cash (used in) provided by financing activities	(4,001 )	(5,155 )	902
Effect of foreign currency on cash	(240 )	(14 )	—
Net (decrease) increase in cash and cash equivalents	(5,046 )	(17,909)	21,024
Cash and cash equivalents, beginning of year	20,080	37,989	16,965
Cash and cash equivalents, end of year	\$15,034	\$20,080	\$37,989

The accompanying notes are an integral part of these consolidated financial statements.

**GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued****(Dollars in thousands)**

	Year ended December 31,		
	2011	2010	2009
Supplemental disclosures:			
Interest paid	\$2,424	\$3,408	\$8,233
Income taxes paid	11	9	—
Supplemental disclosure of noncash investing and financing activities:			
Accrued interest added to Note payable principal balance	\$1,762	\$-	\$-
Income taxes receivable	—	—	(1,100)
Deferred compensation	—	—	(1,022)
Issuance of long-term debt in connection with reverse merger dated July 31, 2009	—	—	60,000

The accompanying notes are an integral part of these consolidated financial statements.

## **GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollars in thousands, except share data)**

#### **NOTE 1—ORGANIZATION, BUSINESS OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

##### *Organization and Nature of Operations*

Great American Group, Inc. (the “Company”) was incorporated under the laws of the state of Delaware on May 7, 2009 as a wholly-owned subsidiary of Alternative Asset Management Acquisition Corp. (“AAMAC”). The Company was formed as a “shell company” for the purpose of acquiring Great American Group, LLC (“GAG, LLC”), a California limited liability company, all as more fully described in Note 2.

On July 31, 2009, the members of GAG, LLC (the “Great American Members”) contributed all of their membership interests of GAG, LLC to the Company (the “Contribution”) in exchange for 10,560,000 shares of common stock of the Company and a subordinated unsecured promissory note in an initial principal amount of \$60,000 issued in favor of the Great American Members and the phantom equityholders of GAG, LLC (the “Phantom Equityholders”, and together with the Great American Members, the “Contribution Consideration Recipients”) (see Note 11). Concurrently with the Contribution, AAMAC merged with and into AAMAC Merger Sub, Inc. (“Merger Sub”), a subsidiary of the Company (the “Merger” and, together with the Contribution, the “Acquisition”). As a result of the Acquisition, GAG, LLC and AAMAC became wholly-owned subsidiaries of the Company.

The Acquisition was effected pursuant to an Agreement and Plan of Reorganization, dated as of May 14, 2009, as amended by Amendment No. 1 to the Agreement and Plan of Reorganization dated as of May 29, 2009, Amendment No. 2 to Agreement and Plan of Reorganization dated as of July 8, 2009, and Amendment No. 3 to Agreement and Plan of Reorganization, dated as of July 28, 2009 (as amended, the “Purchase Agreement”), by and among the Company, AAMAC, Merger Sub, the Great American Members and the representative of Great American Members. The Acquisition has been accounted for as a reverse merger accompanied by a recapitalization of the Company.

The Company operates in two operating segments: auction and liquidation services (“Auction and Liquidation”) and valuation and appraisal services (“Valuation and Appraisal”). These services are provided to a wide range of retail, wholesale and industrial companies, as well as lenders, capital providers, private equity investors and professional



service firms throughout the United States, Europe and Canada. In the Auction and Liquidation segment, the Company provides auction and liquidation services to help clients dispose of assets, real estate services and capital advisory services. Such assets include multi-location retail inventory, wholesale inventory, trade fixtures, machinery and equipment, intellectual property and real property. In the Valuation and Appraisal segment, the Company provides valuation and appraisal services to clients with independent appraisals in connection with asset based loans, acquisitions, divestitures and other business needs. From time to time, the Company will conduct auction and liquidation services with third parties through collaborative arrangements.

## **NOTE 2— COMPLETED MERGER**

On July 31, 2009, pursuant to the terms of the Purchase Agreement, the Acquisition was consummated and the Great American Members contributed all of their membership interests of GAG, LLC to the Company in exchange for 10,560,000 shares of common stock of the Company and a subordinated unsecured promissory note an initial principal amount of \$60,000 (which was reduced by a principal payment to the Contribution Consideration Recipients of \$4,383 at the closing of the Acquisition).

Concurrently with the Contribution, AAMAC merged with and into Merger Sub and GAG, LLC and AAMAC became wholly-owned subsidiaries of the Company. In connection with the Acquisition, (i) each of the 10,923,313 shares of AAMAC common stock which were outstanding immediately prior to the effective time of the Acquisition were exchanged for 2.0 shares of the Company's common stock and (ii) each of the 46,025,000 outstanding AAMAC warrants, which were exercisable for one share of AAMAC common stock, were exchanged for a warrant exercisable for one share of the Company's common stock. The units of AAMAC were separated into the component common stock and warrant, each of which participated in the Acquisition as described in the preceding sentence. Pursuant to a letter agreement, dated as of July 28, 2009 (the "Letter Agreement") by and among the Company, AAMAC, GAG, LLC, and certain founding shareholders of AAMAC (the "AAMAC Founders"), the AAMAC Founders agreed to cancel 2,500,000 shares of the Company's common stock that they received in exchange for their AAMAC common stock in the Acquisition. In accordance with the Letter Agreement, 1,000,000 of the 2,500,000 shares of the Company's common stock the AAMAC Founders received in exchange for their AAMAC shares are held in escrow until GAG, LLC's achievement of any one of the Adjusted EBITDA targets discussed below. The 1,000,000 shares, which are subject to voting restrictions while in escrow, will be forfeited and cancelled if GAG, LLC fails to achieve any of the Adjusted EBITDA targets discussed below.

The number of shares of common stock of the Company issued and outstanding immediately following the consummation of the Acquisition on July 31, 2009 is summarized as follows:

	Number of Shares
AAMAC Public Shares outstanding prior to the Acquisition	41,400,000
AAMAC Founder shares (1)	2,500,000
Total AAMAC shares outstanding prior to the Acquisition	43,900,000
AAMAC shares converted to a pro rata share portion of AAMAC's trust account (2)	(11,835,425)
AAMAC shares purchased pursuant to stock purchase agreements (3)	(21,141,262)
Total AAMAC shares outstanding immediately prior to the effective time of the Acquisition	10,923,313
Share exchange ratio (2.00 to 1)	2x
Common shares issued in connection with the Acquisition	21,846,626
Common shares issued as purchase consideration to Great American Members	10,560,000
Common shares forfeited by AAMAC Founders in accordance with Letter Agreement	(2,500,000 )
Total common shares outstanding at closing, July 31, 2009	29,906,626

(1) Reflects the cancellation of 7,850,000 shares held by the AAMAC Founders immediately prior to the consummation of the Acquisition.

(2) Reflects the 11,835,425 AAMAC shares, representing 28.59% of the shares sold in AAMAC's initial public offering, that were converted into a pro rata portion of the funds in the AAMAC trust account in connection with the consummation of the Acquisition.

(3) Prior to AAMAC's stockholder meeting on July 31, 2009, AAMAC entered into stock purchase agreements with several third parties pursuant to which AAMAC agreed to purchase such parties' AAMAC shares in connection with the Acquisition and such parties agreed to give AAMAC's management proxies to vote their AAMAC shares in favor of the Acquisition.

The Purchase Agreement provided for the issuance of 1,440,000 shares of common stock of the Company to the Phantom Equityholders pursuant to the following vesting schedule: 50% on January 31, 2010, 25% on July 31, 2010 and the remaining 25% on January 31, 2011, as more fully described in Note 17(b).

The Purchase Agreement also provided for the issuance of 6,000,000 additional shares of common stock (the "Contingent Stock Consideration") to the Contribution Consideration Recipients as follows: (a) in the event GAG, LLC achieves any one of (i) \$45,000 in Adjusted EBITDA (as defined in the Purchase Agreement) for the 12 months ending December 31, 2009, (ii) \$47,500 in Adjusted EBITDA for the 12 months ending March 31, 2010, or (iii) \$50,000 in Adjusted EBITDA for the 12 months ending June 30, 2010, the Company will be obligated to issue to the Contribution Consideration Recipients 2,000,000 shares of the Contingent Stock Consideration; (b) in the event GAG, LLC achieves \$55,000 in Adjusted EBITDA (as defined in the Purchase Agreement) for the fiscal year ending December 31, 2010, then the Company will be obligated to issue to the Contribution Consideration Recipients

2,000,000 shares of the Contingent Stock Consideration; and (c) in the event GAG, LLC achieves \$65,000 in Adjusted EBITDA (as defined in the Purchase Agreement) for the fiscal year ending December 31, 2011, then the Company will be obligated to issue to the Contribution Consideration Recipients 2,000,000 shares of the Contingent Stock Consideration; provided, however, that if the Company does not achieve the December 31, 2010 Adjusted EBITDA target but does achieve the December 31, 2011 Adjusted EBITDA target, then the Company will be obligated to issue to the Contribution Consideration Recipients 4,000,000 shares of the Contingent Stock Consideration. No Contingent Stock Consideration will be issued since the Company did not achieve the Adjusted EBITDA target for the years ending December 31, 2011, 2010 and 2009.

The Great American Members received \$82,436 in accordance with the Purchase Agreement consisting of (i) cash distributions totaling \$31,736 from GAG, LLC and (ii) \$50,700 representing their share of the \$60,000 unsecured subordinated promissory note. The \$31,736 was comprised of (i) a distribution of unrestricted cash and cash equivalents held by GAG, LLC (after giving effect to the repayment of certain debt obligations of GAG, LLC in an outstanding principal amount of \$2,985) of \$18,815 promptly following the closing date of the Acquisition and (ii) a cash distribution of \$12,921 on September 18, 2009 representing the amount by which the final adjusted working capital of GAG, LLC (as defined in the Purchase Agreement) was greater than \$6,000 at the closing of the Acquisition. The remaining portion of the unsecured subordinated promissory note, which amounted to \$9,300, was issued to the Phantom Equityholders in settlement of accrued compensation payable pursuant to the deferred compensation plan as more fully described in Note 18(b).

In connection with the Acquisition, the Contribution Consideration Recipients placed in escrow an aggregate of 1,500,000 shares of our common stock (the "Escrowed Indemnification Stock") pursuant to the terms of an escrow agreement, dated July 31, 2009 (the "Escrow Agreement") for, among other things, breaches of representations and warranties of GAG, LLC to AAMAC, to offset against any working capital shortfall in accordance with the Purchase Agreement, and to offset against any inventory amount shortfall (collectively the "Escrow Claims"). As of December 31, 2011, 180,000 shares attributable to the Phantom Equityholders had been released from escrow and the remaining 1,320,000 shares attributable to the Great American Members remained in escrow. The remaining Escrowed Indemnification Stock shall be released on the day that is the 30th day after the date the Company files its annual report on Form 10-K for the year ended December 31, 2011 with the SEC (the "Final Escrow Release Date"), less that portion of such shares applied in satisfaction of, or reserved with respect to, Escrow Claims. In the event there are any Escrow Claims properly and timely delivered pursuant to the Purchase Agreement that remain unresolved at the time of the Final Escrow Release Date, a portion of the Escrowed Indemnification Stock will remain in escrow until such claims are resolved, at which time the remaining Escrowed Indemnification Stock shall be promptly returned to the Contribution Consideration Recipients.

The \$407,786 held in AAMAC's trust account immediately prior to the Acquisition was disbursed as follows: (i) \$116,578 to stockholders who voted against the transaction and elected to convert their shares to a pro rata portion of the AAMAC trust account (approximately \$9.85 per share); (ii) \$208,834 to the third parties who entered into stock purchase agreements (approximately \$9.85 per share) with AAMAC pursuant to which AAMAC agreed to purchase such parties' AAMAC shares in connection with the Acquisition and such third parties agreed to give AAMAC's management proxies to vote such shares in favor of the Acquisition; and (iii) \$82,374 to the Company. The Company also received an additional \$451 of operating funds held by AAMAC resulting in total proceeds of \$82,825. The \$82,825 has been reflected in the consolidated statement of stockholder's equity (deficit) net of offering costs of (i) closing expenses and certain investment banking fees of \$10,476 associated with the transaction; (ii) other offering expenses of \$3,091 incurred by GAG, LLC plus an income tax receivable of \$1,100. At closing, \$4,383 was distributed to the Contribution Consideration Recipients to pay down the principal amount of the notes payable (thereby reducing the aggregate principal amount of the notes from \$60,000 to \$55,617), and \$23,013 was deposited in a separate account with the transfer agent pending conduct of the Warrant Redemption. The remaining net proceeds received by the Company are being used for general working capital purposes.

In connection with the consummation of the Acquisition, AAMAC entered into Amendment No. 1 to the Amended and Restated Warrant Agreement with the warrant agent (the "Warrant Agreement") to amend the terms of the Warrant Agreement governing the AAMAC warrants exercisable for shares of AAMAC common stock in order to (i) require the redemption of all of the outstanding warrants, including those held by the former AAMAC sponsors, at a price of \$0.50 per warrant at any time on or prior to October 29, 2009 (the "Warrant Redemption"), (ii) delay the commencement of the exercisability of the warrants from immediately following the Acquisition to October 30, 2009 and (iii) preclude any adjustment of the warrants as a result of the Acquisition ((i), (ii), and (iii) collectively, the "Warrant Amendment"). The Warrant Agreement and the Warrant Amendment govern the 46,025,000 warrants of the Company issued in exchange for AAMAC warrants in connection with the Acquisition. \$23,013 of the funds received from AAMAC in connection with the Acquisition was deposited in a separate account with the transfer agent for purposes of the Warrant Redemption.

On October 2, 2009, the Company launched an offer to exchange all of its outstanding warrants for new warrants with a different exercise price and different expiration date (the "Exchange Offer"). The Exchange Offer, which was made pursuant to a prospectus dated October 2, 2009, expired on October 30, 2009. The Company's obligation to consummate the Exchange Offer was conditioned upon a minimum of 23,012,500 outstanding warrants, or 50% of the outstanding warrants, being validly tendered for exchange and not validly withdrawn prior to the expiration of the Exchange Offer (the "Minimum Tender Condition"). The Minimum Tender Condition was not satisfied and therefore, no Warrants were accepted in the Exchange Offer. In accordance with the terms of the Warrant Amendment, the Company redeemed all of the outstanding warrants to purchase shares of its common stock for \$0.50 each as of October 29, 2009. The aggregate warrant redemption consideration paid to the warrant holders was \$23,013. The warrants ceased being quoted on the OTC Bulletin Board on November 2, 2009.

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***Basis of Presentation and Accounting Treatment of the Merger***

Immediately following the consummation of the Acquisition on July 31, 2009, the former shareholders of AAMAC had an approximate 63% voting interest in the Company and the Great American Members had an approximate 37% voting interest in the Company. The Acquisition has been accounted for as a reverse merger accompanied by a recapitalization of the Company. Under this accounting method, GAG, LLC is considered the acquirer for accounting purposes because it obtained effective control of AAMAC as a result of the Acquisition. This determination was primarily based on the following facts: the Great American Members' retention of a significant minority voting interest in the Company; the Great American Members' appointment of a majority of the members of the Company's initial board of directors; GAG, LLC's operations comprising the ongoing operations of the Company; and GAG, LLC's senior management serving as the senior management of the Company. Under this method of accounting, the recognition and measurement provisions of the accounting guidance for business combinations do not apply and therefore, the Company will not recognize any goodwill or other intangible assets based upon fair value or related amortization expense associated with amortizable intangible assets. Instead, the share exchange transaction utilizes the capital structure of the Company with AAMAC surviving as a subsidiary and the assets and liabilities of GAG, LLC are recorded at historical cost.

In the consolidated statement of stockholders' equity, the recapitalization of the number of shares of common stock attributable to the Great American Members is reflected retroactive to January 1, 2009. Accordingly, the number of shares of common stock presented as outstanding as of January 1, 2009 total 10,560,000 consisting of the number of shares of common stock issued to the Great American Members as consideration for their Contribution. In addition, member's equity of GAG, LLC was classified as retained earnings at January 1, 2009 and upon completion of the reverse merger on July 31, 2009, \$31,929 was reclassified from additional paid-in capital to retained earnings.

**NOTE 3—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***(a) Liquidity Matters***

Over the past years, the Company's growth has been funded through a combination of profits generated from operations and more recently from proceeds received from AAMAC in connection with the Acquisition. Although we were profitable during the years ended December 31, 2011 and 2009, we incurred a loss from operations during the year ended December 31, 2010. During the year ended December 31, 2010, the operating profits generated by the Company's Auction and Liquidation segment were negatively impacted due to fewer retail liquidation engagements conducted by the Company. As economic conditions and credit markets have improved for retailers, the number of large retail liquidation engagements in the auction and liquidation industry has decreased from historical levels. Our profitability is impacted by the number and size of retail liquidation engagements we perform on a quarterly or annual basis. These factors, in addition to the interest expense on the \$53,931 of subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders, have resulted in the net use of \$2,045 of cash

from operations during the year ended December 31, 2011 and net use of \$6,083 of cash from operations during the year ended December 31, 2010.

On May 4, 2010, the Company entered into individual amendments to an aggregate of \$52,419 of the \$55,617 principal amount outstanding of the subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders and the interest rate was reduced from 12.0% per annum to 3.75% per annum. In addition, the maturity date for \$46,996 of the \$55,617 principal amount outstanding of the subordinated, unsecured promissory notes payable to the Great American Members was extended to July 31, 2018, subject to annual prepayments based upon the Company's cash flow subject to certain limitations as provided in the amendment to the notes payable, including, without limitation, the Company's maintenance of a minimum adjusted cash balance of \$20,000. In addition, effective July 31, 2011, the Company entered into individual amendments that increased the principal amount of the promissory notes with Andy Gumaer and Harvey Yellen, the two former Great American Members, both of whom are executive officers and directors of the Company, by an aggregate amount of \$1,762 of accrued interest that was originally due on July 31, 2011. The addition to the principal amount will accrue interest at the note rate of 3.75% and continue to be subject to annual prepayments based upon the Company's cash flow and the maintenance of a minimum adjusted cash balance as provided in the notes prior to the capitalization of the accrued interest. As a result, the principal balance of the promissory notes to the two former Great American Members increased from an aggregate amount of \$46,996 to \$48,759. The terms of these amendments significantly reduce the annual cash required to service this debt.

In addition to amending the subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders, the Company has implemented cost reduction measures that have resulted in a reduction in employee headcount, reduction in base salaries to senior executives, and other cost savings measures. While the Company has implemented these cost reduction measures, the Company has also expanded its' operations in the United States with the formation of GA Keen Realty Advisors in January 2011 and continues to expand its' operations in the United Kingdom. These business activities have increased the overall operating costs of the Company on an annual basis; however, these efforts contributed favorably to the operating results of the Company in 2011.

As of December 31, 2011, the Company had \$15,034 in cash, \$1,942 of borrowings outstanding on its revolving credit facility and no borrowings outstanding under the asset based credit facility. The Company believes that its current cash and cash equivalents, funds available under its asset based credit facility and cash expected to be generated from operating activities will be sufficient to meet its working capital and capital expenditure requirements for at least the next 12 months. The Company continues to monitor its financial performance to ensure sufficient liquidity to fund operations.

***(b) Principles of Consolidation and Basis of Presentation***

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries: AAMAC, GAG LLC, Great American Group Advisory & Valuation Services, LLC (“GAAV”), Great American Group Machinery & Equipment, LLC (“GAME”), Great American Group Real Estate, LLC, Great American Venture, LLC, Great American Group Energy Equipment, LLC (GAGEE”), Great American Group Intellectual Property Advisors, LLC, GA Capital, LLC, GA Asset Advisors Limited, Great American Group WF, LLC, and Great American Group CS, LLC. All intercompany accounts and transactions have been eliminated upon consolidation.

Effective January 1, 2010, new consolidation guidance became effective relating to accounting for Variable Interest Entities (“VIE”). These changes require an enterprise to perform an analysis to determine whether the enterprise’s variable interest or interests give it a controlling financial interest in a variable interest entity; to require ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE; to eliminate the solely quantitative approach previously required for determining the primary beneficiary of a VIE; to add an additional reconsideration event for determining whether an entity is a VIE when any changes in facts and circumstances occur such that holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity’s economic performance; and to require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise’s involvement in a VIE. As more fully described in Note 19, the Company determined that its’ equity investment and subordinated financing arrangements with Great American Real Estate, LLC (“GARE”), a joint venture 50% owned by the Company and Kelley Capital, LLC, changes the status of GARE to a VIE that does not require consolidation in the Company’s consolidated financial statements. The adoption of these changes had no material impact on the Company’s consolidated financial statements.

***(c) Use of Estimates***

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expense during the reporting period. Estimates are used when accounting for certain items such as reserves for slow moving goods held for sale or auction, the fair value of mandatorily redeemable noncontrolling interests and accounting for income tax valuation allowances. Estimates are



based on historical experience, where applicable, and assumptions that management believes are reasonable under the circumstances. Due to the inherent uncertainty involved with estimates, actual results may differ.

***(d) Revenue Recognition***

Revenues are recognized in accordance with the accounting guidance when persuasive evidence of an arrangement exists, the related services have been provided, the fee is fixed or determinable, and collection is reasonably assured.

Revenues in the Valuation and Appraisal segment are primarily comprised of fees for valuation and appraisal services. Revenues are recognized upon the delivery of the completed services to the related customers and collection of the fee is reasonably assured. Revenues in the Valuation and Appraisal segment also include contractual reimbursable costs which totaled \$2,419, \$2,325 and \$2,396 for the years ended December 31, 2011, 2010 and 2009, respectively.

Revenues in the Auction and Liquidation segment are comprised of (i) commissions and fees earned on the sale of goods at auctions and liquidations; (ii) revenues from auction and liquidation services contracts where the Company guarantees a minimum recovery value for goods being sold at auction or liquidation; (iii) revenue from the sale of goods that are purchased by the Company for sale at auction or liquidation sales events; (iv) fees earned from real estate services and the origination of loans; (v) from financing activities is recorded over the lives of related loans receivable using the interest method and (vi) revenues from contractual reimbursable expenses incurred in connection with auction and liquidation contracts.

Commission and fees earned on the sale of goods at auction and liquidation sales are recognized when evidence of an arrangement exists, the sales price has been determined, title has passed to the buyer and the buyer has assumed the risks of ownership, and collection is reasonably assured. The commission and fees earned for these services are included in revenues in the accompanying consolidated statement of operations. Under these types of arrangements, revenues also include contractual reimbursable costs which totaled \$3,791, \$4,806 and \$5,806 for the years ended December 31, 2011, 2010, and 2009, respectively.

Revenues earned from auction and liquidation services contracts where the Company guarantees a minimum recovery value for goods being sold at auction or liquidation are recognized based on proceeds received. The Company records proceeds received from these types of engagements first as a reduction of contractual reimbursable expenses, second as a recovery of its guarantee and thereafter as revenue, subject to such revenue meeting the criteria of having been fixed or determinable. Contractual reimbursable expenses and amounts advanced to customers for minimum guarantees are initially recorded as advances against customer contracts in the accompanying consolidated balance sheets. If, during the auction or liquidation sale, the Company determines that the proceeds from the sale will not meet the minimum guaranteed recovery value as defined in the auction or liquidation services contract, the Company accrues a loss on the contract in the period that the loss becomes known.

The Company also evaluates revenue from auction and liquidation contracts in accordance with the accounting guidance to determine whether to report auction and liquidation segment revenue on a gross or net basis. The Company has determined that it acts as an agent in a substantial majority of its auction and liquidation services contracts and therefore reports the auction and liquidation revenues on a net basis.

Revenues from the sale of goods are recorded gross and are recognized in the period in which the sale of goods held for sale or auction are completed, title to the property passes to the purchaser and the Company has fulfilled its obligations with respect to the transaction. These revenues are primarily the result of the Company acquiring title to merchandise with the intent of selling the items at auction or for augmenting liquidation sales.

Fees earned from real estate services and the origination of loans where the Company provides capital advisory services are recognized in the period earned, the fee is fixed and determinable and collection is reasonably assured.

In the normal course of business, the Company will enter into collaborative arrangements with other merchandise liquidators to collaboratively execute auction and liquidation contracts. The Company's collaborative arrangements specifically include contractual agreements with other liquidation agents in which the Company and such other liquidation agents actively participate in the performance of the liquidation services and are exposed to the risks and rewards of the liquidation engagement. The Company's participation in collaborative arrangements including its rights and obligations under each collaborative arrangement can vary. Revenues from collaborative arrangements are recorded net based on the proceeds received from the liquidation engagement. Amounts paid to participants in the collaborative arrangements are reported separately as direct costs of revenues. Revenue from collaborative arrangements in which the Company is not the majority participant is recorded net based on the Company's share of proceeds received. The amounts and classifications of revenues and expenses subject to collaborative arrangements are as follows:

Year Ended December 31,  
2011      2010      2009

Revenues	\$11,739	\$5,956	\$35,994
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Operating expenses:

Direct costs of revenues	\$1,301	\$4,697	\$-
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***(e) Direct Cost of Services***

Direct cost of services relate to service and fee revenues. The costs consist of employee compensation and related payroll benefits, travel expenses, the cost of consultants assigned to revenue-generating activities and direct expenses billable to clients in the Valuation and Appraisal segment. Direct costs of services include participation in profits under collaborative arrangements in which the Company is a majority participant. Direct costs of services also include the cost of consultants and other direct expenses related to auction and liquidation contracts pursuant to commission and fee based arrangements in the Auction and Liquidation segment. Direct cost of services does not include an allocation of the Company's overhead costs.

***(f) Concentration of Risk***

Revenues from liquidation service contracts and financing activities to two retailers represented 15.2% and 11.7% of total revenues during the year ended December 31, 2011. Revenues from two liquidation service contracts represented 19.6% and 11.3% of total revenues during the year ended December 31, 2009. Revenues in the Valuation and Appraisal segment and the Auction and Liquidation segment are primarily generated in the United States.

The Company's activities in the Auction and Liquidation segment are executed frequently with, and on behalf of, distressed customers and secured creditors. Concentrations of credit risk can be affected by changes in economic, industry, or geographical factors. The Company seeks to control its credit risk and potential risk concentration through risk management activities that limit the Company's exposure to losses on any one specific liquidation services contract or concentration within any one specific industry. To mitigate the exposure to losses on any one specific liquidation services contract, the Company sometimes conducts operations with third parties through collaborative arrangements.

The Company maintains cash in various federally insured banking institutions. The account balances at each institution periodically exceed the Federal Deposit Insurance Corporation's ("FDIC") insurance coverage, and as a result, there is a concentration of credit risk related to amounts in excess of FDIC insurance coverage. The Company has not experienced any losses in such accounts. The Company also has substantial cash balances from proceeds received from auctions and liquidation engagements that are distributed to parties in accordance with the collaborative arrangements.

***(g) Advertising Expense***

The Company expenses advertising costs, which consist primarily of costs for printed materials, as incurred. Advertising costs totaled \$465, \$498 and \$828 for the years ended December 31, 2011, 2010, and 2009, respectively. Advertising expense is included as a component of selling, general and administrative expenses in the accompanying consolidated statement of operations.

***(h) Share-Based Compensation***

The Company's share based payment awards principally consist of grants of restricted stock and restricted stock units. Share based payment awards also includes grants of membership interests in the Company's majority owned subsidiaries. The grants of membership interests consist of percentage interests in the Company's majority owned subsidiaries as determined at the date of grant. In accordance with the applicable accounting guidance, share based payment awards are classified as either equity or liabilities. For equity-classified awards, the Company measures compensation cost for the grant of membership interests at fair value on the date of grant and recognizes compensation expense in the consolidated statement of operations over the requisite service or performance period the award is expected to vest. The fair value of the liability-classified award will be subsequently remeasured at each reporting date through the settlement date. Change in fair value during the requisite service period will be recognized as compensation cost over that period.

***(i) Income Taxes***

As a result of the Acquisition, beginning on July 31, 2009, the Company's results of operations are taxed as a C Corporation. Prior to the Acquisition, the Company's operations were organized as a limited liability company, whereby the Company elected to be taxed as a partnership and the income or loss was required to be reported by each respective member on their separate income tax returns. Therefore, no provision for income taxes has been provided in the accompanying consolidated financial statements for periods prior to July 31, 2009.

This change in tax status to a taxable entity resulted in the recognition of deferred tax assets and liabilities based on the expected tax consequences of temporary differences between the book and tax basis of the Company's assets and liabilities at the date of the Acquisition. This resulted in a net deferred tax benefit of \$6,987 being recognized and included in the tax benefit for the year ended December 31, 2009. The tax benefit for the year ended December 31, 2009 also includes a tax benefit of \$4,677 which was determined using an effective tax rate of 39.4% for the period from August 1, 2009 (the date on which the tax status changed to a C Corporation) to December 31, 2009.

The unaudited pro forma computation of income tax (benefit) included in the consolidated statements of operations for the year ended December 31, 2009, represents the tax effects that would have been reported had the Company been subject to U.S. federal and state income taxes as a corporation for all periods presented. Pro forma taxes are based upon the statutory income tax rates and adjustments to income for estimated permanent differences occurring during each period. Actual rates and expenses could have differed had the Company actually been subject to U.S. federal and state income taxes for all periods presented. Therefore, the unaudited pro forma amounts are for informational purposes only and are intended to be indicative of the results of operations had the Company been subject to U.S. federal and state income taxes as a corporation for all periods presented.

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the difference between the financial statement basis and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company estimates the degree to which tax assets and credit carryforwards will result in a benefit based on expected profitability by tax jurisdiction. A valuation allowance for such tax assets and loss carryforwards is provided when it is determined to be more likely than not that the benefit of such deferred tax asset will not be realized in future periods. Tax benefits of operating loss carryforwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carryforward period, and other circumstances. If it becomes more likely than not that a tax asset will be used, the related valuation allowance on such assets would be reduced.

The Company adopted the provisions of the new accounting guidance for accounting for uncertainty in income taxes on January 1, 2009. The adoption of the new guidance did not have a material impact on the Company's consolidated financial statements.

***(j) Cash and Cash Equivalents***

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***(k) Restricted Cash***

The Company maintains deposits in accounts under the control of a financial institution as collateral for letters of credit relating to liquidation engagements in connection with the \$100,000 credit facility described in Note 10(a). As of December 31, 2011 and 2010, there was no cash collateral for letters of credit and success fees.

***(l) Accounts Receivable***

Accounts receivable represents amounts due from the Company's auction and liquidation and valuation and appraisal customers. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management utilizes a specific customer identification methodology. Management also considers historical losses adjusted for current market conditions and the customers' financial condition and the current receivables aging and current payment patterns. Account balances are charged off

against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance sheet credit exposure related to its customers. The Company's bad debt expense totaled \$424, \$60 and \$18 for the years ended December 31, 2011, 2010, and 2009, respectively. Bad debt expense is included as a component of selling, general and administrative expenses in the accompanying consolidated statement of operations.

***(m) Advances Against Customer Contracts***

Advances against customer contracts represent advances of contractually reimbursable expenses incurred prior to, and during the term of the liquidation services contract. These advances are charged to expense in the period that revenue is recognized under the contract.

***(n) Goods Held for Sale or Auction***

Goods held for sale or auction are stated at the lower of cost, determined by the specific-identification method, or market.

***(o) Loan Receivable***

Loan receivable is the amount of \$8,306 at December 31, 2011 is stated at amortized cost and consists of a loan acquired from an investment bank at a discount from face value that provided financing to a retail company with operations in the United Kingdom. In February and March 2012, \$5,069 of the outstanding balance from the loan receivable was collected. Interest income is recognized using the interest method and the discount is amortized to income over the stated term of the loan receivable. Financing revenues earned from the loan receivable totaled \$1,471 during the year ended December 31, 2011 and included interest income of \$883 and amortization of discount on the loan receivable of \$588. These revenues from financing activities in included in revenues from services and fees in the auction and liquidation segment in the consolidated statement of operations.

***(p) Property and Equipment***

Property and equipment are stated at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment held under capital leases are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Property and equipment under capital leases are stated at the present value of minimum lease payments.





***(g) Goodwill and Other Intangible Assets***

The Company accounts for goodwill and intangible assets in accordance with the accounting guidance which requires that goodwill and other intangibles with indefinite lives be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Goodwill includes (i) the excess of the purchase price over the fair value of net assets acquired in a business combination described in Note 8 and (ii) an increase for the subsequent acquisition of noncontrolling interests during the year ended December 31, 2007 (also see Note 8). The Codification requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment). Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. The Company operates two reporting units, which are the same as its reporting segments described in Note 20. Significant judgment is required to estimate the fair value of reporting units which includes estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment.

The Company reviewed its reporting units for possible goodwill impairment by comparing the fair values of each of the reporting units to the carrying value of their respective net assets. If the fair values exceed the carrying values of the net assets, no goodwill impairment is deemed to exist. If the fair values of the reporting units do not exceed the carrying values of the net assets, goodwill is tested for impairment and written down to its implied value if it is determined to be impaired. Based on a review of the fair value of the reporting units, no impairment is deemed to exist as of December 31, 2011.

In accordance with the Codification, the Company reviews the carrying value of its amortizable intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the asset or asset group to the undiscounted cash flows that the asset or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount of the asset or asset group, if any, exceeds its fair market value. No impairment was deemed to exist as of December 31, 2011.

***(r) Discontinued Operations***

In accordance with the accounting guidance discontinued operations represent a component of an entity that has either been disposed of, or is classified as held for sale, if both the operations and cash flows of the component have been, or

will be, eliminated from ongoing operations of the entity as a result of the disposal transaction and the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. The Company classifies a component of the business as held for sale when certain criteria are met. At such time, the respective assets and liabilities are presented separately on the consolidated balance sheets and depreciation is no longer recognized. Assets held for sale are reported at the lower of their carrying amount or their estimated fair value less the estimated costs to sell the assets.

*(s) Fair Value Measurements*

On January 1, 2009, the Company adopted the new accounting guidance and all other guidance related to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

The Company records mandatorily redeemable noncontrolling interests that were issued after November 5, 2003 at fair value (see Note 16(b)) with fair value determined in accordance with the Codification. The following table below presents information about the Company's mandatorily redeemable noncontrolling interests that are measured at fair value on a recurring basis as of December 31, 2011 and 2010 which are categorized using the three levels of fair value hierarchy. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) for identical instruments that are highly liquid, observable and actively traded in over-the-counter markets. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable and can be corroborated by market data. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following tables present information on the liabilities measured and recorded at fair value on a recurring basis as of December 31, 2011 and 2010.

	<b>Financial Assets Measured at Fair Value on a Recurring Basis at December 31, 2011, Using Quoted prices in active markets for identical assets (Level 1)</b>			<b>Other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b>Fair Value at December 31, 2011</b>					
Mandatorily redeemable noncontrolling interests issued after November 5, 2003	\$ 2,882	\$-	\$ -		\$ 2,882
Total liabilities measured at fair value	\$ 2,882	\$-	\$ -		\$ 2,882

	<b>Financial Assets Measured at Fair Value on a Recurring Basis at December 31, 2010, Using Quoted prices in active markets for identical assets (Level 1)</b>			<b>Other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b>Fair Value at December 31, 2010</b>					
Mandatorily redeemable noncontrolling interests issued after November 5, 2003	\$ 2,132	\$-	\$ -		\$ 2,132
Total liabilities measured at fair value	\$ 2,132	\$-	\$ -		\$ 2,132

The Company determined the fair value of mandatorily redeemable noncontrolling interests described above based on the issuance of similar interests for cash, references to industry comparables, and relied, in part, on information obtained from appraisal reports prepared by outside specialists. The change in liabilities measured and recorded at fair value is comprised of an increase of \$832 in earnings attributable to the noncontrolling interest offset by a decrease of \$82 in the fair value of the noncontrolling interest during the year ended December 31, 2011.

The carrying amounts reported in the consolidated financial statements for cash, restricted cash, accounts receivable, accounts payable and accrued expenses and other current liabilities approximate fair value based on the short-term maturity of these instruments. The carrying amounts of the notes payable (including credit lines used to finance liquidation engagements), long-term debt and capital lease obligations approximate fair value because the contractual interest rates or effective yields of such instruments are consistent with current market rates of interest for instruments of comparable credit risk. The adoption of the new accounting guidance for fair value measurements did not have a material impact on the Company's consolidated financial statements.

***(t) Foreign Currency Translation***

The Company transacts business in various foreign currencies. In countries where the functional currency of the underlying operations has been determined to be the local country's currency, revenues and expenses of operations outside the United States are translated into United States dollars using average exchange rates while assets and liabilities of operations outside the United States are translated into United States dollars using year-end exchange rates. The effects of foreign currency translation adjustments are included in stockholders' equity as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets. Transaction losses, which were included in our consolidated statement of operations, amounted to a loss of \$218 and \$52 for the years ended December 31, 2011 and 2010, respectively.

***(u) Fiduciary Funds***

The accompanying consolidated balance sheets do not include fiduciary funds, which are held by the Company on behalf of clients in connection with the administration of loans in the performance of capital advisory services. Funds held by the Company on behalf of clients amounted to \$906 and \$6,945 at December 31, 2011 and 2010, respectively. These funds were disbursed in accordance with the respective loan administration agreements subsequent to year end for each of the respective years.

**(v) Recent Accounting Pronouncements**

In December 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2010-28, “*Intangibles — Goodwill and Other (Topic 350). When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts.*” ASU 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts by requiring an entity to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This update will be effective for fiscal years beginning after December 15, 2010. The adoption of this standard did not have a material impact on the Company’s consolidated financial position and results of operation.

In May 2011, the FASB issued ASU No. 2011-04, “*Fair Value Measurement (Topic 820) – Amendments to Achieve Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS.*” This ASU addresses fair value measurement and disclosure requirements within Accounting Standards Codification (“ASC”) Topic 820 for the purpose of providing consistency and common meaning between U.S. GAAP and IFRS. Generally, this ASU is not intended to change the application of the requirements in Topic 820. Rather, this ASU primarily changes the wording to describe many of the requirements in U.S. GAAP for measuring fair value or for disclosing information about fair value measurements. This ASU is effective for periods beginning after December 15, 2011. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial position and results of operation.

In June 2011, the FASB issued ASC No. 2011-05, “*Comprehensive Income (Topic 220), Presentation of Comprehensive Income*”. The FASB decided to eliminate the option to present components of other comprehensive income as part of the statement of changes in stockholders’ equity, among other amendments in this update. The amendments require that all non-owner changes in stockholder’s equity be presented in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, a company is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The statement of other comprehensive income should immediately follow the statement of net income and include the components of other comprehensive income and total for other comprehensive income, along with a total for comprehensive income. The company is also required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statements where the components of net income and the components of comprehensive income are presented. The amendments in this update should be applied retrospectively, and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

In September 2011, the FASB issued ASU No. 2011-08, “*Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment.*” ASU 2011-08 is intended to simplify how entities, both public and nonpublic, test goodwill for impairment. ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is “more likely than not” that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is

necessary to perform the two-step goodwill impairment test described in Topic 350, *Intangibles-Goodwill and Other*. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. The Company is currently evaluating the impact of the adoption of this ASU on its consolidated financial statements.

**NOTE 4— DISCONTINUED OPERATIONS**

In July 2008, management elected to close the Company's furniture division. At that time, the Company met the conditions to classify the business as assets held for sale of discontinued operations. The loss from discontinued operations in the accompanying consolidated statement of operations includes a charge to write down the assets held for sale to fair value less cost to sell of \$474 during the year ended December 31, 2009. The operations of the furniture business are presented in discontinued operations in the consolidated statements of operations for the year ended December 31, 2009.

The following amounts represent revenue and loss from discontinued operations:

	<b>Year Ended December 31, 2009</b>
Revenues	\$ 1,049
Loss from discontinued operations before income taxes	\$ (190 )

**NOTE 5— ACCOUNTS RECEIVABLE**

The components of accounts receivable net include the following:

	<b>December 31,</b>	
	2011	2010
Accounts receivable not subject to factoring agreement	\$7,829	\$2,052
Unbilled receivables	77	189
Amounts due from factor	-	861
Total accounts receivable	7,906	3,102
Allowance for doubtful accounts	(424 )	(15 )
Accounts receivable, net	\$7,482	\$3,087

Additions and changes to the allowance for doubtful accounts consist of the following:

	<b>Year Ended</b>		
	<b>December 31,</b>		
	2011	2010	2009
Balance, beginning of year	\$15	\$18	\$82
Add: Additions to reserve	424	60	18
Less: Write-offs	(15 )	(63 )	(82 )
Balance, end of year	\$424	\$15	\$18

Unbilled receivables represent the amount of contractual reimbursable costs and fees for services performed in connection with fee and service based auction and liquidation contracts.

GAAV is a party to a factoring agreement, dated as of May 22, 2007 (the “Factoring Agreement”) with FCC LLC, d/b/a First Capital Western Region, LLC (the “Factor”). The Factoring Agreement provided for an initial term of two years and annual one-year automatic extensions unless GAAV provides written notice of termination to the Factor. The Factor, at its discretion, purchased on a nonrecourse basis, all of the GAAV’s customer receivables. The Factor was responsible for servicing the receivables. The terms of the Factoring Agreement allowed for the Factor to pay 90% of the net receivable invoice amount upon request by GAAV and retain the remaining 10% in a reserve. The Factor, at its discretion, could offset the reserve for amounts not collected or outstanding at the end of the term of the Factoring Agreement. The Factor charged a factoring commission equal to 0.25% of the gross invoice amount of each account

purchased, or five dollars per invoice, whichever is greater, with a minimum commission of \$24 per year. The Factor also charged interest at prime plus 1% with a floor of 8% on the net uncollected outstanding balance of the receivables purchased. Effective December 1, 2009, the interest charged by the Factor was reduced to London Interbank Offered Rate ("LIBOR") plus 4.5% on the net uncollected outstanding balance of the receivables purchased. One of the members of the GAAV personally guaranteed up to a maximum of \$500 plus interest and certain fees for accounts receivables sold pursuant to the Factoring Agreement. On May 20, 2011, the Factoring Agreement was terminated and replaced with an accounts receivable revolving line of credit described in Note 10.

The sale of the receivables were accounted for in accordance with the accounting guidance for transfers and servicing of financial assets and extinguishments of liabilities. In accordance with the Codification, receivables were considered sold when they were transferred beyond the reach of the Company and its creditors, the purchaser had the right to pledge or exchange the receivables, and the Company had surrendered control over the transferred receivables. Accounts receivable sold to the Factor were \$5,147, \$13,815 and \$14,183 during the years ended December 31, 2011, 2010, and 2009, respectively. Factoring commissions and other fees based on advances were \$38, \$99 and \$171 for the years ended December 31, 2011, 2010, and 2009, respectively. Factoring commissions and other fees are included in selling, general and administrative expenses in the accompanying consolidated statements of operations. At December 31, 2011, accounts receivable in the amount of \$2,750 were collateralized by the new accounts receivable revolving line of credit more fully described in Note 10.



**NOTE 6— GOODS HELD FOR SALE OR AUCTION**

Goods held for sale or auction consists of the following:

	December 31,	
	2011	2010
Machinery and equipment	\$ 10,189	\$ 10,227
Leased equipment	1,781	1,969
Aircraft parts and other	964	1,308
Total	\$ 12,934	\$ 13,504

Goods held for sale or auction includes machinery and equipment, leased equipment with a carrying value of \$2,000, net of accumulated depreciation of \$219 and \$31 as of December 31, 2011 and 2010, respectively, and aircraft parts and other. Machinery and equipment is primarily comprised of oil rigs with a carrying value of \$9,737 and \$9,705 which includes a lower of cost or market adjustment of \$1,087 and \$1,056 as of December 31, 2011 and 2010, respectively. The leased equipment consists of one oil rig and is depreciated over a period of 15 year which approximates its useful life. Aircraft parts and other is primarily comprised of aircraft parts with a carrying value of \$964 and \$1,185 which includes a lower of cost or market adjustment of \$627 and \$543 as of December 31, 2011 and 2010, respectively. The total amount recorded by the Company for a lower-of-cost or market adjustment for goods held for sale or auction was \$159, \$1,389 and \$1,426 during the years ended December 31, 2011, 2010 and 2009, respectively. The Company has recorded deferred revenue of \$624 for non-refundable rent collected that may be applied to the purchase option at the end of the lease term in accordance with the lease agreement for the oil rig.

Machinery and equipment with a carrying value of \$9,737 and leased equipment with a carrying value of \$1,781 serve as collateral for the \$11,555 note payable as of December 31, 2011 as more fully described in Note 12.

**NOTE 7— PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

Estimated	December 31,
Useful Lives	2011 2010
Shorter of	
lease or	

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Leasehold improvements	estimated useful life	\$ 148	\$ 123
Machinery, equipment and computer software	3 years	1,656	1,449
Furniture and fixtures	5 years	863	848
Capital lease equipment	3 to 5 years	388	388
Total		3,055	2,808
Less: Accumulated depreciation and amortization		(2,139)	(1,439)
		\$916	\$1,369

Depreciations and amortization expense was \$713, \$631, and \$472 during the years ended December 31, 2011, 2010, and 2009, respectively.

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**NOTE 8— GOODWILL AND OTHER INTANGIBLE ASSETS**

Goodwill is comprised of \$1,975 in the Auction and Liquidation segment and \$3,713 in the Valuation and Appraisal segment. Goodwill of \$1,975 in the Auction and Liquidation and \$2,353 in the Valuation and Appraisal segment is the result of the acquisition of Garcel, Inc. on July 1, 2005. The remaining goodwill of \$1,360 in the Valuation and Appraisal segment is the result of the purchase of noncontrolling interests from a member of GAAV in exchange for a \$1,500 non-interest bearing note during the year ended December 31, 2007, which is more fully described in Note 11(c). The allocation of the purchase price in excess of the book value of the noncontrolling interest was recorded as goodwill. There have been no changes to the carrying amount of goodwill since December 31, 2007.

Other intangible assets with finite lives were being amortized over their estimated useful lives which range from 3.3 years for a favorable lease to 6 years for customer relationships. Amortization expense for the years ended December 31, 2011, 2010, and 2009 was \$81, \$161 and \$162, respectively.

Trademarks have been identified as an indefinite lived intangible asset and are presented with definite lived intangible assets as follows:

	December 31, 2011		
	Gross		
	Carrying Accumulated		
	<b>Amount</b>	<b>Amortization</b>	<b>Net</b>
Customer relationships	\$970	\$ 970	\$-
Trademarks	140	-	140
Total	\$1,110	\$ 970	\$140

	December 31, 2010		
	Gross		
	Carrying Accumulated		
	<b>Amount</b>	<b>Amortization</b>	<b>Net</b>
Customer relationships	\$970	\$ 889	\$81
Trademarks	140	-	140
Total	\$1,110	\$ 889	\$221

**NOTE 9— LEASING ARRANGEMENTS**

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The gross carrying amount of machinery and equipment and related accumulated amortization recorded under capital leases and included in property and equipment were as follows:

	December 31,	
	2011	2010
Machinery and equipment	\$388	\$388
Less: Accumulated depreciation and amortization	(355)	(249)
	\$33	\$139

Amortization expense for the assets under capital leases was \$106, \$114 and \$124, for the year ended December 31, 2011, 2010, and 2009, respectively, and is included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

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The Company is obligated under capital leases covering equipment that expire at various dates through 2013. The Company also has several noncancelable operating leases that expire at various dates through 2017. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2011 are:

	Capital Leases	Operating Leases
Year Ending December 31:		
2012	\$32	\$1,653
2013	13	1,189
2014	-	350
2015	-	257
2016	-	149
Thereafter	-	166
Total minimum lease payments	45	\$3,764
Less: Amount representing interest (at interest rate of 8.6%)	(3	)
Present value of net minimum capital lease payments	42	
Less: Current installments of obligation under capital leases	(29	)
Obligation under capital leases, excluding current installments	\$13	

Rent expense under all operating leases was \$1,635, \$1,575, and \$1,445, for the year ended December 31, 2011, 2010, and 2009, respectively. Rent expense is included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

#### **NOTE 10— CREDIT FACILITIES**

Credit facilities consist of the following arrangements:

##### ***(a) \$100,000 Asset Based Credit Facility***

On October 21, 2008, the Company entered into a \$75,000 asset based credit facility with a financial institution which had an initial expiration date of October 21, 2010. On August 27, 2009, the credit agreement governing this facility was amended to reflect the Company's ownership of GAG, LLC after the consummation of the Acquisition and which, among other things, revised the definition of "Guarantor" to include the Company. On July 16, 2010, the credit agreement was further amended to increase the amount of credit advances and letter of credit obligations from an aggregate of \$75,000 to \$100,000 and extend the term of the credit facility to July 16, 2013. In addition, the base rate

for the revolving loan amount was amended to the greater of (1) the Wells Fargo prime rate; (2) the LIBOR plus 1.00% and (3) the Federal Funds Effective Rate plus 0.50%. Prior to the amendment, the base rate was the Wells Fargo prime rate. In connection with the amendment, the Company paid a renewal fee of \$250. On December 8, 2010, the credit agreement was amended and restated to allow for borrowings by the Company's wholly owned subsidiary in the United Kingdom. Cash advances and the issuance of letters of credit under the credit facility are made at the lender's discretion. The letters of credit issued under this facility are furnished by the lender to third parties for the principal purpose of securing minimum guarantees under liquidation services contracts more fully described in Note 3(c). All outstanding loans, letters of credit, and interest are due on the expiration date which is generally within 180 days of funding. The credit facility is secured by the proceeds received for services rendered in connection with liquidation service contracts pursuant to which any outstanding loan or letters of credit are issued and the assets that are sold at liquidation related to such contract. The credit facility also provides for success fees in the amount of 5% to 20% of the profits earned on the liquidation contract, if any, as defined in the credit facility. Interest expense totaled \$1,755 (including success fees of \$1,286), \$652 (including success fees of \$365) and \$5,784 (including success fees of \$5,146) for the years ended December 31, 2011, 2010 and 2009, respectively. There was no outstanding balance under this credit facility at December 31, 2010 and 2009.

The credit agreement governing the credit facility contains certain covenants, including covenants that limit or restrict the Company's ability to incur liens, incur indebtedness, make investments, dispose of assets, make certain restricted payments, merge or consolidate and enter into certain transactions with affiliates. Upon the occurrence of an event of default under the credit agreement, the lender may cease making loans, terminate the credit agreement and declare all amounts outstanding under the credit agreement to be immediately due and payable. The credit agreement specifies a number of events of default (some of which are subject to applicable grace or cure periods), including, among other things, nonpayment defaults, covenant defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency defaults, and material judgment defaults.

On May 17, 2011, GAAV entered into a Loan and Security Agreement (Accounts Receivable Line of Credit) (the "Line of Credit") with BFI Business Finance ("BFI"). The Line of Credit is collateralized by the accounts receivable of GAAV and allows for borrowings in the amount of 85% of the net face amount of prime accounts, as defined in the Line of Credit, with maximum borrowings not to exceed \$2,000. The interest rate under the Line of Credit is the prime rate plus 2%, payable monthly in arrears. The Line of Credit was originally scheduled to expire on May 16, 2012; however, the Line of Credit was amended effective February 3, 2012 and the expiration date was extended to February 3, 2013 and the maximum borrowings allowed was increased from \$2,000 to \$3,000. The maturity date may be extended for successive periods equal to one year, unless GAAV gives BFI written notice of its intent to terminate the Line of Credit at least thirty days prior to the maturity date of the Line of Credit. BFI has the right to terminate the Line of Credit at its sole discretion upon giving sixty days' prior written notice to GAAV. In connection with the Line of Credit, GAG, LLC entered into a limited continuing guaranty of GAAV's obligations under the Line of Credit. Proceeds from the Line of Credit were used to pay off GAAV's borrowings under the Factoring Agreement as more fully described in Note 5. Interest expense totaled \$77 for the year ended December 31, 2011.

#### NOTE 11— LONG-TERM DEBT

Long-term debt consists of the following arrangements:

	December 31,	
	2011	2010
\$60,000 notes payable to each of the Great American Members and the Phantom Equityholders of GAG, LLC issued in connection with the Acquisition dated July 31, 2009	\$53,931	\$53,893
Total long-term debt	53,931	53,893
Less: Current portion of long-term debt	1,724	1,724
Long-term debt, net of current portion	\$52,207	\$52,169

##### *(a) \$60,000 Notes Payable*

On July 31, 2009, in connection with the Acquisition, the Company issued a note payable to the Contribution Consideration Recipients in the initial principal amount of \$60,000. In connection with the closing of the Acquisition, an initial principal payment of \$4,383 was made, thereby reducing the principal amount of the note to \$55,617. On August 28, 2009, the note was replaced with separate subordinated unsecured promissory notes (collectively, the "Notes") issued in favor of each of the Contribution Consideration Recipients. Prior to the Amendments described below, all Notes were payable in five equal annual principal payments in the aggregate amount of \$11,123 due on the anniversary date of the Notes beginning on July 31, 2010 through July 31, 2014 with interest payable quarterly in arrears beginning October 31, 2009 at 12% per annum. On May 4, 2010, the Company entered into individual amendments (each, an Amendment and collectively, the "Amendments") to an aggregate of \$52,419 of the \$55,617 principal amount outstanding of the subordinated unsecured promissory notes, which reduced the interest rate on the

amended notes from 12.0% per annum to 3.75% per annum. The interest rate reduction was effective retroactive to February 1, 2010. In addition, the maturity date for \$46,996 of the \$55,617 principal amount outstanding of the subordinated, unsecured promissory notes was extended to July 31, 2018, subject to annual prepayments based upon the Company's cash flow subject to certain limitations, as provided in the amendment to the notes payable, including, without limitation, the Company's maintenance of a minimum adjusted cash balance of \$20,000. Each prepayment, if any, is due within 30 days of the filing of the Company's Annual Report on Form 10-K, beginning with the Form 10-K for the fiscal year ending December 31, 2010. There were no prepayments due on the notes payable under this prepayment provision on April 30, 2011. The remaining notes with \$8,621 principal amount outstanding continue to be payable in five equal annual principal payments as described above. On October 27, 2010, the Company entered into individual waivers for an aggregate of \$51,334 of the \$53,893 principal amount outstanding of the subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders, whereby the noteholders agreed to permit the Company to defer payment of interest payments due on each of October 31, 2010, January 31, 2011, and April 30, 2011 until July 31, 2011. On July 26, 2011 and August 3, 2011, the Company entered into individual waivers which extended the payment date for \$1,418 of the \$1,724 of principal amount originally due and payable on July 31, 2011. Of the \$1,418 principal amount originally due on July 31, 2011, \$649 of principal amount was paid to two of the Phantom Equityholders on October 1, 2011, \$297 of principal amount was paid to one of the Phantom Equityholders on October 15, 2011, and \$472 of principal amount was paid to the remaining two Phantom Equityholders on November 4, 2011.

In addition, effective July 31, 2011, the Company entered into individual amendments that increased the principal amount of the promissory notes with Andy Gumaer and Harvey Yellen, the two former Great American Members, both of whom are executive officers and directors of the Company, by an aggregate amount of \$1,762 of accrued interest that was originally due on July 31, 2011. The addition to the principal amount will accrue interest at the note rate of 3.75% and continue to be subject to annual prepayments based upon the Company's cash flow and the maintenance of a minimum adjusted cash balance as provided in the notes prior to the capitalization of the accrued interest. As a result, the principal balance of the promissory notes to the two former Great American Members increased from an aggregate amount of \$46,996 to \$48,759.



Interest expense was \$2,221, \$2,692 and \$2,775 for the years ended December 31, 2011, 2010 and 2009, respectively. In accordance with the Amendments to the notes payable, the current portion of the amended notes payable in the amount of \$1,724 and the long-term portion of the amended notes payable in the amount of \$52,207 has been recorded in the accompanying consolidated balance sheet as of December 31, 2011. Accrued interest payable was \$365 and \$899 on the notes payable as of December 31, 2011 and 2010, respectively.

***(b) \$6,707 Note Payable***

On July 1, 2005, the Company entered into a secured promissory note in the principal amount of \$6,707 payable to the seller of Garcel, Inc (see Note 8). The note payable required interest only monthly payments at Well Fargo Bank's prime rate. Pursuant to the terms of the Purchase Agreement, the balance of the note payable was paid in full in connection with the consummation of the Acquisition. Interest expense was \$67 for the year ended December 31, 2009.

***(c) \$1,500 Non-Interest Bearing Note Payable***

On September 30, 2007, the Company purchased from one of the members of GAAV such member's mandatorily redeemable noncontrolling interest in GAAV (6.9%) in exchange for a non-interest bearing note payable in the amount of \$1,500 with imputed interest of \$55 at 5.0% (see Note 8). The note payable required annual payments of \$500 in 2007, \$700 in 2008, and was paid in full with the final payment of \$300 in 2009. Amortization of the discount on the note payable was \$9 for the year ended December 31, 2009 and is included in interest expense in the accompanying consolidated statements of operations.

**NOTE 12— NOTE PAYABLE**

On May 29, 2008, GAGEE entered into a credit agreement with Garrison Special Opportunities Fund LP, Gage Investment Group LLC (collectively, the "Lenders") to finance the purchase of certain machinery and equipment to be sold at auction or liquidation. The principal amount of the loan was \$12,000 and borrowings bore interest at a rate of 20% per annum. The loan is collateralized by the machinery and equipment which were purchased with the proceeds from the loan. GAGEE was required to make principal and interest payments from proceeds from the sale of the machinery and equipment. GAGEE is a special purpose entity created to purchase the machinery and equipment, whose assets consist only of the machinery and equipment in question and whose liabilities are limited to the Lenders' note and certain operational expenses related to this transaction. GAG, LLC guaranteed GAGEE's liabilities to the Lenders up to a maximum of \$1,200. The original maturity date of the loan was May 29, 2009; however, GAGEE exercised its right to extend the maturity date for 120 days until September 26, 2009. A fee of \$180 was paid in connection with the extension. On September 26, 2009, the note payable became due and payable.

On October 8, 2009, GAGEE and GAG, LLC entered into a Forbearance Agreement effective as of September 27, 2009 (the "Forbearance Agreement") with the Lenders and Garrison Loan Agency Services LLC ("Administrative Agent"), relating to the credit agreement, by and among GAGEE, as borrower, GAG, LLC, as guarantor, the Lenders and the Administrative Agent. Pursuant to the terms of the Forbearance Agreement, the Lenders agreed to forbear from exercising any of the remedies available to them under the credit agreement and the related security agreement until November 17, 2009, unless a forbearance default occurs, as specified in the Forbearance Agreement. Also, pursuant to the terms of the Forbearance Agreement, GAGEE agreed to hold an auction of the assets collateralizing GAGEE obligations under the credit agreement on or before November 3, 2009 and to use the sale proceeds to repay its obligations under the credit agreement. In connection with the execution of the Forbearance Agreement, GAG, LLC made a payment of \$1,200 on October 9, 2009, in full satisfaction of its guaranty under the credit agreement which reduced the principal amount of borrowings and interest due under the credit agreement. Pursuant to the Forbearance Agreement, the Company held an auction of the assets collateralizing GAGEE's obligation on November 3, 2009. The sale of the assets at auction was subject to meeting the reserve prices and approval by the Lenders, and the auction did not result in the sale of any of the assets.

On December 31, 2009, GAGEE entered into an amendment to credit agreement (the "First Amendment To Credit Agreement") dated as of December 18, 2009 with Garrison Special Opportunities Fund LP and the Administrative Agent, whereby the Lender agreed to forebear from exercising any of the remedies available to them under the Forbearance Agreement and the related Security Agreement and to extend the maturity date of the Forbearance Agreement until November 18, 2010, unless a forbearance default occurs, as specified in the Amended Credit Agreement. Pursuant to the terms of the First Amendment To Credit Agreement and Second Amendment To Credit Agreement (collectively, the Amended Credit Agreement"), the interest rate was reduced from 20% to 0% and the Lender agreed to reimburse GAGEE for certain expenses from proceeds of the sale assets that collateralize the Amended Credit Agreement. The Forbearance Agreement expired on November 18, 2010. GAGEE entered into a Second Amendment to the credit agreement on May 9, 2011, which extended the maturity date of the note payable to November 19, 2011 with an interest rate of 0% through maturity (the "Second Amendment to the Credit Agreement"). The Second Amendment to the Credit Agreement also provided for the lender to reimburse GAGEE for certain expenses from proceeds of the sale or lease of the assets that collateralize the note payable. As a result of the delay in entering into the Second Amendment to the Credit Agreement, interest in the amount of \$309 was accrued from the date of the expiration of the First Amendment to the Credit Agreement on November 18, 2010 to December 31, 2010 at an interest rate of 22% (the default rate). This accrued interest of \$309 was reversed in the first quarter of 2011, as the Second Amendment to the Credit Agreement provides for 0% interest for that period, and reflected in the consolidated statement of operations as a reduction of interest expense. GAGEE entered into a Third Amendment to the Credit Agreement on March 19, 2012, which extended the maturity date of the note payable to December 31, 2012 with an interest rate of 0% through maturity. The Third Amendment to the Credit Agreement provides for the lender to reimburse GAGEE for certain expenses from proceeds of the sale or lease of the assets that collateralize the note payable. GAGEE has no assets other than those collateralizing the loan which is comprised of machinery and equipment with a carrying value of \$10,189 and leased equipment with a carrying value of \$1,781 that is included in goods held for sale or auction in the accompanying balance at December 31, 2011. GAG, LLC has satisfied its obligation to pay the \$1,200 guarantee and the credit agreement does not provide for other recourse against GAG, LLC. Interest expense in connection with this note payable was \$2,070 and \$1,379 for the years ended December 31, 2009 and 2008, respectively.

On July 21, 2011, GAG, LLC entered into a loan agreement with Dialectic Capital Partners, LP, Dialectic Offshore Ltd., Dialectic Antithesis Partners, LP and Dialectic Antithesis Offshore Fund, Ltd. (collectively, the "Dialectic Lenders") and Dialectic Capital Management, LLC as collateral agent. The loan agreement provided for a loan of \$7,000 to GAG, LLC pursuant to a promissory note (the "Dialectic Note") with a stated principal amount of \$7,609 (the "Maturity Value") and maturity date of July 31, 2013. No interest is due or payable on the Dialectic Note until after November 1, 2011, at which time the Dialectic Note would begin to accrue interest at a rate of 14%, payable quarterly on the last day of January, April, July and October. The Dialectic Note was prepaid in full with no penalty on October 27, 2011. The loan was used to fund a portion of GAG, LLC's obligations in connection with its participation in a liquidation transaction. The loan agreement also provided for profit participation payments to the Dialectic Lenders up to a maximum of 5% of the Maturity Value. Interest expense totaled \$989 (including interest of \$380 for profit participation payments) for the year ended December 31, 2011.

On August 22, 2011, the Company borrowed \$259 from a finance company to finance insurance premiums. Interest on the loan was 6.49% and the loan required monthly installments of \$30 until maturity on May 1, 2012. Interest expense totaled \$3 for the year ended December 31, 2011 and the loan balance and accrued interest was paid in full October 2011.

**NOTE 13— COMMITMENTS AND CONTINGENCIES**

*(a) Letters of Credit*

There were no letters of credit outstanding at December 31, 2011 and 2010.

*(b) Legal Matters*

The Company is subject to certain legal and other claims that arise in the ordinary course of its business. The Company does not believe that the results of these claims are likely to have a material effect on its consolidated financial position or results of operations.

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**NOTE 14— INCOME TAXES**

Prior to the Acquisition on July 31, 2009, the Company's results of operations were taxed as a limited liability company, whereby the Company elected to be taxed as a partnership and the income or loss was required to be reported by each respective member on their separate income tax returns. Therefore, no provision for income taxes has been provided in the accompanying consolidated financial statements for periods prior to July 31, 2009. As a result of the Acquisition, beginning on July 31, 2009, the Company's results of operations are taxed as a C Corporation. The Company's (provision) benefit for income taxes consists of the following for the year ended December 31, 2011, 2010 and 2009:

	Year Ended December 31,		
	2011	2010	2009
Current:			
Federal	\$(10 )	\$(6 )	\$-
State	(179 )	(10 )	(1 )
Total current provision	(189 )	(16 )	(1 )
Deferred:			
Federal	(1,660)	4,251	3,760
State	(211 )	871	918
Change in tax status to C corporation	-	-	6,987
Total deferred	(1,871)	5,122	11,665
Total (provision) benefit for income taxes	\$(2,060)	\$5,106	\$11,664

A reconciliation of the federal statutory rate of 34% to the effective tax rate for income (loss) from continuing operations before income taxes is as follows for the year ended December 31, 2011, 2010 and 2009:

	Year Ended December 31,		
	2011	2010	2009
Provision (benefit) for income taxes at federal statutory rate	34.0%	(34.0)%	(34.0 )%
State income taxes, net of federal benefit	4.9	(4.8 )	(5.4 )
Effect of change in tax status to C corporation	-	-	(175.8)
Tax differential on vesting of restricted stock	37.2	5.6	-
Other	1.3	1.6	0.6
Effective income tax rate	77.4%	(31.6)%	(214.6)%

Deferred income tax assets (liabilities) consisted of the following as of December 31, 2011 and 2010:

	December 31,	
	2011	2010
Deferred tax assets:		
Allowance for doubtful accounts	\$ 150	\$-
Goods held for sale or auction	1,049	1,065
Deductible goodwill	566	626
Accrued liabilities	934	697
Deferred revenue	221	-
Mandatorily redeemable noncontrolling interests	685	732
Note payable to Phantom Equityholders	1,830	2,501
Share based payments	67	934
Other	68	51
Net operating loss carryforward	9,394	10,229
Total gross deferred tax assets	\$ 14,964	\$ 16,835

As of December 31, 2011, the Company had federal net operating loss carryforwards of \$22,386 and state net operating loss carryforwards of \$21,737. The Company's federal net operating loss carryforwards will expire in the tax year ending December 31, 2030 and the state net operating loss carryforwards will expire in 2031.

The Company establishes a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Tax benefits of operating loss and tax credit carryforwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carryforward period, and other circumstances. As of December 31, 2011, the Company believes that it is more-likely-than-not that future taxable earnings will be sufficient to realize its deferred tax assets and has not provided an allowance.

On January 1, 2009, the Company adopted the accounting guidance for accounting for uncertainty in income taxes. This accounting guidance addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under the accounting guidance, the Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company did not recognize any additional liabilities for uncertain tax positions as a result of the implementation of this accounting guidance.

The Company's uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the calendar year ended December 31, 2011, 2010 and 2009. For periods prior to the Acquisition, the Company operated as a limited liability company which was taxed as a partnership. The Company and its subsidiaries' state tax returns are also open to audit under similar statutes of limitations for the same tax years. The Company accrues interest on unrecognized tax benefits as a component of income tax expense. Penalties, if incurred, would be recognized as a component of income tax expense. The Company had no such accrued interest or penalties included in the accrued liabilities associated with unrecognized tax benefits as of the date of adoption.

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**NOTE 15— EARNINGS PER SHARE**

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted-average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding, after giving effect to all dilutive potential common shares outstanding during the period. The effect of the Acquisition has been given retroactive application in the earnings (loss) per share calculation (see Note 2, Basis of Presentation and Accounting Treatment of the Merger). The common stock issued and outstanding with respect to the pre-Acquisition stockholders of the Company has been included in the earnings (loss) per share calculation since the closing date of the Acquisition.

Basic and diluted earnings (loss) per share from continuing operations were calculated as follows (in thousands, except per share amounts):

	Year Ended December 31,		
	2011	2010	2009
Income (loss) from continuing operations	\$ 602	\$ (11,038 )	\$ 17,098
Weighted average shares outstanding:			
Basic	28,539,651	28,075,758	17,786,686
Effect of dilutive potential common shares:			
Restricted stock units and non-vested shares	-	-	144,030
Contingently issuable shares	868,815	-	733,333
Diluted	29,408,466	28,075,758	18,664,049
Basic earnings (loss) per share	\$ 0.02	\$ (0.39 )	\$ 0.96
Diluted earnings (loss) per share	\$ 0.02	\$ (0.39 )	\$ 0.92

Weighted average basic shares outstanding exclude 2,320,000 shares outstanding during the period from the Acquisition through December 31, 2011. Of the 2,320,000 shares outstanding, 1,000,000 shares are held in escrow and subject to cancellation if the Adjusted EBITDA targets are not achieved as more fully described in note 2 and 1,320,000 shares are held in escrow and subject to cancellation in the event there are any Escrow Claims as more fully described in note 2.

**NOTE 16— LIMITED LIABILITY COMPANY SUBSIDIARIES*****(a) Operating Agreements of Limited Liability Company Subsidiaries***



The Company has subsidiaries that are organized as limited liability companies, each of which has its own separate operating agreement. These operating agreements generally have the same material terms. Each of these subsidiaries are managed by an individual manager who is a member or employee of the subsidiary, although the manager may not take certain actions unless the majority member of the subsidiary (GAG, LLC) consents to the action. These actions include, among others, the dissolution of the subsidiary, the disposition of all or a substantial part of the subsidiary's assets not in the ordinary course of business, filing for bankruptcy, and the purchase by the subsidiary of one of the members' ownership interest upon the occurrence of certain events. Certain of the members with a minority ownership interest in the subsidiaries are entitled to receive guaranteed payments in the form of compensation or draws, in addition to distributions of available cash from time to time. Distributions of available cash are generally made to each of the members in accordance with their respective ownership interests in the subsidiary after repayment of any loans made by any members to such subsidiary, and allocations of profits and losses of the subsidiary are generally made to members in accordance with their respective ownership interests in the subsidiary. The operating agreements also place restrictions on the transfer of the members' ownership interests in the subsidiaries and provide the Company or the other members with certain rights of first refusal and drag along and tag along rights in the event of any proposed sales of the members' ownership interests.

A member of the subsidiary who materially breaches the operating agreement of the subsidiary, which breach has a direct, substantial and adverse effect on the subsidiary and the other members, or who is convicted of a felony (or a lesser crime of moral turpitude) involving his management of or involvement in the affairs of the subsidiary, or a material act of dishonesty of the member involving his management of or involvement in the affairs of the subsidiary, shall forfeit his entire ownership interest in the subsidiary.

***(b) Repurchase Obligations of Membership Interests of Limited Liability Company Subsidiaries***

The operating agreements of the Company's limited liability company subsidiaries require the Company to repurchase the entire ownership interest of each the members upon the death of a member, disability of a member as defined in the operating agreement, or upon declaration by a court of law that a member is mentally unsound or incompetent. Upon the occurrence of one of these events, the Company is required to repurchase the member's ownership interest in an amount equal to the fair market value of the member's noncontrolling interest in the subsidiary.

The Company evaluated the classification of all of its limited liability company members' ownership interests in accordance with the accounting guidance for financial instruments with characteristics of liabilities and equity. This guidance generally provides for the classification of members' ownership interests that are subject to mandatory redemption obligations to be classified outside of equity. In accordance with this guidance, all members with a minority ownership interest in these subsidiaries are classified as liabilities and included in mandatorily redeemable noncontrolling interests in the accompanying consolidated balance sheet. Members of these subsidiaries with a minority ownership interest issued before November 5, 2003 are stated on a historical cost basis and members of the Company's subsidiaries with a minority ownership interests issued on or after November 5, 2003 are stated at fair value at each balance sheet date. The Company deems such repurchase obligations, which are payable to members who are also employees of these subsidiaries, to be a compensatory benefit. Accordingly, the changes in the historical cost basis and the changes in the fair value of the respective members' ownership interests (noncontrolling interests) are recorded as a component of selling, general and administrative expenses in the accompanying consolidated statements of operations. The noncontrolling interests share of net income was \$3,934, \$1,805, and \$1,608 for the years ended December 31, 2011, 2010 and 2009, respectively. The decrease in fair value of \$83 and \$205 for the years ended December 31, 2011 and 2010, respectively, are recorded as a reduction of selling, general and administrative expenses in the accompanying consolidated statements of operations.

**NOTE 17— SHARE BASED PAYMENTS**

***(a) Grant of Membership Interests in Limited Liability Company Subsidiaries***

The limited liability company operating agreement of GAAV was amended on January 1, 2008 to admit two additional members. Both such members were granted a 3% interest in the members' equity of GAAV. The aggregate value of the grant of the membership interests totaled \$1,440. The membership interests vest one-third on January 1, 2008, the date of grant, and one-third on January 1, 2010 and the remaining one-third on January 1, 2011. The membership interests were issued as employee share based payment awards that are being recognized over the requisite service periods. Share based compensation of \$160 and \$400 for the years ended December 31, 2010 and 2009, respectively, is included in selling, general and administrative expense in the accompanying consolidated statement of operations. At December 31, 2011, there was no unrecognized compensation expense related to these

grants.

The Company determined the fair value of the share based payment awards described above based on issuances of similar member interests for cash and references to industry comparables. The Company also relied, in part, on information obtained from appraisal reports prepared by outside specialists.

***(b) Restricted Stock Awards***

In connection with the Acquisition, the Company granted 1,440,000 shares of non-vested common stock to the Phantom Equityholders. These shares are issuable in accordance with the following vesting schedule: 50% on January 31, 2010, 25% on July 31, 2010 and the remaining 25% on January 31, 2011. Share based compensation for the non-vested stock awards of \$296, \$3,845 and \$2,958 for the years ended December 31, 2011, 2010 and 2009, respectively, is included in selling, general and administrative expense in the accompanying consolidated statement of operations. The corresponding income tax benefit recognized in the consolidated statement of operations was \$115, \$1,498 and \$1,165 for the years ended December 31, 2011, 2010 and 2009, respectively. Of the 1,440,000 shares of common stock that vested in accordance with the vesting schedule, 241,298 shares of common stock of the Company were issued to the Phantom Equityholders and 226,702 shares were forfeited by the Phantom Equityholders to pay for employment withholding taxes during the year ended December 31, 2011 and 536,558 shares of common stock of the Company were issued to the Phantom Equityholders and 435,442 shares were forfeited by the Phantom Equityholders to pay for employment withholding taxes during the year ended December 31, 2010.

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At December 31, 2011, there was no unrecognized share based compensation expense related to these non-vested shares. The Company's non-vested stock activity for the year ended December 31, 2009, 2010 and 2011 is summarized in the following table:

	Shares	Weighted Average Fair Value Per Share
Outstanding at December 31, 2008	-	\$ -
Granted	1,440,000	4.93
Vested	-	-
Foreited/Cancelled	-	-
Outstanding at December 31, 2009	1,440,000	4.93
Granted	-	-
Vested	(1,080,000)	4.93
Foreited/Cancelled	-	-
Outstanding at December 31, 2010	360,000	4.93
Granted	-	-
Vested	(360,000 )	4.93
Foreited/Cancelled	-	-
Outstanding at December 31, 2011	-	\$ -

***(c) Restricted Stock Unit Activity***

On July 15, 2010 and August 25, 2009, each of the non-employee directors then serving on the Company's Board of Directors were awarded 40,000 and 10,142 restricted stock units with a grant date fair value of \$1.25 and \$4.93, respectively, in connection with their annual grant. In addition, on August 25, 2009, each of the non-employee directors then serving on the Company's Board of Directors were awarded an initial grant of 8,113 restricted stock units with a grant date fair value of \$4.93 per share. Such restricted stock units are subject to a one-year vesting period that commenced on July 31, 2009 for the restricted stock units granted in 2009 and July 15, 2010 for the restricted stock units granted in 2010. The total number of restricted stock units granted in 2010 and 2009 was 200,000 and 91,275 for a total value of \$250 and \$450, respectively. The restricted stock units granted in 2009 were 100% vested at December 31, 2010. Share based compensation for the restricted stock units was \$135, \$415 and \$150 for the years ended December 31, 2011, 2010 and 2009, respectively, and is included in selling, general and administrative expense in the accompanying consolidated statement of operations.

At December 31, 2011, there were no non-vested restricted stock units or unrecognized share based compensation expense related to these restricted stock units.

***(d) Great American Group, Inc. Amended and Restated 2009 Stock Incentive Plan***

In connection with the consummation of the Acquisition, the Company assumed the AAMAC 2009 Stock Incentive Plan which was approved by the AAMAC stockholders on July 31, 2009 (as assumed, the "Incentive Plan"). In accordance with Section 13(a) of the Incentive Plan, in connection with the Company's assumption of the Incentive Plan, the Board of Directors adjusted the maximum number of shares that may be delivered under the Incentive Plan to 15,644,000 to account for the two-for-one exchange ratio of Company common stock for AAMAC common stock in the Acquisition. On August 19, 2009, the Board of Directors approved an amendment and restatement of the Incentive Plan which adjusted the number of shares of stock the Company reserved for issuance thereunder to 7,822,000. As of December 31, 2011, there were no shares issued under the Incentive Plan.

***(e) Other Stock Awards***

On August 19, 2009, the Board of Directors approved the issuance of an aggregate of 115,852 shares of restricted stock to three investment banks that provided investment banking services in connection with the Acquisition. The shares were granted as partial payment for fees incurred in connection with the Acquisition and is included in the consolidated statement of shareholders' equity (deficit) for the year ended December 31, 2009.

## NOTE 18— EMPLOYEE COMPENSATION ARRANGEMENTS

### *(a) Guaranteed Payments*

On July 16, 2007, GAG, LLC entered into employment agreements with two of its members who served as officers of GAG, LLC which entitle each member to a guaranteed payment of \$500 per year plus additional benefits for a three-year period. If during the term of the agreement, the officer's employment terminates for any reason or no reason at all, the officer is entitled to receive a lump sum payment for the remaining unpaid contractual payments including fringe benefits.

The Company recognized a liability and a charge to equity (deferred compensation) of \$3,197 at July 16, 2007, for the guaranteed payments due to the officers. Compensation expense, which was recognized over the then remaining three year term of the employment agreements, totaled \$621 during the year ended December 31, 2009. This has been recorded in selling, general and administrative expenses in the accompanying consolidated statement of operations. In connection with the Acquisition, these employment agreements were terminated and the officers entered into new employment agreements with the Company (see Note 18(d)). The remaining liability for the deferred compensation of \$1,022 as of July 31, 2009 was discharged and reflected in the accompanying consolidated financial statements of the Company as a decrease to accrued compensation plans and an increase in shareholders' equity - deferred compensation arrangements.

### *(b) Deferred Compensation Plan*

In 2002, GAG, LLC adopted a deferred compensation plan (the "Plan") pursuant to which GAG, LLC could grant units to receive cash incentive compensation upon the occurrence of specified events. On June 1, 2002, participants in the Plan were collectively awarded 7,400 units, which entitled the holders to an aggregate amount equal to: (i) 37% of the increase in the book value of GAG, LLC from the date of grant in the event the participant terminates employment for any reason other than cause or (ii) an amount that is equal to the proceeds that an owner of 37% of the equity of GAG, LLC would receive upon the sale of GAG, LLC, in one transaction or a series of transactions as defined in the Plan. The awards vested upon grant and are forfeited if the holder is terminated from GAG, LLC for cause.

No additional awards were granted since the inception of the Plan and 1,000 units of the initial grant have been forfeited. At December 31, 2008, a total of 6,400 units were outstanding under the Plan. As the awards vested upon grant, the Company recognized a liability based upon the number of units outstanding and the increase in book value from the grant date. Compensation expense in connection with the deferred compensation plan was \$4,005 during the year ended December 31, 2009 and is included in selling, general and administrative expenses in the accompanying consolidated statement of operations. The Plan participants (the Phantom Equityholders) entered into amendment and

release agreements in connection with the consummation of the Acquisition, pursuant to which each participants received payment in the form of a note payable. The initial aggregate principal amount of the notes payable was \$9,300.

***(c) Employee Benefit Plan***

The Company maintains a qualified defined contribution 401(k) plan, which covers substantially all of its U.S. employees. Under the plan, participants are entitled to make pre-tax contributions up to the annual maximums established by the Internal Revenue Service. The plan document permits annual discretionary contributions from the Company. No employer contributions were made in any of the periods presented.

***(d) Employment Agreements***

In connection with the consummation of the Acquisition, the Company entered into separate employment agreements with the Chief Executive Officer, the Vice Chairman and President, the Chief Financial Officer, and the Executive Vice President of Retail Services. The employment agreements have no defined term of employment and either party to each employment agreement may terminate the employment relationship at any time. Each employment agreement provides for a base salary and annual bonuses set by the Compensation Committee of the Company's Board of Directors, an annual increase in base salaries of no less than 5% and a monthly automobile allowance. Each employment agreement provides for the payment of severance ranging from 12 to 24 months following the date of termination, as defined therein.

## NOTE 19— RELATED PARTY TRANSACTIONS

In October 2008, the Company entered into a \$30,530 asset based credit facility with an affiliate of one of the Company's members for a single liquidation contract. The credit facility, as amended, provided financing in the form of a term loan in the amount of \$23,927 and letters of credit in the amount of \$6,603. Borrowings under the credit facility and fees for the letters of credit bore interest at a rate of 11.0% per annum. The credit facility also required the Company to pay a success fee in the amount of 25.0% of the profits earned on the liquidation contract, if any, as defined in the credit facility. The term loan had a maturity date of January 20, 2009 and the letters of credit had an expiration date of April 1, 2009. There were outstanding letters of credit of \$7,041 at December 31, 2008 that were subsequently reduced to \$2,448 in January 2009 until expiration in April 2009. During the years ended December 31, 2009, interest expense totaled \$420 (including \$325 for the success fee). These amounts are reflected in interest expense in the accompanying consolidated statement of operations.

On January 4, 2010, the Company loaned \$2,706 to GAHA Fund I, a wholly-owned subsidiary of GARE. GAHA Fund I was created to purchase land and a commercial building that was subsequently sold by GAHA Fund I in January 2011. The note receivable was collateralized by the land and commercial building which was purchased with the proceeds from the loan. The note receivable bore interest at a rate of 10% per annum. The principal balance on the note and all unpaid interest was paid by GAHA Fund I in January 2011. Interest income was \$69 and \$268 for the years ended December 31, 2011 and 2010, respectively, and is included in interest income in the accompanying consolidated statement of operations. At December 31, 2010, the note receivable in the amount of \$2,706 was included in note receivable – related party in the accompanying consolidated balance sheet and accrued interest receivable in the amount of \$268 was included in prepaid expenses and other current assets in the accompanying consolidated balance sheet.

On July 8, 2010, the Company loaned \$3,224 to GARE for the purposes of investing in GAHA Fund II, LLC, a newly formed joint venture which is 50% owned by GARE. GAHA Fund II, LLC is a special purpose entity created to purchase non-performing distressed real estate loans at a discount to par from a financial institution and market the loans and real estate to third parties. The note receivable bears interest at a rate of 15% per annum and all unpaid principal and interest was originally due on July 8, 2011. In July 2011, the maturity date of the loan was extended and the interest rate was reduced to 8% per annum. On December 29, 2011, additional funds in the amount of \$620 were loaned to GARE and the note receivable was amended to increase the outstanding balance to \$3,844 and extend the maturity date to July 31, 2012. Interest income was \$371 and \$233 for the years ended December 31, 2011 and 2010, respectively, and is included in interest income in the accompanying consolidated statement of operations. The note receivable in the amount of \$3,844 and \$3,224 is included in note-receivable – related party and accrued interest receivable in the amount of \$604 and \$233 is included in prepaid expenses and other current assets as of December 31, 2011 and 2010, respectively, in the accompanying condensed consolidated balance sheet.

In accordance with the accounting guidance for consolidation of variable interest entities, the Company has determined that the subordinated financing arrangements in the form of notes receivable described above with GARE changes the status of the entities to VIE. The Company, in determining whether or not it is the primary beneficiary of



GARE, considered the voting interests of the members of GARE and each member's ability to direct the activities of GARE. The Company determined it is not the primary beneficiary of the VIE since decisions to direct the operations of GARE are done jointly by the members of GARE and the Company does not have a disproportionate voting interest which allows it to exercise any rights or powers that would enable the Company to direct the activities of GARE that most significantly impact GARE's economic performance. The accompanying consolidated financial statements do not consolidate GARE. The loss from GARE is accounted for under the equity method of accounting and is included in other income (loss) in the amount \$369, \$1,640 and \$861 in the consolidated statements of operations for the years ended December 31, 2011, 2010 and 2009, respectively. At December 31, 2011, the maximum amount of loss exposure related to these VIE's is equal to the carrying value of the respective notes receivable – related party and accrued interest receivable described above.

In August 2011, the Company paid a loan origination fee of \$140 (2% of the \$7,000 Dialetic Note as more fully described in note 12) to B. Riley & Co., an investment bank. A member of the Company's board of directors is the controlling shareholder, president and chief executive officer of B. Riley & Co.

#### **NOTE 20— BUSINESS SEGMENTS**

The Company's operating segments, as defined by FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information* (SFAS 131), reflect the manner in which the business is managed and how the Company allocates resources and assesses performance internally. The Company's chief operating decision maker is a committee comprised of the Chief Executive Officer, Vice Chairman and President, and Chief Financial Officer. The Company has several operating subsidiaries through which it delivers specific services. The Company provides auction, liquidation, capital advisory, financing, real estate, and other services to stressed or distressed companies in a variety of diverse industries that have included apparel, furniture, jewelry, real estate, and industrial machinery. The Company also provides appraisal and valuation services for retail and manufacturing companies. The Company's business is classified by management into two reportable segments: Auction and Liquidation, and Valuation and Appraisal. These reportable segments are two distinct businesses, each with a different customer base, marketing strategy and management structure. The Valuation and Appraisal reportable segment is an aggregation of the Company's valuation and appraisal operating segments, which are primarily organized based on the nature of services and legal structure.

Additionally, the Valuation and Appraisal operating segments are aggregated into one reportable segment as they have similar economic characteristics and are expected to have similar long-term financial performance.

The following is a summary of certain financial data for each of the Company's reportable segments:

	Year Ended December 31,		
	2011	2010	2009
Auction and Liquidation reportable segment:			
Revenues - Services and fees	\$37,830	\$15,902	\$49,005
Revenues - Sale of goods	2,899	5,119	12,611
Total revenues	40,729	21,021	61,616
Direct cost of services	(10,097)	(5,977 )	(7,839 )
Cost of goods sold	(3,391 )	(6,674 )	(12,669)
Selling, general, and administrative expenses	(13,353)	(7,980 )	(6,619 )
Depreciation and amortization	(175 )	(123 )	(72 )
Segment income	13,713	267	34,417
Valuation and Appraisal reportable segment:			
Revenues	22,797	21,124	21,805
Direct cost of revenues	(9,652 )	(9,440 )	(9,652 )
Selling, general, and administrative expenses	(7,161 )	(7,647 )	(7,851 )
Depreciation and amortization	(158 )	(164 )	(166 )
Segment income	5,826	3,873	4,136
Consolidated operating income from reportable segments	19,539	4,140	38,553
Corporate and other expenses	(12,099)	(15,499)	(21,035)
Interest income	476	522	32
Other income	-	-	18
Loss from equity investment in Great American Real Estate, LLC	(369 )	(1,640 )	(861 )
Interest expense	(4,885 )	(3,667 )	(11,273)
Income (loss) from continuing operations before (provision) benefit for income taxes	2,662	(16,144)	5,434
(Provision) benefit for income taxes	(2,060 )	5,106	11,664
Income (loss) from continuing operations	602	(11,038)	17,098
Loss from discontinued operations	-	-	(142 )
Net income (loss)	\$602	\$(11,038)	\$16,956
Capital expenditures:			
Auction and Liquidation segment	\$188	\$557	\$509
Valuation and Appraisal segment	76	35	319
Total	\$264	\$592	\$828

As of December  
31,

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	2011	2010
Total assets:		
Auction and Liquidation segment	\$68,487	\$66,846
Valuation and Appraisal segment	8,176	5,428
Total	\$76,663	\$72,274

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**NOTE 21— SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)**

	<b>Quarter Ended</b>			
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011
Total revenues	\$13,816	\$9,831	\$28,512	\$11,367
Operating income (loss)	305	(2,213)	) 9,028	320
Income (loss) from operations	178	(3,107)	) 6,049	(458)
(Provision) benefit for income taxes	(704)	) 858	(2,018)	) (196)
Net income (loss)	\$(526)	) \$(2,249)	) \$4,031	\$(654)
Earnings (loss) per share:				
Basic	\$(0.02)	) \$(0.08)	) \$0.14	\$(0.02)
Diluted	\$(0.02)	) \$(0.08)	) \$0.14	\$(0.02)
Weighted average shares outstanding:				
Basic	28,360,875	28,460,392	28,650,980	28,681,609
Diluted	28,360,875	28,460,392	29,519,141	28,681,609

	<b>Quarter Ended</b>			
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
Total revenues	\$12,067	\$5,215	\$13,858	\$11,005
Operating income (loss)	(3,197)	) (9,743)	) 2,427	(846)
Income (loss) from operations	(4,552)	) (10,870)	) 1,335	(2,057)
(Provision) benefit for income taxes	1,572	4,263	(880)	) 151
Net income (loss)	\$(2,980)	) \$(6,607)	) \$455	\$(1,906)
Earnings (loss) per share:				
Basic	\$(0.11)	) \$(0.24)	) \$0.02	\$(0.07)
Diluted	\$(0.11)	) \$(0.24)	) \$0.02	\$(0.07)
Weighted average shares outstanding:				
Basic	27,899,963	27,998,705	28,160,667	28,239,036
Diluted	27,899,963	27,998,705	29,129,099	28,239,036