Great American Group, Inc.
Form 10-Q
August 15, 2011

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

FORM 10-Q

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

For the quarterly period ended June 30, 2011
or

oTRANSITION 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

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)

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 x No o

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

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

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company x
(Do not check if a 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 o No x

As of August 10, 2011, there were 30,800,334 shares of the Registrant's common stock, par value $0.0001 per share, outstanding.

Great American Group, Inc.
Quarterly Report on Form 10-Q
For The Quarter Ended June 30, 2011
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Dollars in thousands, except par value)

	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 17,390	$ 20,080
Accounts receivable, net	4,884	3,087
Advances against customer contracts	372	3,063
Goods held for sale or auction	12,839	13,504
Note receivable - related party	3,224	5,930
Deferred income taxes	5,128	5,463
Prepaid expenses and other current assets	2,039	1,353
Total current assets	45,876	52,480
Property and equipment, net	1,241	1,369
Goodwill	5,688	5,688
Other intangible assets, net	140	221
Deferred income taxes	11,866	11,372
Note receivable	2,415	—
Other assets	850	1,144
Total assets	$ 68,076	$ 72,274
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 8,681	$ 10,631
Auction and liquidation proceeds payable	307	1,712
Mandatorily redeemable noncontrolling interests	2,639	2,858
Revolving line of credit	2,290	—
Current portion of long-term debt	1,724	1,724
Note payable	11,705	12,014
Current portion of capital lease obligation	27	27
Total current liabilities	27,373	28,966
Capital lease obligation, net of current portion	29	42
Long-term debt, net of current portion	52,169	52,169
Total liabilities	79,571	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; 30,800,334 and 30,559,036 issued and outstanding as of June 30, 2011 and December 31, 2010, respectively	4	4
Additional paid-in capital	3,191	2,878
Retained earnings (deficit)	(14,567)	(11,792)

Accumulated other comprehensive income (loss)	(123)	7
Total stockholders' equity (deficit)	(11,495)	(8,903)
Total liabilities and stockholders' equity (deficit)	$68,076	$ 72,274

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

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues:				
Services and fees	$9,569	$2,279	$22,572	$12,909
Sale of goods	262	2,936	1,075	4,373
Total revenues	9,831	5,215	23,647	17,282
Operating expenses:				
Direct cost of services	3,479	2,882	8,291	8,086
Cost of goods sold	405	3,993	1,313	5,537
Selling, general and administrative expenses	8,160	8,083	15,951	16,599
Total operating expenses	12,044	14,958	25,555	30,222
Operating loss	(2,213)	(9,743)	(1,908)	(12,940)
Other income (expense):				
Other income (expense)	(6)	—	(10)	—
Interest income	153	87	290	177
Income (loss) from equity investment in Great American Real Estate, LLC	(416)	(455)	(348)	(867)
Interest expense	(625)	(759)	(953)	(1,792)
Loss before income taxes	(3,107)	(10,870)	(2,929)	(15,422)
Benefit for income taxes	858	4,263	154	5,835
Net loss	$(2,249)	$(6,607)	$(2,775)	$(9,587)
Weighted average basic shares outstanding	28,460,392	27,998,705	28,410,908	27,949,607
Weighted average diluted shares outstanding	28,460,392	27,998,705	28,410,908	27,949,607
Basic and diluted loss per share	$(0.08)	$(0.24)	$(0.10)	$(0.34)
Diluted loss per share	$(0.08)	$(0.24)	$(0.10)	$(0.34)

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

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Stockholders’ Equity (Deficit)
For the Six Months Ended June 30, 2011
(Unaudited)
(Dollars in thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance, January 1, 2011	—	$ —	30,559,036	$ 4	$ 2,878	$ (11,792)	$ 7	$ (8,903)
Vesting of restricted stock, net of shares withheld for employee taxes	—	—	241,298	—	(108)	—	—	(108)
Share based compensation	—	—	—	—	421	—	—	421
Net loss for the six months ended June 30, 2011	—	—	—	—	—	(2,775)	—	(2,775)
Foreign currency translation adjustment	—	—	—	—	—	—	(130)	(130)
Balance, June 30, 2011	—	$ —	30,800,334	$ 4	$ 3,191	$ (14,567)	$ (123)	$ (11,495)

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

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Cash Flows
(Unaudited)
(Dollars in thousands)

	Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net loss	$(2,775)	$(9,587)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	439	375
Provision for doubtful accounts	–	45
Impairment of goods held for sale or auction	–	1,308
Share-based payments	421	2,398
Effect of foreign currency on operations	(118)	–
Non-cash interest	(580)	–
Loss from equity investment in Great American Real Estate, LLC	416	867
Loss on disposal of assets	3	2
Deferred income taxes	(159)	(5,835)
Income allocated to mandatorily redeemable noncontrolling interests	1,393	661
Change in operating assets and liabilities:		
Accounts receivable and advances against customer contracts	894	(4,837)
Income taxes receivable	–	249
Goods held for sale or auction	665	(250)
Prepaid expenses and other assets	(388)	1,537
Accounts payable and accrued expenses	(1,949)	534
Auction and liquidation proceeds payable	(1,405)	237
Net cash used in operating activities	(3,143)	(12,296)
Cash flows from investing activities:		
Purchases of property and equipment	(233)	(370)
Decrease (increase) in note receivable - related party	2,706	(2,706)
Increase in note receivable	(2,409)	–
Equity investment in Great American Real Estate, LLC	(156)	(1,775)
Increase in restricted cash	–	(1,436)
Net cash used in investing activities	(92)	(6,287)
Cash flows from financing activities:		
Proceeds from asset based credit facility, net	–	8,746
Proceeds from revolving line of credit	2,290	–
Repayments of long-term debt and capital lease obligations	(13)	(12)
Payment of employment taxes on vesting of restricted stock	(108)	(948)
Distribution to noncontrolling interests	(1,612)	(699)
Net cash provided by financing activities	557	7,087
Decrease in cash and cash equivalents	(2,678)	(11,496)
Effect of foreign currency on cash	(12)	–
Net decrease in cash and cash equivalents	(2,690)	(11,496)
Cash and cash equivalents, beginning of period	20,080	37,989
Cash and cash equivalents, end of period	$17,390	$26,493
Supplemental disclosures:		

Interest paid	$193	$2,350

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

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED 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.

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 7). 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 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 and capital advisory services to retailers. 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—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. During the year ended December 31, 2010 and six months ended June 30, 2011, the operating profits generated by the Company’s Auction and Liquidation segment have been 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. These factors, in addition to the interest expense on the $53,893 of subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders, have resulted in the net use of $3,143 and $6,083 of cash from operations during the six months ended June 30, 2011 and year ended December 31, 2010, respectively.

On May 4, 2010, the Company entered into individual amendments that reduced the interest rate from 12.0% per annum to 3.75% per annum for $52,419 of the $55,617 principal amount outstanding of the subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders. 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. The terms of these amendments significantly reduce the annual cash required to service this debt. On October 27, 2010, the Company entered into individual waivers related to 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.

In addition to amending the subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders, the Company implemented cost reduction measures in September 2010 which resulted in a reduction in employee headcount, reduction in base salaries to senior executives, and other cost savings measures. 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, two of the Phantom Equityholders extended the payment date for an aggregate amount $649 until August 31, 2011, one of the Phantom Equityholders extended the payment for an aggregate amount of $297 until October 15, 2011, and the two other Phantom Equityholders extended the payment date for an aggregate amount $472 until December 15, 2011. Interest will accrue at each of the notes respective note rates until the principal amount is paid. The Company continues to have the right to prepay the extended amounts prior to extended due dates. 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.

On July 31, 2011, the Company entered into individual waivers which extended the payment date for $1,103 of the $1,724 of principal amount originally due and payable on July 31, 2011 to December 15, 2011. The $1,103 will accrue interest at the note rate of $3.75% and may be prepaid at the Company's option prior to December 15, 2011. In addition, on July 31, 2011, the Company entered into individual amendments that (a) reduced the interest rate on the principal outstanding of the subordinated unsecured promissory note amount of $1,335 with one of the Phantom Equityholders, and (b) increased the principal amount of the promissory notes with the former Great American Members by the $1,762 of accrued interest that was originally due on July 31, 2011 ($1,613 accrued at June 30, 2011). The addition to the principal amount will accrued interest at the note rate of 3.75% and be subject to annual prepayments based upon the Company's cash flow and the maintenance of a minimum adjusted cash balance as discussed above.

As of June 30, 2011, the Company had $17,390 in cash and $2,290 of borrowings outstanding under the accounts receivable revolving 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 condensed 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 13, 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 Kelly 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 condensed consolidated financial statements.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and in accordance with the rules and regulations of the SEC. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements as permitted under applicable rules and regulations. In the opinion of management, all normal recurring adjustments considered necessary for a fair presentation have been included. The results of operations for the six months ended June 30, 2011 are not necessarily indicative of the results to be expected for the year ending December 31, 2011.

The preparation of the condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and notes thereto. Actual results could differ from those estimates.

(c) 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 $621 and $594 for the three months ended June 30, 2011 and 2010, respectively, and $1,190 and $1,228 for the six months ended June 30, 2011 and 2010, 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 the origination of loans; and (v) 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 $385 and $435 for three months ended June 30, 2011 and 2010, respectively, and $1,332 and $3,110 for the six months ended June 30, 2011 and 2010, 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 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. There were $584 of revenues and $459 of direct cost of services subject to collaborative arrangements during the three months ended June 30, 2011, $1,804 of revenues and $1,130 of direct cost of services subject to collaborative arrangements during the six months ended June 30, 2011. There were no revenues and expenses subject to collaborative arrangements during the three and six months ended June 30, 2010.

(d) 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.

(e) Concentration of Risk

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. Revenues from one liquidation service contract in the United Kingdom represented 6.7% of total revenues during the six months ended June 30, 2011.

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.

(f) Income Taxes

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.

(g) 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.

(h) Accounts Receivable

Accounts receivable represents amounts due from the Company's 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. There was no bad debt expense during the six months ended June 30, 2011 and bad debt expense totaled $45 for the six months ended June 30, 2010. Bad debt expense is included as a component of selling, general and administrative expenses in the accompanying condensed consolidated statement of operations.

(i) 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.

(j) 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. Depreciation and amortization expense was $226 and $195 for the three months ended June 30, 2011 and 2010, respectively, and $439 and $375 for the six months ended June 30, 2011 and 2010, respectively.

(j) 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 5 and (ii) an increase for the subsequent acquisition of noncontrolling interests during the year ended December 31, 2007 (also see Note 5). 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 14. 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, 2010.

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, 2010.

(k) Notes Receivable

On May 6, 2011, the Company received a $2,598 note receivable from a third party as part of the proceeds from the sale of certain wholesale and industrial machinery and equipment at an auction. The note is collateralized by the wholesale and industrial machinery and equipment. The note receivable bears interest at a rate of prime rate plus 3% per annum (6.0% at June 30, 2011). In connection with the issuance of the note receivable, the Company recorded a discount in the amount of $189 to reflect a fair market value rate on the note of 8.0%. Interest at the note rate of prime plus 3% is payable monthly and the principal amount of the note receivable is due and payable upon maturity on May 5, 2016.

(l) 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 12(a)) 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 June 30, 2011 and December 31, 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 June 30, 2011 and December 31, 2010.

	Financial Assets Measured at Fair Value on a Recurring Basis at June 30, 2011, Using			
	Fair Value at June 30, 2011	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mandatorily redeemable noncontrolling interests issued after November 5, 2003	$ 2,257	$ -	$ -	$ 2,257
Total liabilities measured at fair value	$ 2,257	$ -	$ -	$ 2,257

Financial Assets Measured at Fair Value on a Recurring Basis at December 31, 2010, Using

	Fair Value at December 31, 2010	Quoted prices active markets for identical assets (Level 1)	observable inputs (Level 2)	unobservable inputs (Level 3)
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 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 condensed 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 condensed consolidated financial statements.

(m) Fiduciary Funds

The accompanying condensed 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 and which amounted to $334 and $6,945 at June 30, 2011 and December 31, 2010, respectively.

(n) Other Comprehensive Loss

Other comprehensive loss for the six months ended June 30, 2011 is comprised of net loss of $2,249 and loss from foreign currency translation adjustment of $130 resulting in a total comprehensive loss of $2,379.

(o) 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, 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 rquirmenets 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.

NOTE 3— ACCOUNTS RECEIVABLE

The components of accounts receivable, net, include the following:

	June 30, 2011	December 31, 2010
Accounts receivable not subject to factoring agreement	$ 4,856	$ 2,052
Unbilled receivables	43	189
Amounts due from factor	-	861
Total accounts receivable	4,899	3,102
Allowance for doubtful accounts	(15)	(15)

Accounts receivable, net	$ 4,884	$ 3,087

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

	Three Months Ended		Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Balance, beginning of period	$ 15	$ 30	$ 15	$ 18
Add: Additions to reserve	-	22	-	45
Less: Write-offs	-	(46)	-	(57)
Less: Recoveries	-	-	-	-
Balance, end of period	$ 15	$ 6	$ 15	$ 6

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 was 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. On May 20, 2011, the Factoring Agreement was terminated and replaced with a accounts receivable revolving line of credit described in Note 6. The Factor, at its discretion, purchased on a nonrecourse basis all of 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 was 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 GAAV personally guaranteed up to a maximum of $500 plus interest and certain fees for accounts receivables sold pursuant to the Factoring Agreement.

The sale of the receivables is 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 are considered sold when they are transferred beyond the reach of the Company and its creditors, the purchaser has the right to pledge or exchange the receivables, and the Company has surrendered control over the transferred receivables. Accounts receivable sold to the Factor were $1,686 and $3,439 during the three months ended June 30, 2011 and 2010, respectively, and $5,147 and $6,934 during the six months ended June 30, 2011 and 2010, respectively. Factoring commissions and other fees based on advances were $16 and $31 during the three months ended June 30, 2011 and 2010, respectively, and $38 and $52 for the six months ended June 30, 2011 and 2010, respectively. Factoring commissions and other fees are included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations. At June 30, 2011, accounts receivable in the amount of $2,940 were collateralized by the new accounts receivable revolving line of credit more fully described in Note 6.

NOTE 4— GOODS HELD FOR SALE OR AUCTION

	June 30, 2011	December 31, 2010
Machinery and equipment	$ 9,813	$ 10,227
Leased equipment	1,875	1,969
Aircraft parts and other	1,151	1,308
Total	$ 12,839	$ 13,504

Goods held for sale or auction includes machinery and equipment, leased equipment with a carrying value of $2,000 less accumulated depreciation of $125, and aircraft parts and other as of June 30, 2011. Machinery and equipment is primarily comprised of oil rigs with a carrying value of $9,737 which includes a lower of cost or market adjustment of $1,056 as of June 30, 2011 and December 31, 2010. The leased equipment consists of one oil rig and is depreciated over a period of 15 years which approximates its useful life. Aircraft parts and other is primarily comprised of aircraft parts with a carrying value of $1,151 and $1,308 as of June 30, 2011 and December 31, 2010, respectively, which includes a lower of cost or market adjustment of $543.

Machinery and equipment with a carrying value of $9,737 and leased equipment with a carrying value of $1,875 serve as collateral for the $11,705 note payable as of June 30, 2011 as more fully described in Note 8.

NOTE 5— GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill of $5,688 is comprised of $1,975 of goodwill in the Auction and Liquidation segment and $3,713 of goodwill in the Valuation and Appraisal segment. There have been no changes to the carrying amount of goodwill since December 31, 2007.

Other intangible assets with finite lives include customer relationships which are being amortized over their estimated useful lives of 6 years. Amortization expense was $40 for each of the three months ended June 30, 2011 and 2010 and $81 and $80 for the six months ended June 30, 2011 and 2010, respectively.

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

	June 30, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	$ 970	$ 970	$ -
Trademarks	140	-	140
Total	$ 1,110	$ 970	$ 140

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

NOTE 6— CREDIT FACILITIES

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 July 16, 2010, the credit agreement was 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 2(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. There was no interest expense under this credit facility for the three months ended June 30, 2011. Interest expense totaled $115 for the three months ended June 30, 2010 and $15 (including success fees of $15) and $187 (including success fees of $50) for the six months ended June 30, 2011 and 2010, respectively. There was no outstanding balance under this credit facility at June 30, 2011 and December 31, 2010.

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 expires on May 16, 2012, and 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 anniversary 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 3. Interest expense totaled $15 for the three and six months ended June 30, 2011. The maximum borrowings amount under the line of credit was temporarily increased to allow for borrowing which amount to $2,290 at June 30, 2011.

NOTE 7— LONG-TERM DEBT

Long-term debt consists of the following arrangements:

	June 30, 2011	December 31, 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	$ 53,893	$ 53,893
Total long-term debt	53,893	53,893
Less current portion of long-term debt	1,724	1,724
Long-term debt, net of current portion	$ 52,169	$ 52,169

$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, provided that we are not obligated to make such prepayments if our minimum adjusted cash balance is below $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, two of the Phantom Equityholders extended the payment date for an aggregate amount $649 until August 31, 2011, one of the Phantom Equityholders extended the payment for an aggregate amount of $297 until October 15, 2011, and the two other Phantom Equityholders extended the payment date for an aggregate amount $472 until December 15, 2011. Interest will accrue at each of the notes respective note rates until the principal amount is paid. The Company continues to have the right to prepay the extended amounts prior to extended due dates.

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 $557 and $585 for the three months ended June 30, 2011 and 2010, respectively, and $1,107 and $1,528 for the six months ended June 30, 2011 and 2010, respectively. Accrued interest payable was $1,818 and $899 on the notes payable as of June 30, 2011 and December 31, 2010, respectively.

NOTE 8— NOTE PAYABLE

On May 29, 2008, GAGEE entered into a credit agreement with Garrison Special Opportunities Fund LP and 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 Forebearance Agreement and the related Security Agreement and to extend the maturity date of the Forebearance Agreement until November 18, 2010, unless a forbearance default occurs, as specified in the credit agreement, as amended. Pursuant to the terms of the First Amendment to 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 credit agreement. The Forbearance Agreement expired on November 18, 2010. The Company and GAGEE entered into the Waiver and Second Amendment to Credit Agreement with the Lenders (the "Second Amendment to Credit Agreement") on May 9, 2011 which extended the maturity date of the note payable to December 31, 2011 with an interest rate of 0% through maturity. The Second Amendment to Credit Agreement also 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

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 or the Company. At June 30, 2011 and December 31, 2010, the aggregate principal balance of the note payable was $11,705 and $12,014, respectively. The reduction in principal balance during the first quarter of 2011 is the result of the reversal of interest expense during the first quarter of 2011 that was accrued during the period from the date of the expiration of the First Amendment to Credit Agreement on November 18, 2010 to December 31, 2010 at an interest rate of 22% (the default rate), as the Second Amendment to Credit Agreement

provides for an interest rate of 0% for that period. The reversal of interest expense of $309 in the first quarter of 2011 is reflected in the condensed consolidated statement of operations for the six months ended June 30, 2011 as a reduction of interest expense.

NOTE 9— INCOME TAXES

The Company’s provision (benefit) for income taxes consists of the following:

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Current:		
Federal	$ (940)	$ -
State	(210)	1
Total current provision (benefit)	(1,150)	1
Deferred:		
Federal	798	(4,609)
State	198	(1,227)
Total deferred provision (benefit)	996	(5,836)
Total benefit for income taxes	$ (154)	$ (5,835)

A reconciliation of the federal statutory rate of 34% for the six months ended June 30, 2011 and 2010 to the effective tax rate for income (loss) from operations before income taxes is as follows:

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Benefit for income taxes at federal statutory rate	(34.0)%	(34.0)%
State income taxes, net of federal benefit	(4.6)	(5.4)
Tax differential on vesting of restricted stock	33.3	-
Other	-	1.6
Effective income tax rate	(5.3)%	(37.8)%

Deferred income tax assets (liabilities) consisted of the following:

	June 30, 2011	December 31, 2010
Deferred tax assets:		
Goods held for sale or auction	$ 1,037	$ 1,065
Deductible goodwill	598	626
Accrued liabilities	678	697
Mandatorily redeemable noncontrolling interests	712	732
Note payable to Phantom Equityholders	2,434	2,501
Share based payments	85	934
Other	60	51
Net operating loss carryforward	11,390	10,229
Total deferred tax assets	$ 16,994	$ 16,835

As of December 31, 2010, the Company had federal net operating loss carryforwards of $25,041 and state net operating loss carryforwards of $20,156. 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.

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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 June 30, 2011 and December 31, 2010, the Company believes that it is more-likely-than-not that future taxable earning will be sufficient to realize its deferred tax assets and has not provided an allowance.

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, 2010 and 2009. 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.

NOTE 10— 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.

Basic and diluted earnings (loss) per share was calculated as follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net loss	$ (2,249)	$ (6,607)	$ (2,2775)	$ (9,587)
Weighted average shares outstanding:				
Basic	28,460,392	27,998,705	28,410,908	27,949,607
Effect of dilutive potential common shares:				
Restricted stock units and non-vested shares	-	-	-	-
Contingently issuable shares	-	-	-	-
Diluted	28,460,392	27,998,705	28,410,908	27,949,607
Basic loss per share	$ (0.08)	$ (0.24)	$ (0.10)	$ (0.34)
Diluted loss per share	$ (0.08)	$ (0.24)	$ (0.10)	$ (0.34)

NOTE 11— COMMITMENTS AND CONTINGENCIES

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.

NOTE 12— SHARE BASED PAYMENTS

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 condensed 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.

(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 for the three and six months ended June 30, 2010 was $40 and $80, respectively, and is included in selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

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. There was no share based compensation for non-vested stock awards for the three months ended June 30, 2011. Share based compensation for the non-vested stock awards was $888 for the three months ended June 30, 2010 and $296 and $1,183 for the six months ended June 30, 2011 and 2010, respectively, and is included in selling, general and administrative expense in the accompanying condensed consolidated statement of operations. Of the 360,000 shares of common stock that vested in accordance with the vesting schedule on January 31, 2011, 182,758 shares of common stock of the Company were issued to the Phantom Equityholders and 177,242 shares were forfeited by the Phantom Equityholders to pay for employment withholding taxes. An additional 108,000 shares issuable to the Phanton Equityholders in the Acquisition were reserved to satisfy certain escrow claims in connection with the Acquisition, and have been released from escrow effective April 30, 2011 pursuant to the terms of the escrow agreement.

The Company's non-vested stock activity for the six months ended June 30, 2011 is summarized in the following table:

	Shares	Weighted Average Fair Value Per Share
Outstanding at December 31, 2010	360,000	$ 4.93
Granted	-	$ -
Vested	(360,000)	$ 4.93
Foreited/Cancelled	-	$ -
Outstanding at June 30, 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 was 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 was 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 was 200,000 and in 2009 was 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 $62 and $112 for the three months ended June 30, 2011 and 2010, respectively, and $125 and $247 for the six months ended June 30, 2011 and 2010, respectively, and is included in selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

At June 30, 2011, there were 200,000 non-vested restricted stock units and $10 of unrecognized share based compensation expense related to these restricted stock units, which will be recognized over the remaining vesting period of 0.1 years.

NOTE 13— RELATED PARTY TRANSACTIONS

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 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 $67 for the three months ended June 30, 2010, and $10 and $134 for the six months ended June 30, 2011 and 2010, respectively, and is included in interest income in the accompanying condensed consolidated statement of operations. At December 31, 2010, the note receivable in the amount of $2,706 is included in note receivable – related party in the accompanying consolidated balance sheet and accrued interest receivable in the amount of $268 is 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 is due on July 8, 2011. The maturity date of the loan was extended to October 1, 2011 and the interest rate was reduced to 8% per annum. Interest income was $240 for the six months ended June 30, 2011 and is included in interest income in the accompanying condensed consolidated statement of operations. At June 30, 2011 and December 31, 2010, the note receivable in the amount of $3,224 and accrued interest receivable in the amount of $473 and $233 is included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets.

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 disproportionate capital contributions that are currently made by the Company, 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 of $416 and $455 for the three months ended June 30, 2011 and 2010, respectively, and $348 and $867 for the six months ended June 30, 2011 and 2010, respectively, in the consolidated statements of operations. At June 30, 2011, the maximum amount of loss exposure related to the VIE is equal to the carrying value of the respective note receivable – related party and accrued interest receivable described above.

NOTE 14— BUSINESS SEGMENTS

The Company's operating segments 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, 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Auction and Liquidation reportable segment:				
Revenues - Services and fees	$ 3,296	$ (2,969)	$ 11,120	$ 2,394
Revenues - Sale of goods	262	2,936	1,075	4,373
Total revenues	3,558	(33)	12,195	6,767
Direct cost of services	(918)	(566)	(3,627)	(3,520)
Cost of goods sold	(405)	(3,993)	(1,313)	(5,537)
Selling, general, and administrative expenses	(3,605)	(1,936)	(6,283)	(3,597)
Depreciation and amortization	(46)	(30)	(85)	(52)
Segment income	(1,416)	(6,558)	887	(5,939)
Valuation and Appraisal reportable segment:				
Revenues	6,273	5,248	11,452	10,515
Direct cost of revenues	(2,561)	(2,316)	(4,664)	(4,566)
Selling, general, and administrative expenses	(1,748)	(2,095)	(3,593)	(4,434)
Depreciation and amortization	(41)	(39)	(78)	(86)
Segment income	1,923	798	3,117	1,429
Consolidated operating income from reportable segments	507	(5,760)	4,004	(4,510)
Corporate and other expenses	(2,720)	(3,983)	(5,912)	(8,430)
Interest income	153	87	290	177
Other income (expense)	(422)	(455)	(358)	(867)
Interest expense	(625)	(759)	(953)	(1,792)
Loss from continuing operations before benefit for income taxes	(3,107)	(10,870)	(2,929)	(15,422)
Benefit for income taxes	858	4,263	154	5,835
Net loss	$ (2,249)	$ (6,607)	$ (2,775)	$ (9,587)
Capital expenditures:				
Auction and Liquidation segment	$ 127	$ 263	$ 166	$ 355
Valuation and Appraisal segment	67	-	67	15
Total	$ 194	$ 263	$ 233	$ 370

	As of June 30, 2011	As of December 31, 2010
Total assets:		
Auction and Liquidation segment	$ 60,474	$ 66,846
Valuation and Appraisal segment	7,602	5,428
Total	$ 68,076	$ 72,274

NOTE 15— SUBSEQUENT EVENT

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 Lender's") and Dialectic Capital Management, LLC as collateral agent. The loan agreement provides for the 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"). No interest is due on the loan until after November 1, 2011, at which time the Dialectic Note begins to accrue interest at a rate of 14%, payable quarterly on the last day of January, April, July and October. The final maturity date of the Dialectic Note is July 31, 2013. The Dialectic Note may be prepaid at any time with no penalty. The loan will be used to fund a portion of GAG, LLC's obligations in connection with its participation in a liquidation transaction. The loan agreement also provides for profit participation payments to the Dialectic Lender's up to a maximum of 5% of the Maturity Value. GAG, LLC's obligation under the loan agreement are subordinated to the Company's indebtedness under the $100,000 asset based credit facility described in note 6.

Item 2. 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 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 Quarterly 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 Quarterly 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 II of this Quarterly 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; 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 agreement; and our ability to meet future capital requirements.

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

- "Great American," "the "Company," "we," "us" or "our" refer to the combined business of Great American Group, Inc. and a 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.

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. 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. 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 and more recently in the United Kingdom as a result of the expansion of our retail liquidation services in Europe in April 2009.

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, 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 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 April 2009, we expanded our operations into Europe by opening an office in the United Kingdom. We expect to 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. During 2010, we generated approximately $0.6 million of revenues from services and fees from appraisal and auction and liquidation services engagements in our European operations. During the six months ended June 30, 2011, we generated approximately $3.5 million in revenue from our European operations. These revenues were primarily generated from two retail liquidation engagements we 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 six months ended June 30, 2011, we generated approximately $2.4 million in revenue from capital advisory services performed by our GA Capital operations.

In January 2011, the Keen Consultants' real estate team joined us and will operate as GA Keen Realty Advisors. This newly formed division will provide 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 will continue to offer its services to traditional clients of Keen Consultants, including property owners, tenants, secured and unsecured creditors, attorneys, and financial advisors.

In July 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. In addition to these retail liquidation engagements, we expect to generate approximately $4.6 in revenues from advisory fees generated by GA Capital in July 2011 as a result of the receipt of contingent fees earned from advisory work performed on previous debt financings of Borders Group, Inc. and Conns, Inc.

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, 2010 and 2009, revenues from our auction and liquidation segment were 49.9% and 73.9% of total revenues, respectively. During the six months ended June 30,

2011, revenues from our auction and liquidation segment were 51.6% of total revenues. Our total revenues in the auction and liquidation segment were $12.2 million during the six months ended June 30, 2011 of which $5.9 million, or 48.4% of this total, was generated from our activities in Europe and capital advisory services performed by GA Capital. Revenues we generate in the auction and liquidation segment vary significantly from quarter to quarter and have a significant impact on our operating results from period to period. Revenues from retail and liquidation engagements in the United States and wholesale and industrial auctions were $6.3 million, or 26.4%, of total revenues during the six months ended June 30, 2011. The decrease in the percentage of revenues in the auction and liquidation segment in the United States is primarily due to fewer liquidation engagements as economic conditions for retailers and credit markets have improved from the prior years.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”), which require management to make estimates and assumptions that affect reported amounts. The estimates and assumptions are based on historical experience and on other factors that management believes to be reasonable. Actual results may differ from those estimates. Critical accounting policies represent the areas where more significant judgments and estimates are used in the preparation of our consolidated financial statements. A discussion of such critical accounting policies, which include revenue recognition, allowance for doubtful accounts, goods held for sale or auction, goodwill and other intangible assets, share-based compensation and income taxes can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010. There have been no material changes to the policies noted above as of this quarterly report on Form 10-Q for the period ended June 30, 2011.

Results of Operations

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

Three Months Ended June 30, 2011 Compared to Three Months Ended June 30, 2010

Condensed Consolidated Statements of Operations
(dollars in thousands)

	Three Months Ended June 30, 2011		Three Months Ended June 30, 2010	
	Amount	%	Amount	%
Revenues:				
Services and fees	$ 9,569	97.3 %	$ 2,279	43.7 %
Sale of goods	262	2.7 %	2,936	56.3 %
Total revenues	9,831	100.0 %	5,215	100.0 %
Operating expenses:				
Direct cost of services	3,479	35.4 %	2,882	55.3 %
Cost of goods sold	405	4.1 %	3,993	76.6 %
Selling, general and administrative expenses	8,160	83.0 %	8,083	155.0 %
Total operating expenses	12,044	122.5 %	14,958	286.8 %
Operating income (loss)	(2,213)	-22.5 %	(9,743)	-186.8 %
Other income (expense)	(6)	-0.1 %	-	0.0 %
Interest income	153	1.5 %	87	1.7 %
Income (loss) from equity investment in Great American Real Estate, LLC	(416)		(455)	
Interest expense	(625)	-6.4 %	(759)	-14.6 %
Loss before income taxes	(3,107)	-31.6 %	(10,870)	-208.4 %
Benefit for income taxes	858	8.7 %	4,263	81.7 %
Net loss	$ (2,249)	-22.9 %	$ (6,607)	-126.7 %

Revenues. Total revenues increased $4.6 million, or 88.5%, to $9.8 million during the three months ended June 30, 2011 from $5.2 million during the three months ended June 30, 2010. The increase in revenues during the three

months ended June 30, 2011 was primarily due to an increase in revenues in the auction and liquidation segment of $3.6 million and a $1.0 million increase in revenues in the valuation and appraisal services segment as compared to the same period in 2010. The increase in revenues in the auction and liquidation segment in 2011 was primarily due (a) an increase in revenues of $0.8 million from our GA Keen Realty Advisors division, a newly formed division in January 2011; (b) an increase of $0.3 million in revenues from the auction of wholesale and industrial equipment; (c) an increase in revenues from retail liquidation engagements in 2011 as compared to the same period in 2010 when our retail and liquidation revenues were negatively impacted due by estimated losses that were accrued at June 30, 2010 on the performance of retail liquidation services engagements where we guarantee a minimum recovery value for goods sold; and (d) offset be a decrease in revenues from the sale of goods of $2.7 million. The decrease in gross revenues from the sales of goods where we held title to the goods was primarily due the sale of goods with lower asset values in 2011 as compared to 2010. The increase in revenues of $1.0 million in the valuation and appraisal services segment was primarily due to an increase in revenues of $0.6 million related to appraisals for machinery and equipment and an increase in revenues of $0.4 million for appraisal engagements where we perform valuations for the monitoring of collateral for financial institutions, lenders, and private equity investors.

Revenue and Gross Margin by Segment
(dollars in thousands)

Auction and Liquidation Segment:

	Three Months Ended June 30, 2011		Three Months Ended June 30, 2010	
	Amount	%	Amount	%
Revenues:				
Services and fees	$ 3,296	92.6 %	$ (2,969)	n/m *
Sale of goods	262	7.4 %	2,936	n/m *
Total revenues	3,558	100.0 %	(33)	n/m *
Direct cost of services	918	25.8 %	566	n/m *
Cost of goods sold	405	11.4 %	3,993	n/m *
Total operating expenses	1,323	37.2 %	4,559	n/m *
Gross margin	$ 2,235	62.8 %	$ (4,592)	n/m *
Gross margin services and fees	72.1 %		119.1 %	
Gross margin sales of goods	-54.6 %		-36.0 %	

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* not meaningful.

Revenues in the auction and liquidation segment increased $3.6 million during the three months ended June 30, 2011. Revenues from services and fees increased to $3.3 million during the three months ended June 30, 2011 from $(3.0) million during the three months ended June 30, 2010. The increase in revenues from services and fees was primarily due to (a) an increase in revenues of $0.8 million from our GA Keen Realty Advisors division, a newly formed division in January 2011; (b) an increase of $0.3 million in revenues from the auction of wholesale and industrial equipment; and (c) an increase in revenues from retail liquidation engagements in 2011 as compared to the same period in 2010 when our retail and liquidation revenues were negatively impacted due by estimated losses that were accrued at June 30, 2010 on the performance of retail liquidation services engagements where we guarantee a minimum recovery value for goods sold. Revenues from gross sales of goods where we held title to the goods decreased to $0.3 million during the three months ended June 30, 2011 from $2.9 million during the three months ended June 30, 2010. The decrease in gross revenues from the sales of goods where we held title to the goods was primarily due the sale of goods with lower asset values in 2011 as compared to 2010.

Gross margin in the auction and liquidation segment was 62.8% of revenues during the three months ended June 30, 2011. Gross margin from the sales of goods where we held title decreased to (54.6%) during the three months ended June 30, 2011 as compared to a gross margin of (36.0%) during the three months ended June 30, 2010. The gross margin was unfavorably impacted by liquidation sales of certain equipment with lower profit margins in 2011 as compared to the same period in 2010.

Valuation and Appraisal Segment:

	Three Months Ended June 30, 2011		Three Months Ended June 30, 2010	
	Amount	%	Amount	%
Revenues - Services and fees	$ 6,273	100.0 %	$ 5,248	100.0 %
Direct cost of services	2,561	40.8 %	2,316	44.1 %

Gross margin	$ 3,712	59.2 %	$ 2,932	55.9 %

Revenues in the valuation and appraisal segment increased $1.0 million, or 19.5%, to $6.3 million during the three months ended June 30, 2011 from $5.3 million during the three months ended June 30, 2010. The increase in revenues was primarily due to an increase in revenues of $0.6 million related to appraisals for machinery and equipment and an increase in revenues of $0.4 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 59.2% of revenues during the three months ended June 30, 2011 as compared to 55.9% of revenues during the three months ended June 30, 2010. Gross margins in 2011 were favorably impacted by the cost reduction measures that were implemented in October 2010 which resulted in a decrease in headcount and travel and entertainment related expenses in the valuation and appraisal segment as compared to 2010.

Operating Expenses

Direct Costs of Services. Total direct costs of services increased $0.6 million, or 20.7%, to $3.5 million during the three months ended June 30, 2011 from $2.9 million during the three months ended June 30, 2010. Direct costs of services in the auction and liquidation segment increased $0.3 million, or 62.2%, to $0.9 million during the three months ended June 30, 2011 from $0.6 million during the three months ended June 30, 2010. The increase in expenses was primarily due to an increase in the number of fee and commission type engagements where we contractually bill fees, commissions and reimbursable expenses as compared to the same period in 2010. Direct costs of services in the valuation and appraisal services segment increased $0.3 million, or 10.6%, to $2.6 million during the three months ended June 30, 2011. The increase in expenses was 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 $3.6 million to $0.4 million during the three months ended June 30, 2011 from $4.0 million during the three months ended June 30, 2010. The decrease in gross margin from the sale of goods during the three months ended June 30, 2011 was primarily the result of the sale of goods with lower asset values and gross margins in the three months ended June 30, 2011 as compared to the same period in 2010.

Selling, General and Administrative Expenses. Selling, general and administrative expenses during the three months ended June 30, 2011 and 2010 were comprised of the following:

Selling, General and Administrative Expenses by Segment

	Three Months Ended June 30, 2011		Three Months Ended June 30, 2010		Change	
	Amount	%	Amount	%	Amount	%
Auction and liquidation	$ 3,651	44.7 %	$ 1,966	24.3 %	$ 1,685	85.7 %
Valuation and appraisal	1,789	21.9 %	2,134	26.4 %	(345)	-16.2 %
Corporate and other	2,720	33.3 %	3,983	49.3 %	(1,263)	-31.7 %
Total selling, general & administrative expenses	$ 8,160	99.9 %	$ 8,083	100.0 %	$ 77	1.0 %

Total selling, general and administrative expenses increased $0.1 million, to $8.2 million during the three months ended June 30, 2011 from $8.1 million for the three months ended June 30, 2010. The increase in selling, general and administrative expenses was primarily due to an increase in selling, general and administrative expenses in the auction and liquidation segment of $1.7 million, offset by a decrease in selling, general and administrative expenses in the valuation and appraisal segment of $0.3 million and a decrease in selling, general and administrative expenses in corporate and other of $1.3 million. Selling, general and administrative expenses in the auction and liquidation segment increased $1.7 million, or 85.7%, to $3.7 million during the three months ended June 30, 2011 from $2.0 million for the three months ended June 30, 2010. The increase was primarily due to an increase in payroll and operating expenses from our GA Keen Realty Advisors division, which was formed in January 2011, and $1.2 million

of legal and professional fees incurred in our European operations related to retail liquidations engagements.

Selling, general and administrative expenses in the valuation and appraisal services segment decreased $0.3 million, or 16.2%, to $1.8 million during the three months ended June 30, 2011 from $2.1 million for the three months ended June 30, 2010. The decrease was primarily due to a decrease in headcount and a decrease in professional fees paid to outside consultants in 2011 as compared to 2010. Selling, general and administrative expenses for corporate and other decreased $1.3 million, or 31.7%, to $2.7 million during the three months ended June 30, 2011 from $4.0 million for the three months ended June 30, 2010. This decrease was primarily due to a decrease of $1.3 million in payroll related expenses in 2011 as compared to the same period in 2010. The $1.3 million decrease was comprised of a decrease in share based compensation expense of $0.9 million, related to consideration paid to the Phantom Equityholders in connection with the Acquisition on July 31, 2009, and $0.3 million in payroll expenses as a result of the cost reduction measures implemented in October 2010, which included a voluntary salary reduction to the base salaries of the executive officer's and members of senior management ranging from 10% to 40%.

Other Expense. Other expense was $0.9 million during the three months ended June 30, 2011, a decrease of $0.2 million from $1.1 million during the three months ended June 30, 2010. The decrease in other expense was primarily due an increase in interest income of $0.1 million and a decrease in interest expense of $0.1 million during the three months ended June 30, 2011 as compared to the same period in 2010. Losses from our 50% share of losses generated from the operations of Great American Real Estate, LLC (“GARE”), a joint venture with Kelly Capital, totaled approximately $0.4 million during each of the three month periods ended June 30, 2011 and 2010.

Interest Expense. Interest expense decreased to $0.6 million during the three months ended June 30, 2011 from $0.7 million during the three months ended June 30, 2010. The decrease in interest expense in the three months ended June 30, 2011 was primarily due to a decrease in interest expense on the notes payable to the Great American Members and Phantom Equityholders as a result of the reduction in the interest rate on certain promissory notes in May 2010.

Loss from Operations Before Income Taxes. Loss from operations before income taxes was $3.1 million during the three months ended June 30, 2011 as compared to a loss from operations before income taxes of $10.9 million during the three months ended June 30, 2010. The decrease in the loss from operations before income taxes during the period was primarily due to the increase in revenues and profits earned in the auction and liquidation segment during 2011. In 2010, our retail and liquidation revenues were negatively impacted due by estimated losses that were accrued at June 30, 2010 on the performance of retail liquidation services engagements where we guarantee a minimum recovery value for goods sold.

Net Loss. Net loss for the three months ended June 30, 2011 was $2.2 million, a decrease of $4.4 million, from a net loss of $6.6 million during the three months ended June 30, 2010. The decrease in net loss during the three months ended June 30, 2011 was primarily due to the increase in revenues and profits earned in the auction and liquidation segment during 2011. In 2010, our retail and liquidation revenues were negatively impacted due by estimated losses that were accrued at June 30, 2010 on the performance of retail liquidation services engagements where we guarantee a minimum recovery value for goods sold.

Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010

Condensed Consolidated Statements of Operations
(dollars in thousands)

	Six Months Ended June 30, 2011		Six Months Ended June 30, 2010	
	Amount	%	Amount	%
Revenues:				
Services and fees	$ 22,572	95.5 %	$ 12,909	74.7 %
Sale of goods	1,075	4.5 %	4,373	25.3 %
Total revenues	23,647	100.0 %	17,282	100.0 %
Operating expenses:				
Direct cost of services	8,291	35.1 %	8,086	46.8 %
Cost of goods sold	1,313	5.6 %	5,537	32.0 %
Selling, general and administrative expenses	15,951	67.5 %	16,599	96.0 %
Total operating expenses	25,555	108.1 %	30,222	174.9 %
Operating income (loss)	(1,908)	-8.1 %	(12,940)	-74.9 %
Other income (expense)	(10)	0.0 %	-	0.0 %
Interest income	290	1.1 %	177	1.0 %

Income (loss) from equity investment in Great American Real Estate, LLC		(348	)				(867	)		
Interest expense		(953	)	-4.0	%		(1,792	)	-10.4	%
Loss before income taxes		(2,929	)	-12.4	%		(15,422	)	-89.2	%
Benefit for income taxes		154		0.7	%		5,835		33.8	%
Net loss	$	(2,775	)	-11.7	%	$	(9,587	)	-55.5	%

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Revenues. Total revenues increased $6.3 million, or 36.8%, to $23.6 million during the six months ended June 30, 2011 from $17.3 million during the six months ended June 30, 2010. The increase in revenues during the six months ended June 30, 2011 was primarily due to an increase in revenues in the auction and liquidation segment of $5.4 million and an increase in revenues in the valuation and appraisal services segment of $0.9 million as compared to the same period in 2010. The increase in revenues in the auction and liquidation segment in 2011 was primarily due: a) an increase in revenues of $3.3 million from retail liquidation engagements in the United Kingdom; b) an increase in revenues of $2.4 million from capital advisory services; and c) an increase in revenues of $0.8 million from real estate advisory services from our GA Keen Realty Advisors division, which was formed in January 2011. The increase was also related to an increase in revenues from retail liquidation engagements in the United States in 2011 as compared to the same period in 2010 when our retail and liquidation revenues were negatively impacted due by estimated losses that were accrued at June 30, 2010 on the performance of retail liquidation services engagements where we guarantee a minimum recovery value for goods sold. we recorded, offset be a decrease in revenues from the sale of goods of $3.3 million. The decrease in gross revenues from the sales of goods where we held title to the goods was primarily due the sale of goods with lower asset values in 2011 as compared to 2010. The increase in revenues of $0.9 million in the valuation and appraisal services segment was primarily due to an increase in revenues related to appraisals for machinery and equipment.

Revenue and Gross Margin by Segment
(dollars in thousands)

Auction and Liquidation Segment:

	Six Months Ended June 30, 2011		Six Months Ended June 30, 2010	
	Amount	%	Amount	%
Revenues:				
Services and fees	$ 11,120	91.2 %	$ 2,394	35.4 %
Sale of goods	1,075	8.8 %	4,373	64.6 %
Total revenues	12,195	100.0 %	6,767	100.0 %
Direct cost of services	3,627	29.7 %	3,520	52.0 %
Cost of goods sold	1,313	10.8 %	5,537	81.8 %
Total operating expenses	4,940	40.5 %	9,057	133.8 %
Gross margin	$ 7,255	59.5 %	$ (2,290)	-33.8 %
Gross margin services and fees	67.4 %		-47.0 %	
Gross margin sales of goods	-22.1 %		-26.6 %	

Revenues in the auction and liquidation segment increased $5.4 million, to $12.2 million during the six months ended June 31, 2011 from $6.8 million during the six months ended June 30, 2010. Revenues from services and fees increased to $11.1 million during the six months ended June 30, 2011, an increase of $8.7 million, from $2.4 million during the six months ended June 30, 2010. The increase in revenues from services and fees was primarily due to an increase in revenues of $3.3 million from retail liquidation engagements in the United Kingdom, an increase in revenues of $2.4 million from capital advisory services, and an increase in revenues of $0.8 million from real estate advisory services from our GA Keen Realty Advisors division, which was formed in January 2011. The increase was also related to an increase in revenues from retail liquidation engagements in the United States in 2011 as compared to the same period in 2010 when our retail and liquidation revenues were negatively impacted due by estimated losses that were accrued at June 30, 2010 on the performance of retail liquidation services engagements where we guarantee a minimum recovery value for goods sold. we recorded. Revenues from gross sales of goods where we held title to the goods decreased to $1.1 million during the six months ended June 30, 2011 from $4.4 million during the six

months ended June 30, 2010. The decrease in gross revenues from the sales of goods where we held title to the goods was primarily due the sale of goods with lower asset values in 2011 as compared to 2010.

Gross margin in the auction and liquidation segment increased to 59.5% of revenues during the six months ended June 30, 2011, as compared to (33.8)% of revenues during the six months ended June 30, 2010. The increase in the gross margin during the six months ended June 30, 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 when our retail and liquidation revenues were negatively impacted due by estimated losses that were accrued at June 30, 2010 on the performance of retail liquidation services engagements where we guarantee a minimum recovery value for goods sold.

Gross margin from the sales of goods where we held title improved slightly to (22.1%) during the six months ended June 30, 2011 as compared to a gross margin of (26.6%) during the six months ended June 30, 2010. The gross margin was unfavorably impacted by liquidation sales of certain equipment with lower profit margins in 2011 as compared to the same period in 2010.

Valuation and Appraisal Segment:

	Six Months Ended June 30, 2011		Six Months Ended June 30, 2010	
	Amount	%	Amount	%
Revenues - Services and fees	$ 11,452	100.0 %	$ 10,515	100.0 %
Direct cost of services	4,664	40.7 %	4,566	43.4 %
Gross margin	$ 6,788	59.3 %	$ 5,949	56.6 %

Revenues in the valuation and appraisal segment increased $1.0 million, or 8.9%, to $11.5 million during the six months ended June 30, 2011 from $10.5 million during the six months ended June 30, 2010. The increase in revenues was primarily due to a increase in revenues related to appraisals we perform for machinery and equipment.

Gross margins in the valuation and appraisal segment increased to 59.3% of revenues during the six months ended June 30, 2011 as compared to 56.6% of revenues during the six months ended June 30, 2010. Gross margins in 2011 were favorably impacted by the cost reduction measures that were implemented in October 2010 which resulted in a decrease in headcount and travel and entertainment related expenses in the valuation and appraisal segment as compared to 2010.

Operating Expenses

Direct Costs of Services. Total direct costs of services increased $0.2 million, or 2.5%, to $8.3 million during the six months ended June 30, 2011 from $8.1 million during the six months ended June 30, 2010. Direct costs of services in the auction and liquidation segment increased $0.1 million, or 3.0%, to $3.6 million during the six months ended June 30, 2011 from $3.5 million during the six months ended June 30, 2010. The increase in expenses was primarily due to an increase in the number of fee and commission type 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 $0.1 million, or 2.1%, to $4.7 million during the six months ended June 30, 2011 from $4.6 million during the six months ended June 30, 2010. The increase in expenses was 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 $4.2 million to $1.3 million during the six months ended June 30, 2011 from $5.5 million during the six months ended June 30, 2010. As a percentage of gross sales of goods where we hold title to the goods, costs of goods sold was 122.1% during the six months ended June 30, 2011 as compared to 126.6% during the six months ended June 30, 2010. The slight improvement in the negative margin was due to the sale of goods with improved margins in the six months ended June 30, 2011 as compared to the same period in 2010.

Selling, General and Administrative Expenses. Selling, general and administrative expenses during the six months ended June 30, 2011 and 2010 were comprised of the following:

Selling, General and Administrative Expenses by Segment

Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Change

	Amount	%	Amount	%	Amount	%
Auction and liquidation	$ 6,368	39.9 %	$ 3,649	22.0 %	$ 2,719	74.5 %
Valuation and appraisal	3,671	23.0 %	4,520	27.2 %	(849)	-18.8 %
Corporate and other	5,912	37.1 %	8,430	50.8 %	(2,518)	-29.9 %
Total selling, general & administrative expenses	$ 15,951	100.0 %	$ 16,599	100.0 %	$ (648)	-3.9 %

Total selling, general and administrative expenses decreased $0.6 million, or 3.9%, to $16.0 million during the six months ended June 30, 2011 from $16.6 million for the six months ended June 30, 2010. The decrease in selling, general and administrative expenses was primarily due to a decrease in corporate and other of $2.5 million, and a decrease in selling, general and administrative expenses in the valuation and appraisal segment of $0.8 million, offset by an increase in selling, general and administrative expenses in the auction and liquidation segment of $2.7 million. Selling, general and administrative expenses in the auction and liquidation segment increased $2.7 million, or 74.5%, to $6.4 million during the six months ended June 30, 2011 from $3.6 million for the six months ended June 30, 2010. The increase was primarily due to an increase in payroll and operating expenses from our GA Keen Realty Advisors division, which was formed in January 2011, and $1.2 million of legal and professional fees incurred in our European operations related to retail liquidations engagements.

Selling, general and administrative expenses in the valuation and appraisal services segment decreased $0.8 million, or 18.8%, to $3.7 million during the six months ended June 30, 2011 from $4.5 million for the six months ended June 30, 2010. The decrease was primarily due to a decrease in headcount and a decrease in professional fees paid to outside consultants in 2011 as compared to 2010. Selling, general and administrative expenses for corporate and other decreased $2.5 million, or 29.9%, to $5.9 million during the six months ended June 30, 2011 from $8.4 million for the six months ended June 30, 2010. This decrease was primarily due to a decrease in share based compensation expense of $2.0 million in 2011 related to consideration paid to the Phantom Equityholders in connection with the Acquisition on July 31, 2009 and cost reduction measures implemented in October 2010, which included a voluntary salary reduction to the base salaries of certain executives and members of senior management ranging from 10% to 40%.

Other Expense. Other expense decreased $1.5 million, to $1.0 million during the six months ended June 30, 2011 from $2.5 million during the six months ended June 30, 2010. The decrease in other expense is primarily due to: a) a decrease in the loss from our 50% share of income generated from the operations of Great American Real Estate, LLC (“GARE”), a joint venture with Kelly Capital, which totaled $0.3 million during the six months ended June 30, 2011 as compared to the loss of $0.9 million during the six months ended June 30, 2010; b) a decrease in interest expense $0.8 due the reduction in the interest rate on certain promissory notes to the Great American Members and Phantom Equityholders in May 2010 and the reversal of interest expense of $0.3 million during the first quarter of 2011 that was accrued during the period from the date of the expiration of the First Amendment To Credit Agreement on November 18, 2010 to December 31, 2010. The reversal of interest expense of $0.3 million during the first quarter of 2011 is the result of the execution of the Second Amendment to Credit Agreement that is collateralized by machinery and equipment as more fully described in Note 8 to the accompanying condensed consolidated financial statements.Interest income increased $0.1, to $0.3 million during the six months ended June 30, 2011 from $0.2 million during the three months ended June 30, 2010.

Interest Expense. Interest expense decreased $0.8 million, to $1.0 million during the six months ended June 30, 2011 from $1.8 million during the six months ended June 30, 2010. The decrease in interest expense in the six months ended June 30, 2011 was primarily due to a decrease in interest expense of $0.5 million on the notes payable to the Great American Members and Phantom Equityholders as a result of the reduction in the interest rate on certain promissory notes in May 2010 and the reversal of interest expense of $0.3 million that was accrued during the period from the date of the expiration of the First Amendment To Credit Agreement on November 18, 2010 to December 31, 2010. The reversal of interest expense of $0.3 million during the first quarter of 2011 is the result of the execution of the Second Amendment to Credit Agreement that is collateralized by machinery and equipment as more fully described in Note 8 to the accompanying condensed consolidated financial statements.

Loss from Operations Before Income Taxes. Loss from operations before income taxes decreased $12.5 million, to $2.9 million during the six months ended June 30, 2011 as compared to a loss from operations before income taxes of $15.4 million during the six months ended June 30, 2010. The decrease in the loss from operations before income taxes during the period was primarily due to the increase in revenues and profits earned in the auction and liquidation segment and reductions in selling, general and administrative expenses from the cost reduction measures that were implemented in October 2010 and a decrease in interest expense as more fully described above. The decrease in the loss from operations was also related to an increase in revenues from retail liquidation engagements in the United States in 2011 as compared to the same period in 2010 when our retail and liquidation revenues were negatively impacted due by estimated losses that were accrued at June 30, 2010 on the performance of retail liquidation services engagements where we guarantee a minimum recovery value for goods sold.

Net Loss. Net loss for the six months ended June 30, 2011 was $2.8 million, a decrease of $6.8 million, from a net loss of $9.6 million during the six months ended June 30, 2010. The decrease in net loss during the six months ended June 30, 2011 was primarily due to the increase in revenues and profits earned in the auction and liquidation segment,

reduction in selling, general and administrative expenses from the cost reduction measures that were implemented in October 2010 and a decrease in interest expense as more fully described above.

Liquidity and Capital Resources

Our operations have been funded through a combination of operating profits generated from operations and more recently from proceeds received from AAMAC in connection with the Acquisition, which was completed on July 31, 2009. During the six months ended June 30, 2011 and year ended December 31, 2010, the profits generated by our auction and liquidation segment have been negatively impacted by fewer retail liquidation engagements conducted by us. 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. These factors, in addition to the interest expense on the $53.9 million of subordinated, unsecured promissory notes paid to the Great American Members and Phantom Equityholders in 2010, have resulted in the net use of $3.1 million of cash from operations during the six months ended June 30, 2011 and $5.4 million of cash from operations during the year ended December 31, 2010.

On May 4, 2010, we entered into individual amendments (each, an Amendment and collectively, the “Amendments”) to an aggregate of $52.4 million of the $55.6 million principal amount outstanding of the subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders in connection with the Acquisition and the interest rate was reduced 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. We were not obligated to make prepayments under the notes for the fiscal year ended December 31, 2010. The terms of these Amendments significantly reduce the annual cash required to service this debt. In addition, on October 27, 2010, we entered into individual waivers for an aggregate of $51.3 million of the $53.9 million principal amount outstanding of the subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders, whereby the noteholders agreed to permit 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.

On May 20, 2011, GAAV entered into a Line of Credit with BFI Business Finance collateralized by the accounts receivable of GAAV that allow 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 $2.0 million. The interest rate under the Line of Credit is the prime rate plus 2%, payable monthly in arrears. The Line of Credit expires on May 16, 2012, and 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 anniversary 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. The maximum borrowings amount under the line of credit was temporarily increased to allow for borrowing which amount to $2.3 million at June 30, 2011.

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 Lender’s”) and Dialectic Capital Management, LLC as collateral agent. The loan agreement provides for the loan of $7.0 million to GAG, LLC pursuant to a promissory note (the “Dialectic Note”) with a stated principal amount of $7.6 million (the “Maturity Value”). No interest is due on the loan until after November 1, 2011, at which time the Dialectic Note begins to accrue interest at a rate of 14%, payable quarterly on the last day of January, April, July and October. The final maturity date of the Dialectic Note is July 31, 2013. The Dialectic Note may be prepaid at any time with no penalty. The loan will be used to fund a portion of GAG, LLC’s obligations in connection with its participation in a liquidation transaction. The loan agreement also provides for profit participation payments to the Dialectic Lender’s up to a maximum of 5% of the Maturity Value. GAG, LLC’s obligation under the loan agreement are subordinated to the Company’s indebtedness under the $100.0 million asset based credit facility described in note 6 to the condensed consolidated financial statements.

On July 26, 2011 and August 3, 2011, the Company entered into individual waivers which extended the payment date for $1.4 million of the $1.7 million of principal amount originally due and payable on July 31, 2011. Of the $1.4 million principal amount originally due on July 31, 2011, two of the Phantom Equityholders extended the payment date for an aggregate amount $0.6 million until August 31, 2011, one of the Phantom Equityholders extended the payment for an aggregate amount of $0.3 million until October 15, 2011, and the two other Phantom Equityholders extended the payment date for an aggregate amount $0.5 million until December 15, 2011. Interest will accrue at each of the notes respective note rates until the principal amount is paid. The Company continues to have the right to prepay the extended amounts prior to extended due dates.

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 $1.8 million 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 $47.0 million to $48.8 million.

As a result, on July 31, 2011 we will be obligated to pay a total of $0.3 million in principal of the $1.7 million of principal that was originally due on July 31, 2011 and as a result of the waivers described above we will be obligated to pay a total of $0.6 million of principal on August 31, 2011, $0.3 million of principal on or before October 15, 2011 and $0.5 million of principal on or before December 15, 2011. After the amendments and waivers, the principal amount outstanding on the unsecured promissory notes payable to the Great American Members and Phantom Equityholders totals $53.7 million. Interest continues to be payable in accordance with the respective promissory notes on a quarterly basis and in payable at the rate of 12.0% on $2.3 million of the $53.7 million principal amount of promissory notes outstanding and at the rate of 3.75% per annum on the remaining $51.4 million of principal amount outstanding.

In addition to amending the subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders, we implemented cost reduction measures in September 2010 that have resulted in a reduction in employee headcount of approximately 7%, a voluntary reduction in base salaries of senior executives and other cost savings measures which we expect to result in an aggregate total of approximately $2.2 million in cost savings on an annual basis.

As of June 30, 2011, we had $17.4 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 and service interest and principal payments due on our long term debt.

	Six Months Ended June 30,	
	2011	2010
Net cash provided by (used in):		
Operating activities	$ (3,143)	$ (12,296)
Investing activities	(92)	(6,287)
Financing activities	557	7,087
Effect of foreign currency on cash	(12)	-
Net decrease in cash and cash equivalents	$ (2,690)	$ (11,496)

Cash used in operating activities was $3.1 million for the six months ended June 30, 2011 compared to cash used in operating activities of $12.3 million in the same period in 2010. The decrease in cash used in operating activities in 2011 was primarily due to an increase in revenues and income from operations in the auction and liquidation segment and reductions in selling, general and administrative expenses from the cost reduction measures that were implemented in 2010 and a decrease in interest expense. Net cash used in investing activities was $0.1 million for the six months ended June 30, 2011 compared to cash used in investing activities of $6.3 million during the six months ended June 30, 2010. The decrease in net cash provided by investing activities in 2011 was primarily due to payment of the principal balance of the note payable – related party in the amount of $2.7 million, a decrease in our equity investment in Great American Real Estate, LLC of $1.6 million, and an increase in restricted cash in the prior year period. Cash provided by financing activities was $0.6 million for the six months ended June 30, 2011 compared to cash provided by financing activities of $7.1 million during the six months ended June 30, 2010. The decrease in cash provided by financing activities during the six months ended June 30, 2011 as compared to the same period in 2010 was primarily due to a decrease in proceeds from borrowings under our credit facilities in the amount of $6.4 million, a decrease in cash used to pay employment taxes on the vesting of restricted stock in the amount of $0.8 million, offset by an increase in distributions of $0.9 million to noncontrolling interests.

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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. 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. 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 June 30, 2011 and December 31, 2010, there was no outstanding balance under the credit facility for borrowing or outstanding letters of credit. Subsequent to June 30, 2011, we drew down approximately $41.0 million under the credit facility to fund our obligations in new liquidation transactions. As of June 30, 2011, we were in compliance with all covenants under the credit facility.

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. The principal amount of the loan was $12.0 million and the initial interest rate was 20% per annum. The loan is collateralized by the oil rigs and other equipment related to the oil exploration business that were 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. The Company and GAGEE entered into the Second Amendment to Credit Agreement on May 9, 2011, which extends the maturity date of the note payable to November 19, 2011 with an interest rate of 0% through maturity. The Second Amendment to Credit Agreement also 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 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 June 30, 2011, the aggregate principal balance of the note payable by GAGEE was $11.7 million.

One of our majority owned subsidiaries previously utilized a factoring agreement to provide working capital to finance the operations within the valuation and appraisal segment. The factoring agreement expired on May 22, 2011. On May 20, 2011, our majority owned subsidiary entered into a line of credit with BFI Business Finance collateralized by its accounts receivable. The line crdit 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 $2.0 million. The interest rate under the line of credit is the prime rate plus 2%, payable monthly in arrears. The line of credit expires on May 16, 2012, and may be extended for successive periods equal to one year, unless we give BFI written notice of our intent to terminate the line of credit at least thirty days prior to the anniversary 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 us. The maximum borrowings amount under the line of credit was temporarily increased to allow for borrowing which amount

to $2.3 million at June 30, 2011.

On July 21, 2011, we entered into a Loan Agreement (the “Loan Agreement”) with Dialectic Capital Partners, LP, Dialectic Offshore Ltd., Dialectic Antithesis Partners, LP and Dialectic Antithesis Offshore Fund, Ltd. (collectively, the “Lender”) and Dialectic Capital Management, LLC as Collateral Agent. The Loan Agreement provides for the loan of $7.0 million to GAG pursuant to a promissory note (the “Note”) with a stated principal amount of $7.6 million (the “Maturity Value”). No interest is due on the loan until after November 1, 2011, at which time the Note begins to accrue interest at a rate of 14%, payable quarterly on the last day of January, April, July and October. The final maturity date of the Note is July 31, 2013. The Note may be prepaid at any time with no penalty. The loan will be used to fund a portion of our obligations in connection with our participation in a liquidation transaction. The Loan Agreement also provides for profit participation payments to the Lender up to a maximum of 5% of the Maturity Value (approximately $0.4 million). Our obligations under the Loan Agreement are subordinated to the our indebtedness under the $100.0 million credit facility described above, and are senior to our other indebtedness

Off Balance Sheet Arrangements

On January 4, 2010, we loaned $2.7 million to GAHA Fund I, a wholly-owned subsidiary of Great American Real Estate, LLC (“GARE”) which is a joint venture 50% owned by us and 50% owned by Kelly Capital, LLC. GAHA Fund I was created to purchase land and a commercial building that was sold by GAHA Fund I in January 2011. The note receivable is 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.

On July 8, 2010, we loaned $3.2 million to GARE for the purposes of investing in GAHA Fund II, LLC, a 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 is due on July 8, 2011. The loan maturity date of the loan was extended to October 1, 2011 and the interest rate was reduced to 8% per annum. Interest income was $0.2 million for the six months ended June 30, 2011. At June 30, 2011, accrued interest receivable on the note receivable was $0.5 million.

Other than with respect to our arrangements with GAHA Fund I, GAHA Fund II and GARE, as further described in Note 13 “Related Party Transactions” to our condensed 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.

New Accounting Standards

See Note 2—”Summary of Significant Accounting Policies” to condensed consolidated financial statements for information regarding new accounting guidance.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

We carried out an evaluation required by the Exchange Act, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of our fiscal quarter ended June 30, 2011. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2011.

(b) Changes in Internal Control over Financial Reporting

There have been no material changes to our internal control over financial reporting during the fiscal quarter covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in litigation arising out of our 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 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 home auction and real estate services divisions 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 have had profitable quarterly and annual periods, we incurred a net loss during the six months ended June 30, 2011 and year ended December 31, 2010. Our operations in 2011 and 2010 were negatively impacted by fewer liquidation engagements as economic conditions for retailers and credit markets improved from the prior years and a decline in revenues from the auction of machinery and equipment. In the past, we also incurred losses from discontinued operations relating to our former retail furniture liquidation solutions business. It is possible that we will continue to experience losses with respect to our current operations as we expand our operations through new business areas. 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 34.6% of our outstanding common stock as of December 31, 2010. As of December 31, 2010, an aggregate principal amount of $53.9 million remains outstanding on the promissory notes. On May 3, 2010, we entered into individual amendments to an aggregate of $52.4 million of the notes, which reduced the interest rate on the amended notes from 12.0% to 3.75% per annum, and further amended the $47.0 million in notes held by the Great American Members to provide for the extension of the maturity date to July 31, 2018 (subject to annual prepayments based upon our cash flow, with certain limitations). On October 27, 2010, we entered into individual waivers related to $51.3 million of the $53.9 million in notes then outstanding, whereby the noteholders agreed to permit us to defer payment of the interest payments that would otherwise be due on each of October 31, 2010, January 31, 2011, and April 30, 2011 until July 31, 2011. On July 31, 2011, we entered into individual waivers which extended the payment date for $1.1 million of the $1.7 million of principal amount originally due and payable on July 31, 2011 to December 15, 2011. The $1.1 million will accrue interest at the note rate of $3.75% and may be prepaid at the Company's option prior to December 15, 2011. In addition, on July 31, 2011, we entered into individual amendments that (a) reduced the interest rate on the principal outstanding of the subordinated unsecured promissory note amount of $1.3 million with one of the Phantom Equityholders, and (b) increased the principal amount of the promissory notes with the former Great American Members by the $1.8 million of accrued interest that was originally due on July 31, 2011 ($1.6 million accrued at June 30, 2011). The addition to the principal amount will accrue interest at the note rate of 3.75% and be subject to annual prepayments based upon the Company's cash flow and the maintenance of a minimum adjusted cash balance as discussed above. However, despite these amendments to the promissory notes and the waivers of our obligation to make interest payments described above, 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 40.8% of our outstanding common stock as of December 31, 2010. In particular, our Vice Chairman and CEO own or control, in the aggregate, 10,560,000 shares of our common stock or 34.4% of our outstanding common stock as of December 31, 2010. 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.

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 agreement could have an adverse impact on our ability to finance potential engagements.

The terms of our current credit agreement contains a number of events of default and, in the past, we have defaulted under our 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 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 acquirors 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 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. (Reserved)

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report are listed in the index to exhibits immediately preceding such exhibits, which index to exhibits is incorporated herein by reference.

SIGNATURES

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

		Great American Group, Inc.
Date: August 15, 2011	By:	/s/ Paul S. Erickson
		Name: Paul S. Erickson Title: Chief Financial Officer (Principal Financial Officer)

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Exhibit Index

Exhibit No.	Description
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 required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*†
32.2	Certification required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*†

* Filed herewith.

† These exhibits are being "furnished" and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.