UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

or

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

For the transition period from ______ to ______

Commission File Number 000-54010

GREAT AMERICAN GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or Other Jurisdiction of** **Incorporation or Organization)**	**27-0223495** **(I.R.S. Employer** **Identification No.)**
21860 Burbank Boulevard, Suite 300 South **Woodland Hills, CA** **(Address of Principal Executive Offices)**	**91367** **(Zip Code)**

(818) 884-3737

(Registrant s telephone number, including area code)

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

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

Common Stock, par value $0.0001 per share

(Title of Class)

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

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

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 ¨

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

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

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	x

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

The aggregate market value of the registrant s common stock held by non-affiliates, based on the closing price of the registrant s common stock as reported on the OTC Bulletin Board on June 30, 2010, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $10.8 million. For purposes of this calculation, it has been assumed that all shares of the registrant s common stock held by directors, executive officers and shareholders beneficially owning five percent or more of the registrant s common stock are held by affiliates. The treatment of these persons as affiliates for purposes of this calculation is not conclusive as to whether such persons are, in fact, affiliates of the registrant.

The number of shares outstanding of the registrant s common stock as of March 25, 2011 was 30,741,794.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement relating to the registrant s 2011 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report.

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GREAT AMERICAN GROUP, INC.

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TRADEMARKS

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

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PART I

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

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

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

GAG, Inc. refers to Great American Group, Inc.;

GAG, LLC refers to Great American Group, LLC;

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

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

AAMAC refers to Alternative Asset Management Acquisition Corp.

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Item 1. BUSINESS

General

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

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

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

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

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

Recent Developments

In April 2009, we expanded our operations into Europe by opening an office in the United Kingdom. We provide services to help retailers downsize through inventory liquidation and store closures in addition to providing appraisal and valuation services. In 2010, we hired a number of key employees to increase our presence and expand the operations of our retail liquidations solutions business throughout Europe. During 2010, we generated approximately $0.6 million of revenues from services and fees from appraisal and auction and liquidation services engagement in the United Kingdom.

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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.

Generation of Revenue

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

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

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

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

Services

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

Auction and Liquidation Solutions

Retail

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

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

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We often conduct large retail liquidations that entail significant capital requirements through collaborative arrangements with other liquidators. By entering into an agreement with one or more collaborators, we are able to bid on larger engagements that we couldn t conduct on our own due to the significant capital outlay involved, number of independent contractors required or financial risk associated with the particular engagement. We act as the lead partner in many of the collaborative arrangements that we enter into, meaning that we have primary responsibility for the due diligence, contract negotiation and execution of the engagement.

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

Wholesale and Industrial

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

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

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

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

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

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

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

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

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

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

Capital Advisory Services

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

Home Auctions and Loan Sales

We partnered with Kelly Capital to launch Great American Real Estate, LLC through which we commenced auctions for foreclosed residential real estate properties in the fourth quarter of 2009 and we commenced residential and commercial loan sales to third parties on behalf of financial institutions and other private parties in the first quarter of 2010.

We target foreclosed residential real estate properties nationally across a range of sizes, styles and prices and we target financial institutions, finance companies and other lenders nationally to serve as the broker for the sale of residential and commercial real estate loans. During 2010, the market for providers of services for foreclosed residential real estate properties was challenging. The flow of new inventory of residential home foreclosures into the market was impacted by legislation at the state and federal levels. This impacted our ability to establish new relationships as an auction broker with major financial institutions, lenders, portfolio managers and investment firms, which hold title to foreclosed homes. During the fourth quarter of 2010, we limited operations of the joint venture with Kelly Capital to the sale of certain residential and commercial loans that the joint venture purchased through an investment with a third party. We will continue to monitor the market for foreclosed residential properties.

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Valuation and Appraisal Services

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

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

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

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

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

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

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

Sales and Marketing

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

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

As of December 31, 2010, we employed 15 business development officers located throughout the United States and in London.

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

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

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

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

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Customers

We serve retail, corporate, capital provider and individual customers across our services lines. No revenues from individual liquidation services contracts represented more than 10% of total revenues during the year ended December 31, 2010. Revenues from two liquidation service contracts represented 19.6% and 11.3% of total revenues during the year ended December 31, 2009. Revenues from one liquidation service contract represented 11.2% of total revenues during the year ended December 31, 2008. The services provided to these customers were under short-term liquidation contracts that generally do not exceed a period of six months. There were no recurring revenues from year to year in connection with the services we performed under these contracts.

Auction and Liquidation Solutions

Retail

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

Wholesale and Industrial

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

Valuation and Appraisal Services

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

Competition

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

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

Regulation

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

Great American Real Estate, LLC has a real estate brokerage license in California and is in the process of obtaining real estate brokerage licenses in the remaining 49 states. In states where Great American Home Auctions intends to hold auction events but is not yet licensed, we intend to work with a broker of record.

Employees

As of December 31, 2010, we had 136 full time employees and three part time employees. We are not a party to any collective bargaining agreements. We have never experienced a work stoppage or strike and believe that relations with our employees are good.

We rely significantly on the expertise of independent contractors whom we engage in connection with specific transactions. As of December 31, 2010, we maintained a network of approximately 162 independent contractors who it engages from time to time to provide services pursuant to the terms of independent contractor agreements.

Available Information

We make available on our website, *www.greatamerican.com* , our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to such reports as soon as reasonably practical after we file such material with, or furnish such material to, the SEC. The information on Great American s website is not a part of, or incorporated in, this Annual Report.

Item 1A. RISK FACTORS

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

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

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

- our ability to attract new clients and obtain additional business from our existing client base;

- the number, size and timing of our engagements;

- the extent to which we acquire assets for resale, or guarantee a minimum return thereon, and our ability to resell those assets at favorable prices;

- variability in the mix of revenues from the auction and liquidation solutions business and the valuation and appraisal services business;

- the rate of growth of new service areas, including the new real estate services division and international expansion;

- the types of fees we charge clients, or other financial arrangements we enter into with clients; and

- changes in general economic and market conditions.

We have limited or no control over some of the factors set forth above and, as a result, may be unable to forecast our revenues accurately. We rely on projections of revenues in developing our operating plans for the future and will base our expectations regarding expenses on these projections and plans. If we inaccurately forecast revenues and/or earnings, or fail to accurately project expenses, we may be unable to adjust our spending in a timely manner to compensate for these inaccuracies and, as a result, may suffer operating losses and such losses could have a negative impact on our financial condition and results of operations. If, for any reason, we fail to meet company, investor or analyst projections of revenue, growth or earnings, the market price of the common stock could decline and you may lose all or part of your investment.

We have experienced losses and may not achieve or maintain profitability.

Although we have had profitable quarterly and annual periods, we incurred a loss from operations in the year ended December 31, 2010. Our operations in 2010 were negatively impacted by fewer liquidation engagements during the year 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. 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;

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- 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 36.3% 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 34.6% 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.

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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.

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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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, our stock may be defined as a penny stock under Rule 3a51-1 under the Exchange Act. Penny stocks are subject to Rule 15g-9, which imposes additional sales practice requirements on broker-dealers that sell low-priced securities to persons other than established customers and institutional accredited investors. For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser s written consent to the transaction prior to sale. Consequently, the rule may affect the ability of broker-dealers to sell our common stock and affect the ability of holders to sell their shares of our common stock in the secondary market. To the extent our common stock is subject to the penny stock regulations, the market liquidity for the shares will be adversely affected.

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

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

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

Our certificate of incorporation, as amended, and our bylaws, as amended, contain provisions that could delay or prevent a change of control of our company or changes in our board of directors that our stockholders might consider favorable. For example, our certificate of incorporation and bylaws provide that our board of directors is classified into three classes of directors, with each class elected at a separate election. The existence of a staggered board could delay or prevent a potential acquirer from obtaining majority control of our board, and thus defer potential acquisitions. We are also governed by the provisions of Section 203 of the Delaware General Corporate Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These and other provisions in our certificate of incorporation, our bylaws and Delaware law could make it more difficult for stockholders or potential 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 1B. UNRESOLVED STAFF COMMENTS

None.

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Item 2. PROPERTIES

Our headquarters are located in Woodland Hills, California in a leased facility. The following table sets forth the location and use of each of our properties, all of which are leased as of December 31, 2010.

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

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

Item 3. LEGAL PROCEEDINGS

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

Item 4. (RESERVED)

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

Stock Market and Other Information

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

The following table sets forth the high and low closing sale prices of a share of our common stock as reported by the OTC Bulletin Board on a quarterly basis for the period from the start of the trading of our common stock after the completion of the Acquisition through December 31, 2010.

	High	Low
Period from August 7, 2009 to Quarter Ended September 30, 2009 (1)	$ 4.55	3.25
Quarter ended December 31, 2009	4.40	3.18
Quarter ended March 31, 2010	3.95	2.20
Quarter ended June 30, 2010	2.34	1.51
Quarter ended September 30, 2010	1.50	0.35
Quarter ended December 31, 2010	0.71	0.40

(1) Following the Acquisition on July 31, 2009, our common stock commenced trading on the OTC Bulletin Board on August 7, 2009.

As of December 31, 2010, there were approximately 19 holders of record of our common stock. This number does not include beneficial owners holding shares through nominees or in street name.

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Performance Graph

The performance graph compares the cumulative total shareholder return for the period beginning on the market close for the period from the start of the trading of our common stock after the completion of the Acquisition through December 31, 2010.

The peer group includes the following companies: FTI Consulting, Inc. (NYSE: FCN), Liquidity Services, Inc. (Nasdaq Global Market: LQDT), Navigant Consulting, Inc. (NYSE: NCI), and Ritchie Bros. Auctioneers Incorporated (NYSE: RBA).

The graph assumes that $100.00 was invested on August 7, 2009 in (a) our common stock, (b) The Russell 2000 Index and (c) the companies comprising the peer group described above. The graph assumes that all dividends were reinvested. Historical stock price performance is not necessarily indicative of future stock price performance.

Comparison of Cumulative Total Return*

Assumes Initial Investment of $100.00

August 7, 2009 through December 31, 2010

Among Great American Group, Inc.,

The Russell 2000 Index and A Peer Group

* $100.00 invested on August 7, 2009 in stock and index-including reinvestment of dividends.

The following table provides the same information in Tabular form for the period from August 7, 2009 to December 31, 2010:

	August 7, 2009	December 31, 2009	December 31, 2010
GAMR	100.00	113.85	15.08
The Russell 2000 Composite	100.00	109.26	136.91
Peer Group	100.00	99.70	93.86

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The performance graph, and the related chart and text, are being furnished solely to accompany this Annual Report on Form 10-K pursuant to Item 201(e) of Regulation S-K, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of ours, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Dividend Policy

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

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Item 6. SELECTED FINANCIAL DATA

The following table sets forth our selected consolidated financial data as of and for each of the five fiscal years ended December 31, 2010, and is derived from our Consolidated Financial Statements. The Consolidated Financial Statements as of December 31, 2010 and 2009, and for each of the years in the three-year period ended December 31, 2010, are included elsewhere in this report. The following data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes thereto included elsewhere in this report.

Consolidated Statement of Operations Data:

(Dollars in thousands)

	Year Ended December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Revenues:					
Services and fees	$ 37,026	$ 70,810	$ 48,496	$ 40,247	$ 42,169
Sale of goods	5,119	12,611	4,673	11,703	37,151
Total revenues	42,145	83,421	53,169	51,950	79,320
Operating expenses:					
Direct cost of services	15,417	17,491	20,595	24,807	24,806
Cost of goods sold	6,674	12,669	4,736	10,470	35,880
Selling, general and administrative	31,413	35,743	21,696	21,320	17,605
Total operating expenses	53,504	65,903	47,027	56,597	78,291
Operating income (loss)	(11,359)	17,518	6,142	(4,647)	1,029
Other income (expense):					
Interest income	522	32	158	393	268
Other income		18	112	56	51
Loss from equity investment in Great American Real Estate, LLC	(1,640)	(861)	(17)		
Interest expense	(3,667)	(11,273)	(4,063)	(1,037)	(3,767)
Income (loss) from continuing operations before benefit for income taxes	(16,144)	5,434	2,332	(5,235)	(2,419)
Benefit for income taxes	5,106	11,664			
Income (loss) from continuing operations	(11,038)	17,098	2,332	(5,235)	(2,419)
Loss from discontinued operations, net of tax		(142)	(2,069)	(5,072)	(5,960)
Net income (loss)	$ (11,038)	$ 16,956	$ 263	$ (10,307)	$ (8,379)
Basic earnings (loss) per share, continuing operations	$ (0.39)	$ 0.96	$ 0.22	$ (0.59)	$ (0.34)
Basic earnings (loss) per share, discontinued operations	0.00	(0.01)	(0.20)	(0.56)	(0.85)
Basic earnings (loss) per share	$ (0.39)	$ 0.95	$ 0.02	$ (1.15)	$ (1.19)
Diluted earnings (loss) per share, continuing operations	$ (0.39)	$ 0.92	$ 0.22	$ (0.59)	$ (0.34)
Diluted loss per share, discontinued operations	0.00	(0.01)	(0.20)	(0.56)	(0.85)

Diluted earnings (loss) per share	$ (0.39)	$ 0.91	$ 0.02	$ (1.15)	$ (1.19)
Weighted average basic shares outstanding	28,075,758	17,786,686	10,560,000	8,934,644	7,040,000
Weighted average diluted shares outstanding	28,075,758	18,664,049	10,560,000	8,934,644	7,040,000

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	Year Ended December 31, 2010	2009	2008	2007	2006
PRO FORMA COMPUTATION RELATED TO CONVERSION TO C CORPORATION FOR INCOME TAX PURPOSES (unaudited):					
Historical income (loss) from continuing operations before income taxes		$ 5,434	$ 2,332	$ (5,235)	$ (2,419)
Pro forma benefit (provision) for income taxes		(2,141)	(919)	2,063	953
Pro forma income (loss) from continuing operations		3,293	1,413	(3,172)	(1,466)
Pro forma loss from discontinued operations, net of tax		(116)	(1,254)	(3,074)	(3,612)
Pro forma net income (loss)		$ 3,177	$ 159	$ (6,246)	$ (5,078)
Pro forma basic earnings (loss) per share, continuing operations		$ 0.19	$ 0.13	$ (0.36)	$ (0.21)
Pro forma basic loss per share, discontinued operations		(0.01)	(0.11)	(0.34)	(0.51)
Pro forma basic earnings (loss) per share		$ 0.18	$ 0.02	$ (0.70)	$ (0.72)
Pro forma diluted earnings (loss) per share, continuing operations		$ 0.18	$ 0.13	$ (0.36)	$ (0.21)
Pro forma diluted loss per share, discontinued operations		(0.01)	(0.11)	(0.34)	(0.51)
Pro forma diluted earnings (loss) per share		$ 0.17	$ 0.02	$ (0.70)	$ (0.72)
Pro forma weighted average basic shares outstanding		17,786,686	10,560,000	8,934,644	7,040,000
Pro forma weighted average diluted shares outstanding		18,664,049	10,560,000	8,934,644	7,040,000

Consolidated Balance Sheet Data:

(Dollars in thousands)

	Year Ended December 31, 2010	2009	2008	2007	2006
Cash and cash equivalents	$ 20,080	$ 37,989	$ 16,965	$ 16,029	$ 9,965
Restricted cash		459	3,653		
Total assets	72,274	78,673	55,831	44,092	41,739
Total current liabilities	28,966	35,110	37,113	26,599	41,931
Total long-term liabilities	52,211	44,563	4,217	4,321	
Total stockholders equity (deficit)	(8,903)	(1,000)	14,501	13,172	(5,335)

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

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

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

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

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

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

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

GAG, Inc. refers to Great American Group, Inc.;

GAG, LLC refers to Great American Group, LLC;

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

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

the Contribution Consideration Recipients refers collectively to the Great American Members and the Phantom Equityholders; and

AAMAC refers to Alternative Asset Management Acquisition Corp.

The Acquisition

On July 31, 2009, GAG, Inc., GAG, LLC and AAMAC completed the Acquisition pursuant to the Agreement and Plan of Reorganization, dated as of May 14, 2009, as amended by Amendment No. 1 to Agreement and Plan of Reorganization, dated as of May 29, 2009, Amendment No. 2 to Agreement and Plan of Reorganization, dated as of July 8, 2009, and Amendment No. 3 to Agreement and Plan of Reorganization, dated as of July 28, 2009 (as amended, the Purchase Agreement), by and among AAMAC, GAG, Inc., then a wholly-owned subsidiary of AAMAC, Merger Sub, then a wholly-owned subsidiary of GAG, Inc., GAG, LLC, the Great American Members and the representative of the Great American Members. Pursuant to the Purchase Agreement, the Great American Members contributed all of their membership interests of GAG, LLC to GAG, Inc. and concurrently therewith, AAMAC merged with and into Merger Sub. As a result of the Acquisition, GAG, LLC and AAMAC became subsidiaries of the Company. Immediately following the consummation of the Acquisition, the former shareholders of AAMAC had an approximate 63% voting interest in the Company and the Great American Members had an approximate 37% voting interest in the Company.

We received net proceeds of $69.3 million from AAMAC as a result of the Acquisition and issued 19,346,626 shares of our common stock to AAMAC shareholders. Upon the closing of the Acquisition, the Great American Members received 10,560,000 shares of our common stock and $82.4 million consisting of (i) cash distributions totaling $31.7 million from GAG, LLC and (ii) an aggregate of $50.7 million in unsecured subordinated promissory notes. Unsecured subordinated promissory notes amounting to an aggregate of $9.3 million were issued to the Phantom Equityholders in settlement of accrued compensation payable pursuant to a deferred compensation plan.

On May 4, 2010, we entered into individual amendments to an aggregate of $52.4 million of the subordinated, unsecured promissory notes with an aggregate principal amount of $55.6 million (the Notes) issued to the Great American Members and the Phantom Equityholders in the Acquisition. Under the terms of the amendments with the Great American Members, who hold Notes with an aggregate remaining principal balance of $47.0 million, the Great American Members have agreed to (i) reduce the interest rate on their Notes to 3.75% from 12% per year, effective as of February 1, 2010 and (ii) extend the maturity date of the Notes to July 31, 2018, subject to annual prepayments based upon our cash flow subject to certain limitations, including, without limitation, our maintenance of a minimum adjusted cash balance of $20 million. Each prepayment, if any, is due within 30 days of the filing of our Annual Report on Form 10-K, beginning with the Form 10-K for the fiscal year ended December 31, 2010. No prepayment is due for the fiscal year ended December 31, 2010. Prior to the amendments, these Notes had a five-year maturity, with one-fifth of the principal amount of each Note payable on each anniversary of the date of issuance of the Note through the fifth anniversary of the Note.

Certain of the Phantom Equityholders holding Notes with an aggregate principal balance of $5.4 million also agreed to reduce the interest rate on their Notes to 3.75% from 12% per year, effective as of February 1, 2010. The amended Notes will continue to have a five-year maturity, with one-fifth of the principal amount of each Note payable on each anniversary of the date of issuance of the Note through the fifth anniversary of the Note, or July 31, 2014. The remaining $3.2 million of Notes issued to the Phantom Equityholders not amending their Notes will continue to be subject to the original terms of the Notes. On October 27, 2010, the Great American Members and the Phantom Equityholders holding amended Notes entered into individual waivers, whereby such holders 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, April 30, 2011 and July 31, 2011.

The Purchase Agreement also provided for the issuance of 1,440,000 shares of our common stock to the Phantom Equityholders pursuant to the following vesting schedule: 50% on January 31, 2010, 25% on July 31, 2010 and the remaining 25% on January 31, 2011. In addition, the Purchase Agreement provides for the issuance of 6,000,000 additional shares of common stock to the Contribution Consideration Recipients upon achievement of certain Adjusted EBITDA financial targets in fiscal 2009, 2010 and 2011, as specified in the Purchase Agreement. We did not achieve the Adjusted EBITDA targets for the years ended December 31, 2009 and December 31, 2010. However, in the event we achieve $65.0 million in Adjusted EBITDA (as defined in the Purchase Agreement) for the fiscal year ending December 31, 2011, we will be obligated to issue to the Contribution Consideration Recipients 4,000,000 shares of common stock.

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In connection with the Acquisition, the Contribution Consideration Recipients placed in escrow an aggregate of 1,500,000 shares of our common stock (the Escrowed Indemnification Stock). As of December 31, 2010, 72,000 shares attributable to the Phantom Equityholders had been released from escrow and the remaining 108,000 shares attributable to the Phantom Equityholders and all 1,320,000 shares attributable to the Great American Members remained in escrow. The remaining Escrowed Indemnification Stock is due to be released on the 30th day following our filing of this Annual Report, less that portion of such shares applied in satisfaction of, or reserved with respect to, any escrow claims.

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

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.

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.

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, 2009 and 2008, revenues from our auction and liquidation segment were 49.9%, 73.9% and 68.4% of total revenues. The decline in revenues resulted in a significant decrease in operating income from the auction and liquidation during the year ended December 31, 2010. Revenues in the auction and liquidation segment during the year ended December 31, 2010 were negatively impacted by fewer liquidation engagements during the year as economic conditions for retailers and credit markets improved from the prior years.

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

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

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.

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.

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Results of Operations

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

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

Consolidated Statements of Operations

(Dollars in thousands)

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Amount	%	Amount	%
Revenues:				
Services and fees	$ 37,026	87.9%	$ 70,810	84.9%
Sale of goods	5,119	12.1%	12,611	15.1%
Total revenues	42,145	100.0%	83,421	100.0%
Operating expenses:				
Direct cost of services	15,417	36.6%	17,491	21.0%
Cost of goods sold	6,674	15.8%	12,669	15.2%
Selling, general and administrative expenses	31,413	74.5%	35,743	42.8%
Total operating expenses	53,504	127.0%	65,903	79.0%
Operating income (loss)	(11,359)	-27.0%	17,518	21.0%
Interest income	522	1.1%	32	0.0%
Other income		n/a	18	0.0%
Loss from equity investment in Great American Real Estate, LLC	(1,640)	-3.9%	(861)	-1.0%
Interest expense	(3,667)	-8.7%	(11,273)	-13.5%
Income (loss) from continuing operations before benefit for income taxes	(16,144)	-38.3%	5,434	6.5%
Benefit for income taxes	5,106	12.1%	11,664	14.0%
Income (loss) from continuing operations	(11,038)	-26.2%	17,098	20.5%
Loss from discontinued operations		0.0%	(142)	-0.2%
Net income (loss)	$ (11,038)	-26.2%	$ 16,956	20.3%

Revenues. Total revenues decreased $41.3 million to $42.1 million during the year ended December 31, 2010 from $83.4 million during the year ended December 31, 2009. The decrease in revenues was primarily due to a $40.6 million decrease in revenues in the auction and liquidation segment and a $0.7 million decrease in revenues in the valuation and appraisal services segment in 2010 as compared to the same period in 2009. Revenues in the auction and liquidation segment during the year ended December 31, 2010 were negatively impacted by fewer liquidation engagements during the year as economic conditions for retailers and credit markets improved from the prior year and a decline in revenues from the auction of machinery and equipment. Revenues in the auction and liquidation segment were $21.0 million during the year ended December 31, 2010. In comparison, during the year ended December 31, 2009 revenues in the auction and liquidation segment were $61.6 million which included revenues earned of $16.4 million and $9.4 million from two large liquidation service engagements where we provided a minimum recovery value for goods being sold at bankruptcy liquidation sales. The decrease in revenues during the year ended December 31, 2010 in the auction and liquidation segment were also negatively impacted by a $7.5 million decrease in the sale of goods where we purchase assets and sell at auction. The decrease in revenues of $0.7 million in the valuation and appraisal services segment was primarily due to a decrease in revenues related to asset valuations that we perform for asset-based loans on machinery and equipment.

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Revenue and Gross Margin by Segment

(Dollars in thousands)

Auction and Liquidation Segment:

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

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

Gross margin in the auction and liquidation segment was 62.4% of revenues during the year ended December 31, 2010, as compared to 84.0% of revenues during the year ended December 31, 2009. The decrease in the gross margin during the year ended December 31, 2010 was primarily due to a decrease in revenues earned in 2010 from services and fees and gross margin from liquidation engagements where we provided a minimum recovery value for goods sold at bankruptcy liquidation sales. The gross margin during the year ended December 31, 2010 was also negatively impacted by the decrease in gross margin from the sale of goods where we held title which decreased to (30.4%) during the year ended December 31, 2010 as compared to a gross margin of (0.5%) during the year ended December 31, 2009.

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

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Valuation and Appraisal Segment:

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

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

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

Operating Expenses

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

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

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

Selling, General and Administrative Expenses by Segment

(Dollars in thousands)

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

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

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

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

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

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

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Consolidated Statements of Operations

(Dollars in thousands)

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	Amount	**%**	**Amount**	**%**
Revenues:				
Services and fees	$ 70,810	84.9%	$ 48,496	91.2%
Sale of goods	12,611	15.1%	4,673	8.8%
Total revenues	83,421	100.0%	53,169	100.0%
Operating expenses:				
Direct cost of services	17,491	21.0%	20,595	38.7%
Cost of goods sold	12,669	15.2%	4,736	8.9%
Selling, general and administrative expenses	35,743	42.8%	21,696	40.8%
Total operating expenses	65,903	79.0%	47,027	88.4%
Operating income	17,518	21.0%	6,142	11.6%
Interest income	32	-0.1%	158	0.3%
Other income (expense)	18	0.0%	112	0.2%
Loss from equity investment in Great American Real Estate, LLC	(861)	-1.0%	(17)	n/a
Interest expense	(11,273)	-13.5%	(4,063)	-7.6%
Income from continuing operations before benefit for income taxes	5,434	6.5%	2,332	4.4%
Benefit for income taxes	11,664	14.0%		0.0%
Income from continuing operations	17,098	20.5%	2,332	4.4%
Loss from discontinued operations	(142)	-0.2%	(2,069)	-3.9%
Net income	$ 16,956	20.3%	$ 263	0.5%

Revenues. Total revenues increased $30.3 million, or 56.9%, to $83.4 million during the year ended December 31, 2009 from $53.2 million during the year ended December 31, 2008. The increase in revenues was primarily due to a $25.3 million increase in revenues in the auction and liquidation segment and a $5.0 million increase in revenues in the valuation and appraisal services segment in 2009 as compared to 2008. The increase in revenues in the auction and liquidation segment was due to liquidation services provided to two large consumer product retailers conducting bankruptcy liquidation sales and an increase in revenues from the sale of goods where we held title during the year ended December 31, 2009. The increase in revenues of $5.0 million in the valuation and appraisal services segment was primarily due to an increase in the number of collateral monitoring-related asset valuations conducted in connection with existing asset-based loans from financial institutions, as well as an increase in revenues in 2009 from intellectual property and real estate appraisal services which were new in the second half of 2008.

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Revenue and Gross Margin by Segment

(Dollars in thousands)

Auction and Liquidation Segment:

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	Amount	%	Amount	%
Revenues:				
Services and fees	$ 49,005	79.5%	$ 31,676	87.1%
Sale of goods	12,611	20.5%	4,673	12.9%
Total revenues	61,616	100.0%	36,349	100.0%
Direct cost of services	7,839	12.7%	12,872	35.4%
Cost of goods sold	12,669	20.6%	4,736	13.0%
Total operating expenses	20,508	33.3%	17,608	48.4%
Gross margin	$ 41,108	66.7%	$ 18,741	51.6%
Gross margin services and fees	84.0%		59.4%	
Gross margin sales of goods	-0.5%		-1.3%	

Revenues in the auction and liquidation segment increased $25.3 million, or 69.5%, to $61.6 million during the year ended December 31, 2009 from $36.3 million during the year ended December 31, 2008. Revenues from services and fees increased $17.3 million, or 54.7%, to $49.0 million during the year ended December 31, 2009 from $31.7 million during the year ended December 31, 2008. The increase in revenues from services and fees was primarily due to revenues of $16.4 million and $9.4 million earned on two large liquidation service engagements where we provided a minimum recovery value for goods being sold at bankruptcy liquidation sales during the first quarter of 2009. Revenues from gross sales of goods where we held title to the goods increased $7.9 million to $12.6 million during the year ended December 31, 2009 from $4.7 million during the year ended December 31, 2008. The increase in gross revenues from the sales of goods where we held title to the goods in 2009 was primarily due the sale of goods with higher asset values in 2009 as compared to 2008.

Gross margin in the auction and liquidation segment was 66.7% of revenues during the year ended December 31, 2009 as compared to 51.6% during the year ended December 31, 2008. The increase in the gross margin in 2009 was primarily due to the increase in revenues from services for liquidation engagements for large retailers which were conducted through collaborative arrangements with other liquidation agents. In these types of engagements, we participate with other liquidation agents and provide a minimum recovery value for goods sold at auction or liquidation with the related revenues recognized on a net basis. Revenues recognized under these types of liquidation engagements totaled $36.0 million during the year ended December 31, 2009 as compared to $17.4 million during the year ended December 31, 2008. There were no corresponding direct costs of services for these collaborative arrangements during the year ended December 31, 2009 as compared to $2.0 million during the year ended December 31, 2008. These changes in the mix of revenue and related costs in 2009 resulted in the increase in gross margin for liquidation engagements to 84.0% from 59.4% in 2008. During the year ended December 31, 2008, revenues from auction and liquidation engagements were primarily comprised of engagements where we earned fees and commissions acting as an agent selling goods on behalf of the customer. Under these types of engagements, we earn revenues from services, fees and reimbursable costs and direct costs of services include direct costs of the liquidation engagement and costs incurred on behalf of the customer that are reimbursed in accordance with the terms of the liquidation contract. This mix of revenue and corresponding costs results in a lower gross margin than the gross margin from the liquidation engagements under collaborative arrangements where we provide a minimum recovery value of goods sold at auction or liquidation.

Gross margin from the sales of goods where we held title was (0.5%) during the year ended December 31, 2009 as compared to (1.3%) during the year ended December 31, 2008. The gross margin in 2009 was negatively impacted due to a $1.2 million inventory valuation charge in the fourth quarter of 2009 to write down the carrying value of certain goods held for sale or auction to lower of cost or market. Excluding this inventory valuation charge, the gross margin from the sale of goods where we hold title was 9.1% during the year ended December 31, 2009. This increase in margin after giving effect to the inventory valuation charge was favorably impacted in 2009 due to liquidation sales of equipment with higher profit margins in 2009 as compared to the same period in 2008.

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Valuation and Appraisal Segment:

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	Amount	%	Amount	%
Revenues - Services and fees	$ 21,805	100.0%	$ 16,820	100.0%
Direct cost of services	9,652	44.3%	7,723	45.9%
Gross margin	$ 12,153	55.7%	$ 9,097	54.1%

Revenues in the valuation and appraisal segment increased $5.0 million, or 27.8%, to $21.8 million during the year ended December 31, 2009 from $16.8 million during the year ended December 31, 2008. Of the $5.0 million increase in revenues, $4.5 million was primarily due to an increase in the number of collateral monitoring-related asset valuations conducted in connection with existing asset-based loans from financial institutions and other appraisal services. The remaining $0.5 million increase in revenues was due to revenues generated during the year ended December 31, 2009 by a new operating unit which was formed in the second half of 2008 to expand our valuation service offerings to include intellectual property and real estate appraisal services.

Gross margins in the valuation and appraisal segment increased to 55.7% of revenues during the year ended December 31, 2009 as compared to 54.1% of revenues during the year ended December 31, 2008. The gross margins in 2009 increased primarily as a result of productivity gains from the higher revenue base in 2009 as compared to 2008.

Operating Expenses

Direct Costs of Services. Total direct costs of services decreased $3.1 million, or 15.1%, to $17.5 million during the year ended December 31, 2009 from $20.6 million during the year ended December 31, 2008. Direct costs of services in the auction and liquidation segment decreased $5.0 million, or 39.1%, to $7.8 million during the year ended December 31, 2009 from $12.9 million during the year ended December 31, 2008. This decrease was primarily due to a decrease in reimbursable expenses that are included as a component of direct cost of services from fee and commission auction and liquidation engagements. The number of these fee and commission auction and liquidation engagements decreased during the year ended December 31, 2009 as compared to the same period in 2008, resulting in a decrease in revenues from reimbursable expenses and a corresponding decrease in direct costs of revenues from reimbursable expense. Direct costs of services in the valuation and appraisal services segment increased $1.9 million, or 25.0%, to $9.7 million during the year ended December 31, 2009 from $7.7 million during the year ended December 31, 2008. This increase was primarily due to an increase in the number of collateral monitoring-related asset valuations conducted in 2009 as compared to the same period in 2008.

Cost of Goods Sold. Cost of goods sold increased $8.0 million to $12.7 million during the year ended December 31, 2009 from $4.7 million during the year ended December 31, 2008. The gross margin from the sales of goods where we held title was (0.5%) during the year ended December 31, 2009 as compared to (1.3%) during the year ended December 31, 2008. The gross margin in 2009 was negatively impacted due to a $1.2 million inventory valuation charge in the fourth quarter of 2009 to write down the carrying value of certain goods held for sale or auction to lower of cost or market. Excluding this inventory valuation charge, the gross margin from the sale of goods where we hold title was 9.1% during the year ended December 31, 2009. This increase in margin after giving effect to the inventory valuation charge was favorably impacted in 2009 due to liquidation sales of certain equipment with higher profit margins in 2009 as compared to the same period in 2008.

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Selling, General and Administrative Expenses. Selling, general and administrative expenses during the years ended December 31, 2009 and 2008 were comprised of the following:

Selling, General and Administrative Expenses by Segment

(Dollars in thousands)

	Year Ended December 31, 2009		Year Ended December 31, 2008		Change	
	Amount	%	Amount	%	Amount	%
Auction and liquidation	$ 6,691	18.7%	$ 4,250	19.6%	$ 2,441	57.4%
Valuation and appraisal	8,017	22.4%	7,411	34.2%	606	8.2%
Corporate and other	21,035	58.9%	10,035	46.2%	11,000	109.6%
Total selling, general & administrative expenses	$ 35,743	100.0%	$ 21,696	100.0%	$ 14,047	64.7%

Selling, general and administrative expenses in the auction and liquidation segment increased $2.4 million, or 57.4%, to $6.7 million during the year ended December 31, 2009 from $4.3 million for the year ended December 31, 2008. The increase was primarily due to an increase in payroll related and occupancy expenses in 2009. Selling, general and administrative expenses in the valuation and appraisal services segment increased $0.6 million, or 8.2%, to $8.0 million during the year ended December 31, 2009 from $7.4 million for the year ended December 31, 2008. This increase was primarily due to an increase in general and administrative expenses due to the increase in volume of engagements in 2009. Selling, general and administrative expenses for corporate and other increased $11.1 million to $21.0 million during the year ended December 31, 2009 from $10.0 million for the year ended December 31, 2008. This increase was primarily due to an increase of $3.6 million relating to the deferred compensation plan that was in effect prior to the Acquisition, $3.1 million of share based compensation related to the restricted stock grant to the Phantom Equityholders, $2.0 million of accounting, legal and consulting expenses as a result of the Acquisition, and the remaining, $2.4 million was primarily related to an increase in bonuses and an increase in personnel costs and office expenses from opening of new offices in 2009.

Other Income (Expense) and Interest. Other expenses increased $8.3 million to $12.1 million during the year ended December 31, 2009 from $3.8 million during the year ended December 31, 2008. Of the $8.3 million increase, $7.2 million related to an increase in interest expense during the year ended December 31, 2009 which was primarily due to an increase in interest expense of $3.8 million related to our credit facilities on guarantee arrangements for the auction and liquidation segment, $2.8 million on the notes payable issued to the Great American Members and Phantom Equityholders in connection with the consummation of the Acquisition and the remaining $0.6 million on the note payable issued in May 2008 to finance the purchase of certain machinery and equipment. The remaining $1.0 million increase in other expenses was primarily due to a decrease in interest income of $0.1 million and our share of costs totaling $0.9 million from our 50% interest in Great American Home Auctions, which began operating in the second quarter of 2009.

Benefit for Income Taxes. Benefit for income taxes was $11.7 million during the year ended December 31, 2009. There was no income tax provision or benefit during the year ended December 31, 2008 as we were organized as a limited liability company, whereby we elected to be taxed as a partnership and the income was required to be reported by each respective member on their separate income tax returns. This benefit for income taxes in 2009 was comprised of an income tax benefit of $7.0 million as a result of a change in our tax status to a C corporation in connection with the consummation of the Acquisition and $4.6 million income tax benefit from operations during the period from the date of consummation of the Acquisition through December 31, 2009.

Income from Continuing Operations. Income from continuing operations increased to $17.1 million during the year ended December 31, 2009 from $2.3 million during the year ended December 31, 2008. The increase was primarily due to the an increase in income in the auction and liquidation segment and the recognition of a benefit for income taxes in the amount of $11.7 million during the year ended December 31, 2009. Excluding the benefit for income taxes, income from continuing operations increased to $5.4 million during the year ended December 31, 2009 from $2.3 million during the year ended December 31, 2009. The increase in income was primarily due to an increase in revenues in the auction and liquidation segment as discussed above, offset by increased selling, general and administrative expenses and higher interest expense.

Loss From Discontinued Operations. Loss from discontinued operations was $0.1 million for the year ended December 31, 2009 and $2.1 million for the year ended December 31, 2008. The loss from discontinued operations is the result of the closure of the Company s retail furniture liquidation segment in July 2008.

Net Income. Net income for the year ended December 31, 2009 was $17.0 million as compared to $0.3 million for the year ended December 31, 2008. The increase in net income during the year ended December 31, 2009 was primarily due to the increase in revenues in the auction and liquidation segment and the $11.7 million income tax benefit recognized during such period offset by increased selling, general and administrative expenses and higher interest expenses.

Discontinued Operations

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

Liquidity and Capital Resources

Over the past years, our growth has 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 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 payable to the Great American Members and Phantom Equityholders, have resulted in the net use of $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 subject to certain limitations as provided in the amendment to the notes payable, including, without limitation, our maintenance of a minimum adjusted cash balance of $20.0 million. The terms of these amendments significantly reduce the annual cash required to service this debt. 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.

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 resulted in a reduction in employee headcount by approximately 7%, a voluntary reduction in base salaries of senior executives that ranged from 10% to 40%, 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. We also merged the operations of the machinery and equipment appraisal business with the wholesale and industrial auction business.

As of December 31, 2010, we had $20.1 million in unrestricted cash and no borrowings outstanding under our asset based credit facility. We believe that our current cash and cash equivalents, funds available under our asset based credit facility and cash expected to be generated from operating activities will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months. We continue to monitor our financial performance to ensure sufficient liquidity to fund operations.

Acquisition Overview

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

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

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in thousands)		
Net cash provided by (used in):			
Operating activities	$ (6,083)	$ 18,881	$ 4,209
Investing activities	(6,657)	1,241	(4,250)
Financing activities	(5,155)	902	977
Effect of foreign currecy on cash	(14)		
Net increase in cash and cash equivalents	$ (17,909)	$ 21,024	$ 936

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

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

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

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

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Cash provided by operating activities was $18.9 million for the year ended December 31, 2009 compared to $4.2 million in 2008. The increase in cash provided by operating activities in 2009 was due to the increase in net income primarily from the revenue earned on two large liquidation engagements where we provided a minimum recovery value for goods being sold at bankruptcy liquidation sales during the first quarter of 2009.

Cash provided by investing activities was $1.2 million for the year ended December 31, 2009 as compared to cash used in investing activities of $4.3 million for the year ended December 31, 2008. The increase in net cash used in investing activities in 2009 was primarily due to a decrease in restricted cash of $3.2 million offset by equity investments in Great American Real Estate, LLC of $1.2 million and capital expenditures of $0.8 million.

Cash provided by financing activities was $0.9 million for the year ended December 31, 2009 compared to $1.0 million for the year ended December 31, 2008. Cash provided by financing increased in 2009 primarily from proceeds of $70.4 million received in connection with the Acquisition, offset by cash used in financing activities from distributions of $33.9 million to the Great American Members, $5.6 million payment of notes payable of which $4.4 million was in accordance with the Purchase Agreement, repayments of long-term debt of $4.3 million, distributions to noncontrolling interest in subsidiaries, and $23.0 million of cash used for the Warrant Redemption.

Credit Agreements

From time to time, we utilize our asset based credit facility to fund costs and expenses incurred in connection with liquidation engagements. We also utilize this credit facility in order to issue letters of credit in connection with liquidation engagements conducted on a guaranteed basis. We are permitted to borrow up to $100.0 million under the credit facility; however, borrowings under the credit facility are only made at the discretion of the lender. The base rate for the credit facility is the greater of (i) the Wells Fargo prime rate, (ii) LIBOR plus 1.00% and (iii) the Federal Funds Effective Rate plus 0.50%. The credit facility is secured by the proceeds received for services rendered in connection with the liquidation service contracts pursuant to which any outstanding loan or letters of credit are issued and the assets that are sold at liquidation related to such contract, if any. We typically seek borrowings on an engagement-by- engagement basis. The credit facility expires in July 2013; however, borrowings under the credit facility are generally required to be repaid within 180 days. At December 31, 2009 and December 31, 2010, there was no outstanding balance under the credit facility for borrowing or outstanding letters of credit.

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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 borrowings bear interest at a rate of 20% per annum. The loan is collateralized by the oil rigs and other equipment related to the oil exploration business which 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 are currently in negotiations with the lenders to extend the terms of the forbearance agreement. GAGEE has no assets other than those collateralizing the loan. 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. In the event the Company, GAG, LLC, GAGEE and the lenders do not reach an agreement to extend the term of the forbearance agreement, the lenders may foreclosure on the assets that collateralize the loan. We believe the Company and GAG, LLC have satisfied all of their obligations under the credit agreement and if the lender were to foreclose on the machinery and equipment the impact on the consolidated financial statements and results of operations would not be material as total assets would decrease by $11.7 million due to the lender taking title to goods held for sale or auction which is comprised of machinery and equipment with a carrying value of $9.7 million and leased equipment with a carrying value of $2.0 million, and total liabilities would be reduced by $12.0 million from the note payable that collateralized the machinery and equipment. At December 31, 2010 and December 31, 2009, the aggregate principal balance of the note payable was $12.0 million and $11.7 million, respectively. Interest expense in connection with this note payable was $0.3 million, $2.1 million and $1.4 million for the years ended December 31, 2010, 2009 and 2008, respectively. The interest rate on the note was 20.0% from the inception of the credit agreement through December 18, 2009 and 22.0%, which represents the note rate of 20.0% plus the default interest rate of 2.0%, from the expiration of the forbearance agreement on November 18, 2010 through December 31, 2010.

One of our majority owned subsidiaries utilizes a factoring agreement to provide working capital to finance the operations within the valuation and appraisal segment. The factoring agreement is scheduled to expire on May 22, 2011. The factoring agreement provides for the factor, at its discretion, to purchase on a nonrecourse basis, all of our subsidiary s customer receivables. The factor is responsible for servicing the receivables and pays 90% of the net receivable invoice amount upon request by our subsidiary and retains the remaining 10% in a reserve. Accounts receivable sold to the factor were $13.8 million and $14.2 million for the year ended December 31, 2010 and 2009, respectively. Factoring commissions and other fees based on advances decreased to $0.1 million for the year ended December 31, 2010 from $0.2 million for the year ended December 31, 2009. The decrease in factoring commissions and fees for the year ended December 31, 2010 was primarily due to a decrease in interest and other charges by the factor in 2010.

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 Kelley Capital, LLC. GAHA Fund I was created to purchase land and a commercial building that is planned to be sold by GARE. The note receivable is collateralized by the land and commercial building which was purchased with the proceeds from the loan. The note receivable bears interest at a rate of 10% per annum. The principal balance on the note and all unpaid interest was received in January 2011. Interest income was $0.3 million for the year ended December 31, 2010 and is included in interest income in the accompanying consolidated statement of operations. At December 31, 2010, the note receivable in the amount of $2.7 million is included in note receivable related party in the accompanying consolidated balance sheet and accrued interest receivable in the amount of $0.3 million is included in prepaid expenses and other current assets in the accompanying consolidated balance sheet.

On July 8, 2010, we loaned $3.2 million to GARE for the purposes of investing in GAHA Fund II, LLC, a newly formed joint venture which is 50% owned by GARE. GAHA Fund II, LLC is a special purpose entity created to purchase non-performing distressed real estate loans at a discount to par from a financial institution and market the loans and real estate to third parties. The note receivable bears interest at a rate of 15% per annum and all unpaid principal and interest is due on July 8, 2011. Interest income was $0.2 million for the year ended December 31, 2010 and is included in interest income in the accompanying consolidated statement of operations. At December 31, 2010, the note receivable in the amount of $3.2 million and accrued interest receivable in the amount of $0.2 million is included in prepaid expenses and other current assets in the accompanying consolidated balance sheet.

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

Contractual Obligations

The following table sets forth aggregate information about our contractual obligations as of December 31, 2010 and the periods in which payments are due:

	Payments due by period				
	Total	Less Than One Year	1-3 Years	4-5 Years	More Than 5 years
	(Dollars in thousands)				
Contractual Obligations					
Long-term debt	$ 53,893	$ 1,724	$ 3,448	$ 1,724	$ 46,997
Note payable	12,014	12,014			
Capital lease obligations, including interest	76	32	44		
Operating lease obligations	4,187	1,548	2,354	285	
Guarantee contracts					
Total	$ 70,170	$ 15,318	$ 5,846	$ 2,009	$ 46,997

In connection with the consummation of the Acquisition, we issued a note payable to each of the Great American Members and the Phantom Equityholders in an aggregate principal amount of $55.6 million. On May 4, 2010, we entered into individual amendments to an aggregate of $52.4 million of the Notes issued to the Great American Members and the Phantom Equityholders. Under the terms of the amendments with the Great American Members, who hold Notes with an aggregate remaining principal balance of $47.0 million, the Great American Members have agreed to (i) reduce the interest rate on their Notes to 3.75% from 12% per year, effective as of February 1, 2010 and (ii) extend the maturity date of the Notes to July 31, 2018, subject to annual prepayments based upon our cash flow subject to certain limitations, including, without limitation, our maintenance of a minimum adjusted cash balance of $20 million. Each prepayment, if any, is due within 30 days of the filing of our Annual Report on Form 10-K, beginning with the Form 10-K for the fiscal year ended December 31, 2010. No prepayment is due for the fiscal year ended December 31, 2010. Prior to the amendments, these Notes had a five-year maturity, with one-fifth of the principal amount of each Note payable on each anniversary of the date of issuance of the Note through the fifth anniversary of the Note.

Certain of the Phantom Equityholders holding Notes with an aggregate principal balance of $5.4 million also agreed to reduce the interest rate on their Notes to 3.75% from 12% per year, effective as of February 1, 2010. The amended Notes will continue to have a five-year maturity, with one-fifth of the principal amount of each Note payable on each anniversary of the date of issuance of the Note through the fifth anniversary of the Note, or July 31, 2014. The remaining $3.2 million of Notes issued to the Phantom Equityholders not amending their Notes will continue to be subject to the original terms of the Notes. On October 27, 2010, the Great American Members and the Phantom Equityholders holding amended Notes entered into individual waivers, whereby such holders 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, April 30, 2011 and July 31, 2011.

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

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Critical Accounting Policies

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

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

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

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

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

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

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

Revenues in the Company s Auction and Liquidation segment are comprised of (i) commissions and fees earned on the sale of goods at auctions and liquidations; (ii) revenues from auction and liquidation services contracts where the Company guarantees a minimum recovery value for goods being sold at auction or liquidation; (iii) revenue from the sale of goods that are purchased by the Company for sale at auction or liquidation sales events; (iv) fees earned from 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.

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

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

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

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

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

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

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

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

We reviewed our reporting units for possible goodwill impairment by comparing the fair values of each of the reporting units to the carrying value of their respective net assets. If the fair values exceed the carrying values of the net assets, no goodwill impairment is deemed to exist. If the fair values of the reporting units do not exceed the carrying values of the net assets, goodwill is tested for impairment and written down to its implied value if it is determined to be impaired. Based on a review of the fair value of the reporting units, no impairment is deemed to exist as of December 31, 2010.

In accordance with the Codification, the Company reviews the carrying value of its intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the asset or asset group to the undiscounted cash flows that the asset or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount of the asset or asset group, if any, exceeds its fair market value. No impairment was deemed to exist as of December 31, 2010.

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

Fair Value Measurements. On January 1, 2008, the Company adopted the new accounting guidance for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Codification also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The new accounting guidance delays the effective date for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis until fiscal years beginning after November 15, 2008. In accordance with the new accounting guidance, the Company has not applied the new provisions to eligible assets and liabilities that have been recognized or disclosed at fair value for the year ended December 31, 2009, specifically to fair value measurements of the Company s reporting units and nonfinancial assets and nonfinancial liabilities measured at fair value to determine the amount of goodwill impairment.

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.

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In October 2008, the Financial Accounting Standards Board (FASB) issued accounting guidance to be used in determining the fair value of a financial asset when the market for that asset is not active. The new guidance was effective immediately and clarifies the application of fair value measurements in cases where the market for a financial instrument is not active and provides an example to illustrate key considerations in determining fair value in those circumstances. We have considered the new guidance in our determination of estimated fair values.

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

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

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

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

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

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

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

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

New Accounting Standards

In January 2010 the FASB issued ASU 2009-16, *Accounting for Transfers of Financial Assets (FASB Statement No. 166, Accounting for Transfers of Financial Assets)* , or ASU 2009-16, which eliminates the concept of a qualifying special-purpose entity (QSPE), revises conditions for reporting a transfer of a portion of a financial asset as a sale (e.g., loan participations), clarifies the derecognition criteria, eliminates special guidance for guaranteed mortgage securitizations, and changes the initial measurement of a transferor s interest in transferred financial assets. ASU 2009-16 is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2009. We adopted the provisions of this ASU effective January 1, 2010, which did not have a material impact on our financial statements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

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

The primary objective of the our investment activities is to preserve capital for the purpose of funding operations while at the same time maximizing the income it receives from its investments without significantly increasing risk. To achieve these objectives, our investments allow it to maintain a portfolio of cash equivalents and short-term investments through a variety of securities, including commercial paper, money market funds and certificates of deposit. Our cash and cash equivalents through December 31, 2010 included amounts in bank checking, certificates of deposit and liquid money market accounts. The Company believes it has minimal interest rate risk. A one percentage point decrease in the average interest rate on our portfolio would have reduced its interest income for the year ended December 31, 2010 by an immaterial amount.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
None.

Item 9A. CONTROLS AND PROCEDURES
Evaluation of Disclosure Controls and Procedures

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures. Based upon the foregoing evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that as of December 31, 2010 our disclosure controls and procedures were effective at the reasonable assurance level.

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

Changes in Our Controls

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

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2010.

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

Item 9B. OTHER INFORMATION
On December 8, 2010, we entered into an Amended and Restated Credit Agreement with Wells Fargo Bank, National Association (Wells Fargo), pursuant to which we amended our existing credit agreement with Wells Fargo to provide for borrowings by GA Asset Advisors Limited, our English Subsidiary. In connection with this amendment, our existing credit agreement and guaranty with Wells Fargo were amended and restated to reflect this amendment and our two prior amendments to the credit agreement. No other material terms of the credit agreement were amended. As of December 8, 2010 and December 31, 2010, no amounts were outstanding under the credit agreement.

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PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2011 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2010.

Item 11. EXECUTIVE COMPENSATION

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2011 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2010.

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

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2011 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2010.

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

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2011 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2010.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2011 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2010.

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PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

1. *Financial Statements.* The Company s Consolidated Financial Statements as of December 31, 2010 and 2009 and for each of the three years in the year ended December 31, 2010 and the notes thereto, together with the report of the independent auditors on those Consolidated Financial Statements are hereby filed as part of this report, beginning on page F-1.

2. *Financial Statement Schedules.*

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

(b) Exhibits and Index to Exhibits, below.

Exhibit Index

Exhibit No.	Description
2.1(1)+	Agreement and Plan of Reorganization, dated May 14, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc., AAMAC Merger Sub, Inc., Great American Group, LLC, the Members of Great American Group, LLC and the Member Representative
2.2(1)	Amendment No. 1 to Agreement and Plan of Reorganization, dated May 29, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc., AAMAC Merger Sub, Inc., Great American Group, LLC, the Members of Great American Group, LLC and the Member Representative
2.3(1)	Amendment No. 2 to Agreement and Plan of Reorganization, dated July 8, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc. AAMAC Merger Sub, Inc., Great American Group, LLC, the Members of Great American Group, LLC and the Member Representative
2.4(2)	Amendment No. 3 to Agreement and Plan of Reorganization, dated July 28, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc. AAMAC Merger Sub, Inc., Great American Group, LLC, the Members of Great American Group, LLC and the Member Representative
3.1(1)	Certificate of Incorporation of Great American Group, Inc.
3.2(1)	Bylaws of Great American Group, Inc.
4.1(1)	Form of common stock certificate
4.2(3)	Form of warrant certificate
4.3(3)	Form of Warrant Agreement, dated August 1, 2007, by and between Alternative Asset Management Acquisition Corp. and Continental Stock Transfer & Trust Company
4.4(3)	Form of Amendment No. 1 to Warrant Agreement, dated July 31, 2009, by and between Alternative Asset Management Acquisition Corp. and Continental Stock Transfer & Trust Company
10.1(4)	Credit Agreement, dated as of May 29, 2008, by and among Great American Group Energy Equipment, LLC, Garrison Loan Agency Services LLC and the lender parties thereto

10.2(4)	Great American Group, LLC Guaranty, dated as of May 29, 2008, by Great American Group, LLC in favor of Garrison Special Opportunities Fund LP., Gage Investment Group, LLC and Garrison Loan Agency Services LLC
10.3(5)	Forbearance Agreement, dated as of October 8, 2009, by and among Great American Group Energy Equipment, LLC, Great American Group, LLC, Garrison Special Opportunities Fund LP, Gage Investment Group LLC and Garrison Loan Agency Services LLC
10.4(4)	Security Agreement, dated as of May 29, 2008, by and among Great American Group Energy Equipment, LLC, Great American Group, LLC and Garrison Loan Agency Services LLC
10.5(4)	Non-Notification Factoring and Security Agreement, dated as of May 22, 2007, by and between Great American Group Advisory & Valuation Services, LLC and FCC, LLC
10.6*	Amended and Restated Credit Agreement, dated as of December 8, 2010, by and between Great American Group WF, LLC as US Borrower, GA Asset Advisors Limited, as English Borrower, and Wells Fargo Bank, National Association

10.7*	Amended and Restated Guarantee, dated as of December 8, 2010, by Great American Group, Inc. and Great American Group, LLC, in favor of Wells Fargo Bank, National Association
10.8(4)	Security Agreement, dated as of October 21, 2008, by and between Great American Group WF, LLC and Wells Fargo Bank, National Association (Successor to Wells Fargo Retail Finance, LLC)
10.9(4)	Form of promissory note issued by Great American Group, Inc. in favor of each Contribution Consideration Recipient
10.10(3)	Registration Rights Agreement by and among Great American Group, Inc. and the stockholders of Great American Group, Inc. named therein
10.11(3)	Escrow Agreement by and among Great American Group, Inc., the Member Representative and Continental Stock Transfer & Trust Company
10.12(3)	Form of Lock-up Agreement by and between Great American Group, Inc. and certain stockholders of Great American Group, Inc.
10.13(1)	Letter Agreement, dated May 14, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc., Great American Group, LLC and the stockholders of Alternative Asset Management Acquisition Corp. named therein
10.14(1)	Amendment to Letter Agreement, dated as of July 8, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc., Great American Group, LLC and the stockholders of Alternative Asset Management Acquisition Corp. named therein
10.15(3)	Amendment to Letter Agreement, dated as of July 28, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc., Great American Group, LLC and the stockholders of Alternative Asset Management Acquisition Corp. named therein
10.16(3)#	Form of Director and Officer Indemnification Agreement
10.17(3)#	Employment Agreement by and between Great American Group, Inc. and Harvey M. Yellen
10.18(3)#	Employment Agreement by and between Great American Group, Inc. and Andrew Gumaer
10.19(3)#	Employment Agreement by and between Great American Group, Inc. and Paul Erickson
10.20(3)#	Employment Agreement by and between Great American Group, Inc. and Scott Carpenter
10.21(4)	Form of Phantom Equityholder Amendment Agreement and Release
10.22(4)	Form of Phantom Equityholder Acknowledgement to Amendment No. 3 to Agreement and Plan of Reorganization
10.23(4)#	Great American Group, Inc. Amended and Restated 2009 Stock Incentive Plan
10.24(4)	Sixth Amended and Restated Operating Agreement for Great American Group Advisory & Valuation Services, LLC, dated as of January 1, 2008, by and among Great American Group, LLC, Lester Friedman, John Bankert, Michael Marchlik, and Ken Bloore
10.25(4)	Operating Agreement for Great American Group Machinery & Equipment, LLC, dated as of April 10, 2007, by and among Great American Group, LLC, Marc Swirsky, Lester Friedman, Paul Erickson and John Bankert
10.26(6)	First Amendment to Non-Notification Factoring and Security Agreement, dated as of December 1, 2009, by and among Great American Group Advisory & Valuation Services, LLC and Seimens First Capital Commercial Finance, LLC

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10.27(6)	Amendment of Credit Agreement, dated as of December 18, 2009, by and among Great American Group Energy Equipment, LLC, Garrison Special Opportunities Fund LP and Garrison Loan Agency Services LLC
10.28(7)	Form of Amendment No. 1 to Subordinated Unsecured Promissory Note, dated as of April 30, 2010, by and between the Company and each of the Great American Members
10.29(7)	Form of Amendment No. 1 to Subordinated Unsecured Promissory Note, dated as of April 30, 2010, by and between the Company and certain of the Phantom Equityholders
10.30*	Form of Waiver to Subordinated Unsecured Promissory Note, dated as of October 27, 2010
21(4)	Subsidiary List
31.1*	Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
31.2*	Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith.
\+ Schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby agrees to furnish a copy of any omitted schedules to the Securities and Exchange Commission upon request.
\# Management contract or compensatory plan or arrangement.
(1) Incorporated by reference to the registrant s Registration Statement on Form S-4 (File No. 333-159644) declared effective by the Commission on July 17, 2009.
(2) Incorporated by reference to the registrant s Current Report on Form 8-K filed with the SEC on July 30, 2009.
(3) Incorporated by reference to the registrant s Current Report on Form 8-K filed with the SEC on August 6, 2009.
(4) Incorporated by reference to the registrant s Quarterly Report on Form 10-Q filed with the SEC on August 31, 2009.
(5) Incorporated by reference to the registrant s Current Report on Form 8-K filed with the SEC on October 15, 2009.
(6) Incorporated by reference to the registrant s Current Report on Form 8-K filed with the SEC on January 7, 2010.
(7) Incorporated by reference to the registrant s Current Report on Form 8-K filed with the SEC on May 6, 2010.
(8) Incorporated by reference to the registrant s Quarterly Report on Form 10-Q filed with the SEC on November 15, 2010.

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SIGNATURES

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

GREAT AMERICAN GROUP, INC.

Date: March 31, 2011

/s/ PAUL S. ERICKSON

(Paul E. Erickson, Chief Financial Officer)

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

Signature	Title	Date
/s/ ANDREW GUMAER **(Andrew Gumaer)**	Chief Executive Officer and Director (Principal Executive Officer)	March 31, 2011
/s/ PAUL S. ERICKSON **(Paul S. Erickson)**	Chief Financial Officer (Principal Financial Officer)	March 31, 2011
/s/ HOWARD E. WEITZMAN **(Howard E. Weitzman)**	Chief Accounting Officer (Principal Accounting Officer)	March 31, 2011
/s/ HARVEY M. YELLEN **(Harvey M. Yellen)**	President, Vice Chairman and Director	March 31, 2011
/s/ MATTHEW J. HART **(Matthew J. Hart)**	Director	March 31, 2011
/s/ HUGH G. HILTON **(Hugh G. Hilton)**	Director	March 31, 2011
/s/ MARK D. KLEIN **(Mark D. Klein)**	Director	March 31, 2011
/s/ MICHAEL J. LEVITT **(Michael J. Levitt)**	Director	March 31, 2011
/s/ BRYANT R. RILEY **(Bryant R. Riley)**	Director	March 31, 2011

GREAT AMERICAN GROUP, INC.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors of

Great American Group, Inc.

We have audited the accompanying consolidated balance sheets of Great American Group, Inc. and Subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders equity (deficit) and cash flows for each of the three years in the period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Great American Group, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP
Marcum LLP

New York, New York
March 31, 2011

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GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value)

	December 31, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 20,080	$ 37,989
Restricted cash		459
Accounts receivable, net	3,087	2,628
Advances against customer contracts	3,063	58
Income taxes receivable		1,100
Goods held for sale or auction	13,504	15,014
Note receivable - related parties	5,930	
Deferred income taxes	5,463	8,475
Prepaid expenses and other current assets	1,353	981
Total current assets	52,480	66,704
Property and equipment, net	1,369	1,411
Goodwill	5,688	5,688
Other intangible assets, net	221	382
Deferred income taxes	11,372	3,238
Other assets	1,144	1,250
Total assets	$ 72,274	$ 78,673
Liabilities and Stockholders Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 10,631	$ 9,192
Auction and liquidation proceeds payable	1,712	446
Mandatorily redeemable noncontrolling interests	2,858	2,619
Current portion of long-term debt	1,724	11,123
Note payable	12,014	11,705
Current portion of capital lease obligation	27	25
Total current liabilities	28,966	35,110
Capital lease obligation, net of current portion	42	69
Long-term debt, net of current portion	52,169	44,494
Total liabilities	81,177	79,673
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; 30,559,036 and 30,022,478 issued and outstanding as of December 31, 2010 and 2009, respectively	4	3
Additional paid-in capital	2,878	(249)
Retained earnings (deficit)	(11,792)	(754)
Accumulated other comprehensive income	7	
Total stockholders equity (deficit)	(8,903)	(1,000)

Total liabilities and stockholders equity (deficit)	$ 72,274	$ 78,673

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

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GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except share data)

	Year Ended December 31, 2010	2009	2008
Revenues:			
Services and fees	$ 37,026	$ 70,810	$ 48,496
Sale of goods	5,119	12,611	4,673
Total revenues	42,145	83,421	53,169
Operating expenses:			
Direct cost of services	15,417	17,491	20,595
Cost of goods sold	6,674	12,669	4,736
Selling, general and administrative	31,413	35,743	21,696
Total operating expenses	53,504	65,903	47,027
Operating income (loss)	(11,359)	17,518	6,142
Other income (expense):			
Interest income	522	32	158
Other income		18	112
Loss from equity investment in Great American Real Estate, LLC	(1,640)	(861)	(17)
Interest expense	(3,667)	(11,273)	(4,063)
Income (loss) from continuing operations before benefit for income taxes	(16,144)	5,434	2,332
Benefit for income taxes	5,106	11,664	
Income (loss) from continuing operations	(11,038)	17,098	2,332
Loss from discontinued operations, net of tax		(142)	(2,069)
Net income (loss)	$ (11,038)	$ 16,956	$ 263
Basic earnings (loss) per share, continuing operations	$ (0.39)	$ 0.96	$ 0.22
Basic earnings (loss) per share, discontinued operations	0.00	(0.01)	(0.20)
Basic earnings (loss) per share	$ (0.39)	$ 0.95	$ 0.02
Diluted earnings (loss) per share, continuing operations	$ (0.39)	$ 0.92	$ 0.22
Diluted loss per share, discontinued operations	0.00	(0.01)	(0.20)
Diluted earnings (loss) per share	$ (0.39)	$ 0.91	$ 0.02
Weighted average basic shares outstanding	28,075,758	17,786,686	10,560,000
Weighted average diluted shares outstanding	28,075,758	18,664,049	10,560,000
PRO FORMA COMPUTATION RELATED TO CONVERSION TO C CORPORATION FOR INCOME TAX PURPOSES (unaudited):			
Historical income (loss) from continuing operations before income taxes		$ 5,434	$ 2,332

Pro forma benefit (provision) for income taxes	(2,141)	(919)
Pro forma income (loss) from continuing operations	3,293	1,413
Pro forma loss from discontinued operations, net of tax	(116)	(1,254)
Pro forma net income (loss)	$ 3,177	$ 159
Pro forma basic earnings (loss) per share, continuing operations	$ 0.19	$ 0.13
Pro forma basic loss per share, discontinued operations	(0.01)	(0.11)
Pro forma basic earnings (loss) per share	$ 0.18	$ 0.02
Pro forma diluted earnings (loss) per share, continuing operations	$ 0.18	$ 0.13
Pro forma diluted loss per share, discontinued operations	(0.01)	(0.11)
Pro forma diluted earnings (loss) per share	$ 0.17	$ 0.02
Pro forma weighted average basic shares outstanding	17,786,686	10,560,000
Pro forma weighted average diluted shares outstanding	18,664,049	10,560,000

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

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GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDER S EQUITY (DEFICIT)

(Dollars in thousands)

	Preferred Stock		Common Stock		Additional Paid-in	Deferred	Retained Earnings	Accumulated Other Comprehensive	Total Stockholders Equity
	Shares	Amount	Shares	Amount	Capital	Compensation	(Deficit)	Loss	(Deficit)
Balance, December 31, 2007		$	10,560,000	$ 1	$ 31,929	$ (2,709)	$ (16,049)	$	$ 13,172
Amortization of GAG, LLC deferred compensation arrangements						1,066			1,066
Net income							263		263
Balance, December 31, 2008			10,560,000	1	31,929	(1,643)	(15,786)		14,501
Amortization of GAG, LLC deferred compensation arrangements through July 31, 2009						621			621
Termination of GAG, LLC deferred compensation arrangements as of July 31, 2009						1,022			1,022
Reverse merger on July 31, 2009					(31,929)		31,929		
Shares issued at time of reverse merger dated July 31, 2009			21,846,626	2	70,356				70,358
Warrant redemption liability at time of reverse merger dated July 31, 2009					(23,013)				(23,013)
Shares forefeited at time of reverse merger dated July 31, 2009			(2,500,000)						
Issuance of shares for services in connection with reverse merger			115,852						
Share based compensation					3,108				3,108
Distributions to stockholders					(50,700)		(33,853)		(84,553)
Net income							16,956		16,956
Balance, December 31, 2009			30,022,478	3	(249)		(754)		(1,000)
Vesting of restricted stock, net of shares withheld for employer taxes			536,558	1	(1,133)				(1,132)
Share based compensation					4,260				4,260
Net loss							(11,038)		(11,038)
Foreign currency translation adjustment								7	7
Balance, December 31, 2010		$	30,559,036	$ 4	$ 2,878	$	$ (11,792)	$ 7	$ (8,903)

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

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GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

CONSOLDIATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Year ended December 31,		
	2010	**2009**	**2008**
Cash flows from operating activities:			
Net income (loss)	$ (11,038)	$ 16,956	$ 263
Loss from discontinued operations		142	2,069
Income (loss) from continuing operations	(11,038)	17,098	2,332
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	792	634	433
Provision for (recovery of) doubtful accounts	60	(24)	109
Impairment of goods held for sale or auction	1,389	1,426	
Share-based payments	4,420	3,508	880
Effect of foreign current on operations	21		
Accrued compensation plans		4,005	(665)
Guaranteed payment distributions			1,066
Noncash interest expense	(193)	9	32
Loss from equity investment in Great American Real Estate, LLC	(1,640)	(861)	(17)
Loss on disposal of assets	3	32	2
Deferred income taxes	(5,122)	(11,664)	
Change in fair value of mandatorily redeemable noncontrolling interests	(205)		
Income allocated to mandatorily redeemable noncontrolling interests	1,806	1,608	603
Change in operating assets and liabilities:			
Accounts receivable and advances against customer contracts	(3,524)	5,012	3,619
Income taxes receivable	1,100		
Goods held for sale or auction	121	2,477	(12,332)
Prepaid expenses and other assets	3,222	916	(34)
Accounts payable and accrued expenses	1,439	(3,850)	8,985
Auction and liquidation proceeds payable	1,266	(1,445)	(804)
Net cash provided by (used in) operating activities	(6,083)	18,881	4,209
Cash flows from investing activities:			
Purchases of property and equipment	(592)	(828)	(597)
Increase in notes receivable - related party	(5,930)		
Equity investment in Great American Real Estate, LLC	(949)	(1,125)	
Proceeds from redemption of officer life insurance	355		
Decrease (increase) in restricted cash	459	3,194	(3,653)
Net cash provided by (used in) investing activities	(6,657)	1,241	(4,250)
Cash flows from financing activities:			
Proceeds from (repayment of) revolving lines of credit			(7,900)
Payment of financing costs	(752)		
Repayment of note payable	(1,724)	(1,200)	
Proceeds from notes payable			12,000
Repayments of long-term debt		(8,668)	(2,229)
Repayments of capital lease obligation	(25)	(305)	(36)
Payment of employment taxes on vesting of restricted stock	(1,132)		

Proceeds from reverse merger dated July 31, 2009		69,258	
Distribution to noncontrolling interests	(1,522)	(1,317)	(858)
Warrant redemption for cash		(23,013)	
Distribution to stockholder s		(33,853)	
Net cash provided by (used in) financing activities	(5,155)	902	977
Effect of foreign currency on cash	(14)		
Net increase (decrease) in cash and cash equivalents	(17,909)	21,024	936
Cash and cash equivalents, beginning of year	37,989	16,965	16,029
Cash and cash equivalents, end of year	$ 20,080	$ 37,989	$ 16,965

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

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GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

CONSOLDIATED STATEMENTS OF CASH FLOWS, Continued

(Dollars in thousands)

	Year ended December 31,		
	2010	2009	2008
Supplemental disclosures:			
Interest paid	$ 3,408	$ 8,233	$ 5,523
Income taxes paid	9		
Supplemental disclosure of noncash investing and financing activities:			
Income taxes receivable	$	$ (1,100)	$
Deferred compensation		(1,022	