

Great American Group, Inc.
Form 10-Q
November 14, 2013

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

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)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

Edgar Filing: Great American Group, Inc. - Form 10-Q

to submit and post such files). Yes No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of November 11, 2013, there were 30,002,975 shares of the Registrant's common stock, par value \$0.0001 per share, outstanding.

Great American Group, Inc.
Quarterly Report on Form 10-Q
For The Quarter Ended September 30, 2013
Table of Contents

		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Unaudited Financial Statements	3
	Condensed Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012	3
	Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2013 and 2012	4
	Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2013 and 2012	5
	Condensed Consolidated Statements of Equity (Deficit) for the nine months ended September 30, 2013 and 2012	6
	Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012	7
	Notes to Condensed Consolidated Financial Statements	8
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	40
Item 4.	Controls and Procedures	40
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	41
Item 1A.	Risk Factors	41
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	47
Item 3.	Defaults Upon Senior Securities	47
Item 4.	Mine Safety Disclosures	47
Item 5.	Other Information	47
Item 6.	Exhibits	47
		3

Signatures

48

2

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

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

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,969	\$ 18,721
Restricted cash	2,538	7,923
Accounts receivable, net	9,675	16,591
Lease finance receivable - current portion	3,829	
Advances against customer contracts	1,548	2,441
Due from related party	18	
Inventory		2,216
Goods held for sale or auction	5,430	10,196
Note receivable related party - current portion	686	611
Deferred income taxes	4,192	4,114
Prepaid expenses and other current assets	1,237	1,145
Total current assets	43,122	63,958
Note receivable related party, net of current portion	645	
Lease finance receivable, net of current portion	4,506	
Property and equipment, net	1,066	970
Goodwill	5,688	5,688
Other intangible assets, net	140	140
Deferred income taxes	9,484	9,484
Other assets	886	343
Total assets	\$ 65,537	\$ 80,583
Liabilities and Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,120	\$ 16,886
Auction and liquidation proceeds payable	34	864
Mandatorily redeemable noncontrolling interests	2,832	2,856
Revolving credit facility	1,256	2,304
Current portion of long-term debt	1,724	1,724
Notes payable	7,132	9,628
Current portion of capital lease obligation		13
Total current liabilities	22,098	34,275
Long-term debt, net of current portion	48,759	50,483
Total liabilities	70,857	84,758
Commitments and contingencies		
Great American Group, Inc. 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; 30,002,975 issued		

Edgar Filing: Great American Group, Inc. - Form 10-Q

and outstanding as of September 30, 2013 and December 31, 2012, respectively	4	4
Additional paid-in capital	3,082	3,082
Retained earnings (deficit)	(7,545)	(7,669)
Accumulated other comprehensive loss	(809)	(520)
Total Great American Group, Inc. stockholders' equity (deficit)	(5,268)	(5,103)
Noncontrolling interests	(52)	928
Total equity (deficit)	(5,320)	(4,175)
Total liabilities and equity (deficit)	\$ 65,537	\$ 80,583

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues:				
Services and fees	\$ 11,361	\$ 10,956	\$ 42,221	\$ 41,154
Sale of goods	10,390	3,279	15,723	12,052
Total revenues	21,751	14,235	57,944	53,206
Operating expenses:				
Direct cost of services	5,644	4,844	17,431	16,097
Cost of goods sold	8,240	2,172	11,273	8,449
Selling, general and administrative expenses	7,085	7,878	28,048	26,155
Total operating expenses	20,969	14,894	56,752	50,701
Operating income (loss)	782	(659)	1,192	2,505
Other income (expense):				
Interest income	31	30	38	186
Income (loss) from equity investment in Great American Real Estate, LLC		165	(15)	45
Loss from equity investment in Shoon Trading Limited	(143)		(143)	
Gain from bargain purchase				1,366
Interest expense	(567)	(678)	(1,838)	(1,951)
Income (loss) before income taxes	103	(1,142)	(766)	2,151
Benefit (provision) for income taxes	133	375	342	(387)
Net income (loss)	236	(767)	(424)	1,764
Net income (loss) attributable to noncontrolling interests	(130)	(220)	(548)	625
Net income (loss) attributable to Great American Group, Inc.	\$ 366	\$ (547)	\$ 124	\$ 1,139
Basic income per share	\$ 0.01	\$ (0.02)	\$ 0.00	\$ 0.04
Diluted income per share	\$ 0.01	\$ (0.02)	\$ 0.00	\$ 0.04
Weighted average basic shares outstanding	28,682,975	28,682,975	28,682,975	28,682,521
Weighted average diluted shares outstanding	29,891,401	28,682,975	29,891,401	29,599,012

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

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income (loss)	\$ 236	\$ (767)	\$ (424)	\$ 1,764
Other comprehensive income (loss):				
Foreign currency translation adjustments	(63)	(52)	(289)	211
Other comprehensive income (loss), net of tax	(63)	(52)	(289)	211
Total comprehensive income (loss)	173	(819)	(713)	1,975
Comprehensive income (loss) attributable to noncontrolling interests	(130)	(220)	(548)	625
Comprehensive income (loss) attributable to Great American Group, Inc.	\$ 303	\$ (599)	\$ (165)	\$ 1,350

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

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Equity (Deficit)
(Unaudited)
(Dollars in thousands)

	Preferred Shares	Stock Amount	Common Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Non- controlling Interests	Total Equity (Deficit)
Balance, January 1, 2012		\$	31,001,609	\$ 4	\$ 3,177	\$ (11,190)	\$ (247)	\$	\$ (8,256)
Net income for the nine months ended September 30, 2012						1,139		625	1,764
Foreign currency translation adjustment							211		211
Formation of noncontrolling interests								78	78
Cancellation of founders contingent shares held in escrow			(1,000,000)						-
Purchase of noncontrolling interest in subsidiary					(95)				(95)
Changes in noncontrolling interests								29	29
Adjustment from restricted stock awards			1,366						-
Balance, September 30, 2012		\$	30,002,975	\$ 4	\$ 3,082	\$ (10,051)	\$ (36)	\$ 732	\$ (6,269)
Balance, January 1, 2013		\$	30,002,975	\$ 4	\$ 3,082	\$ (7,669)	\$ (520)	\$ 928	\$ (4,175)
Net income for the nine months ended September 30, 2013						124		(548)	(424)
Change in noncontrolling interest from deconsolidation of Shoon								(352)	(352)
Foreign currency translation adjustment							(289)		(289)
Changes in noncontrolling interests								(80)	(80)
		\$	30,002,975	\$ 4	\$ 3,082	\$ (7,545)	\$ (809)	\$ (52)	\$ (5,320)

Balance, September
30, 2013

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

6

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

	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	\$ (424)	\$ 1,764
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,717	611
Provision for (recoveries of) bad debts	8	(116)
Impairment of goods held for sale or auction	28	127
Effect of foreign currency on operations	(289)	(48)
Non-cash interest		(10)
Loss from equity investments	158	(45)
Gain from bargain purchase		(1,366)
Loss on disposal of fixed assets		3
Deferred income taxes	(78)	(112)
Income allocated to mandatorily redeemable noncontrolling interests	1,564	1,497
Change in operating assets and liabilities:		
Accounts receivable and advances against customer contracts	3,698	3,588
Due from related party	(18)	
Inventory	450	1,050
Goods held for sale or auction	7,309	2,054
Loan and lease finance receivables	(8,644)	7,769
Prepaid expenses and other assets	(380)	314
Accounts payable and accrued expenses	(6,307)	(2,097)
Auction and liquidation proceeds payable	(830)	594
Net cash provided by (used in) operating activities	(2,038)	15,577
Cash flows from investing activities:		
Acquisition of business		(1,246)
Deconsolidation of Shoon	(771)	
Purchase of noncontrolling interest in subsidiary		(95)
Purchases of property and equipment	(972)	(403)
Proceeds from sale of property and equipment		21
Decrease in note receivable - related party	611	3,164
Equity investment in Great American Real Estate, LLC	(15)	(120)
Decrease (increase) in restricted cash	5,385	(6,767)
Net cash provided by (used in) investing activities	4,238	(5,446)
Cash flows from financing activities:		
Repayments of capital lease obligations	(13)	(22)
Repayment of revolving line of credit	(1,048)	(676)
Repayments of notes payable	(2,496)	(2,042)
Repayments of long term debt	(1,724)	(1,724)
Proceeds from formation of noncontrolling interest		78
Distribution to noncontrolling interests	(1,588)	(2,074)
Net cash used in financing activities	(6,869)	(6,460)

Edgar Filing: Great American Group, Inc. - Form 10-Q

Increase (decrease) in cash and cash equivalents	(4,669)	3,671
Effect of foreign currency on cash	(83)	282
Net increase (decrease) in cash and cash equivalents	(4,752)	3,953
Cash and cash equivalents, beginning of period	18,721	15,034
Cash and cash equivalents, end of period	\$ 13,969	\$ 18,987
Supplemental disclosures:		
Interest paid	\$ 1,874	\$ 1,961
Taxes paid	\$ 175	\$ 278

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

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share data)

NOTE 1 ORGANIZATION, BUSINESS OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Great American Group, Inc. and its subsidiaries (collectively the “Company”) provide asset disposition, valuation and appraisal, capital advisory, and real estate consulting services to a wide range of retail, wholesale and industrial clients, as well as lenders, capital providers, private equity investors and professional service firms throughout the United States, Canada, and the United Kingdom. The Company operates in three operating segments: auction and liquidation solutions (“Auction and Liquidation”), valuation and appraisal services (“Valuation and Appraisal”) and UK retail store operations (“UK Retail Stores”). In the Auction and Liquidation segment, the Company provides auction and liquidation services to help clients dispose of assets, capital advisory and real estate consulting services. Such assets include multi-location retail inventory, wholesale inventory, trade fixtures, machinery and equipment, intellectual property and real property. In the Valuation and Appraisal segment, the Company provides valuation and appraisal services to clients with independent appraisals in connection with asset based loans, acquisitions, divestitures and other business needs. The UK Retail Stores segment includes the operation of ten retail shoe stores in the United Kingdom as a result of the acquisition of Shoon Trading Limited (“Shoon”) on May 4, 2012. In August 2013, the Shoon shareholder agreement was also amended and restated to eliminate the Company’s super majority voting rights which previously enabled the Company to control the board of directors of Shoon, as more fully described in Note 13. As a result of this amendment, the Company no longer controls the board of directors of Shoon, no longer operates in the UK Retail Stores segment, and Shoon’s operating results are not consolidated for any periods after July 31, 2013.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation and Basis of Presentation

The condensed consolidated financial statements include the accounts of Great American Group, Inc. and its wholly-owned and majority-owned subsidiaries. The condensed consolidated financial statements have been prepared by the Company, without audit, pursuant to interim financial reporting guidelines and the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of the Company’s management, all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of the financial position and the results of operations for the periods presented have been included. These condensed consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 29, 2013. The results of operations for the nine months ended September 30, 2013, are not necessarily indicative of the operating results to be expected for the full fiscal year or any future periods.

(b) Revenue Recognition

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

Revenues in the Valuation and Appraisal segment are primarily comprised of fees for valuation and appraisal services. Revenues are recognized upon the delivery of the completed services to the related customers and collection of the fee

is reasonably assured. Revenues in the Valuation and Appraisal segment also include contractual reimbursable costs which totaled \$680 and \$606 for the three months ended September 30, 2013 and 2012, respectively, and \$2,071 and \$1,903 for the nine months ended September 30, 2013 and 2012, respectively.

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

Commission and fees earned on the sale of goods at auction and liquidation sales are recognized when evidence of an arrangement exists, the sales price has been determined, title has passed to the buyer and the buyer has assumed the risks of ownership and collection is reasonably assured. The commission and fees earned for these services are included in revenues in the accompanying condensed consolidated statement of operations. Under these types of arrangements, revenues also include contractual reimbursable costs which totaled \$1,952 and \$1,199 for the three months ended September 30, 2013 and 2012, respectively, and \$4,557 and \$3,674 for the nine months ended September 30, 2013 and 2012, respectively.

Revenues earned from auction and liquidation services contracts where the Company guarantees a minimum recovery value for goods being sold at auction or liquidation are recognized based on proceeds received. The Company records proceeds received from these types of engagements first as a reduction of contractual reimbursable expenses, second as a recovery of its guarantee and thereafter as revenue, subject to such revenue meeting the criteria of having been fixed or determinable. Contractual reimbursable expenses and amounts advanced to customers for minimum guarantees are initially recorded as advances against customer contracts in the accompanying condensed 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 services contracts in accordance with the accounting guidance to determine whether to report auction and liquidation segment revenue on a gross or net basis. The Company has determined that it acts as an agent in a substantial majority of its auction and liquidation services contracts and therefore reports the auction and liquidation revenues on a net basis.

Revenues from the sale of goods are recorded gross and are recognized in the period in which the sale of goods held for sale or auction are completed, title to the property passes to the purchaser and the Company has fulfilled its obligations with respect to the transaction. These revenues are primarily the result of the Company acquiring title to merchandise with the intent of selling the items at auction or for augmenting liquidation sales. Revenues from the sale of goods also include revenue from sales at our retail stores at the point of sale that we operate in the United Kingdom.

Revenues from sales-type leases are recorded as an asset at lease inception. The asset is recorded at the aggregate future minimum lease payments, estimated residual value of the leased equipment, and deferred incremental direct costs less unearned income. Income is recognized over the life of the lease to approximate a level rate of return on the net investment. During the three months ended September 30, 2013, the term of the purchase agreement for four oil rigs that was included in leased equipment at December 31, 2012 was amended to, among other things, eliminate the right of the lessor to return the oil rigs to the Company. This amendment changed the classification of the lease from an operating lease to a sales-type lease and resulted in the Company recording revenues from the sale of the oil rigs of \$9,280 and cost of goods sold of \$7,447 during the three months ended September 30, 2013.

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

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

proceeds received. There were no revenues and \$43 of direct cost of services subject to collaborative arrangements during the three months ended September 30, 2013 and \$8,092 of revenues and \$1,070 of direct cost of services subject to collaborative arrangements during the nine months ended September 30, 2013. There were \$677 of revenues and \$72 of direct cost of services subject to collaborative arrangements during the three months ended September 30, 2012 and \$1,587 of revenues and \$1,054 of direct cost of services subject to collaborative arrangements during the nine months ended September 30, 2012.

(c) Direct Cost of Services

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

(d) Concentration of Risk

Revenues from the sale of four oil rigs represented 42.7% and 16.0% of total revenues during the three and nine months ended September 30, 2013, respectively. Revenues from one liquidation service contract represented 14.0% of total revenues during the nine months ended September 30, 2013. Revenues from financing activities in the United Kingdom from one loan represented 5.6% and 9.5% of total revenues during the three and nine months ended September 30, 2012, respectively. Revenues in the Valuation and Appraisal segment and the Auction and Liquidation segment are primarily generated in the United States and United Kingdom, see Note 14.

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

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

(e) Income Taxes

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

(f) Cash and Cash Equivalents

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

(g) Restricted Cash

The Company maintains deposits in accounts under the control of a financial institution as collateral for letters of credit relating to liquidation engagements. As of September 30, 2013, restricted cash included \$2,216 of cash collateral for letters of credit, \$161 for cash collateral for operating accounts in the United Kingdom, and \$160 of cash collected from leasing the oil rigs that collateralize the related note payable, which has an outstanding principal amount of \$7,132 as of September 30, 2013. As of December 31, 2012, restricted cash included \$6,667 of cash collateral for letters of credit and \$1,256 of cash collected from leasing the oil rigs that collateralize the related note

payable, which had an outstanding principal amount of \$9,513 as of December 31, 2012.

(h) Accounts Receivable

Accounts receivable represents amounts due from the Company's auction and liquidation and valuation and appraisal customers. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management utilizes a specific customer identification methodology. Management also considers historical losses adjusted for current market conditions and the customers' financial condition and the current receivables aging and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance sheet credit exposure related to its customers. Bad debt expense included a credit for recoveries of bad debts for the three months ended September 30, 2013 and bad debt expense was \$8 for the nine months ended September 30, 2013. There was no bad debt expense during the three and nine months ended September 30, 2012.

(i) Advances Against Customer Contracts

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

(j) Inventory

Merchandise inventories are stated at the lower of average cost or market. The Company identifies potentially excess and slow-moving inventories and shrinkage by evaluating turn rates, inventory levels, historical results of inventory counts and other factors at its retail and warehouse locations. At December 31, 2012, the Company had a lower of cost or market reserves for excess and slow-moving inventories and shrinkage of \$26.

(k) Goods Held for Sale or Auction

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

(l) Lease Finance Receivable

Lease finance receivables consist of the Company's net investment in sales-type leases for four oil rigs as of September 30, 2013. As of September 30, 2013, the remaining gross lease payments in accordance with the purchase lease of \$8,930 are payable through December 15, 2014. The gross lease payments include a bargain purchase option in the amount of \$4,242 that is payable on December 15, 2014. The lease finance receivable is comprised of the following:

	September 30, 2013
Minimum lease payment receivable	\$ 4,688
Lease purchase option	4,242
Unearned income	(595)
Total lease finance receivable	\$ 8,335

(m) Loan Receivable

During the nine months ended September 30, 2012, the loan receivable acquired from an investment bank at a discount from face value that provided financing to a retail company with operations in the United Kingdom decreased from \$8,306 at December 31, 2011 to \$537 at September 30, 2012. Income is recognized using the effective interest method and the discount is amortized to income over the stated term of the loan receivable. Financing revenues earned using the effective interest method were \$464 and \$4,718 during the three and nine months ended September 30, 2012, respectively. The financing revenues included interest income of \$89 and \$641 and amortization of the discount over the stated term of the loan receivable of \$375 and \$4,077 during the three and nine months ended September 30, 2012, respectively. There were no financing revenues earned during the three and nine months ended September 30, 2013. The revenues from financing activities are included in revenues from services and fees in the auction and liquidation segment in the condensed consolidated statement of operations.

(n) Property and Equipment

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

capital leases are stated at the present value of minimum lease payments. Depreciation and amortization expense was \$143 and \$153 for the three months ended September 30, 2013 and 2012, respectively, and \$465 and \$468 for the nine months ended September 30, 2013 and 2012, respectively.

(o) Fair Value Measurements

The Company records mandatorily redeemable noncontrolling interests that were issued after November 5, 2003 at fair value with fair value determined in accordance with the Accounting Standards Codification (“ASC”). The following table below presents information about the Company’s mandatorily redeemable noncontrolling interests that are measured at fair value on a recurring basis as of September 30, 2013 and December 31, 2012 which are categorized using the three levels of fair value hierarchy. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) for identical instruments that are highly liquid, observable and actively traded in over-the-counter markets. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable and can be corroborated by market data. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following tables present information on the liabilities measured and recorded at fair value on a recurring basis as of September 30, 2013 and December 31, 2012.

	Financial Assets Measured at Fair Value on a Recurring Basis at September 30, 2013, Using			
	Fair Value at September 30, 2013	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mandatorily redeemable noncontrolling interests issued after November 5, 2003	\$ 2,242	\$ -	\$ -	\$ 2,242
Total liabilities measured at fair value	\$ 2,242	\$ -	\$ -	\$ 2,242

	Financial Assets Measured at Fair Value on a Recurring Basis at December 31, 2012, Using			
	Fair Value at December 31, 2012	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mandatorily redeemable noncontrolling interests issued after November 5, 2003	\$ 2,246	\$ -	\$ -	\$ 2,246
Total liabilities measured at fair value	\$ 2,246	\$ -	\$ -	\$ 2,246

The Company determined the fair value of mandatorily redeemable noncontrolling interests described above based on the issuance of similar interests for cash, references to industry comparables, and relied, in part, on information obtained from appraisal reports and internal valuation models. The amount reported at fair value at September 30, 2013 and December 31, 2012 also includes the amount of undistributed earnings attributable to the noncontrolling interests that is distributed on a quarterly basis. There was no change in the fair value measurement of the noncontrolling interests during the nine months ended September 30, 2013. The decrease in the mandatorily

redeemable noncontrolling interests of \$4 during the nine months ended September 30, 2013 presented in the table above reflects the change in undistributed earnings attributable to the noncontrolling interest during such period. At September 30, 2013, there were no transfers in or out of Level 3 from other levels in the fair value hierarchy.

The carrying amounts reported in the condensed consolidated financial statements for cash, restricted cash, accounts receivable, accounts payable and accrued expenses and other current liabilities approximate fair value based on the short-term maturity of these instruments. The carrying amounts of the notes payable (including credit lines used to finance liquidation engagements), long-term debt and capital lease obligations approximate fair value because the contractual interest rates or effective yields of such instruments are consistent with current market rates of interest for instruments of comparable credit risk.

(p) Foreign Currency Translation

The Company transacts business in various foreign currencies. In countries where the functional currency of the underlying operations has been determined to be the local country's currency, revenues and expenses of operations outside the United States are translated into United States dollars using average exchange rates while assets and liabilities of operations outside the United States are translated into United States dollars using period-end exchange rates. The effects of foreign currency translation adjustments are included in stockholders' equity as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets. Foreign currency transaction gains were \$445 and \$452 during the three months ended September 30, 2013 and 2012, respectively, and \$190 and \$438 during the nine months ended September 30, 2013 and 2012, respectively. These amounts are included in selling, general and administrative expenses in our consolidated statements of operations.

(q) Fiduciary Funds

The accompanying condensed consolidated balance sheets do not include fiduciary funds, which are held by the Company on behalf of clients in connection with the administration of loans in the performance of capital advisory services. There were no funds held by the Company on behalf of clients at September 30, 2013 and December 31, 2012.

(r) Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued ASU No. 2013-02, "*Reporting of Amounts Reclassified Out of Other Comprehensive Income*". ASU 2013-02 finalized the reporting for reclassifications out of accumulated other comprehensive income, which was previously deferred, as discussed below. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. However, they do require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. An entity is also required to present on the face of the financials where net income is reported or in the footnotes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. Other amounts need only be cross-referenced to other disclosures required that provide additional detail of these amounts. The amendments in this update are effective for reporting periods beginning after December 15, 2012. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements.

NOTE 3 ACCOUNTS RECEIVABLE

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

	September 30, 2013	December 31, 2012
Accounts receivable	\$ 8,541	\$ 16,350
Unbilled receivables	1,505	612
Total accounts receivable	10,046	16,962
Allowance for doubtful accounts	(371)	(371)
Accounts receivable, net	\$ 9,675	\$ 16,591

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Balance, beginning of period	\$ 371	\$ 424	\$ 371	\$ 424
Add: Additions to reserve	13	7	13	7
Less: Write-offs	(13)	(7)	(13)	(7)
Less: Recoveries	-	(116)	-	(116)
Balance, end of period	\$ 371	\$ 308	\$ 371	\$ 308

Unbilled receivables represent the amount of contractual reimbursable costs and fees for services performed in connection with fee and service based auction and liquidation contracts. At September 30, 2013, accounts receivable in the amount of \$2,585 were collateralized by the accounts receivable revolving line of credit more fully described in Note 6.

NOTE 4 GOODS HELD FOR SALE OR AUCTION

	September 30, 2013	December 31, 2012
Machinery and equipment	\$ 4,730	\$ 257
Leased equipment	-	9,219
Aircraft parts and other	700	720
Total	\$ 5,430	\$ 10,196

Goods held for sale or auction includes machinery and equipment, and leased equipment with a carrying value of \$4,730 and \$9,381 as of September 30, 2013 and December 31, 2012, respectively, and aircraft parts and other. Machinery and equipment is primarily comprised of an oil rig with a carrying value of \$2,708 and other machinery and equipment with a carrying value of \$2,022 as of September 30, 2013. The leased equipment at December 31, 2012 consists of oil rigs with a carrying value of \$9,219, net of accumulated depreciation of \$162. In July 2013, the terms of the lease of four oil rigs that were included in leased equipment at December 31, 2012 were amended to eliminate the right of the lessor to return the oil rigs to the Company, see Note 2(l). This amendment caused a change in the classification of the lease from an operating lease to a sales-type lease with a bargain purchase option and resulted in the Company recording revenues from the sale of the oil rigs of \$9,280 and cost of goods sold of \$7,447 during the three months ended September 30, 2013. Aircraft parts and other is primarily comprised of aircraft parts with a carrying value of \$700 and \$720 which includes a lower of cost or market adjustment of \$697 and \$702 as of September 30, 2013 and December 31, 2012, respectively. There was no lower-of-cost or market adjustment for goods held for sale or auction during the three months ended September 30, 2013. The Company recorded a recovery of \$11

for the three months ended September 30, 2012 from the sale of certain inventory that had previously been written down with a lower of cost or market adjustment. The total amount recorded by the Company for a lower-of-cost or market adjustment for goods held for sale or auction was \$6 and \$111 during the nine months ended September 30, 2013 and 2012, respectively. Depreciation expense on the leased equipment was \$177 and \$48 during the three months ended September 30, 2013 and 2012, respectively, and \$1,252 and \$143 during the nine months ended September 30, 2013 and 2012, respectively.

Machinery and equipment with a carrying value of \$2,708 serves as collateral for the \$7,132 note payable as of September 30, 2013 as more fully described in Note 8.

NOTE 5 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill of \$5,688 is comprised of \$1,975 of goodwill in the Auction and Liquidation segment and \$3,713 of goodwill in the Valuation and Appraisal segment at September 30, 2013. There have been no changes to the carrying amount of goodwill since December 31, 2007.

Other intangible assets with finite lives include customer relationships which are being amortized over their estimated useful lives of 6 years. Other intangible assets include customer relationships of \$970 and accumulated amortization of \$970 and trademarks of \$140 which have been identified as an indefinite lived intangible asset that is not being amortized at September 30, 2013 and December 31, 2012. There was no amortization expense for nine months ended September 30, 2013 and 2012.

NOTE 6 CREDIT FACILITIES

On July 15, 2013, the Company entered into a Second Amended and Restated Credit Agreement (“Credit Agreement”) with Wells Fargo Bank, National Association that amended and restated that certain First Amended and Restated Credit Agreement dated as of December 31, 2010. The maximum revolving loan amount under the asset based credit facility remains at \$100,000, less the aggregate principal amount borrowed under the UK Credit Agreement (if in effect), and the maturity date has been extended from July 16, 2013 to July 15, 2018. The asset based credit facility can be used for borrowings and letter of credit obligations up to the aggregate amount of \$100,000, less the aggregate principal amount borrowed under the UK Credit Agreement (if in effect). The interest rate for each revolving credit advance under the Credit Agreement is, subject to certain terms and conditions, equal to the LIBOR plus a margin of 2.25% to 3.25% depending on the type of advance and the percentage such advance represents of the related transaction for which such advance is provided. The restated Credit Agreement removed the Company’s United Kingdom subsidiary as a party to such agreement and the concept of borrowings thereunder for certain transaction in the United Kingdom. The Company anticipates entering into a separate credit agreement (a “UK Credit Agreement”) with an affiliate of Wells Fargo Bank, National Association which is anticipated to be cross collateralized and integrated in certain respects with the Credit Agreement.

Cash advances and the issuance of letters of credit under the credit facility are made at the lender’s discretion. The letters of credit issued under this facility are furnished by the lender to third parties for the principal purpose of securing minimum guarantees under liquidation services contracts more fully described in Note 2(c). All outstanding loans, letters of credit, and interest are due on the expiration date which is generally within 180 days of funding. The credit facility is secured by the proceeds received for services rendered in connection with liquidation service contracts pursuant to which any outstanding loan or letters of credit are issued and the assets that are sold at liquidation related to such contract. The credit facility also provides for success fees in the amount of 5% to 20% of the net profits, if any, earned on the liquidation engagements funded under the Credit Agreement as set forth therein. Interest expense totaled \$54 (including amortization of deferred loan fees of \$23) and \$121 (including amortization of deferred loan fees of \$67) for the three months ended September 30, 2013 and 2012, respectively, and \$206 (including amortization of deferred loan fees of \$159) and \$238 (including amortization of deferred loan fees of \$203) for the nine months ended September 30, 2013 and 2012, respectively. The Company had outstanding letters of credit in the amount of \$2,216 and no outstanding balance for cash borrowings under this credit facility at September 30, 2013.

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

bankruptcy and insolvency defaults, and material judgment defaults.

On May 17, 2011, Great American Group Advisory & Valuation Services, LLC (“GAAV”), one of our majority-owned subsidiaries, entered into a Loan and Security Agreement (Accounts Receivable Line of Credit) (the “Line of Credit”) with BFI Business Finance (“BFI”). The Line of Credit is collateralized by the accounts receivable of GAAV and allows for borrowings in the amount of 85% of the net face amount of prime accounts, as defined in the Line of Credit, with maximum borrowings not to exceed \$2,000. The interest rate under the Line of Credit is the prime rate plus 2%, payable monthly in arrears. The Line of Credit was amended effective February 3, 2012 and the maximum borrowings allowed increased from \$2,000 to \$3,000. The maturity date of the Line of Credit is February 3, 2014 and the maturity date may be extended for successive periods equal to one year, unless GAAV gives BFI written notice of its intent to terminate the Line of Credit at least thirty days prior to the maturity date of the Line of Credit. BFI has the right to terminate the Line of Credit at its sole discretion upon giving sixty days’ prior written notice to GAAV. In connection with the Line of Credit, GAG, LLC entered into a limited continuing guaranty of GAAV’s obligations under the Line of Credit. The outstanding balance under the Line of Credit was \$1,256 at September 30, 2013 and \$2,304 at December 31, 2012. Interest expense totaled \$13 and \$24 for the three months ended September 30, 2013 and 2012, respectively, and \$78 and \$94 for the nine months ended September 30, 2013 and 2012, respectively.

NOTE 7 LONG-TERM DEBT

Long-term debt consists of the following arrangements:

	September 30, 2013	December 31, 2012
\$60,000 notes payable to each of the former Great American Members and the Phantom Equityholders of GAG, LLC issued in connection with the Acquisition dated July 31, 2009	\$ 50,483	\$ 52,207
Total long-term debt	50,483	52,207
Less current portion of long-term debt	1,724	1,724
Long-term debt, net of current portion	\$ 48,759	\$ 50,483

\$60,000 Notes Payable

On July 31, 2009, the members of GAG, LLC (the “Great American Members”) contributed all of their membership interests of GAG, LLC to the Company (the “Contribution”) in exchange for 10,560,000 shares of common stock of the Company and a subordinated unsecured promissory note in an initial principal amount of \$60,000 issued in favor of the Great American Members and the phantom equityholders of GAG, LLC (the “Phantom Equityholders”). In connection with the closing of the Acquisition, an initial principal payment of \$4,383 was made, thereby reducing the principal amount of the note to \$55,617. On August 28, 2009, the note was replaced with separate subordinated unsecured promissory notes (collectively, the “Notes”) issued in favor of each of the Great American Members and Phantom Equityholders payable in five equal annual principal payments in the aggregate amount of \$11,123 due on the anniversary date of the Notes beginning on July 31, 2010 through July 31, 2014 with interest payable quarterly in arrears beginning October 31, 2009 at 12% per annum. On May 4, 2010, the Company entered into individual amendments (each, an Amendment and collectively, the “Amendments”) to an aggregate of \$52,419 of the \$55,617 principal amount outstanding of the subordinated unsecured promissory notes, which reduced the interest rate on the amended notes from 12.0% per annum to 3.75% per annum. In addition, the maturity date for \$46,996 of the \$55,617 principal amount outstanding of the subordinated, unsecured promissory notes was extended to July 31, 2018, subject to annual prepayments based upon the Company’s cash flow subject to certain limitations, as provided in the amendment to the notes payable, including, without limitation, the Company’s maintenance of a minimum adjusted cash balance of \$20,000. Each prepayment, if any, is due within 30 days of the filing of the Company’s Annual Report on Form 10-K, beginning with the Form 10-K for the fiscal year ending December 31, 2010. There were no prepayments due on the notes payable under this prepayment provision.

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

At September 30, 2013, the maturity date for \$48,759 of principal amount payable to the two former Great American Members is July 31, 2018, subject to annual prepayments based on the Company’s cash flows and other limitations described above. On July 31, 2013, the Company paid the Phantom Equityholders the annual installment of principal in the amount of \$1,724. The remaining \$1,724 of principal amount payable to the Phantom Equityholders outstanding as of September 30, 2013 is due in one installment of \$1,724 on July 31, 2014.

Interest expense was \$501 and \$529 for the three months ended September 30, 2013 and 2012, respectively, and \$1,524 and \$1,613 for the nine months ended September 30, 2013 and 2012, respectively. In accordance with the Amendments to the notes payable, the current portion of the amended notes payable in the amount of \$1,724 and the long-term portion of the amended notes payable in the amount of \$48,759 has been recorded in the accompanying condensed consolidated balance sheets as of September 30, 2013. Accrued interest payable on the notes payable was \$325 as of September 30, 2013 and \$344 as of December 31, 2012, and is included in accounts payable and accrued expenses in the condensed consolidated balance sheets.

NOTE 8 NOTES PAYABLE

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

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

On December 31, 2009, GAGEE entered into an amendment to credit agreement (the “First Amendment To Credit Agreement”) dated as of December 18, 2009 with Garrison Special Opportunities Fund LP and the Administrative Agent, whereby the Lender agreed to forbear from exercising any of the remedies available to them under the Forbearance Agreement and the related Security Agreement and to extend the maturity date of the Forbearance Agreement until November 18, 2010, unless a forbearance default occurs, as specified in the Amended Credit Agreement. Pursuant to the terms of the First Amendment To Credit Agreement and Second Amendment To Credit Agreement (collectively, the Amended Credit Agreement”), the interest rate was reduced from 20% to 0% and the Lender agreed to reimburse GAGEE for certain expenses from proceeds of the sale assets that collateralize the Amended Credit Agreement. The Forbearance Agreement expired on November 18, 2010. GAGEE entered into a second amendment to the credit agreement on May 9, 2011, which extended the maturity date of the note payable to November 19, 2011 with an interest rate of 0% through maturity (the “Second Amendment to the Credit Agreement”). The Second Amendment to the Credit Agreement also provided for the lender to reimburse GAGEE for certain expenses from proceeds of the sale or lease of the assets that collateralize the note payable. As a result of the delay in entering into the Second Amendment to the Credit Agreement, interest in the amount of \$309 was accrued from the date of the expiration of the First Amendment to the Credit Agreement on November 18, 2010 to December 31, 2010 at an interest rate of 22% (the default rate). This accrued interest of \$309 was reversed in the first quarter of 2011, as the Second Amendment to the Credit Agreement provides for 0% interest for that period, and reflected in the consolidated statement of operations as a reduction of interest expense. GAGEE entered into a Third Amendment to the Credit Agreement on March 19, 2012, which extended the maturity date of the note payable to December 31, 2012 with an interest rate of 0% through maturity. GAGEE entered into a Fourth Amendment to the Credit Agreement

effective December 31, 2012 which extended the maturity date of the note payable to December 31, 2013 and the interest rate remained at 0% through maturity. The Third and Fourth Amendment to the Credit Agreement provide for the lender to reimburse GAGEE for certain expenses from proceeds of the sale or lease of the assets that collateralize the note payable. GAGEE has no assets other than those collateralizing the loan which is comprised of a lease finance receivable of \$8,335 and machinery and equipment with a carrying value of \$2,708 that is included in goods held for sale or auction in the accompanying balance at September 30, 2013. GAG, LLC has satisfied its obligation to pay the \$1,200 guarantee, and the credit agreement does not provide for other recourse against GAG, LLC.

At September 30, 2013 and December 31, 2012, the note payable balance was \$7,132 and \$9,513, respectively. There was no interest expense in connection with this note payable during the nine months ended September 30, 2013 and year ended December 31, 2012.

NOTE 9 INCOME TAXES

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

	Nine Months Ended September 30,	
	2013	2012
Current:		
Federal	\$ -	\$ 9
State	26	35
Foreign	(290)	(97)
Total current provision (benefit)	(264)	(53)
Deferred:		
Federal	(112)	378
State	34	62
Foreign	-	-
Total deferred provision	(78)	440
Total provision (benefit) for income taxes	\$ (342)	\$ 387

A reconciliation of the federal statutory rate of 34% for the nine months ended September 30, 2013 and 2012 to the effective tax rate for income (loss) from operations before income taxes is as follows:

	Nine Months Ended September 30,			
	2013	%	2012	%
Provision (benefit) for income taxes at federal statutory rate	(34.0)	%	34.0	%
State income taxes, net of federal benefit	4.9		2.6	
Foreign tax differential	15.0		(19.1)	
Income from pass-through entities	(28.4)		-	
Other	(2.1)		0.5	
Effective income tax rate	(44.6)	%	18.0	%

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

	September 30, 2013	December 31, 2012
Deferred tax assets:		
Allowance for doubtful accounts	\$ 138	\$ 141
Goods held for sale or auction	1,138	1,160
Deductible goodwill	502	553
Accrued liabilities	1,532	2,828
Deferred revenue	-	409
Mandatorily redeemable noncontrolling interests	722	736
Note payable to Phantom Equityholders	804	1,311
Other	144	69
Foreign tax and other credit carryforwards	633	618
Net operating loss carryforward	8,063	5,773
Total deferred tax assets	\$ 13,676	\$ 13,598

Edgar Filing: Great American Group, Inc. - Form 10-Q

As of December 31, 2012, the Company had federal net operating loss carryforwards of \$13,437, state net operating loss carryforwards of \$14,921, and foreign tax credit carryforwards of \$342. The Company's federal net operating loss carryforwards will expire in the tax year ending December 31, 2030, the state net operating loss carryforwards will expire in 2031, and the foreign tax credit carryforwards will expire in 2022.

The Company establishes a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Tax benefits of operating loss and tax credit carryforwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carryforward period, and other circumstances. As of September 30, 2013 and December 31, 2012, the Company believes that it is more-likely-than-not that future taxable earnings will be sufficient to realize its deferred tax assets and has not provided an allowance.

The Company's uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the calendar years ended December 31, 2010 to 2012. For periods prior to the Acquisition, the Company operated as a limited liability company which was taxed as a partnership. The Company and its subsidiaries' state tax returns are also open to audit under similar statutes of limitations for the calendar years ended December 31, 2009 to 2012. The Company accrues interest on unrecognized tax benefits as a component of income tax expense. Penalties, if incurred, would be recognized as a component of income tax expense. The Company had no such accrued interest or penalties included in the accrued liabilities associated with unrecognized tax benefits as of the date of adoption.

NOTE 10 EARNINGS PER SHARE

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted-average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding, after giving effect to all dilutive potential common shares outstanding during the period. Basic common shares outstanding exclude 1,320,000 common shares that are held in escrow and subject to forfeiture and 1,000,000 common shares issued to the Alternative Asset Management Acquisition Corp. founders that were forfeited during 2012 as a result of the failure to achieve certain performance targets specified in the agreements entered into in connection with the Acquisition. The 1,320,000 common shares issued to the former Great American Members are subject to forfeiture upon the final settlement of claims for goods held for sale in connection with the Acquisition. Dilutive common shares outstanding includes contingently issuable shares that are currently in escrow and subject to release if the conditions for the final settlement of claims for goods held for sale in connection with the Acquisition was satisfied at the end of the respective periods.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income (loss) attributable to Great American Group, Inc.	\$ 366	\$ (547)	\$ 124	\$ 1,139
Weighted average shares outstanding:				
Basic	28,682,975	28,682,975	28,682,975	28,682,521
Effect of dilutive potential common shares:				
Contingently issuable shares	1,208,426	-	1,208,426	916,491
Diluted	29,891,401	28,682,975	29,891,401	29,599,012
Basic income (loss) per share	\$ 0.01	\$ (0.02)	\$ 0.00	\$ 0.04
Diluted income (loss) per share	\$ 0.01	\$ (0.02)	\$ 0.00	\$ 0.04

NOTE 11 COMMITMENTS AND CONTINGENCIES

Legal Matters

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

NOTE 12 RELATED PARTY TRANSACTIONS

On July 8, 2010, the Company loaned \$3,224 to Great American Real Estate, LLC (“GARE”) for the purposes of investing in GAHA Fund II, LLC, a newly formed joint venture which is 50% owned by GARE. GAHA Fund II, LLC is a special purpose entity created to purchase non-performing distressed real estate loans at a discount to par from a financial institution and market the loans and real estate to third parties. The note receivable bears interest at a rate of 15% per annum and all unpaid principal and interest was originally due on July 8, 2011. In July 2011, the maturity date of the loan was extended and the interest rate was reduced to 8% per annum. On December 29, 2011, additional funds in the amount of \$620 were loaned to GARE and the note receivable was amended to increase the outstanding balance to \$3,844 and extend the maturity date to July 31, 2012. On February 20, 2013, the third amendment to the note receivable extended the maturity date to December 31, 2013. During the year ended December 31, 2012, the Company received principal payment on the note receivable totaling \$3,164 and recorded an impairment charge of \$69 to write down the note receivable to its estimated net realizable value at December 31, 2012. The note receivable in the amount of \$611 is included in note-receivable related party as of December 31, 2012. There was no interest income recorded on the note receivable during the nine months ended September 30, 2013. On August 22, 2013, the loan receivable from GARE was paid in full.

In accordance with the accounting guidance for consolidation of variable interest entities, the Company has determined that the subordinated financing arrangements in the form of notes receivable described above with GARE changes the status of each of the entities to VIE. The Company, in determining whether or not it is the primary beneficiary of GARE, considered the disproportionate capital contributions that were made by the Company, the voting interests of the members of GARE and each member’s ability to direct the activities of GARE. The Company determined it is not the primary beneficiary of the VIE since decisions to direct the operations of GARE are done jointly by the members of GARE and the Company does not have a disproportionate voting interest which allows it to exercise any rights or powers that would enable the Company to direct the activities of GARE that most significantly impact GARE’s economic performance. The accompanying consolidated financial statements do not consolidate GARE. There was no income (loss) under the equity method of accounting for GARE for the three months ended September 30, 2013. Loss under the equity method of accounting for GARE was \$15 for the nine months ended September 30, 2013. Income under the equity method of accounting for GARE was \$165 and \$45 for the three and nine months ended September 30, 2012, respectively.

At September 30, 2013, amounts due from related party of \$18 represents amounts due from CA Global Partners, LLC (“CA Global”). CA Global is one of the members of Great American Global Partners, LLC (“GA Global Ptrs”) which started operations in the first quarter ended March 31, 2013. The amount receivable at September 30, 2013 is comprised of advances that were provided to CA Global in connection with certain auctions of wholesale and industrial machinery and equipment that they were managing on behalf of GA Global Ptrs.

At September 30, 2013, note receivable related party is comprised of two loans to Shoon with an aggregate outstanding receivable balance of \$1,331. The Company owns 44.4% of the common stock of Shoon. The original loan in the amount of \$1,300 was made to Shoon on May 4, 2012 and has a remaining principal balance of \$484 at September 30, 2013. The loan has a maturity date of May 3, 2014 with interest payable monthly at LIBOR plus 6.0%. On August 2, 2013, an additional loan in the amount of \$887 (with a discount of \$40) was extended to Shoon with a maturity date of August 3, 2015. Interest is payable monthly at 6.5%. Both of the loans are collateralized by the inventory of Shoon. The loan receivable at September 30, 2013 is included in the Company’s condensed consolidated balance sheet in note receivable related party current portion in the amount of \$686 and in note receivable related party, net of current portion in the amount of \$645.

NOTE 13 BUSINESS ACQUISITION

On May 4, 2012, the Company invested \$65 for a 44.4% interest in the common stock of Shoon, a shoe retailer with operations in the United Kingdom. Shoon purchased the rights to operate the former Shoon internet business and retail stores that were in administration in the United Kingdom. As part of the investment, the Company also loaned Shoon approximately \$1,300. The Company had the right to appoint a Chairman of Shoon. Together with the Company's ownership of 44.4% of the common stock of Shoon and control of the majority of the board of directors, the Company had a controlling interest in Shoon. Accordingly, the Company consolidated the operations of Shoon and included the results of operations of Shoon from May 4, 2012, the date of investment, through July 31, 2013 in the Company's condensed consolidated statements of operations.

In August 2013, the Company loaned Shoon an additional \$887 as described above. The Shoon shareholder agreement was also amended and restated to eliminate the Company's super majority voting rights which enable the Company to control the Board of Directors of Shoon. As a result of this amendment, the Company no longer controls Shoon and the operating results of Shoon are not consolidated for any periods after July 31, 2013. Accordingly, the loss from the Company's equity investment in Shoon for the two months ended September 30, 2013 of \$143 is included in other income (expense) in the Company's condensed consolidated statements of operations. There was no gain or loss recognized as a result of the deconsolidation of Shoon.

In accordance with the accounting guidance for consolidation of variable interest entities, the Company has determined that the additional financing arrangement in the form of the new note receivable with Shoon and the elimination of the Company's super majority voting rights in August 2013, as discussed above, changes the status of Shoon to a VIE. The Company, in determining whether or not it is the primary beneficiary of Shoon, considered the voting interests of the shareholder's of Shoon and the shareholder's ability to direct the activities of Shoon. The Company determined it is not the primary beneficiary of the VIE since the Company does not have the ability to exercise any rights or powers to direct the activities of Shoon that most significantly impact Shoon's economic performance. Accordingly, Shoon's operating results are not consolidated for any periods after July 31, 2013. As of September 30, 2013, the carrying amount and maximum exposure to loss due to the Company's involvement with Shoon is \$1,366 which includes the note receivable related party of \$1,331 which is included in the Company's condensed consolidated balance sheet in note receivable related party current portion in the amount of \$686 and note receivable related party, net of current portion in the amount of \$645. The Company's loss under the equity method of accounting for Shoon was \$143 for the two months ended September 30, 2013.

The summarized financial information below includes amounts related to Shoon, the Company's less-than-majority-owned subsidiary, for periods after July 31, 2013.

	Two Months Ended September 30, 2013
Total revenues	\$ 1,913
Cost of goods sold	1,118
Loss before income taxes	(415)
Income tax benefit	93
Net loss	\$ (322)
GAG, Inc equity share of net loss	\$ (143)

	As of September 30, 2013
Current assets	\$ 4,212
Non-current assets	418
Total assets	4,630
Current liabilities	3,754
Non-current liabilities	665
Net assets	\$ 211

The Company determined the fair value of assets acquired exceeded consideration paid by approximately \$1,366 which was recorded as a bargain purchase gain during the three months ended June 30, 2012. The following details the estimated fair value of the net assets acquired and the excess of such net assets over the purchase price upon acquisition on May 4, 2012:

Fixed assets	\$78
Retail inventory	3,752
Accounts payable and accrued liabilities	(810)
Deferred tax liability	(408)
Fair value of net assets acquired	2,612
Total cash consideration	(1,246)
Gain on bargain purchase	\$1,366

Edgar Filing: Great American Group, Inc. - Form 10-Q

The following financial statement amounts and balances of Shoon are included in the accompanying condensed consolidated financial statements in the UK retail stores segment as of December 31, 2012 and for the three and nine months ended September 30, 2013 and 2012:

	As of December 31, 2012			
Assets:				
Cash and cash equivalents	\$		1,128	
Inventory			2,216	
Property and equipment, net			146	
Other assets			328	
Total assets	\$		3,818	
Liabilities:				
Accounts payable and accrued liabilities	\$		1,291	
Current portion long-term debt			646	
Total current liabilities			1,937	
Long-term debt, net of current portion			323	
Total liabilities			2,260	
Equity			1,558	
Total liabilities and equity	\$		3,818	
		Three Months Ended September 30,		Nine Months Ended September 30,
		2013	2012	2013
				2012
Revenues:				
Revenues - Sale of goods	\$	1,018	\$ 3,083	\$ 6,202
Cost of goods sold		(667)	(1,865)	(3,566)
Selling, general and administrative expenses		(644)	(1,644)	(3,818)
Operating loss		(293)	(426)	(1,182)
Other expenses		(15)	(49)	(94)
Gain from bargain purchase		-	-	1,366
Income (loss) before (provision) benefit for income taxes		(308)	(475)	(1,276)
Benefit for income taxes		71	110	319
Net income (loss)		(237)	(365)	(957)
Net income (loss) attributable to noncontrolling interest		(73)	(220)	(532)
Net income (loss) attributable to Great American Group, Inc.	\$	(164)	\$ (145)	\$ (425)
				\$ 417

The disclosure of pro forma financial information for the three and nine months ended September 30, 2012 has not been provided given the impracticality of obtaining the information since the former owners of Shoon were operating in administration in the United Kingdom.

NOTE 14 BUSINESS SEGMENTS

The Company's operating segments reflect the manner in which the business is managed and how the Company allocates resources and assesses performance internally. The Company's chief operating decision maker is a committee comprised of the Chief Executive Officer and President. The Company has several operating subsidiaries through

which it delivers specific services. The Company provides auction, liquidation, capital advisory, financing, real estate, and other services to stressed or distressed companies in a variety of diverse industries that have included apparel, consumer electronics, furniture, jewelry, real estate, and industrial machinery. The Company also provides appraisal and valuation services for retail and manufacturing companies. In addition, as a result of the acquisition of Shoon on May 4, 2012, the Company operated ten retail stores in the United Kingdom for the period from May 4, 2012, the date of investment, through July 31, 2013. The Company's business is classified by management into three reportable segments: Auction and Liquidation, Valuation and Appraisal and UK Retail Stores. These reportable segments are three distinct businesses, each with a different customer base, marketing strategy and management structure. The Valuation and Appraisal reportable segment is an aggregation of the Company's valuation and appraisal operating segments, which are primarily organized based on the nature of services and legal structure.

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

Edgar Filing: Great American Group, Inc. - Form 10-Q

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Auction and Liquidation reportable segment:				
Revenues - Services and fees	\$ 4,555	\$ 5,162	\$ 21,462	\$ 22,634
Revenues - Sale of goods	9,372	196	9,521	6,159
Total revenues	13,927	5,358	30,983	28,793
Direct cost of services	(2,456)	(2,032)	(7,755)	(7,738)
Cost of goods sold	(7,573)	(307)	(7,707)	(5,054)
Selling, general, and administrative expenses	(1,883)	(2,218)	(8,769)	(10,196)
Depreciation and amortization	(42)	(50)	(132)	(144)
Segment income (loss)	1,973	751	6,620	5,661
Valuation and Appraisal reportable segment:				
Revenues - Services and fees	6,806	5,794	20,759	18,520
Direct cost of services	(3,188)	(2,812)	(9,676)	(8,359)
Selling, general, and administrative expenses	(2,054)	(1,571)	(6,353)	(5,008)
Depreciation and amortization	(38)	(25)	(99)	(96)
Segment income	1,526	1,386	4,631	5,057
UK Retail Stores reportable segment:				
Revenues - Sale of goods	1,018	3,083	6,202	5,893
Cost of goods sold	(667)	(1,865)	(3,566)	(3,395)
Selling, general, and administrative expenses	(635)	(1,638)	(3,773)	(2,704)
Depreciation and amortization	(9)	(6)	(45)	(10)
Segment income (loss)	(293)	(426)	(1,182)	(216)
Consolidated operating income from reportable segments	3,206	1,711	10,069	10,502
Corporate and other expenses	(2,424)	(2,370)	(8,877)	(7,997)
Interest income	31	30	38	186
Loss from equity investment in Great American Real Estate, LLC	-	165	(15)	45
Loss from equity investment in Shoon Trading Limited	(143)	-	(143)	-
Gain from bargain purchase	-	-	-	1,366
Interest expense	(567)	(678)	(1,838)	(1,951)
Income (loss) before income taxes	103	(1,142)	(766)	2,151
(Provision) benefit for income taxes	133	375	342	(387)
Net income (loss)	236	(767)	(424)	1,764
Net (income) loss attributable to noncontrolling interests	(130)	(220)	(548)	625
Net income (loss) attributable to Great American Group, Inc.	\$ 366	\$ (547)	\$ 124	\$ 1,139
Capital expenditures:				
Auction and Liquidation segment	\$ 78	\$ 63	\$ 314	\$ 310
Valuation and Appraisal segment	123	10	340	60
UK Retail Stores segment	65	33	318	33

Edgar Filing: Great American Group, Inc. - Form 10-Q

Total	\$ 266	\$ 106	\$ 972	\$ 403
			As of September 30, 2013	As of December 31, 2012
Total assets:				
Auction and Liquidation segment			\$ 56,369	\$ 66,600
Valuation and Appraisal segment			9,168	10,165
UK Retail Stores segment			-	3,818
Total			\$ 65,537	\$ 80,583

Edgar Filing: Great American Group, Inc. - Form 10-Q

The following table presents revenues by geographical area:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues:				
Revenues - Services and fees:				
United States	\$ 10,082	\$ 9,376	\$ 38,343	\$ 30,884
Europe	1,279	1,580	3,878	10,270
Total Revenues - Services and fees	11,361	10,956	42,221	41,154
Revenues - Sale of goods				
United States	9,311	196	9,460	5,895
Europe	1,079	3,083	6,263	6,157
Total Revenues - Sale of goods	10,390	3,279	15,723	12,052
Total Revenues:				
United States	19,393	9,572	47,803	36,779
Europe	2,358	4,663	10,141	16,427
Total Revenues - Services and fees	\$ 21,751	\$ 14,235	\$ 57,944	\$ 53,206

The following tables presents long-lived assets and identifiable assets by geographical area:

	As of September 30, 2013	As of December 31, 2012
Long-lived Assets - Property and Equipment, net:		
United States	\$ 961	\$ 689
Europe	105	281
Total Long-lived Assets	\$ 1,066	\$ 970
Identifiable Assets:		
United States	\$ 56,076	\$ 62,223
Europe	9,461	18,360
Total Long-lived Assets	\$ 65,537	\$ 80,583

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms 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 Quarterly Report to conform such statements to actual results or to changes in our expectations. The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes and other financial information appearing elsewhere in this Quarterly Report. Readers are also urged to carefully review and consider the various disclosures made by us which attempt to advise interested parties of the factors which affect our business, including without limitation the disclosures made in Item 1A of Part II of this Quarterly Report under the caption "Risk Factors".

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

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

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

Overview

We are a leading provider of asset disposition, valuation and appraisal, and real estate consulting services to a wide range of retail, wholesale and industrial clients, as well as lenders, capital providers, private equity investors and professional service firms throughout the United States, Canada and the United Kingdom. We operate our business in three segments: auction and liquidation solutions, valuation and appraisal services, and UK retail stores. Our auction and liquidation segment seeks to assist clients in maximizing return and recovery rates through the efficient disposition of assets and provide clients with capital advisory, financing and real estate consulting services. Such assets include multi-location retail inventory, wholesale inventory, trade fixtures, machinery and equipment, intellectual property and real property. Our valuation and appraisal services segment provides our clients with independent appraisals in connection with asset-based loans, acquisitions, divestitures and other business needs. These services are provided to a wide range of retail, wholesale and industrial companies, as well as lenders, capital providers, private equity investors and professional service firms throughout the United States, Canada, and the United Kingdom. Our UK retail stores segment was created from our investment in Shoon Trading Limited (“Shoon”) in May 2012 and the operating results of our UK retail stores segment includes the operations of ten retail shoe stores in the United Kingdom acquired in our acquisition of Shoon on May 4, 2012 through July 31, 2013.

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 in the United States, Canada and the United Kingdom.

Together with our predecessors, we have been in business since 1973. For over 39 years, we and our predecessors have provided retail, wholesale and industrial auction and liquidation solutions to clients. Past clients include Boeing, Apple Computers, Blockbuster Video, Borders Group, Circuit City, Comet, Friedman’s Jewelers, Mervyns, Tower Records, TJ Hughes, Hancock Fabrics, Movie Gallery, Linens N Things, Kmart, Sears, Whitehall Jewelers and Fortunoff. Since 1995, we have participated in liquidations involving over \$25 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, Sun Capital Partners and UBS Capital.

Historically, revenues from our auction and liquidation segment have comprised a significant amount of our total revenues and operating profits. During the nine months ended September 30, 2013 and 2012, revenues from our auction and liquidation segment were 53.5% and 54.1% of total revenues, respectively. Revenues we generate in the auction and liquidation segment vary significantly from quarter to quarter and have a significant impact on our operating results from period to period.

Recent Developments

In May 2012, we invested \$0.1 million for a 44.4% interest in the common stock of Shoon, a shoe retailer with operations in the United Kingdom. Shoon purchased the rights to operate the former Shoon internet business and retail stores that were in administration in the United Kingdom. As part of the investment, we loaned Shoon

approximately \$1.3 million collateralized by retail inventory. The loan has a maturity date of May 3, 2014 and bears interest at an annual rate of LIBOR plus 6.0%. Interest is payable monthly. We exercised our right to appoint a new Chairman of Shoon. Together with our 44.4% ownership of the common stock of Shoon and our control of the majority of the board of directors, we had a controlling interest in Shoon and therefore consolidated Shoon's operations with ours. In August 2013, the Shoon shareholder agreement was amended and restated to eliminate our control rights. As a result of this amendment, Shoon's operating results are not consolidated with the Company's for any periods after July 31, 2013. Accordingly, we have consolidated the operations of Shoon and included their results of operations from May 4, 2012, the date of our investment through July 31, 2013, in our condensed consolidated statements of operations. During the period January 1, 2013 through July 31, 2013, Shoon generated revenues of \$6.2 million and an operating loss of \$1.2 million. During the period from May 4, 2012 through December 31, 2012, Shoon generated revenues of \$10.2 million and operating income of \$0.3 million. The fair value of assets acquired exceeded consideration paid by approximately \$1.4 million and resulted in a bargain purchase gain during the second quarter of 2012.

In August 2012, we were engaged to participate in a joint venture involving the liquidation of inventory for the going-out-of-business sale of 568 stores of women's clothing retailer Fashion Bug in the United States, a subsidiary of Ascena Retail Group, Inc ("Ascena"). The joint venture provided Fashion Bug with a minimum guarantee of amounts to be realized from the liquidation of inventory. In connection with our portion of the guarantee, we provided a letter of credit to Fashion Bug in the amount of \$6.7 million. In January 2013, the liquidation sale of inventory was completed and the amounts realized from the liquidation of inventory exceeded the minimum guarantee. In March 2013, the letter of credit provided to Fashion Bug was returned to us. Revenues from services and fees as a result of our participation in the joint venture during the nine months ended September 30, 2013 was \$8.1 million or 14.0% of total revenues during the nine months ended September 30, 2013.

In July 2013, we were engaged to liquidate the inventory of eight Orchard Supply Hardware stores. In August 2013, our engagement was expanded to include the liquidation of an additional nine Orchard Supply Hardware stores. We provided a minimum guarantee of amounts to be realized from the liquidation of inventory for the first eight stores and additional nine stores. We completed the liquidation of the first eight stores in the third quarter of 2013 and the additional nine stores in October 2013.

On July 24, 2013, the lease purchase agreement for four oil rigs that were included in goods held for sale or auction at December 31, 2012 was amended, among other things, to eliminate the right of the lessor to return the oil rigs to us and stop making lease payments in the event the oil rigs were not in use for sixty consecutive days. This amendment to the lease purchase agreement resulted in a change in the accounting for the lease from an operating lease to a sales-type lease. As a result, we recorded revenues from sale of goods of \$9.3 million and costs of goods sold of \$7.4 million in accordance with the sales-type lease during the three months ended September 30, 2013.

Critical Accounting Policies

Our condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"), which require management to make estimates and assumptions that affect reported amounts. The estimates and assumptions are based on historical experience and on other factors that management believes to be reasonable. Actual results may differ from those estimates. Critical accounting policies represent the areas where more significant judgments and estimates are used in the preparation of our condensed consolidated financial statements. A discussion of such critical accounting policies, which include revenue recognition, allowance for doubtful accounts, goods held for sale or auction, goodwill and other intangible assets, share-based compensation and income taxes can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. There have been no material changes to the policies noted above as of this quarterly report on Form 10-Q for the period ended September 30, 2013.

Results of Operations

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

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

Condensed Consolidated Statements of Operations (Dollars in thousands)

	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012		
	Amount	%		Amount	%	
Revenues:						
Services and fees	\$ 11,361	52.2	%	\$ 10,956	77.0	%
Sale of goods	10,390	47.8	%	3,279	23.0	%
Total revenues	21,751	100.0	%	14,235	100.0	%
Operating expenses:						
Direct cost of services	5,644	25.9	%	4,844	34.0	%
Cost of goods sold	8,240	37.9	%	2,172	15.3	%
Selling, general and administrative expenses	7,085	32.6	%	7,878	55.3	%
Total operating expenses	20,969	96.4	%	14,894	104.6	%
Operating income (loss)	782	3.6	%	(659)	-4.6	%
Other income (expense):						
Interest income	31	0.1	%	30	0.2	%
Loss from equity investments	(143)	-0.7	%	165	1.2	%
Interest expense	(567)	-2.5	%	(678)	-4.8	%
Income (loss) before income taxes	103	0.5	%	(1,142)	-8.0	%
Benefit for income taxes	133	0.6	%	375	2.6	%
Net income (loss)	236	1.1	%	(767)	-5.4	%
Net loss attributable to noncontrolling interests	(130)	-0.6	%	(220)	-1.6	%
Net income (loss) attributable to Great American Group, Inc.	\$ 366	1.7	%	\$ (547)	-3.8	%

Revenues. Total revenues increased \$7.6 million, or 52.8%, to \$21.8 million during the three months ended September 30, 2013 from \$14.2 million during the three months ended September 30, 2012. The increase in revenues during the three months ended September 30, 2013 was primarily due to (a) an increase in revenues of \$8.6 million in the auction and liquidation segment, and (b) an increase in revenues of \$1.0 million in the valuation and appraisal services segment; offset by a decrease in revenues of \$1.0 million in the UK retail store segment. Revenues in the UK retail store segment during the third quarter of 2013 only includes sales of retail goods for the one month ended July 31, 2013 whereas the comparable period in 2012 includes sales of retail goods for the three months ended September 30, 2012. In August 2013, the Shoon shareholder agreement was amended and restated to eliminate our control rights. As a result of the amendment, Shoon's operating results are not consolidated with the Company's for any periods after July 31, 2013.

In the auction and liquidation segment, the increase in revenues of \$8.6 million during the three months ended September 30, 2013 was primarily due to (a) an increase in revenues of \$1.3 million related to revenues from fees earned on retail liquidations engagements in the United States and United Kingdom; (b) an increase in revenues from fees and the sales of goods of \$7.0 million in our wholesale and industrial auction business; (c) an increase in revenues

of \$0.2 million from real estate consulting services from our GA Keen Realty Advisors division; and (d) an increase in revenues of \$0.1 million from capital advisory services provided by our GA Capital division. The increase revenues from fees earned on retail liquidation engagements was primarily due to an increase in the number retail liquidation engagements in the third quarter of 2013 as compared to the same period in 2012. The increase in revenues in our wholesale and industrial auction business in the third quarter of 2013 was primarily due to the revenues of \$9.3 million that were recognized in connection with the sales-type lease for four oil rigs sales discussed above and in note 4 to the condensed consolidated financial statements.

The increase in revenues of \$1.0 million in the valuation and appraisal services segment was primarily due to an increase in revenues related to appraisal engagements where we perform valuations for the monitoring of collateral for financial institutions, lenders, and private equity investors, an increase in revenues for appraisals for machinery and equipment, and an increase in appraisal revenues from the expansion of our appraisal operations in the United Kingdom as more fully described below.

Revenue and Gross Margin by Segment
(Dollars in thousands)

Auction and Liquidation Segment:

	Three Months Ended September 30, 2013				Three Months Ended September 30, 2012	
	Amount	%			Amount	%
Revenues:						
Services and fees	\$ 4,555	32.7	%	\$ 5,162	96.3	%
Sale of goods	9,372	67.3	%	196	3.7	%
Total revenues	13,927	100.0	%	5,358	100.0	%
Direct cost of services	2,456	17.6	%	2,032	37.9	%
Cost of goods sold	7,573	54.4	%	307	5.7	%
Total operating expenses	10,029	72.0	%	2,339	43.6	%
Gross margin	\$ 3,898	28.0	%	\$ 3,019	56.4	%
Gross margin services and fees	46.1	%		60.6	%	
Gross margin sales of goods	19.2	%		-56.6	%	

Revenues in the auction and liquidation segment increased \$8.6 million, to \$13.9 million during the three months ended September 30, 2013 from \$5.3 million during the three months ended September 30, 2012. Revenues from services and fees decreased to \$4.6 million during the three months ended September 30, 2013, a decrease of \$0.6 million, from \$5.2 million during the three months ended September 30, 2012. The decrease in revenues from services and fees of \$0.6 million was primarily due to (a) a decrease in revenues from lending activities of \$0.5 million; (b) a decrease in service and fee revenues of \$2.2 million earned in our wholesale and industrial auction business. These decreases were offset by increases in (a) revenues of \$1.5 million from services and fees earned on retail liquidation and consulting engagements in the United States; (b) revenues from services and fees of \$0.2 million from real estate consulting services from our GA Keen Realty Advisors division; and (c) revenues from services and fees of \$0.2 million from capital advisory services provided by our GA Capital division. The revenues from lending activities during the three months ended September 30, 2012 included interest income of \$0.1 million and amortization of discount of \$0.4 million on a loan receivable. There were no lending activities that generated financing revenues during the three months ended September 30, 2013. The decrease in services and fees revenue in the wholesale and industrial auction business was primarily due to a decrease in number of engagements during the third quarter of 2013 as compared to the same period in 2012. The increase in revenues from our GA Keen Realty Advisors division in 2013 was primarily due to an increase in the number of real estate consulting engagements during the third quarter of 2013 as compared to the same period in 2012. Revenues from retail liquidation engagements in the United States increased in the third quarter of 2013 primarily due to revenues from fees and expenses from the liquidation of eight Orchard Supply Hardware stores.

Revenues from gross sales of goods increased to \$9.4 million during the three months ended September 30, 2013 from \$0.2 million during the three months ended September 30, 2012. The increase in revenues from the sale of goods was primarily due to the \$9.3 million related to the sale of four oil rigs in the third quarter of 2013 that was included in goods held for sale or auction at December 31, 2012 as more fully discussed above and in note 4 to the condensed consolidated financial statements.

Gross margin in the auction and liquidation segment for services and fees decreased to 46.1% of revenues during the three months ended September 30, 2013, as compared to 60.6% of revenues during the three months ended September 30, 2012. The decrease in gross margin was primarily due to the impact of having no financing revenues from lending activities during the three months ended September 30, 2013 as compared to the \$0.5 million of revenues from

lending activities that was earned during the three months ended September 30, 2012. There were no corresponding direct costs of sales associated with the financing revenues that were earned from lending activities in 2012. Direct costs of services increased to \$2.4 million during the three months ended September 30, 2013, as compared to \$2.0 million during the three months ended September 30, 2012. The increase in direct costs was primarily due to an increase in direct costs related to retail liquidation engagements where we contractually bill fees and expenses in 2013 as compared to the same period in 2012.

Gross margin from the sales of goods was 19.2% on the \$9.4 million of sales of goods during the three months ended September 30, 2013 as compared to a negative gross margin of 56.6% on the \$0.2 million of sales of goods during the same quarter in the prior year. The increase in the gross margin from the sales of goods in the three months ended September 30, 2013 as compared to the same period in 2012 was primarily due to the gross margin earned from the sale of four oil rigs. The gross margins from the sales of goods fluctuates widely from period to period based upon the volume and mix of goods that we take title to in our wholesale auction and liquidation business. These fluctuations make predictions regarding the expected trends in gross margin from the sales of goods inherently uncertain.

Valuation and Appraisal Segment:

	Three Months Ended September 30, 2013		Three Months Ended September 30, 2012		
	Amount	%	Amount	%	%
Revenues - Services and fees	\$ 6,806	100.0	% \$ 5,794	100.0	%
Direct cost of services	3,188	46.8	% 2,812	48.5	%
Gross margin	\$ 3,618	53.2	% \$ 2,982	51.5	%

Revenues in the valuation and appraisal segment increased \$1.0 million, or 17.5%, to \$6.8 million during the three months ended September 30, 2013 from \$5.8 million during the three months ended September 30, 2012. The increase in revenues was primarily due to (a) an increase in revenues of \$0.5 million related to appraisal engagements where we perform valuations for the monitoring of collateral for financial institutions, lenders, and private equity investors; (b) an increase in revenues of \$0.3 million for appraisals for machinery and equipment; and (c) an increase in revenues of \$0.2 million as a result of the expansion of the appraisal operations in the United Kingdom.

Gross margins in the valuation and appraisal segment increased to 53.2% of revenues during the three months ended September 30, 2013 as compared to 51.5% of revenues during the three months ended September 30, 2012. Gross margins were favorably impacted by the increase in revenue and productivity in the third quarter of 2013 as compared to the same period in 2012.

UK Retail Stores Segment:

	Three Months Ended September 30, 2013		Three Months Ended September 30, 2012		
	Amount	%	Amount	%	%
Revenues:					
Sale of retail goods	\$ 1,018	100.0	% \$ 3,083	100.0	%
Cost of goods sold	667	65.5	% 1,865	60.5	%
Gross margin	\$ 351	34.5	% \$ 1,218	39.5	%

Sale of retail goods and cost of goods sold in the UK retail stores segment are from the operation of ten retail stores and internet operations of Shoon in the United Kingdom. The operations of the UK retail stores segment in the third quarter of 2013 include sales of retail goods and cost of goods sold for the one month ended July 31, 2013 whereas the comparable period in 2012 includes sales of retail goods and cost of goods sold for the three months ended September 30, 2012. In August 2013, the Shoon shareholder agreement was amended and restated to eliminate our control rights. As a result of this amendment, Shoon's operating results are not consolidated with the Company's for any periods after July 31, 2013. The gross margin was 34.5% in 2013, a decrease from the 39.5% gross margin for the three months ended September 30, 2012. The decrease in gross margin was primarily due to a decrease in average selling prices as the result of the discounting of out-of-season inventory in 2013 as compared to prior year.

Operating Expenses

Direct Costs of Services. Total direct costs of services increased \$0.8 million, or 16.5%, to \$5.6 million during the three months ended September 30, 2013 from \$4.8 million during the three months ended September 30, 2012. The increase was comprised of an increase in direct cost of services of \$0.4 million in the auction and liquidation segment and \$0.4 million in the valuation and appraisal services segment. Direct costs of services in the auction and liquidation segment increased \$0.4 million, or 20.9%, to \$2.4 million during the three months ended September 30, 2013 from \$2.0 million during the three months ended September 30, 2012. The increase was primarily due to an increase in the number of fee type engagements in the auction and liquidation segment in 2013 where we contractually

bill fees and reimbursed expense fees as compared to the same period in 2012. Direct costs of services in the valuation and appraisal services segment increased \$0.4 million, or 13.4%, to \$3.2 million during the three months ended September 30, 2013 from \$2.8 million during the three months ended September 30, 2012. The increase was primarily due to an increase in headcount that resulted in an increase in salaries, wages and benefits in the third quarter of 2013 as compared to the same period in 2012.

Cost of Goods Sold. Cost of goods sold increased \$6.1 million to \$8.2 million during the three months ended September 30, 2013 from \$2.1 million during the three months ended September 30, 2012. The increase in cost of goods sold was primarily due to an increase in cost of goods sold of \$7.3 million in the auction and liquidation segment, offset by a decrease in cost of goods sold of \$1.2 million in the UK retail stores segment. Cost of goods sold in the auction and liquidation segment increased to \$7.6 million during the three months ended September 30, 2013 as compared to \$0.3 million during the three months ended September 30, 2012. The increase in costs of goods sold in the auction and liquidation segment was primarily due to the cost of goods sold of \$7.4 million relating to the sale of four oil rigs during the third quarter of 2013. Cost of goods sold in the UK retail stores segment decreased to \$0.7 million during the three months ended September 30, 2013 as compared to \$1.9 million during the three months ended September 30, 2012. The decrease in costs of goods sold in the UK retail store segment was primarily due to the inclusion of only one month of costs in the 2013 period due to the deconsolidation of Shoon discussed above.

Selling, General and Administrative Expenses. Selling, general and administrative expenses during the three months ended September 30, 2013 and 2012 were comprised of the following:

Selling, General and Administrative Expenses by Segment

	Three Months Ended September 30, 2013		Three Months Ended September 30, 2012		Change				
	Amount	%	Amount	%	Amount	%			
Auction and liquidation	\$ 1,925	27.2	% \$ 2,268	28.8	% \$ (343)		-15.1	%	
Valuation and appraisal	2,092	29.5	% 1,596	20.3	% 496		31.1	%	
UK retail stores	644	9.1	% 1,644	20.9	% (1,000)		-60.8	%	
Corporate and other	2,424	34.2	% 2,370	30.0	% 54		2.3	%	
Total selling, general & administrative expenses	\$ 7,085	100.0	% \$ 7,878	100.0	% \$ (793)		-10.1	%	

Total selling, general and administrative expenses decreased \$0.8 million, or 10.1%, to \$7.1 million during the three months ended September 30, 2013 from \$7.9 million for the three months ended September 30, 2012. The decrease was primarily due to (a) an increase in selling, general and administrative expenses of \$0.5 million in the valuation and appraisal segment; offset by a decrease in selling, general and administrative expenses of \$1.0 million in the UK retail store segment and a decrease in selling and administrative expenses of \$0.4 million in the auction and liquidation segment.

Selling, general and administrative expenses in the auction and liquidation segment decreased \$0.4 million, or 15.1%, to \$1.9 million during the three months ended September 30, 2013 from \$2.3 million for the three months ended September 30, 2012. The decrease was primarily due to a decrease in operating expenses in our wholesale and industrial auction business.

Selling, general and administrative expenses in the valuation and appraisal services segment increased \$0.5 million, or 31.1%, to \$2.1 million during the three months ended September 30, 2013 from \$1.6 million for the three months ended September 30, 2012. The increase was primarily due to an increase in headcount in administrative functions in the valuation and appraisal segment and the expansion of the appraisal operations in the United Kingdom. Selling, general and administrative expenses for the UK retail store segment decreased to \$0.6 million during the three months ended September 30, 2013 compared to \$1.6 million during the three months ended September 30, 2012. The decrease in selling general and administrative expenses in the UK retail store segment was primarily due to the inclusion of only one month of costs in the 2013 period due to the deconsolidation of Shoon discussed above. Selling, general and administrative expenses for corporate and other was \$2.4 million during each of the three month periods ended September 30, 2013 and 2012.

Other Income (Expense). Other expense was \$0.1 million during the three months ended September 30, 2013 compared to other income of \$0.2 million during the three months ended September 30, 2012. Other expense included a \$0.1 million loss from our equity investment in Shoon during the three months ended September 30, 2013. During the three months ended September 30, 2012, other income included \$0.2 million from our equity investment in Great American Real Estate, LLC.

Interest Expense. Interest expense was \$0.6 million during the three months ended September 30, 2013, a decrease of \$0.1 million from \$0.7 million during the three months ended September 30, 2012. The decrease in interest expense during the three month months ended September 30, 2013 was primarily the results of a decrease in interest expense on the notes payable to the Great American Members and Phantom Equityholders as a result of the decrease in the principal balance of \$1.7 million on July 31, 2013 from the annual principal payment to the Phantom Equityholders.

Income (Loss) Before Income Taxes. Income before income taxes was \$0.1 million during the three months ended September 30, 2013 compared to a loss before income taxes of \$1.1 million during the three months ended September 30, 2012. The increase in income before income taxes was primarily due to an increase in operating income earned in our auction and liquidation segment during the three months ended September 30, 2013 as compared to the same period in 2012. The increase in operating income during the three months ended September 30, 2013 was primarily due to the profit of \$1.8 million earned on the sale of the four oil rigs as more fully discussed in note 4 to the condensed consolidated financial statement.

Benefit (Provision) For Income Taxes. Benefit for income taxes was \$0.1 million during the three months ended September 30, 2013 compared to \$0.4 million during the three months ended September 30, 2012. The effective income tax rate was a benefit of 129.1% during the three months ended September 30, 2013 compared a benefit of 32.8% during the three months ended September 30, 2012. The increase in the benefit rate in 2013 was primarily due to the tax benefit recorded related to foreign taxes on the losses incurred in the United Kingdom.

Net Income (Loss) Attributable to Noncontrolling Interest. Net loss attributable to noncontrolling interests was \$0.1 million during the three months ended September 30, 2013 as compared to \$0.2 million during the three months ended September 30, 2012. The net income (loss) attributable to noncontrolling interests represents the proportionate share of net income (loss) generated by Shoon and Great American Global Partners, LLC that we do not own.

Net Income (Loss) Attributable to the Company. Net income attributable to the Company for the three months ended September 30, 2013 was \$0.4 million compared to a net loss attributable to the Company of \$0.5 million during the three months ended September 30, 2012. The increase in net income attributable to the Company during the three months ended September 30, 2013 as compared to the same period in 2012 was primarily due an increase in operating income earned in our auction and liquidation segment during the three months ended September 30, 2013 and as compared to the same period in 2012.

*Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012***Condensed Consolidated Statements of Operations**
(Dollars in thousands)

	Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012			
	Amount	%	Amount	%		
Revenues:						
Services and fees	\$ 42,221	72.9	% \$ 41,154	77.3	%	
Sale of goods	15,723	27.1	% 12,052	22.7	%	
Total revenues	57,944	100.0	% 53,206	100.0	%	
Operating expenses:						
Direct cost of services	17,431	30.1	% 16,097	30.3	%	
Cost of goods sold	11,273	19.5	% 8,449	15.9	%	
Selling, general and administrative expenses	28,048	48.3	% 26,155	49.1	%	
Total operating expenses	56,752	97.9	% 50,701	95.3	%	
Operating income	1,192	2.1	% 2,505	4.7	%	
Other income (expense):						
Interest income	38	0.1	% 186	0.3	%	
Loss from equity investments	(158)	-0.4	% 45	0.1	%	
Gain from bargain purchase	-	0.0	% 1,366	2.6	%	
Interest expense	(1,838)	-3.1	% (1,951)	-3.7	%	
Income (loss) before income taxes	(766)	-1.3	% 2,151	4.0	%	
Benefit (provision) for income taxes	342	0.6	% (387)	-0.7	%	
Net income (loss)	(424)	-0.7	% 1,764	3.3	%	
Net income (loss) attributable to noncontrolling interests	(548)	-0.9	% 625	1.2	%	
Net income (loss) attributable to Great American Group, Inc.	\$ 124	0.2	% \$ 1,139	2.1	%	

Revenues. Total revenues increased \$4.7 million, or 8.9%, to \$57.9 million during the nine months ended September 30, 2013 from \$53.2 million during the nine months ended September 30, 2012. The increase in revenues during the nine months ended September 30, 2013 was primarily due to (a) an increase in revenues of \$2.2 million in the auction and liquidation segment; (b) an increase in revenues of \$2.2 million in the valuation and appraisal services segment; and (c) an increase in revenues of \$0.3 million; in the UK retail stores segment. Revenues in the UK retail store segment during 2013 only includes sales of retail goods for the seven months ended July 31, 2013 and the comparable period in 2012 includes sales of retail goods for the period from May 4, 2012 (the date of acquisition of Shoon) through September 30, 2012. In August 2013, the shareholder agreement of Shoon was amended and restated to eliminate our control rights. As a result of the amendment, Shoon's operating results are not consolidated with the Company's for any periods after July 31, 2013.

In the auction and liquidation segment, the increase in revenues of \$2.2 million during the nine months ended September 30, 2013 was primarily due to (a) an increase in revenues of \$1.6 million related to revenues from fees earned on retail liquidations engagements in the United States and United Kingdom; (b) an increase in revenues from fees and the sales of goods of \$2.8 million in our wholesale and industrial auction business; (c) an increase in revenues of \$0.5 million from capital advisory services provided by our GA Capital division; offset by a decrease in revenues of \$2.7 million from real estate consulting services from our GA Keen Realty Advisors division. The increase in revenues from fees earned on retail liquidation engagements was primarily due to an increase in the number retail

liquidation engagements in 2013 as compared to the same period in 2012. The increase in revenues in our wholesale and industrial auction business in 2013 was primarily due to an increase in revenues of \$3.6 million from the sales of goods; offset by a decrease in revenues from services and fees of \$0.8 million since there have been fewer fee and commission type wholesale and industrial auction engagements in 2013 as compared to the same period in 2012. The decrease in revenues from our GA Keen Realty Advisors division was primarily due to fewer real estate consulting engagements during the nine months ended September 30, 2013 as compared to the same period in 2012.

The increase in revenues of \$2.2 million in the valuation and appraisal services segment was primarily due to an increase in revenues related to (a) appraisal engagements where we perform valuations for the monitoring of collateral for financial institutions, lenders, and private equity investors, (b) an increase in revenues for appraisals for machinery and equipment, and (c) the expansion of our appraisal operations in the United Kingdom.

Revenue and Gross Margin by Segment
(Dollars in thousands)

Auction and Liquidation Segment:

	Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012			
	Amount	%	Amount	%		
Revenues:						
Services and fees	\$ 21,462	69.3	%	\$ 22,634	78.6	%
Sale of goods	9,521	30.7	%	6,159	21.4	%
Total revenues	30,983	100.0	%	28,793	100.0	%
Direct cost of services	7,755	25.0	%	7,738	26.9	%
Cost of goods sold	7,707	24.9	%	5,054	17.6	%
Total operating expenses	15,462	49.9	%	12,792	44.5	%
Gross margin	\$ 15,521	50.1	%	\$ 16,001	55.5	%
Gross margin services and fees	63.9	%		65.8	%	
Gross margin sales of goods	19.1	%		17.9	%	

Revenues in the auction and liquidation segment increased \$2.2 million, or 7.6%, to \$31.0 million during the nine months ended September 30, 2013 from \$28.8 million during the nine months ended September 30, 2012. Revenues from services and fees decreased to \$21.5 million during the nine months ended September 30, 2013, a decrease of \$1.1 million from \$22.6 million during the nine months ended September 30, 2012.

The decrease in revenues from services and fees of \$1.1 million was primarily due to (a) a decrease in revenues from lending activities of \$4.7 million; (b) a decrease in revenues from services and fees of \$2.7 million from real estate consulting services from our GA Keen Realty Advisors division; (c) a decrease in revenues of \$2.3 million from services and fees earned on retail liquidation and consulting engagements in the United Kingdom; and (d) a decrease in revenues of \$0.8 million from services and fees in our wholesale and industrial auction division. These decreases were offset by (a) an increase in revenues of \$8.9 million from services and fees earned on retail liquidation and consulting engagements in the United States; and (b) an increase in revenues from services and fees of \$0.5 million from capital advisory services provided by our GA Capital division. The revenues from lending activities during the nine months ended September 30, 2012 included interest income of \$0.6 million and amortization of discount of \$4.1 million on a loan receivable related to lending activities in the United Kingdom. There were no lending activities that generated financing revenues during the nine months ended September 30, 2013. The decrease in services and fees revenue in the wholesale and industrial auction business was primarily due to a decrease in number of engagements during 2013 as compared to the same period in 2012. The decrease in revenues from our GA Keen Realty Advisors division in 2013 was primarily due to a decrease in the number of real estate consulting engagements during 2013 as compared to the same period in 2012. The increase in revenues from services and fees for retail liquidation engagements in the United States during the nine months ended September 30, 2013 included revenues of \$8.1 million due to our participation in the joint venture involving the liquidation of inventory for the going-out-of-business sale of 568 stores of women's clothing retailer Fashion Bug. The increase in revenues from lending activities related to our GA Capital division was primarily due to an increase in fees earned during the nine months ended September 30, 2013 as compared to the same period in 2012.

Revenues from gross sales of goods increased to \$9.5 million during the nine months ended September 30, 2013 from \$6.2 million during the nine months ended September 30, 2012. The increase in revenues from the sale of goods during the nine months ended September 30, 2013 includes revenues of \$9.3 million related to the sale of four oil rigs in the third quarter of 2013 that was included in goods held for sale or auction at December 31, 2012 as more fully

discussed above and in note 4 to the condensed consolidated financial statements. The revenues from the sales of the four oil rigs was offset by a decrease in revenues from other sales of goods where we held title to the goods in our wholesale and industrial auction division since our wholesale and industrial engagements during the nine months ended September 30, 2013 were primarily comprised of engagements where we earn fees from buyer's premiums as compared to the prior year.

Gross margin in the auction and liquidation segment for services and fees decreased to 63.9% of revenues during the nine months ended September 30, 2013, as compared to 65.8% of revenues during the nine months ended September 30, 2012. The gross margin for the nine months ended September 30, 2013 included the revenues earned from fees from our participation in the joint venture involving the liquidation of inventory for the going-out-of-business sale of 568 stores of the women's clothing retailer Fashion Bug in the United States. The liquidation of Fashion Bug required the joint venture to provide a minimum recovery value of inventory to be realized from the liquidation engagement. We typically earn higher margins on these types of engagements where we provide a minimum recovery value for goods sold as compared to fee and commission engagements.

Gross margin from the sales of goods where we held title was 19.1% during the nine months ended September 30, 2013 a slight increase from the 17.9% gross margin during the nine months ended September 30, 2012. The increase in our gross margin during the nine months ended September 30, 2013 as compared to the same period in 2012 was primarily due to the gross margin earned from the sale of four oil rigs. The gross margins from the sales of goods fluctuates widely from period to period based upon the volume and mix of goods that we take title to in our wholesale auction and liquidation business. These fluctuations make predictions regarding the expected trends in gross margin from the sales of goods inherently uncertain.

Valuation and Appraisal Segment:

	Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012		
	Amount	%	Amount	%	
Revenues - Services and fees	\$ 20,759	100.0	% \$ 18,520	100.0	%
Direct cost of services	9,676	46.6	% 8,359	45.1	%
Gross margin	\$ 11,083	53.4	% \$ 10,161	54.9	%

Revenues in the valuation and appraisal segment increased \$2.3 million, or 12.1%, to \$20.8 million during the nine months ended September 30, 2013 from \$18.5 million during the nine months ended September 30, 2012. The increase in revenues was primarily due to (a) an increase in revenues of \$0.3 million related to appraisal engagements where we perform valuations for the monitoring of collateral for financial institutions, lenders, and private equity investors; (b) an increase in revenues of \$1.2 million for appraisals for machinery and equipment and intellectual property; and (c) an increase in revenues of \$0.8 million as a result of the expansion of the appraisal operations in the United Kingdom.

Gross margins in the valuation and appraisal segment decreased to 53.4% of revenues during the nine months ended September 30, 2013 as compared to 54.9% of revenues during the nine months ended September 30, 2012. Gross margins were unfavorably impacted by the increase in headcount that resulted in an increase in salaries, wages and benefits in 2013 as compared to the same period in 2012.

UK Retail Stores Segment:

	Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012		
	Amount	%	Amount	%	
Revenues:					
Sale of retail goods	\$ 6,202	100.0	% \$ 5,893	100.0	%
Cost of goods sold	3,566	57.5	% 3,395	57.6	%
Gross margin	\$ 2,636	42.5	% \$ 2,498	42.4	%

Sale of retail goods and cost of goods sold in the UK retail stores segment are from the operation of ten retail stores and internet operations of Shoon in the United Kingdom. The operations of the UK retail stores segment in 2013 include sales of retail goods and cost of goods sold for the seven months ended July 31, 2013 and the comparable period in 2012 only includes sales of retail goods and cost of goods sold from the date of our acquisition of Shoon on May 4, 2012 through September 30, 2012. In August 2013, the shareholder agreement of Shoon was amended and restated to eliminate our control rights. As a result of this amendment, Shoon's operating results are not consolidated with the Company's for any periods after July 31, 2013. The gross margin was 42.5% in 2013, a slight increase from the 42.4% gross margin for the period from May 4, 2012 (the date of acquisition of Shoon) through September 30, 2012. The increase in gross margin in 2013 was primarily due to an increase in average selling prices.

Operating Expenses

Direct Costs of Services. Total direct costs of services increased \$1.3 million, or 8.3%, to \$17.4 million during the nine months ended September 30, 2013 from \$16.1 million during the nine months ended September 30, 2012. The increase was comprised of an increase in direct cost of services of \$1.3 million in the valuation and appraisal services segment. Direct costs of services in the auction and liquidation segment were \$7.8 million during each of the nine month periods ended September 30, 2013 and 2012. Direct costs of services in the valuation and appraisal services segment increased \$1.3 million, or 15.8%, to \$9.7 million during the nine months ended September 30, 2013 from \$8.4 million during the nine months ended September 30, 2012. The increase was primarily due to an increase in headcount that resulted in an increase in salaries, wages and benefits in 2013 as compared to the same period in 2012.

Cost of Goods Sold. Cost of goods sold increased \$2.8 million to \$11.3 million during the nine months ended September 30, 2013 from \$8.5 million during the nine months ended September 30, 2012. The increase in cost of goods sold was primarily due to an increase in cost of goods sold of \$2.6 million in the auction and liquidation segment and an increase in cost of goods sold of \$0.2 million in the UK retail stores segment. Cost of goods sold in the auction and liquidation segment increased to \$7.7 million during the nine months ended September 30, 2013 as compared to \$5.1 million during the nine months ended September 30, 2012. The increase in costs of goods sold in the auction and liquidation segment was primarily due to the cost of goods sold of \$7.4 million relating to the sale of four oil rigs during the third quarter of 2013. Cost of goods sold in the UK retail stores segment increased to \$3.6 million during the nine months ended September 30, 2013 as compared to \$3.4 million during the nine months ended September 30, 2012. The increase in costs of goods sold in the UK retail store segment was primarily due to the UK retail store segment consisting of the operations of Shoon for the seven months ended July 31, 2013 due to the deconsolidation of Shoon discussed above whereas the comparable period in 2012 includes sales of retail goods for the period from May 4, 2012 (the date of acquisition of Shoon) through September 30, 2012.

Selling, General and Administrative Expenses. Selling, general and administrative expenses during the nine months ended September 30, 2013 and 2012 were comprised of the following:

Selling, General and Administrative Expenses by Segment

	Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012		Change		
	Amount	%	Amount	%	Amount	%	
Auction and liquidation	\$ 8,901	31.8	% \$ 10,340	39.5	% \$ (1,439)	-13.9	%
Valuation and appraisal	6,452	23.0	% 5,104	19.5	% 1,348	26.4	%
UK retail stores	3,818	13.6	% 2,714	10.4	% 1,104	40.7	%
Corporate and other	8,877	31.6	% 7,997	30.6	% 880	11.0	%
Total selling, general & administrative expenses	\$ 28,048	100.0	% \$ 26,155	100.0	% \$ 1,893	7.2	%

Total selling, general and administrative expenses increased \$1.9 million, or 7.2%, to \$28.0 million during the nine months ended September 30, 2013 from \$26.1 million for the nine months ended September 30, 2012. The increase was primarily due to (a) an increase in selling, general and administrative expenses of \$1.3 million in the valuation and appraisal segment; (b) an increase in selling, general and administrative expenses of \$1.1 million in the UK Retail stores segment; and (c) an increase in selling, general and administrative expenses of \$0.9 million in corporate and other. These increases were partially offset by a decrease in selling, general and administrative expenses of \$1.4 million in the auction and liquidation segment.

Selling, general and administrative expenses in the auction and liquidation segment decreased \$1.4 million, or 13.9%, to \$8.9 million during the nine months ended September 30, 2013 from \$10.3 million for the nine months ended September 30, 2012. The decrease was primarily due to a decrease in payroll and related expenses from profit sharing bonuses that were accrued in 2012 for our retail liquidation operations in the United Kingdom and GA Keen Realty Advisors division.

Selling, general and administrative expenses in the valuation and appraisal services segment increased \$1.3 million, or 26.4%, to \$6.4 million during the nine months ended September 30, 2013 from \$5.1 million for the nine months ended September 30, 2012. The increase was primarily due to an increase in headcount in administrative functions in the valuation and appraisal segment that resulted in an increase in payroll and related expenses of \$0.5 million and an increase in operating expenses of \$0.8 million from the expansion of our appraisal operation in the United Kingdom. Selling, general and administrative expenses for the UK retail store segment increased \$1.1 million to \$3.8 million during the nine months ended September 30, 2013 from \$2.7 million during the prior year. During the nine months

ended September 30, 2013, the operations of the UK retail store segment included seven months of operating expenses due to the deconsolidation of Shoon discussed above and during the comparable period in 2012 only included five months of operating expenses. Selling, general and administrative expenses for corporate and other increased \$0.9 million, or 11.0%, to \$8.9 million during the nine months ended September 30, 2013 from \$8.0 million for the nine months ended September 30, 2012. The increase was primarily due to an increase in payroll and related expenses related to contractually required severance costs incurred in April 2013 as a result of the departure of our former chief financial officer.

Other Income (Expense). Other expense was \$0.2 million during the nine months ended September 30, 2013 compared to other income of \$1.6 million during the nine months ended September 30, 2012. During the nine months ended September 30, 2012, other income included \$1.4 million of gain from bargain purchase as a result of the Shoon acquisition on May 4, 2012, where the net assets acquired exceeded the consideration paid, interest income of \$0.2 million, and income of less than \$0.1 million from our equity investment in Great American Real Estate, LLC (“GARE”).

Interest Expense. Interest expense was \$1.8 million during the nine months ended September 30, 2013, a decrease of \$0.2 million from \$2.0 during the nine months ended September 30, 2012. The decrease in interest expense during the nine months ended September 30, 2013 was primarily the results of a decrease in interest expense on the notes payable to the Great American Members and Phantom Equityholders as a result of the decrease in the principal balance of \$1.7 million on July 31, 2013 from the annual principal payment to the Phantom Equityholders.

Income (Loss) Before Income Taxes. Loss before income taxes was \$0.8 million during the nine months ended September 30, 2013 compared to income before income taxes of \$2.1 million during the nine months ended September 30, 2012. The decrease in income before income taxes was primarily due to the consolidation of Shoon's operating loss of \$1.1 million for the seven months ended July 31, 2013 and \$0.1 million loss from our equity investment in Shoon for the period from August 1, 2013 to September 30, 2013. As described above, in August 2013 we no longer controlled Shoon and their results from operations were included in income loss from equity investments on a prospective basis. The income before income taxes in 2012 included a gain from bargain purchase in the amount of \$1.4 million related to acquisition of Shoon in May 2012.

Benefit (Provision) For Income Taxes. Benefit for income taxes was \$0.3 million during the nine months ended September 30, 2013 compared to a provision for income taxes of \$0.4 million during the nine months ended September 30, 2012. The effective income tax rate was a benefit of 44.6% during the nine months ended September 30, 2013 compared to an effective income tax rate of 18.0% during the nine months ended September 30, 2012. The benefit for income taxes in 2013 is primarily related to the losses we incurred in the United Kingdom in our UK retail store segment.

Net Income (Loss) Attributable to Noncontrolling Interest. Net loss attributable to noncontrolling interests was \$0.5 million during the nine months ended September 30, 2013 as compared to net income attributable to noncontrolling interests of \$0.6 million during the same period in 2012. Net income (loss) attributable to noncontrolling interests represents the proportionate share of net income (loss) generated by Shoon and Great American Global Partners, LLC that we do not own.

Net Income Attributable to the Company. Net loss attributable to the Company for the nine months ended September 30, 2013 was \$0.1 million compared to net income of \$1.1 million during the nine months ended September 30, 2012. The decrease in net income during the nine months ended September 30, 2013 was primarily due to (a) a \$0.4 million decrease in operating income earned in our three operating segments in 2013; (b) an increase corporate overhead of \$0.9 million that primarily related to contractually required severance costs from the departure of our former chief financial officer in April 2013; (c) the impact of the benefit for income taxes in 2013 as compared to the provision for income taxes in 2012; and (d) the amount reported for the net income (loss) attributable to noncontrolling interests.

Liquidity and Capital Resources

Our operations have been funded through a combination of existing cash on hand, operating profits generated from operations, borrowings under our revolving credit facility and special purposes financing arrangements. During the nine months ended September 30, 2013 we generated net income of \$0.1 million and during the year ended December 31, 2012 we generated net income of \$3.5 million. Our cash flows and profitability are impacted by the number and size of retail liquidation engagements performed on a quarterly and annual basis. Our cash flow from operations is also impacted by the interest expense and debt service requirements on the \$50.5 million of subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders outstanding as of September 30, 2013. On July 31, 2013, principal payments totaling \$1.7 million were paid to the Phantom Equityholders in accordance with the terms of the subordinated, unsecured promissory notes. We used cash from operations during the nine months ended September 30, 2013 of \$2.2 million and we generated cash from operations of \$3.7 million during the year ended December 31, 2012.

As of September 30, 2013, we had \$14.0 million of unrestricted cash, \$2.5 million of restricted cash, and \$1.3 million of borrowings outstanding on our revolving credit facility and no borrowings outstanding under the asset based credit facility. We believe that our current cash and cash equivalents, funds available under our asset-based credit facility and cash expected to be generated from operating activities will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months. We continue to monitor our financial performance to ensure sufficient liquidity to fund operations and service interest and principal payments due on our long term debt.

Cash Flow Summary

	Nine Months Ended September 30,	
	2013	2012
Net cash provided by (used in):		
Operating activities	\$ (2,038)	\$ 15,577
Investing activities	4,238	(5,446)
Financing activities	(6,869)	(6,460)
Effect of foreign currency on cash	(83)	282
Net increase (decrease) in cash and cash equivalents	\$ (4,752)	\$ 3,953

Cash used by operating activities was \$2.0 million for the nine months ended September 30, 2013, a decrease of \$17.6 million from \$15.6 million of cash generated from operations for the nine months ended September 30, 2012. Cash provided by operating activities in the nine months ended September 30, 2012 included the collection of the loan receivable in the amount of \$8.3 million that was outstanding at December 31, 2011. There were no similar lending activities during the nine months ended September 30, 2013. Net cash provided by investing activities was \$4.2 million for the nine months ended September 30, 2013 compared to cash used in investing activities of \$5.4 million during the nine months ended September 30, 2012. Net cash provided by investing activities during the nine months ended September 30, 2013 was primarily comprised of (a) \$5.4 million decrease in restricted cash returned us in the first quarter of 2013 that was originally issued in September 2012 to collateralize letters of credit for a retail liquidation engagement, (b) \$0.6 million of cash collected from the note receivable related party, offset by \$1.0 million of cash used to purchase property and equipment. Cash used in financing activities was \$6.9 million for the nine months ended September 30, 2013 compared to cash used in financing activities of \$6.5 million during the nine months ended September 30, 2012. Cash used in financing activities for the nine months ended September 30, 2013 consisted of (a) \$2.5 million of principal payments on our notes payable; (b) \$1.0 million of repayments on the accounts receivable revolving line of credit; (c) \$1.7 million of principal payments on our note payable to the Phantom Equityholders and (d) \$1.6 million of distributions to noncontrolling interests.

Credit Agreements

From time to time, we utilize our asset based credit facility to fund costs and expenses incurred in connection with liquidation engagements. We also utilize this credit facility in order to issue letters of credit in connection with liquidation engagements conducted on a guaranteed basis. Subject to certain limitations and offsets, 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 interest rate for each revolving credit advance under the related credit agreement is, subject to certain terms and conditions, equal to the LIBOR plus a margin of 2.25% to 3.25% depending on the type of advance and the percentage such advance represents of the related transaction for which such advance is provided. The credit facility is secured by the proceeds received for services rendered in connection with the liquidation service contracts pursuant to which any outstanding loan or letters of credit are issued and the assets that are sold at liquidation related to such contract, if any. The credit facility also provides for success fees in the amount of 5% to 20% of the net profits, if any, earned on liquidation engagements that are financed under the credit facility as set forth in the related credit agreement. We typically seek borrowings on an engagement-by- engagement basis. Following our renewal of the credit facility on July 15, 2013, the credit facility expires in July 2018; however, borrowings under the credit facility are generally required to be repaid within 180 days. The credit agreement governing the credit facility contains certain covenants, including covenants that limit or restrict the Company's ability to incur liens, incur indebtedness, make investments, dispose of assets, make certain restricted payments, merge or consolidate and enter into certain transactions with affiliates. At September 30, 2013 and December 31, 2012, there was no outstanding balance under the credit facility for borrowings. At September 30, 2013 and December 31, 2012, there were outstanding letters of credit under the credit facility for a retail liquidation engagement in the amount of \$2.2 million

and \$6.7 million, respectively. The letters of credit in the amount of \$6.7 million that were outstanding at December 31, 2012 were returned to us during the first quarter of 2013.

On May 29, 2008, Great American Group Energy Equipment, LLC (“GAGEE”) entered into a credit agreement to finance the purchase of oil rigs and other equipment related to the oil exploration business to be sold at auction or liquidation. Under the original credit agreement, the principal amount of the loan was \$12.0 million and borrowings bear interest at a rate of 20% per annum. The loan is collateralized by the oil rigs and other equipment related to the oil exploration business that was purchased with the proceeds from the loan. GAGEE is required to make principal and interest payments from proceeds from the sale of the oil rigs and other equipment related to the oil exploration business. GAGEE is a special purpose entity created to purchase the oil rigs and other equipment related to the oil exploration business, whose assets consist only of the oil rigs and other equipment related to the oil exploration business in question and whose liabilities are limited to the lenders’ note and certain operational expenses related to this transaction. Under the Third Amendment to the Credit Agreement dated March 19, 2012, the maturity date of the note payable was extended to December 31, 2012 with an interest rate of 0% through maturity. GAGEE entered into a Fourth Amendment to the Credit Agreement effective December 31, 2012 which extended the maturity date of the note payable to December 31, 2013 and the interest rate remained at 0% through maturity. The Third and Fourth Amendments to the Credit Agreement also provided for the lender to reimburse GAGEE for certain expenses from proceeds of the sale or lease of the assets that collateralize the note payable. During the year ended December 31, 2012, one oil rig with a net book value of \$1.8 million at December 31, 2011 was sold for cash and \$1.7 million of the proceeds from the sale was used to pay the Lenders to reduce the note payable balance. During the nine months ended September 30, 2013, \$2.5 million of lease payments collected from the operating and sales-type lease for four oil rigs was used to reduce the outstanding note payable balance to \$7.1 million at September 30, 2013 from \$9.5 million at December 31, 2012. Proceeds collected from the lease finance receivable in the amount of \$8.3 million at September 30, 2013 and goods held for sale of \$2.7 million at September 30, 2013 continue to serve as collateral in GAGEE for the repayment of the note payable. GAG, LLC guaranteed GAGEE’s liabilities to the lenders up to a maximum of \$1.2 million. GAG, LLC made a payment of \$1.2 million on October 9, 2009 in full satisfaction of its guaranty under the credit agreement, which reduced the principal amount of borrowings and interest due under the credit agreement. The credit agreement does not provide for other recourse against us, GAG, LLC or any of our other subsidiaries.

Accounts Receivable Line of Credit

On May 17, 2011, one of our majority owned subsidiaries entered into an Accounts Receivable Line of Credit with a finance company. The Accounts Receivable Line of Credit is collateralized by the accounts receivable of our majority owned subsidiary and allows for borrowings in the amount of 85% of the net face amount of prime accounts, as defined in the Accounts Receivable Line of Credit, with maximum borrowings not to exceed \$2.0 million. The interest rate under the Accounts Receivable Line of Credit is the prime rate plus 2%, payable monthly in arrears. The Accounts Receivable Line of Credit was amended effective February 3, 2012 and the maximum borrowings allowed increased from \$2.0 million to \$3.0 million. The maturity date of the Accounts Receivable Line of Credit is February 3, 2014 and the maturity date may be extended for successive periods equal to one year, unless our majority owned subsidiary gives the finance company written notice of its intent to terminate the Accounts Receivable Line of Credit at least thirty days prior to the maturity date. The finance company has the right to terminate the Accounts Receivable Line of Credit at its sole discretion upon giving sixty days' prior written notice. GAG, LLC entered into a limited continuing guaranty of our majority owned subsidiary's obligations under the Accounts Receivable Line of Credit. Borrowings outstanding under the Accounts Receivable Line of Credit were \$1.3 million and \$2.3 million at September 30, 2013 and December 31, 2012, respectively.

Promissory Notes

In connection with the Acquisition, we issued certain subordinated unsecured promissory notes to the Great American Members and the Phantom Equityholders. In 2010 we amended an aggregate of \$52.4 million of the \$55.6 million principal amount then outstanding of the subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders, which reduced the interest rate on these notes from 12.0% per annum to 3.75% per annum. In addition, the maturity date for \$47.0 million of the \$55.6 million principal amount outstanding of the subordinated, unsecured promissory notes payable to the Great American Members was extended to July 31, 2018, subject to annual prepayments based upon our cash flow, provided that we are not obligated to make such prepayments if our minimum adjusted cash balance is below \$20.0 million. Each prepayment, if any, is due within 30 days of the filing of our Annual Report on Form 10-K, beginning with the Form 10-K for the fiscal year ended December 31, 2010. There were no prepayments due on the notes payable under this prepayment provision on April 30, 2013, April 30, 2012 and April 30, 2011. In addition, we entered into individual waivers for an aggregate of \$51.3 million of the \$55.3 million principal amount then outstanding, whereby the noteholders permitted us to defer the payment of interest payments due on each of October 31, 2010, January 31, 2011, and April 30, 2011 until July 31, 2011. Effective July 31, 2011, we entered into further individual amendments with the Great American Members that increased the principal amount of the promissory notes from \$47.0 million to \$48.8 million, for the \$1.8 million of accrued interest that was due on July 31, 2011. The addition to the principal amount accrues interest at the note rate of 3.75% and continues to be subject to annual prepayments based upon our cash flow and the maintenance of a minimum adjusted cash balance as provided in the notes prior to the capitalization of the accrued interest. On July 26, 2011 and August 3, 2011, we received waivers from certain of the Phantom Equityholders that permitted us to extend the payment date for \$1.4 million of the \$1.7 million of principal amount originally due and payable on July 31, 2011 until the fourth quarter of 2011. Of the \$1.4 million principal amount originally due on July 31, 2011, \$0.6 million of principal amount was paid to two of the Phantom Equityholders on October 1, 2011, \$0.3 million of principal amount was paid to one of the Phantom Equityholders on October 15, 2011, and \$0.5 million of principal amount was paid to the remaining two Phantom Equityholders on November 4, 2011.

As of September 30, 2013 and December 31, 2012, there was \$48.8 million in aggregate principal amount outstanding owed to the Great American Members, all of which accrues interest at 3.75%. As of September 30, 2013, there was \$1.7 million in aggregate principal amount outstanding payable to the Phantom Equityholders. Of this amount, \$1.0 million accrues interest at 3.75% and \$0.7 million accrues interest at 12.0%. On July 31, 2013, \$1.7 million of principal amount payable to the Phantom Equityholders was paid in accordance with the terms of the promissory notes.

Off Balance Sheet Arrangements

On July 8, 2010, the Company loaned \$3.2 million to GARE for the purposes of investing in GAHA Fund II, LLC, a newly formed joint venture which is 50% owned by GARE. GAHA Fund II, LLC is a special purpose entity created to purchase non-performing distressed real estate loans at a discount to par from a financial institution and market the loans and real estate to third parties. The note receivable bears interest at a rate of 15% per annum and all unpaid principal and interest was originally due on July 8, 2011. In July 2011, the maturity date of the loan was extended and the interest rate was reduced to 8% per annum. On December 29, 2011, additional funds in the amount of \$0.6 million were loaned to GARE and the note receivable was amended to increase the outstanding balance to \$3.8 million and extend the maturity date to July 31, 2012. On February 20, 2013, the third amendment to the note receivable extended the maturity date to December 31, 2013. During the year ended December 31, 2012, the Company received principal payment on the note receivable totaling \$3.2 million and recorded an impairment charge of \$0.1 million to write down the note receivable to its estimated net realizable value at December 31, 2012. There was no interest income recorded on the note receivable during the nine months ended September 30, 2013. Interest income was \$0.2 million for the year ended December 31, 2012. The note receivable in the amount of \$0.6 million that was included in note-receivable related party as of December 31, 2012 was paid in August 2013.

Other than with respect to our arrangements with GAHA Fund II, LLC and GARE, as further described in Note 12 “Related Party Transactions” to our condensed consolidated financial statements, we have no obligations, assets or liabilities which would be considered off-balance sheet arrangements and do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, established for the purpose of facilitating off-balance sheet arrangements. We have not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

New Accounting Standards

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation required by the Exchange Act, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of our fiscal quarter ended September 30, 2013. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Security and Exchange Commission’s (“SEC”) rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2013.

Changes in Internal Control over Financial Reporting

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

Inherent Limitation on Effectiveness of Controls

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.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors

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

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

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

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

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

We have experienced losses and may not maintain profitability.

Although we were profitable during nine months ended September 30, 2013 and the years ended December 31, 2012 and 2011, we incurred a net loss of during the year ended December 31, 2010. In 2010, our operations were negatively impacted by fewer retail liquidation engagements during the year as economic conditions for retailers and credit markets improved. Revenues in our auction and liquidation segment were \$48.2 million during the year ended December 31, 2012 as compared to \$40.8 million during the year ended December 31, 2011 and \$21.0 million during the years ended December 31, 2010. Our profitability in each reporting period is impacted by the number and size of retail liquidation engagements we perform on a quarterly or annual basis. It is possible that we will experience losses with respect to our current operations as we continue to expand our operations. In addition, we expect that our operating expenses will increase to the extent that we grow our business. We may not be able to generate sufficient revenues to maintain profitability.

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

In connection with the consummation of the Acquisition on July 31, 2009, we issued subordinated unsecured promissory notes in the principal amount of \$55.6 million payable to the Great American Members and the Phantom Equityholders, which includes our President and Chief Executive Officer who own or control, in the aggregate, 10,560,000 shares of our common stock or 35.2% of our outstanding common stock as of September 30, 2013. As of September 30, 2013, an aggregate principal amount of \$50.5 million remains outstanding on the promissory notes. We have entered into amendments and waivers with the Great American Members and certain of the Phantom Equityholders that reduce the interest rate of the notes, defer interest payments and, with respect to the Great American Members, extend the maturity date of the notes and increase the principal amount payable by the amount of accrued but unpaid interest under the notes. As of September 30, 2013, an aggregate principal amount of \$48.8 million remains in notes outstanding to the Great American Members. These notes have an interest rate of 3.75% and a maturity date of July 31, 2018 (subject to annual principal payments based upon our cash flow, with certain limitations). As of September 30, 2013, there is an aggregate principal amount of \$1.7 million in notes outstanding payable to the Phantom Equityholders. Of this amount, \$1.0 million has an interest rate of 3.75% and \$0.7 million has an interest rate of 12.0%. On July 31, 2013, \$1.7 million of principal amount payable to the Phantom Equityholders was paid in accordance with the terms of the promissory notes.

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

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

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

Our executive officers, directors and their affiliates own or control, in the aggregate, approximately 37.9% of our outstanding common stock as of September 30, 2013. In particular, our President and Chief Executive Officer own or control, in the aggregate, 10,560,000 shares of our common stock or 35.2% of our outstanding common stock as of September 30, 2013. These stockholders are able to exercise influence over matters requiring stockholder approval, such as the election of directors and the approval of significant corporate transactions, including transactions involving an actual or potential change of control of the company or other transactions that non-controlling stockholders may not deem to be in their best interests. This concentration of ownership may harm the market price of our common stock by, among other things:

- delaying, deferring, or preventing a change in control of our company;

- impeding a merger, consolidation, takeover, or other business combination involving our company;
- causing us to enter into transactions or agreements that are not in the best interests of all stockholders; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our company.

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

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

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

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

We may incur losses as a result of the operation of retail stores in the United Kingdom as a result of our investment in Shoon.

In May 2012, we acquired 44.4% of the common stock of Shoon, a shoe retailer with operations in the United Kingdom. As part of the investment, we loaned Shoon approximately \$1.3 million collateralized by retail inventory, and as a result of the terms of a shareholder agreement, we controlled Shoon and consolidated its operations with ours. In August 2013, the Shoon shareholder agreement was amended and restated to eliminate our control rights. As a result of this amendment, Shoon's operating results are not consolidated with the Company's for any periods after July 31, 2013. Notwithstanding the deconsolidation, we are still exposed to certain risks associated with our ownership interest and the related loans. The retail footwear business in the United Kingdom is very competitive. The Shoon stores compete with local specialty footwear stores, local, national, and global department stores, specialty and discount store chains, independent retail stores, and online businesses that offer the same or similar brands and styles of footwear. Shoon faces a variety of competitive challenges including attracting consumer traffic, competitively pricing of products and achieving customer perception of value, sourcing merchandise efficiently, and providing strong and effective marketing support. Many of Shoon's competitors have significantly greater resources available to them. Although Shoon has employed experienced managers to manage this business, it may not be successful in retaining key employees or otherwise operating these retail stores. If Shoon is not able to compete successfully, the credit we have extended to Shoon may not be repaid in accordance with its terms. In that event, if the liquidation value of Shoon is less than the outstanding balance of the debt, we may suffer a loss on the transaction.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We also compete with other providers of valuation and advisory services. Competitive pressures within the valuation and appraisal services market, including a decrease in the number of engagements and/or a decrease in the fees which can be charged for these services, could affect revenues from our valuation and appraisal services as well as our ability to engage new or repeat clients. We believe that given the relatively low barriers to entry in the valuation and appraisal services market, this market may become more competitive as the demand for such services increases.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, our stock may be defined as a “penny stock” under Rule 3a51-1 under the Exchange Act. “Penny stocks” are subject to Rule 15c-2-02, which imposes additional sales practice requirements on broker-dealers that sell low-priced securities to persons other than established customers and institutional accredited investors. For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser’s written consent to the transaction prior to sale. Consequently, the rule may affect the ability of broker-dealers to sell our common stock and affect the ability of holders to sell their shares of our common stock in the secondary market. To the extent our common stock is subject to the penny stock regulations, the market liquidity for the shares will be adversely affected.

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

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

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

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

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

SIGNATURES

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

Great American Group, Inc.

Date: November 14, 2013

By: /s/ PHILLIP J. AHN
Name: Phillip J. Ahn
Title: Chief Financial Officer and Chief Operating Officer
(Principal Financial Officer)

Exhibit Index

Exhibit No.	Description
10.1(1)	Second Amended and Restated Credit Agreement, dated as of July 15, 2013, by and between Great American Group WF, LLC and Wells Fargo Bank, National Association
10.2(1)	Third Amended and Restated Guaranty, dated as of July 15, 2013, by and between Great American Group, Inc. and Great American Group, LLC, in favor of Wells Fargo Bank, National Association
31.1*	Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
31.2*	Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
32.1*	Certification required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS#	XBRL Instance Document
101.SCH#	XBRL Taxonomy Extension Schema Document
101.CAL#	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB#	XBRL Taxonomy Extension Label Linkbase Document
101.PRE#	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF#	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith.

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

Furnished herewith. In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, except as expressly set forth by specific reference in such filing. Incorporated by reference to the registrant’s Current Report on Form 8-K filed with the SEC on July 19, 2013.

(1)