Great American Group, Inc.
Form 10-K
March 31, 2014

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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	**27-0223495**
(State or Other Jurisdiction of	(I.R.S. Employer Identification No.)

Incorporation or Organization)

21860 Burbank Boulevard, Suite 300 South
Woodland Hills, CA
(Address of Principal Executive Offices)

91367
(Zip Code)

(818) 884-3737
(Registrant's telephone number, including area code)

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

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

Common Stock, par value $0.0001 per share

(Title of Class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes: x

No ¨

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

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

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

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

The aggregate market value of the registrant's common stock held by non-affiliates, based on the closing price of the registrant's common stock as reported on the OTC Bulletin Board on June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $1.8 million. For purposes of this calculation, it has been assumed that all shares of the registrant's common stock held by directors, executive officers and shareholders beneficially owning ten percent or more of the registrant's common stock are held by affiliates. The treatment of these persons as affiliates for purposes of this calculation is not conclusive as to whether such persons are, in fact, affiliates of the registrant.

The number of shares outstanding of the registrant's common stock as of March 21, 2014 was 30,002,975.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement relating to the registrant's 2014 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report.

GREAT AMERICAN GROUP, INC.

INDEX TO ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

		Page
PART I		
Item 1.	Business	4
Item 1A.	Risk Factors	11
Item 1B.	Unresolved Staff Comments	16
Item 2.	Properties	17
Item 3.	Legal Proceedings	17
Item 4.	Mine Safety Disclosures	17
PART II		
Item 5.	Market for Registrant's Common Equity, Related Stockholders Matters and Issuer Purchases of Equity Securities	18
Item 6.	Selected Financial Data	19
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	43
Item 8.	Financial Statements and Supplementary Data	43
Item 9.	Changes in and Disagreements With Accountants On Accounting and Financial Disclosure	43
Item 9A.	Controls and Procedures	44
Item 9B.	Other Information	44

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	45
Item 11.	Executive Compensation	45
Item 12.	Securities Ownership and Certain Beneficial Owners and Management and Related Stockholder Matters	45
Item 13.	Certain Relationships and Related Transactions, and Director Independence	45
Item 14.	Principal Accounting Fees and Services	45

PART IV

Item 15.	Exhibits and Financial Statement Schedules	46
	Signatures	49

TRADEMARKS

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

PART I

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

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

- *"Great American," "the "Company," "we," "us" or "our" refer to the combined business of Great American Group, Inc. and all of its subsidiaries after giving effect to (i) the contribution to Great American Group, Inc. of all of the membership interests of Great American Group, LLC by the members of Great American, which transaction is referred to herein as the "Contribution", and (ii) the merger of Alternative Asset Management Acquisition Corp. ("AAMAC") 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.*

Item 1. BUSINESS

General

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 Europe. We operate our business in two segments: auction and liquidation solutions and valuation and appraisal services. The divisions in our auction and liquidation segment assist clients in maximizing return and recovery rates through the efficient disposition of assets and provide clients with capital advisory, financing and real estate services. Such assets include multi-location retail inventory, wholesale inventory, trade fixtures, machinery and equipment, intellectual property and real property. Our valuation and appraisal services segment provides our clients with independent appraisals in connection with asset based loans, acquisitions, divestitures and other business needs. We previously had a third segment relating to UK retail stores. This segment was created from our investment in Shoon Trading Limited ("Shoon") on May 4, 2012, the date of investment, through July 31, 2013. The operating results of our UK retail stores segment include the operations of ten retail shoe stores in the United Kingdom. In August 2013, the Shoon shareholder agreement was amended and restated to eliminate the Company's super majority voting rights which enabled the Company to control the board of directors of Shoon. As a result of this amendment, the Company no longer controlled Shoon and the operating results of Shoon are not consolidated for any periods after July 31, 2013. As such, the Company no longer operates in the UK retail stores segment. In January 2014, Shoon was sold to a third party, and we no longer have a financial interest in the operations of Shoon. The financial statements in this Annual Report are presented in a manner consistent with our operating structure. For additional information regarding our operating segments, see Note 19 of the Notes to our Consolidated Financial Statements.

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

Great American, together with our predecessors, has been in business since 1973. For over 40 years, Great American and its 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, Fashion Bug, Friedman's Jewelers, Orchard Supply Hardware, Mervyns, Tower Records, TJ Hughes, Promarkt, Eaton's, Hancock Fabrics, Movie Gallery, Linens N Things, Kmart, Sears, Montgomery Ward, Whitehall Jewelers, Gottschalks, Fortunoff, and Ritz Camera. Since 1995, we have participated in liquidations involving over $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, Laurus Funds, Sun Capital Partners and UBS Capital.

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

Recent Developments

On May 4, 2012, we invested $0.1 million to acquire 44.4% of 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 ten retail stores that were in administration in the United Kingdom. As part of the investment, we also loaned Shoon approximately $1.3 million collateralized by retail inventory. The loan bore interest at an annual rate of LIBOR plus 6.0%, payable monthly and had a maturity date of May 3, 2014. We exercised our right to appoint the Chairman of Shoon. Together with our 44.4% ownership of the common stock of Shoon and control of the majority of the board of directors, we had a controlling interest in Shoon and therefore consolidated Shoon's operating results 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 the results of operations of Shoon from May 4, 2012, the date of investment, through July 31, 2013 in our consolidated statements of operations. Our operating results for periods subsequent to July 31, 2013, include the income (loss) from our 44.4% equity investment in the common stock of Shoon. On August 2, 2013, an additional loan in the amount of $847 (net of $40 discount) was extended to Shoon with a maturity date of August 3, 2015. This increased the outstanding principal from both loans to $1,371. Interest on the new loan was payable monthly at 6.5%. Both of the loans are collateralized by the inventory of Shoon. In January 2014, Shoon was sold to a third party and our loans to Shoon were repaid to us. As a result, we no longer have a financial interest in the operations of Shoon. Revenues from the operation of the Shoon stores in the United Kingdom were $6.2 million for the seven months ended July 31, 2013 and $10.2 million for the period from May 4, 2012 to December 31, 2012. Other income during the year ended December 31, 2013 included a loss of $0.2 million from our equity investment in Shoon. Other income during the year ended December 31, 2012 includes a $1.4 million gain from bargain purchase as a result of the acquisition of Shoon. The gain resulted from the amount in which the net assets Shoon that were acquired exceeded the consideration paid, as more fully described in Note 18 of our Consolidated Financial Statements.

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. During the year ended December 31, 2013, revenues from services and fees as a result of our participation in the joint venture were $8.1 million.

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 to, among other things, eliminate the right of the lessor to return the oil rigs to us. 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 year ended December 31, 2013.

On March 19, 2014, the Company entered into a separate credit agreement (the “UK Credit Agreement”) with an affiliate of Wells Fargo Bank which provides for the financing of transactions in the United Kingdom. We are permitted to borrow up to £50 million under the UK Credit Agreement. The interest rate for borrowings under this 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 borrowings. Any borrowings on the UK Credit Agreement reduce the availability on the $100 million Wells Fargo asset based credit facility. The UK Credit Agreement is cross collateralized and integrated in certain respects with the $100 million Wells Fargo asset based credit facility.

Generation of Revenue

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

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

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

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

Services

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

Auction and Liquidation Solutions

Retail

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

For example, in a potential bankruptcy engagement, the debtor provides potential disposition firms with a snapshot of inventory and other assets available for sale. The disposition firms must analyze the inventory data and generate an estimate of potential recovery based on their valuation expertise and past liquidation experience. Typically, this process takes one to four weeks. The disposition firms then submit bids that guarantee a minimum recovery based on a percentage of retail value or cost. The successful bidder assumes management of the debtor’s stores on a contract basis and conducts the orderly disposition of the inventory and assets in these stores. Profits are generated by efficiently merchandizing inventory, managing the orderly closing of store locations and pricing remaining products to balance margin with speed of sale and liquidation expenses. Unlike merchandisers who employ a “top down” approach

by focusing only on driving total sales (because overhead costs are fixed), disposition firms take a “bottom up” approach by focusing on balancing cost savings with maximizing proceeds. A typical retail disposition process spans eight to twelve weeks from the bankruptcy court’s approval of the successful bid to the final store closure.

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

In April 2009, we expanded our operations into Europe by opening an office in the United Kingdom. We provide services to help retailers downsize through inventory liquidation and store closures in addition to providing appraisal and valuation services. In 2010, we hired a number of key employees to increase our presence and expand the operations of our retail liquidations solutions business throughout Europe. Revenues from services and fees from auction and liquidation services engagements, financing activities and valuation and appraisal engagements in Europe decreased to $9.8 million during the year ended December 31, 2013 from $23.5 million during the year ended December 31, 2012 and $11.6 million during the year ended December 31, 2011. The decrease in revenues in Europe in 2013 was primarily due to a decrease in the number and size of auction and liquidation engagements we conducted.

During the year ended December 31, 2013, revenues and fees as a result of our participation in the joint venture related to the liquidation of inventory for the going-out-of-business sale of Fashion Bug described above were $8.1 million. During the year ended December 31, 2012, revenues from services and fees for one retail liquidation engagement were $12.1 million from the liquidation engagement for Comet, a 236 store electronics chain, conducted in the United Kingdom. During the year ended December 31, 2011, revenues from services and fees were $17.1 million from the liquidation engagement for TJ Hughes Limited, a 57 store discount department chain in the United Kingdom, and our participation in a joint venture involving the liquidation of Borders Group, Inc., a going-out-of-business sale for all 399 remaining Borders bookstore locations.

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

Wholesale and Industrial

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

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

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

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

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

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

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

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

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

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

Capital Advisory Services

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

7

Financing Activities

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

Real Estate Services

We provide real estate services to clients to property owners, tenants, secured and unsecured creditors, attorneys and financial advisors through our GA Keen Realty Advisors division. Our real estate services include real estate analysis, valuation and strategic planning services, brokerage, mergers and acquisition, auction services, lease restructuring services and real estate capital market services. During the years ended December 31, 2013, 2012 and 2011, revenues from real estate services were $3.1 million, $6.7 million and $1.4 million, respectively. The decrease in real estate services in 2013 is primarily due to a decrease in the size and the number of real estate engagements performed in 2013 as compared to 2012.

Valuation and Appraisal Services

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

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

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

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

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

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

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

UK Retail Stores

We previously operated ten retail footwear stores in the United Kingdom as a result of our acquisition of Shoon on May 4, 2012. Revenues from the sale of goods in our UK retail stores segment were recognized as revenue upon the sale of product to retail customers. Our net sales represent gross sales invoiced to customers, less certain related charges for discounts, returns, and other promotional allowances and are recorded net of sales or value added tax. Allowances provided for these items are presented in the consolidated financial statements primarily as reductions to sales and cost of sales. 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, our operating results for periods subsequent to July 31, 2013 include the income (loss) from our 44.4% equity investment in the common stock of Shoon. In January 2014, Shoon was sold to a third party, and we no longer have a financial interest in the operations of Shoon.

Sales and Marketing

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

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

As of December 31, 2013, we employed 18 business development officers located throughout the United States and in Europe.

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

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

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

Our real estate services business development efforts target clients primarily in the retail and real estate industries. We focus on providing lease consulting services that include lease restructuring and mitigation services to retail companies. We also provide real estate analysis, valuation, strategic planning, brokerage, and auction services to companies that own real estate.

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

Customers

We serve retail, corporate, capital provider and individual customers across our services lines. Revenues from one liquidation service contract and the sale of four oil rigs to one customer represented 10.7% and 12.2% of total revenues during the year ended December 31, 2013. Revenues from one liquidation service contract and financing activities to another retailer represented 14.4% and 6.0% of total revenues during the year ended December 31, 2012. Revenues from liquidation service contracts and financing activities to two retailers represented 15.2% and 11.5% of total revenues during the year ended December 31, 2011. The services provided to these customers were under short-term liquidation contracts that generally do not exceed a period of six months. There were no recurring revenues from year-to-year in connection with the services we performed under these contracts.

Auction and Liquidation Solutions

Retail

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

Wholesale and Industrial

We provide auction services and customized disposition programs to a wide range of clients. Specifically, we have experience in providing auction and liquidation solutions to the following industries: aircraft / aerospace, casino / hospitality, construction / mining / earthmoving, food and beverage processing, hospital / medical, machine tools / metalworking, material handling, packaging / bottling, plastics and rubber processing, printing / bindery, pulp processing / paper converting, restaurant / bar / bakery, retail / trade fixtures, stadium / arena, textile / apparel,

transportation / rolling stock, warehouse / distribution centers, and woodworking / lumber. Representative recent clients include the Stardust Hotel & Casino, Boeing, Midas International, Callaway Golf, Lillian Vernon, Saint Vincent Medical Center of New York and Dreyer's Ice Cream.

Valuation and Appraisal Services

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

Competition

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

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

Regulation

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

Employees

As of December 31, 2013, we had 171 full time employees and five part time employees. We are not a party to any collective bargaining agreements. We have never experienced a work stoppage or strike and believe that relations with our employees are good.

We rely significantly on the expertise of independent contractors whom we engage in connection with specific transactions. As of December 31, 2013, we maintained a network of approximately 160 independent contractors who we engage from time to time to provide services pursuant to the terms of independent contractor agreements.

Available Information

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

Item 1A. RISK FACTORS

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

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

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

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

We have limited or no control over some of the factors set forth above and, as a result, may be unable to forecast our revenues accurately. We rely on projections of revenues in developing our operating plans for the future and will base our expectations regarding expenses on these projections and plans. If we inaccurately forecast revenues and/or earnings, or fail to accurately project expenses, we may be unable to adjust our spending in a timely manner to

compensate for these inaccuracies and, as a result, may suffer operating losses and such losses could have a negative impact on our financial condition and results of operations. If, for any reason, we fail to meet company, investor or analyst projections of revenue, growth or earnings, the market price of the common stock could decline and you may lose all or part of your investment.

We have experienced losses and may not maintain profitability.

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 CEO 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 December 31, 2013. As of December 31, 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 December 31, 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 December 31, 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 January 31, 2014, the Company paid in full the $0.7 million of principal balance for the notes to the Phantom Equityholders that had the 12.0% interest rate.

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

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

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

Our executive officers, directors and their affiliates own or control, in the aggregate, approximately 37.9% of our outstanding common stock as of December 31, 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 December 31, 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 debt of distressed retailers from banks and finance companies at a discount to face value. These loans are serviced by us and are generally secured by assets of the retailer, including inventory, accounts receivable, real estate and intellectual property. The determination of the amount we may lend or the purchase price we pay to acquire the distressed debt is based on a variety of factors, including: our evaluation of the estimated realized value of the inventory of the retailer and collateral of the debt in the event the retailer would need to be liquidated. An inaccurate estimate of any of the above or inaccurate valuation of the assets or inventory could result in us lending amounts or purchasing debt for an amount that may not be realizable in the event the retailer would need to be liquidated. Therefore, we may suffer credit losses from these financing activities and our financial condition and results of operations could be adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- actual or anticipated fluctuations in our results of operations;
- announcements of significant contracts and transactions by us or our competitors;
- sale of common stock or other securities in the future;

- the trading volume of our common stock;
- changes in our pricing policies or the pricing policies of our competitors; and
- general economic conditions.

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

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

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

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

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

Our certificate of incorporation, as amended, provides that our board of directors will be authorized to issue from time to time, without further stockholder approval, up to 10,000,000 shares of preferred stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each series, including the dividend rights, dividend rates, conversion rights, voting rights, rights of redemption, including sinking fund provisions, redemption price or prices, liquidation preferences and the number of shares constituting any series or designations of any series. Such shares of preferred stock could have preferences over our common stock with respect to dividends and liquidation rights. We may issue additional preferred stock in ways which may delay,

defer or prevent a change of control of our company without further action by our stockholders. Such shares of preferred stock may be issued with voting rights that may adversely affect the voting power of the holders of our common stock by increasing the number of outstanding shares having voting rights, and by the creation of class or series voting rights.

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

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

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our headquarters are located in Woodland Hills, California in a leased facility. The following table sets forth the location and use of each of our properties, all of which are leased as of December 31, 2013.

Location	Use
Woodland Hills, California	Headquarters; Accounting, Information Technology and Human Resources offices; Appraisal and Auction offices
Norwalk, Connecticut	Capital Advisory Services offices
Atlanta, Georgia	Marketing offices
Chicago, Illinois	Appraisal and Marketing offices
Deerfield, Illinois	Executive offices; Marketing and Legal offices
Boston, Massachusetts	Appraisal and Marketing offices
Needham, Massachusetts	Appraisal offices
Bohemia, New York	Marketing office
Melville, New York	Real Estate Services offices
New York, New York	Real Estate Services, Appraisal and Marketing offices
Charlotte, North Carolina	Marketing offices
Winston-Salem, North Carolina	Marketing office
Toledo, Ohio	Marketing office
Dallas, Texas	Appraisal offices
Milwaukee, Wisconsin	Marketing office
London, England	Appraisal and Marketing offices
Birmingham, England	Appraisal and Marketing offices
Milan, Italy	Marketing office

Munich, Germany	Marketing office

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

Item 3. LEGAL PROCEEDINGS

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

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

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

Stock Market and Other Information

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

The following table sets forth the high and low closing sale prices of a share of our Common Stock as reported by the OTC Bulletin Board on a quarterly basis for the years ended December 31, 2012 and 2013.

	High	Low
2012:		
Quarter ended March 31, 2012	$0.14	$0.11
Quarter ended June 30, 2012	0.45	0.12
Quarter ended September 30, 2012	0.55	0.33
Quarter ended December 31, 2012	0.45	0.24
2013:		
Quarter ended March 31, 2013	$0.39	$0.30
Quarter ended June 30, 2013	0.50	0.31
Quarter ended September 30, 2013	0.38	0.24
Quarter ended December 31, 2013	0.30	0.15

As of March 17, 2014, there were approximately 24 holders of record of our Common Stock. This number does not include beneficial owners holding shares through nominees or in "street" name.

Dividend Policy

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

18

Item 6. SELECTED FINANCIAL DATA

The following table sets forth our selected consolidated financial data as of and for each of the five fiscal years ended December 31, 2013, and is derived from our Consolidated Financial Statements. The Consolidated Financial Statements as of December 31, 2013 and 2012, and for each of the years in the three-year period ended December 31, 2013, are included elsewhere in this report. The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto included elsewhere in this report.

Consolidated Statement of Operations Data:

(Dollars in thousands)

	Year Ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Revenues:					
Services and fees	$59,967	$65,624	$60,627	$37,026	$ 70,810
Sale of goods	16,165	18,312	2,899	5,119	12,611
Total revenues	76,132	83,936	63,526	42,145	83,421
Operating expenses:					
Direct cost of services	24,146	23,911	19,749	15,417	17,491
Cost of goods sold	11,506	12,750	3,391	6,674	12,669
Selling, general and administrative	36,382	39,834	32,946	31,413	35,743
Total operating expenses	72,034	76,495	56,086	53,504	65,903
Operating income (loss)	4,098	7,441	7,440	(11,359)	17,518
Other income (expense):					
Interest income	26	201	476	522	32
Other income (expense)	—	—	—	—	18
Loss from equity investment in Great American Group Real Estate, LLC and Shoon Trading Limited	(177)	(120)	(369)	(1,640)	(861)
Gain from bargain purchase	—	1,366	—	—	—
Interest expense	(2,667)	(2,612)	(4,885)	(3,667)	(11,273)
Income (loss) from continuing operations before benefit for income taxes	1,280	6,276	2,662	(16,144)	5,434
(Provision) benefit for income taxes	(704)	(1,936)	(2,060)	5,106	11,664
Income (loss) from continuing operations	576	4,340	602	(11,038)	17,098
Loss from discontinued operations, net of tax	—	—	—	—	(142)
Net income (loss)	576	4,340	602	(11,038)	16,956
Net income (loss) attributable to noncontrolling interests	(482)	819	—	—	—

Net income (loss) attributable to Great American Group, Inc.	$1,058	$3,521	$602	$(11,038)	$ 16,956
Basic earnings (loss) per share, continuing operations	$0.04	$0.12	$0.02	$(0.39)	$ 0.96
Basic loss per share, discontinued operations	0.00	0.00	0.00	0.00	(0.01)
Basic earnings (loss) per share	$0.04	$0.12	$0.02	$(0.39)	$ 0.95
Diluted earnings (loss) per share, continuing operations	$0.04	$0.12	$0.02	$(0.39)	$ 0.92
Diluted loss per share, discontinued operations	0.00	0.00	0.00	0.00	(0.01)
Diluted earnings (loss) per share	$0.04	$0.12	$0.02	$(0.39)	$ 0.91
Weighted average basic shares outstanding	28,682,975	28,682,975	28,539,651	28,075,758	17,786,686
Weighted average diluted shares outstanding	29,907,402	29,614,252	29,408,466	28,075,758	18,664,049

PRO FORMA COMPUTATION RELATED TO CONVERSION TO C CORPORATION FOR INCOME TAX PURPOSES (unaudited):	
Historical income from continuing operations before income taxes	$ 5,434
Pro forma provision for income taxes	(2,141)
Pro forma income from continuing operations	3,293
Pro forma loss from discontinued operations, net of tax	(116)
Pro forma net income	$ 3,177
Pro forma basic earnings per share, continuing operations	$ 0.19
Pro forma basic loss per share, discontinued operations	(0.01)
Pro forma basic earnings per share	$ 0.18
Pro forma diluted earnings per share, continuing operations	$ 0.18
Pro forma diluted loss per share, discontinued operations	(0.01)
Pro forma diluted earnings per share	$ 0.17
Pro forma weighted average basic shares outstanding	17,786,686
Pro forma weighted average diluted shares outstanding	18,664,049

Consolidated Balance Sheet Data:

(Dollars in thousands)

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Cash and cash equivalents	$18,867	$18,721	$15,034	$20,080	$37,989
Restricted cash	325	7,923	—	—	459
Total assets	73,677	80,583	76,358	72,274	78,673
Total current liabilities	29,069	34,275	32,394	28,966	35,110
Total long-term liabilities	48,759	50,483	52,220	52,211	44,563
Total equity (deficit)	(4,151)	(4,175)	(8,256)	(8,903)	(1,000)

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

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

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

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

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

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

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

the membership interests of Great American Group, LLC by the members of Great American, which transaction is referred to herein as the "Contribution", and (ii) the merger of Alternative Asset Management Acquisition Corp. ("AAMAC") 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.*

The Acquisition

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

Notes Payable

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

Effective July 31, 2011, we entered into individual amendments with the Great American Members that increased the principal amount of the promissory notes for the $1.8 million of accrued interest that was due to them on July 31, 2011. The addition to the principal amount will accrue interest at the note rate of 3.75% and continue to be subject to annual prepayments based upon our cash flow and the maintenance of a minimum adjusted cash balance as provided in the notes prior to the capitalization of the accrued interest. We are not required to make any principal prepayments under these notes for the fiscal years ended December 31, 2010 and 2011. Also effective July 31, 2011, we entered into agreements permitting us to defer payment of $1.4 million in interest owed to the Phantom Equityholders from July 31, 2011 to the fourth quarter of 2011. As of December 31, 2013, there was $48.8 million in aggregate principal amount outstanding under the notes payable to the Great American Members and $1.7 million in aggregate principal amount outstanding under the notes payable to the Phantom Equityholders. Of this amount, $49.8 million accrues interest at 3.75% and $0.7 million accrues interest at 12.0%. On January 31, 2014, the Company paid in full the $0.7 million of principal balance for the notes to the Phantom Equityholders that had the 12.0% interest rate.

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 Europe. We operate our business in two segments: auction and liquidation solutions and valuation and appraisal services. Our auction and liquidation segment seeks to assist clients in maximizing return and recovery rates through the efficient disposition of assets and provide clients with capital advisory, financing and real estate services. Such assets include multi-location retail inventory, wholesale inventory, trade fixtures, machinery and equipment, intellectual property and real property. Our valuation and appraisal services segment provides our clients with independent appraisals in connection with asset-based loans, acquisitions, divestitures and other business needs. These services are provided to a wide range of retail, wholesale and industrial companies, as well as lenders, capital providers, private equity investors and professional service firms throughout the United States, Canada and Europe. We previously had a third segment relating to UK retail stores. This segment was created from our investment in Shoon Trading Limited ("Shoon") on May 4, 2012, the date of investment, through July 31, 2013. The operating results of our UK retail stores segment include the operations of ten retail shoe stores in the United Kingdom. In August 2013, the Shoon shareholder agreement was amended and restated to eliminate the Company's super majority voting rights which enabled the Company to control the board of directors of Shoon. As a result of this amendment, the Company no longer controlled Shoon and the operating results of Shoon are not consolidated for any periods after July 31, 2013. As such, the Company no longer operates in the UK retail stores segment. In January 2014, Shoon was sold to a third party, and we no longer have a financial interest in the operations of Shoon. The financial statements in this Annual Report are presented in a manner consistent with our operating structure. For additional information regarding our operating segments, see Note 19 of the Notes to our Consolidated Financial Statements.

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

Together with our predecessors, we have been in business since 1973. For over 40 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.

Historically, revenues from our auction and liquidation segment have comprised a significant amount of our total revenues and operating profits. During the years ended December 31, 2013, 2012 and 2011, revenues from our auction and liquidation segment were 55.7%, 57.5% and 64.1% of total revenues. Our profitability in each reporting period is impacted by the number and size of retail liquidation engagements we perform on a quarterly or annual basis. Revenues from liquidation service contracts and financing activities to one retailer and the sale of four oil rigs to one customer represented 10.7% and 12.2% of our total revenues during the year ended December 31, 2013. Revenues from liquidation service contracts and financing activities to two retailers represented 20.4% of our total revenues during the year ended December 31, 2012. Revenues from two liquidation contracts represented 26.9% of our total revenues during the year ended December 31, 2011.

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

In September 2008, we partnered with Kelly Capital to launch Great American Real Estate, LLC through which we and Kelly Capital conduct public auctions of foreclosed residential real estate and market residential and commercial loan sales to third parties on behalf of financial institutions and other private parties. We commenced auctions for foreclosed residential real estate properties in the fourth quarter of 2009 and we commenced residential and commercial loan sales to third parties on behalf of financial institutions and other private parties in the first quarter of 2010. During 2010, the flow of new inventory of residential home foreclosures into the market was impacted by legislation at the state and federal levels which impacted our ability to establish new relationships as the auction broker with major financial institutions, lenders, portfolio managers and investment firms, which hold title to foreclosed homes. During the fourth quarter of 2010, we limited operations of the joint venture with Kelly Capital to the sale of certain residential and commercial loan sales that the joint venture purchased through an investment with a third party and we ceased operations in the joint venture in 2013.

In April 2009, we expanded our operations into Europe by opening an office in the United Kingdom. In 2010, we hired a number of key employees to increase our presence and expand the operations of our retail liquidations

solutions business throughout Europe. Because of the difference in the legal regime in which retailers operate in the United Kingdom, our business activities in the United Kingdom may frequently involve lending activities that includes the acquisition of debt of distressed retailers from banks and finance companies at a discount to face value. Revenues from services, fees and financing activities from our auction and liquidation segment and valuation and appraisal services segment in Europe decreased to $9.8 million during the year ended December 31, 2103 from $23.5 million during the year ended December 31, 2012 and $11.6 million during the year ended December 31, 2011. The decrease in revenues in Europe in 2013 was primarily due to a decrease in the number and size of auction and liquidation engagements we conducted. During 2012, revenues of $17.1 million in Europe were generated from lending activities to one retailer and liquidation services we provided to another retailer in the United Kingdom. During 2011, revenues of $8.1 million in Europe were generated from two retail liquidation service engagements conducted in the United Kingdom.

In October 2009, we formed GA Capital, LLC (“GA Capital”), a majority owned subsidiary of the Company. GA Capital focuses on services to retailers that are in need of junior secured loans for growth capital, working capital, and turnaround financing as part of our auction and liquidation segment. GA Capital advises borrowers and sources loans between $10 million and $100 million secured by collateral assets of the borrowers, including inventory, accounts receivable, real estate and intellectual property. During the years ended December 31, 2013, 2012 and 2011, revenues from capital advisory services performed by our GA Capital operations were $1.1 million, $0.4 million and $7.3 million, respectively. The decrease in revenues from capital advisory services in 2013 and 2012 was primarily due to a decrease in fees earned from loan origination activity and contingent fees that were earned in 2011 from the prepayment of previously originated loans where we acted as an advisor.

In January 2011, the Keen Consultants' real estate team joined us and is operating as GA Keen Realty Advisors. This newly formed division provides real estate analysis, valuation and strategic planning services, brokerage, mergers and acquisition, auction services, lease restructuring services, and real estate capital market services as part of our auction and liquidation segment. GA Keen Realty Advisors offers services to property owners, tenants, secured and unsecured creditors, attorneys, and financial advisors. During the year ended December 31, 2013, 2012 and 2011, revenues from real estate services were $3.1 million, $6.7 million and $1.4 million, respectively. The decrease in real estate services in 2013 is primarily due to a decrease in the size and the number of real estate engagements performed in 2013 as compared to 2012.

During the year ended December 31, 2012, we generated $17.1 million revenues from lending activities to TJ Hughes Limited, a 57 store department chain, and revenues from liquidation services provided to Comet, a 236 store electronics chain, both in the United Kingdom. During the year ended December 31, 2011, we generated $17.1 million of revenues from the liquidation engagement for TJ Hughes Limited and our participation in a joint venture involving the liquidation of Borders Group, Inc., a going-out-of-business sale for all 399 remaining Borders bookstore locations.

In 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. During the year ended December 31, 2013, revenues from services and fees as a result of our participation in the joint venture were $8.1 million.

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 year ended December 31, 2013.

On March 19, 2014, the Company entered into the UK Credit Agreement with an affiliate of Wells Fargo Bank which provides for the financing of transactions in the United Kingdom. We are permitted to borrow up to £50 million under the UK Credit Agreement. The interest rate for borrowings under this 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 borrowings. Any borrowings on the UK Credit Agreement reduce the availability on the $100 million Wells Fargo asset based credit facility. The UK Credit Agreement is cross collateralized and integrated in certain respects with the $100 million Wells Fargo asset based credit facility.

Results of Operations

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

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Consolidated Statements of Operations

(Dollars in thousands)

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Amount	%	Amount	%
Revenues:				
Services and fees	$ 59,967	78.8 %	$ 65,624	78.2 %
Sale of goods	16,165	21.2 %	18,312	21.8 %
Total revenues	76,132	100.0 %	83,936	100.0 %
Operating expenses:				
Direct cost of services	24,146	31.7 %	23,911	28.5 %
Cost of goods sold	11,506	15.1 %	12,750	15.2 %
Selling, general and administrative expenses	36,382	47.8 %	39,834	47.5 %
Total operating expenses	72,034	94.6 %	76,495	91.1 %
Operating income	4,098	5.4 %	7,441	8.9 %
Other income (expense):				
Interest income	26	0.0 %	201	0.2 %
Loss from equity investment in Great American Real Estate, LLC and Shoon Trading Limited	(177)	-0.2 %	(120)	-0.1 %
Gain from bargain purchase	-	0.0 %	1,366	1.6 %
Interest expense	(2,667)	-3.5 %	(2,612)	-3.1 %
Income before provision for income taxes	1,280	1.7 %	6,276	7.5 %
Provision for income taxes	(704)	-0.9 %	(1,936)	-2.3 %
Net income	576	0.8 %	4,340	5.2 %
Net income (loss) attributable to noncontrolling interests	(482)	-0.6 %	819	1.1 %
Net income attributable to Great American Group, Inc.	$ 1,058	1.4 %	$ 3,521	4.2 %

Revenues. Total revenues decreased $7.8 million to $76.1 million during the year ended December 31, 2013 from $83.9 million during the year ended December 31, 2012. The decrease in revenues was primarily due to a (a) $5.9 million decrease in revenues in the auction and liquidation segment and (b) $4.0 million decrease in revenues in the

UK retail stores segment from the operations of the ten retail stores of Shoon. These decreases were offset by an increase in revenues of $2.1 million in the valuation and appraisal services segment. The decrease in revenues in the auction and liquidation segment in 2013 was primarily due to a decrease in revenues (a) from lending activities of $5.0 million and (b) of $3.6 million from real estate consulting services from our GA Keen Realty Advisors division. These decreases were offset by an increase in revenues of (a) $0.7 million from capital advisory services provided by our GA Capital division and (b) $1.9 million from services and fees earned on retail liquidation and consulting engagements. The decrease in revenues from financing activities was primarily due to interest income, amortization of discount, and monitoring fees earned and collected in 2012 on a loan to a retailer in the United Kingdom. There were no lending activities that generated financing revenues during the year ended December 31, 2013. The decrease in revenues from our GA Keen Realty Advisors division in 2013 was due to a decrease in the size and number of engagements where we provided real estate consulting services as compared to the same period in 2012. The increase in revenues from capital advisory fees was primarily due to an increase in the number of capital advisory engagements in 2013 as compared to the same period in 2012. Revenues from services and fees during 2013 for retail liquidation engagements included revenues of $8.1 million from 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 decrease in revenues in the UK retail store segment in 2013 was primarily due to the operation of Shoon for seven months in 2013. In August 2013, the shareholder agreement of Shoon was amended and restated to eliminate our control rights which resulted in the deconsolidation of Shoon. As such, the operating results of Shoon are not consolidated with the Company’s for any periods after July 31, 2013. During 2012, the operations of Shoon included eight months of operating results for the period from our acquisition of Shoon on May 4, 2012 through December 31, 2012. The increase in revenues of $2.1 million in the valuation and appraisal services segment was primarily due to an increase in revenues of $0.2 million 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 of $0.9 million for appraisals for machinery and equipment and intellectual property, and an increase in revenues of $1.0 million as a result of the expansion of the appraisal operations in the United Kingdom.

Revenue and Gross Margin by Segment

(Dollars in thousands)

Auction and Liquidation Segment:

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Amount	%	Amount	%
Revenues:				
Services and fees	$ 32,409	76.5 %	$ 40,132	83.2 %
Sale of goods	9,963	23.5 %	8,106	16.8 %
Total revenues	42,372	100.0 %	48,238	100.0 %
Direct cost of services	11,120	26.2 %	12,327	25.6 %
Cost of goods sold	7,940	18.7 %	7,275	15.1 %
Total operating expenses	19,060	44.9 %	19,602	40.7 %
Gross margin	$ 23,312	55.1 %	$ 28,636	59.3 %
Gross margin services and fees	65.7 %		69.3 %	
Gross margin sales of goods	20.3 %		10.3 %	

Revenues in the auction and liquidation segment decreased $5.9 million, or 12.2%, to $42.4 million during the year ended December 31, 2013 from $48.2 million during the year ended December 31, 2012. Revenues from services and fees decreased to $32.4 million during the year ended December 31, 2013, a decrease of $7.7 million from $40.1 million during the year ended December 31, 2012.

The decrease in revenues from services and fees of $7.7 million during the year ended December 31, 2013 was primarily due to a decrease in revenues (a) from lending activities of $5.0 million, (b) from services and fees of $3.6 million from real estate consulting services from our GA Keen Realty Advisors division and (c) of $1.7 million from services and fees in our wholesale and industrial auction division. These decreases were offset by an increase in revenues (a) from services and fees of $0.7 million from capital advisory services provided by our GA Capital division and (b) of $1.9 million from services and fees earned on retail liquidation and consulting engagements. The revenues from lending activities during year ended December 31, 2012 included interest income and monitoring fees of $0.9 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 in the United Kingdom that generated financing revenues during the year ended December 31, 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 and size of real estate consulting engagements during 2013 as compared to the same period in 2012. Revenues from services and fees during 2013 for retail liquidation engagements included revenues of $8.1 million from 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 our GA Capital division was primarily due to an increase in fees earned on capital advisory engagements in 2013 as compared to the same period in 2012.

Revenues from the sale of goods increased $1.9 million, to $10.0 million during the year ended December 31, 2013, from $8.1 million during the year ended December 31, 2012. In 2013, revenues from sale of goods included $9.3 million of revenues 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 2 to the consolidated financial statements.

Gross margin in the auction and liquidation segment for services and fees decreased to 65.7% of revenues during the year ended December 31, 2013, as compared to 69.3% of revenues during the year ended December 31, 2012. The decrease in the gross margin during the year ended December 31, 2013 was primarily due to an increase in revenues earned from lower-margin cost plus fee based liquidation engagements in 2013 as compared to higher margin liquidation engagements where we provided a minimum recovery value for goods sold at bankruptcy liquidation sales. 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 improved to 20.3% during the year ended December 31, 2013 as compared to a gross margin of 10.3% during the year ended December 31, 2012. The gross margin in 2013 was favorably impacted by the sale of four oil rigs under a sales-type lease. 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:

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Amount	%	Amount	%
Revenues - Services and fees	$ 27,558	100.0 %	$ 25,492	100.0 %
Direct cost of services	13,026	47.3 %	11,584	45.4 %
Gross margin	$ 14,532	52.7 %	$ 13,908	54.6 %

Revenues in the valuation and appraisal segment increased $2.1 million, or 8.1%, to $27.6 million during the year ended December 31, 2013 from $25.5 million during the year ended December 31, 2012. The increase in revenues was primarily due to an increase in revenues of (a) $0.2 million related to appraisal engagements where we perform valuations for the monitoring of collateral for financial institutions, lenders, and private equity investors; (b) $0.9 million for appraisals for machinery and equipment and intellectual property; and (c) $1.0 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 52.7% of revenues during the year ended December 31, 2013 as compared to 54.6% of revenues during the year ended December 31, 2012. Gross margins in 2013 were unfavorably impacted by an 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:

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Amount	%	Amount	%
Revenues - Sale of retail goods	$ 6,202	100.0 %	$ 10,206	100.0 %
Cost of goods sold	3,566	57.5 %	5,475	53.6 %
Gross margin	$ 2,636	42.5 %	$ 4,731	46.4 %

Revenues 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. Revenues from the sale of retail goods from the Shoon stores in 2013 included sales for seven months for the period from January 1, 2013 through July 31, 2013. In August 2013, the shareholder agreement of Shoon was amended and restated to eliminate our control rights which resulted in the deconsolidation of Shoon. As such, the operating results of Shoon are not consolidated with the Company’s for any periods after July 31, 2013. In 2012, revenues from the sale of retail goods from the Shoon included approximately eight months of sales for the period from May 4, 2012 to December 31, 2012, as a result of our acquisition of Shoon on May 4, 2012. The decrease in revenues from the sale of retail goods is primarily due to fewer operating days of the Shoon stores in 2013 as compared to the prior year. The decrease in revenues in 2013 was also due to an increase in promotions that resulted in a decrease in average selling prices as compared to the prior year. The decrease in average

selling prices from the increase in promotions in 2013 resulted in a decrease in the gross margin to 42.5% in 2013, from the 46.4% gross margin during 2012.

Operating Expenses

Direct Costs of Services. Total direct costs of services increased $0.2 million, to $24.1 million during the year ended December 31, 2013 from $23.9 million during the year ended December 31, 2012. Direct costs of services in the auction and liquidation segment decreased $1.2 million to $11.1 million during the year ended December 31, 2013 from $12.3 million during the year ended December 31, 2012. The decrease in expenses was primarily due to a decrease in 2013 in the number of fee and commission type engagements where we contractually bill fees, commissions and reimbursable expenses as compared to the same period in 2012. Direct costs of services in the valuation and appraisal services segment increased $1.4 million, or 12.4%, to $13.0 million during the year ended December 31, 2013 from $11.6 million during the year ended December 31, 2012. The increase was primarily due to an increase in headcount which 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 decreased $1.3 million to $11.5 million during the year ended December 31, 2013 from $12.8 million during the year ended December 31, 2012. Costs of goods sold in the auction and liquidation segment increased $0.6 million, to $7.9 million during the year ended December 31, 2013 from $7.3 million during the year ended December 31, 2012. As a percentage of gross sales of goods where we hold title to the goods in the auction and liquidation segment, costs of goods sold was 79.7% during the year ended December 31, 2013 as compared to 89.7% during the year ended December 31, 2012. This increase in the gross margin in 2013 was primarily due to the sale of four oil rigs under a sales-type lease. Cost of goods sold in the UK retail stores segment decreased $1.9 million to $3.6 million during the year ended December 31, 2013, from $5.5 million during the year ended December 31, 2012. The decrease in costs of goods sold in the UK retail store segment was primarily due to the inclusion of one fewer month of expenses for the UK retail store segment in the period ended December 31, 2013 versus the period ended December 31, 2012 as a result of the deconsolidation discussed above.

Selling, General and Administrative Expenses. Selling, general and administrative expenses during the years ended December 31, 2013 and 2012 were comprised of the following:

Selling, General and Administrative Expenses by Segment

(Dollars in thousands)

	Year Ended December 31, 2013		Year Ended December 31, 2012		**Change**	
	Amount	%	Amount	%	Amount	%
Auction and liquidation	$ 12,065	33.2 %	$ 17,257	43.3 %	$(5,192)	-30.1%
Valuation and appraisal	8,861	24.4 %	7,095	17.8 %	1,766	24.9 %
UK retail stores	3,818	10.5 %	4,480	11.3 %	(662)	-14.8%
Corporate and other	11,638	31.9 %	11,002	27.6 %	636	5.8 %
Total selling, general & administrative expenses	$ 36,382	100.0 %	$ 39,834	100.0 %	$(3,452)	-8.7 %

Total selling, general and administrative expenses decreased $3.5 million, or 8.7%, to $36.3 million during the year ended December 31, 2013 from $39.8 million for the year ended December 31, 2012. The decrease was primarily due to a decrease in selling, general and administrative expenses of (a) $5.2 million in the auction and liquidation segment and (b) $0.7 million in the UK retail stores segment. These decreases were offset by an increase in (a) selling, general and administrative expenses of $1.8 million in the valuation and appraisal segment and (b) selling, general and administrative expenses of $0.7 million in corporate and other.

Selling, general and administrative expenses in the auction and liquidation segment decreased $5.2 million, to $12.1 million during the year ended December 31, 2013 from $17.3 million for the year ended December 31, 2012. The $5.2 million decrease in selling, general and administrative expenses in the auction and liquidation segment was primarily due to a decrease in profit sharing and bonus expense related to our operations in Europe in 2013.

Selling, general and administrative expenses in the valuation and appraisal services segment increased $1.8 million, or 24.9%, to $8.9 million during the year ended December 31, 2013 from $7.1 million for the year ended December 31, 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 $0.4 million and an increase in operating expenses of $1.3 million from the expansion of our appraisal operations in the United Kingdom. Selling, general and administrative expenses for the UK retail store segment decreased $0.7 million to $3.8 million in 2013 from $4.5 million during the prior year. The decrease in selling general and administrative expenses in the UK retail store segment was primarily due to the inclusion of one fewer month of expenses for the UK retail store segment in the period ended December 31, 2013 versus the period ended December 31, 2012 as a result of the deconsolidation discussed above.

Selling, general and administrative expenses for corporate and other increased $0.6 million, or 5.8%, to $11.6 million during the year ended December 31, 2013 from $11.0 million for the year ended December 31, 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 year ended December 31, 2013 as compared to other income of $1.4 million during the year ended December 31, 2012. Other expense in 2013 was primarily comprised of $0.2 million of losses from our equity investments in Shoon and Great American Real Estate, LLC. Other income during the year ended December 31, 2012 was primarily comprised of (a) $0.2 million of interest income on our note receivable – related party as described in Note 10 to our consolidated financial statements; (b) $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, offset by $0.1 million from our loss from our equity investment in Great American Group Real Estate, LLC.

Interest Expense. Interest expense was $2.7 million during the year ended December 31, 2013 as compared to $2.6 million during the year ended December 31, 2012. Interest expense during the year ended December 31, 2013 was primarily comprised of interest expense on the notes payable to the Great American Members and Phantom Equityholders of $2.0 million, interest expense and amortization of deferred loan fees on our $100.0 million asset based credit facility of $0.2 million, interest expense and fees of $0.3 million incurred for the asset based credit facility that was used to fund some of our retail liquidation engagements, and interest expense on our accounts receivable revolving line of credit of $0.1 million. Interest expense during the year ended December 31, 2012 was primarily comprised of interest expense on the notes payable to the Great American Members and Phantom Equityholders of $2.1 million, amortization of deferred loan fees on our $100.0 million asset based credit facility of $0.3 million, and $0.2 million of interest expense we incurred on our accounts receivable revolving line of credit and amounts outstanding under of asset based credit facility for letters of credit.

Income Before Provision for Income Taxes. Income before provision for income taxes was $1.3 million during year ended December 31, 2013 compared to income before provision for income taxes of $6.3 million during the year ended December 31, 2012. The decrease in income before provision for income taxes during the year ended December 31, 2013 was primarily due to (a) a $1.4 million decrease in operating income earned from the operations of Shoon which are included in our UK retail stores segment; (b) a $1.3 million decrease in operating income earned from the our Valuation and Appraisal segment and our Auction and Liquidation segment; (c) the gain from bargain purchase of $1.4 million related to the acquisition of Shoon in 2012; (d) a decrease in interest income of $0.2 million; and (e) an increase in corporate overhead of $0.6 million that primarily related to contractually required severance costs from the departure of our former chief financial officer in April 2013.

Provision For Income Taxes. Provision for income taxes was $0.7 million during the year ended December 31, 2013 compared to a provision for income taxes of $1.9 million during the year ended December 31, 2012. The effective income tax rate was 55.0% during the year ended December 31, 2013 compared to an effective income tax rate of 30.8% during the year ended December 31, 2012. The effective income tax rate on our provision for income taxes in 2013 was negatively impacted by the tax differential related to the tax benefit from foreign losses reported in our financial statements during 2013. During 2012, our provision for income taxes was favorably impacted by lower income taxes from our foreign operations which included the operating results from our acquisition of Shoon on May 4, 2012 and the gain on bargain purchase of Shoon.

Net Income Attributable to Noncontrolling Interests Net income attributable to noncontrolling interests represents the proportionate share of net income generated by Shoon and Great American Group Global Partners, LLC that we do not wholly-own. During the year ended December 31, 2013, net loss attributable to noncontrolling interests was $0.5 million compared to net income attributable to noncontrolling interests of $0.8 million during the year ended December 31, 2012.

Net Income Attributable to the Company. Net income attributable to the Company for the year ended December 31, 2013 was $1.1 million compared to net income of $3.5 million during the year ended December 31, 2012. The decrease in net income during the year ended December 31, 2013 as compared to the same period in 2012 was

primarily due to (a) a $1.4 million decrease in operating income earned from the operations of Shoon which are included in our UK retail stores segment; (b) the gain from bargain purchase of $1.4 million related to the acquisition of Shoon in 2012; (c) an increase in corporate overhead of $0.6 million that primarily related to contractually required severance costs from the departure of our former chief financial officer in April 2013; and (d) the amount reported for the net income (loss) attributable to noncontrolling interests.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Consolidated Statements of Operations

(Dollars in thousands)

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Amount	%	Amount	%
Revenues:				
Services and fees	$ 65,624	78.2 %	$ 60,627	95.4 %
Sale of goods	18,312	21.8 %	2,899	4.6 %
Total revenues	83,936	100.0 %	63,526	100.0 %
Operating expenses:				
Direct cost of services	23,911	28.5 %	19,749	31.1 %
Cost of goods sold	12,750	15.2 %	3,391	5.3 %
Selling, general and administrative expenses	39,834	47.5 %	32,946	51.9 %
Total operating expenses	76,495	91.1 %	56,086	88.3 %
Operating income	7,441	8.9 %	7,440	11.7 %
Other income (expense):				
Interest income	201	0.2 %	476	0.8 %
Loss from equity investment in Great American Real Estate, LLC	(120)	-0.1 %	(369)	-0.6 %
Gain from bargain purchase	1,366	1.6 %	-	n/a
Interest expense	(2,612)	-3.1 %	(4,885)	-7.7 %
Income before provision for income taxes	6,276	7.5 %	2,662	4.2 %
Provision for income taxes	(1,936)	-2.3 %	(2,060)	-3.3 %
Net income	4,340	5.2 %	602	0.9 %
Net income attributable to noncontrolling interests	819	1.1 %	-	n/a
Net income attributable to Great American Group, Inc.	$ 3,521	4.2 %	$ 602	0.9 %

Revenues. Total revenues increased $20.4 million to $83.9 million during the year ended December 31, 2012 from $63.5 million during the year ended December 31, 2011. The increase in revenues was primarily due to a $7.5 million increase in revenues in the auction and liquidation segment, a $2.7 million increase in revenues in the valuation and appraisal services segment and an increase in revenues of $10.2 million in the UK retail stores segment as a result of our acquisition of Shoon on May 4, 2012 as more fully described below. The increase in revenues in the auction and liquidation segment in 2012 was primarily due to an increase in revenues of (a) $5.2 million from the auction of wholesale and industrial equipment, which included revenues of $1.7 million from the sale of one oil rig from the exercise of a lease purchase option, (b) $3.5 million from financing activities to a retailer in the United Kingdom, (c) $5.3 million from our GA Keen Realty Advisors division, and (d) $0.3 million from retail liquidation engagements. These increases were offset by a decrease in revenues of $6.8 million from capital advisory fees earned by our GA Capital operations. The increase in revenues from financing activities was primarily due to interest income,

amortization of discount, and monitoring fees earned and collected in 2012 on a loan to a retailer in the United Kingdom. The increase in revenues from our GA Keen Realty Advisors division in 2012 was due to an increase in the size and number of engagements where we provided real estate consulting services as compared to the same period in 2011. The decrease in revenues from capital advisory fees was primarily due to a decrease in fees earned from loan origination activity in 2012 and contingent fees earned in 2011 from the prepayment of previously originated loans where we acted as an advisor. The increase in revenues of $2.7 million in the valuation and appraisal services segment was primarily due to an increase in revenues of $0.9 million related to appraisals for machinery and equipment and an increase in revenues of $1.8 million for appraisal engagements where we perform valuations for the monitoring of collateral for financial institutions, lenders, and private equity investors. Revenues from gross sales of goods increased to $18.3 million during the year ended December 31, 2012 from $2.9 million during the year ended December 31, 2011, primarily due to an increase in revenues in our UK retail stores segment as a result of the acquisition of Shoon on May 4, 2012 as more fully discussed below.

Revenue and Gross Margin by Segment

(Dollars in thousands)

Auction and Liquidation Segment:

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Amount	%	Amount	%
Revenues:				
Services and fees	$ 40,132	83.2 %	$ 37,830	92.9 %
Sale of goods	8,106	16.8 %	2,899	7.1 %
Total revenues	48,238	100.0 %	40,729	100.0 %
Direct cost of services	12,327	25.6 %	10,097	24.8 %
Cost of goods sold	7,275	15.1 %	3,391	8.3 %
Total operating expenses	19,602	40.7 %	13,488	33.1 %
Gross margin	$ 28,636	59.3 %	$ 27,241	66.9 %
Gross margin services and fees	69.3 %		73.3 %	
Gross margin sales of goods	10.3 %		-17.0 %	

Revenues in the auction and liquidation segment increased $7.5 million to $48.2 million during the year ended December 31, 2012 from $40.7 million during the year ended December 31, 2011. The increase in revenues in the auction and liquidation segment in 2012 was primarily due to an increase in revenues of (a) $5.2 million from the auction of wholesale and industrial equipment, which included revenues of $1.7 million from the sale of one oil rig from the exercise of the lease purchase option, (b) $3.5 million from financing activities to a retailer in the United Kingdom, (c) $5.3 million from our GA Keen Realty Advisors division, and (d) $0.3 million from retail liquidation engagements. These increases were offset by a decrease in revenues of $6.8 million from capital advisory fees earned by our GA Capital operations. Revenues from retail liquidation engagements were $20.5 million during the year ended December 31, 2012, an increase of $0.3 million, from $20.2 million during the year ended December 31, 2011. During the year ended December 31, 2012, revenues from one liquidation engagement in Europe accounted for $12.1 million or 24.9% of our total revenues in the auction and liquidation segment. During the year ended December 31, 2011, the TJ Hughes Limited liquidation engagement in Europe and our participation in the joint venture involving the liquidation of Borders Group, Inc. accounted for $17.1 million or 42.0% of our total revenues in the auction and liquidation segment. Revenues from gross sales of goods where we held title to the goods increased $5.2 million to $8.1 million during the year ended December 31, 2012 from $2.9 million during the year ended December 31, 2011. The increase in revenues was primarily due to the sale of one oil rig from the exercise of the lease purchase option in the amount of $1.7 million and an increase in auction engagements where we sell assets in 2012.

Gross margin in the auction and liquidation segment decreased to 69.3% of revenues during the year ended December 31, 2012, as compared to 73.3% of revenues during the year ended December 31, 2011. The decrease in the gross margin during the year ended December 31, 2012 was primarily due to an increase in revenues earned from lower-margin cost plus fee based liquidation engagements in 2012 as compared to higher margin liquidation

engagements where we provided a minimum recovery value for goods sold at bankruptcy liquidation sales. In addition, the decrease in the gross margin during the year ended December 31, 2012 was impacted by the decrease in revenues we earned from capital advisory services in 2012 as compared to the same period in 2011.

Gross margin from the sales of goods where we held title improved to 10.3% during the year ended December 31, 2012 as compared to a gross margin of (17.0%) during the year ended December 31, 2011. The gross margin in 2012 was favorably impacted by the increase in business activity and increase in auction and liquidation sales of equipment that had higher profit margins in 2012 as compared to the same period in 2011. The gross margins in 2012 and 2011 were negatively impacted by a $0.2 million inventory valuation charge during each of the periods. The inventory valuation charge in both periods was to write down the carrying value of certain goods held for sale or auction to lower of cost or market.

Valuation and Appraisal Segment:

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Amount	%	Amount	%
Revenues - Services and fees	$ 25,492	100.0 %	$ 22,797	100.0 %
Direct cost of services	11,584	45.4 %	9,652	42.3 %
Gross margin	$ 13,908	54.6 %	$ 13,145	57.7 %

Revenues in the valuation and appraisal segment increased $2.7 million, or 11.8%, to $25.5 million during the year ended December 31, 2012 from $22.8 million during the year ended December 31, 2011. The increase in revenues in 2012 was primarily due to an increase in revenues of $0.9 million related to appraisals for machinery and equipment and an increase in revenues of $1.8 million for appraisal engagements where we perform valuations for the monitoring of collateral for financial institutions, lenders, and private equity investors.

Gross margins in the valuation and appraisal segment decreased to 54.6% of revenues during the year ended December 31, 2012 as compared to 57.7% of revenues during the year ended December 31, 2011. Gross margins in 2012 were unfavorably impacted by an increase in headcount that resulted in an increase in salaries, wages and benefits in 2012 as compared to the same period in 2011.

UK Retail Stores Segment:

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Amount	%	Amount	%
Revenues - Sale of retail goods	$ 10,206	100.0 %	$ -	n/a
Cost of goods sold	5,475	53.6 %	-	n/a
Gross margin	$ 4,731	46.4 %	$ -	n/a

Revenues 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 for the period from our acquisition of Shoon on May 4, 2012 through December 31, 2012. The gross margin was 46.4% for the period from May 4, 2012 through December 31, 2012.

Operating Expenses

Direct Costs of Services. Total direct costs of services increased $4.2 million, to $23.9 million during the year ended December 31, 2012 from $19.7 million during the year ended December 31, 2011. Direct costs of services in the auction and liquidation segment increased $2.2 million to $12.3 million during the year ended December 31, 2012 from $10.1 million during the year ended December 31, 2011. The increase in expenses was primarily due an increase in the number of fee and commission type of engagements where we contractually bill fees, commissions and reimbursable expenses in 2012 as compared to the same period in 2011. Direct costs of services in the valuation and appraisal services segment increased $1.9 million, or 20.0%, to $11.6 million during the year ended December 31, 2012 from $9.7 million during the year ended December 31, 2011. The increase was primarily due to an increase in headcount which resulted in an increase in salaries, wages and benefits in 2012 as compared to the same period in 2011.

Cost of Goods Sold. Cost of goods sold increased $9.4 million to $12.8 million during the year ended December 31, 2012 from $3.4 million during the year ended December 31, 2011. Costs of goods sold in the auction and liquidation segment increased $3.9 million, to $7.3 million during the year ended December 31, 2012 from $3.4 million during the year ended December 31, 2011. As a percentage of gross sales of goods where we hold title to the goods in the auction and liquidation segment, costs of goods sold was 89.7% during the year ended December 31, 2012 as compared to 117.0% during the year ended December 31, 2011. The increase in the gross margin in 2012 was primarily due to the sale of one oil rig where the lessee exercised the option to purchase the oil rig and the sale of machinery and equipment with higher gross margins at our wholesale and industrial auctions during the year ended December 31, 2012 as compared to the same period in 2011. Cost of goods sold in the UK retail stores segment was $5.5 million during the year ended December 31, 2012. Our gross margin in the UK retail stores segment was 46.4% for the period from our acquisition of Shoon on May 4, 2012 through December 31, 2012.

Selling, General and Administrative Expenses. Selling, general and administrative expenses during the year ended December 31, 2012 and 2011 were comprised of the following:

Selling, General and Administrative Expenses by Segment

(Dollars in thousands)

	Year Ended December 31, 2012		Year Ended December 31, 2011		Change	
	Amount	%	Amount	%	Amount	%
Auction and liquidation	$ 17,257	43.3 %	$ 13,528	41.1 %	$3,729	27.6%
Valuation and appraisal	7,095	17.8 %	7,319	22.2 %	(224)	-3.1 %
UK retail stores	4,480	11.3 %	-	n/a	4,480	n/a
Corporate and other	11,002	27.6 %	12,099	36.7 %	(1,097)	-9.1 %
Total selling, general & administrative expenses	$ 39,834	100.0 %	$ 32,946	100.0 %	$6,888	20.9%

Total selling, general and administrative expenses increased $6.9 million, or 21.0%, to $39.9 million during the year ended December 31, 2012 from $33.0 million for the year ended December 31, 2011. Selling, general and administrative expenses in the auction and liquidation segment increased $3.7 million, to $17.2 million during the year ended December 31, 2012 from $13.5 million for the year ended December 31, 2011. The $3.7 million increase in selling, general and administrative expenses in the auction and liquidation segment was primarily due to an increase in (a) payroll and benefits expenses of $1.1 million due to the continued expansion of our operations in the United Kingdom in 2012, and (b) profit sharing and bonus expense of $4.7 million primarily related to our operations in the United Kingdom and increase in profitability of our GA Keen Realty division in 2012. These increases were offset by a decrease in professional and consulting fees of $1.0 million, $0.6 million decrease in bad debt expense, and a decrease in other operating expenses of $0.5 million which was primarily due to the favorable impact of foreign currency exchange rates from our United Kingdom operations in 2012. Bad debt expense was $(0.2) million in 2012, which represented recoveries of bad debts written off in 2011, as compared to bad debt expense of $0.4 million in 2011. These bad debt expense amounts primarily related to our wholesale and industrial operations in the auction and liquidation segment.

Selling, general and administrative expenses in the valuation and appraisal services segment decreased $0.2 million, or 3.1%, to $7.1 million during the year ended December 31, 2012 from $7.3 million for the year ended December 31, 2011. The decrease was primarily due to a decrease in headcount in administrative functions. Selling, general and administrative expenses in the UK retail stores segment of $4.5 million during the year ended December 31, 2012 relates to our acquisition of Shoon on May 4, 2012. These expenses include the operating expense of ten retail stores and the internet operations of Shoon in the United Kingdom and the corporate expenses of Shoon.

Selling, general and administrative expenses for corporate and other decreased $1.1 million, or 9.1%, to $11.0 million during the year ended December 31, 2012 from $12.1 million for the year ended December 31, 2011. The decrease was primarily due to (a) a decrease in compensation expense of $1.9 million for noncontrolling interests that primarily related to our majority owned subsidiary GA Capital, LLC, (b) a decrease of $0.3 million in share based compensation expense related to consideration paid to the Phantom Equityholders in connection with the Acquisition on July 31,

2009 that was incurred during the year ended December 31, 2011, where no corresponding expense was incurred during the year ended December 31, 2012. These decreases were offset by an increase in payroll and related expenses of $1.1 million that was primarily comprised of an increase in wages for additional hires and an increase in bonus expense in 2012.

Other Income. Other income was $1.4 million during the year ended December 31, 2012 as compared to other income of $0.1 million during the year ended December 31, 2011. Other income during the year ended December 31, 2012 was primarily comprised of (a) $0.2 million of interest income on our note receivable – related party as described in Note 10 to our consolidated financial statements; (b) $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, offset by $0.2 million from our loss from our 50% equity investment in Great American Group Real Estate, LLC.

Interest Expense. Interest expense was $2.6 million during the year ended December 31, 2012 as compared to $4.9 million during the year ended December 31, 2011. Interest expense during the year ended December 31, 2012 was primarily comprised of interest expense on the notes payable to the Great American Members and Phantom Equityholders of $2.1 million, amortization of deferred loan fees on our $100.0 million asset based credit facility of $0.3 million, and $0.2 million of interest expense we incurred on our accounts receivable revolving line of credit and amounts outstanding under of asset based credit facility for letters of credit. Interest expenses during the year ended December 31, 2011 was primarily comprised of interest expense on the notes payable to the Great American Members and Phantom Equityholders of $2.2 million, interest expense and amortization of deferred loan fees on our $100.0 million asset based credit facility of $1.8 million, interest expense and fees of $1.1 incurred for a note payable that was used to fund a portion of a retail liquidation engagement, interest expense on our accounts receivable revolving line of credit of $0.1 million, offset by the reversal of interest expense of $0.3 million that was accrued at December 31, 2010 on the note payable that is collateralized by machinery and equipment as more fully described in Note 8 to the accompanying consolidated financial statements. The reversal of interest expense was the result of the execution of the Second Amendment to Credit Agreement on the note payable that is collateralized by machinery and equipment during the first quarter of 2011.

Income Before Provision for Income Taxes. Income before provision for income taxes was $6.3 million during year ended December 31, 2012 compared to income before provision for income taxes of $2.7 million during the year ended December 31, 2011. The increase in income before provision for income taxes during the year ended December 31, 2012 was primarily due to a decrease in interest expense of $2.3 million and the gain from bargain purchase of $1.4 million as a result of the acquisition of Shoon on May 4, 2012.

Provision (Benefit) For Income Taxes. Provision for income taxes was $1.9 million during the year ended December 31, 2012 compared to a provision for income taxes of $2.1 million during the year ended December 31, 2011. The effective income tax rate was 30.8% during the year ended December 31, 2012 compared to an effective income tax rate of 77.4% during the year ended December 30, 2011. The effective rate for our provision for income taxes in 2012 was favorably impacted by lower income taxes from our foreign operations which included the operating results from our acquisition of Shoon on May 4, 2012 and the gain on bargain purchase of Shoon. The effective income tax rate on our provision for income taxes in 2011 was negatively impacted by the tax differential from the vesting of restricted stock.

Net Income Attributable to Noncontrolling Interests Net income attributable to noncontrolling interests represents the proportionate share of net income generated by Shoon that we do not wholly-own. During the year ended December 31, 2012, net income attributable to noncontrolling interests was $0.8 million.

Net Income (Loss) Attributable to the Company. Net income attributable to the Company for the year ended December 31, 2012 was $3.5 million compared to net income of $0.6 million during the year ended December 31, 2011. The increase in net income during the year ended December 31, 2012 as compared to the same period in 2011 was primarily due to a decrease in interest expense of $2.3 million and the gain from bargain purchase of $1.4 million

as a result of the acquisition of Shoon on May 4, 2012, offset by net income attributable to noncontrolling interests of $0.8 million.

Liquidity and Capital Resources

Our operations have been funded through a combination of our existing cash on hand, operating profits generated from operations, borrowings under our revolving credit facility, and special purpose financing arrangements. During the years ended December 31, 2013, 2012 and 2011 we generated net income of $1.1 million, $3.5 million and $0.6 million, respectively. Our cash flows and profitability are impacted by the number and size of retail liquidation engagements we perform on a quarterly or annual basis. Our cash flows are also impacted by our lending activities and interest expense on the $50.5 million of subordinated, unsecured promissory notes payable to the Great American Members and Phantom Equityholders. These factors have resulted in net cash used in operating activities of $3.2 million during the year ended December 31, 2013, net cash provided by operating activities of $16.2 million during the year ended December 31, 2012 and net cash used in operating activities of $2.0 million during the year ended December 31, 2011.

As of December 31, 2013, we had $18.9 million in unrestricted cash, $0.3 million of restricted cash, $0.3 million of borrowings outstanding on our accounts receivable revolving credit facility and $5.7 million of borrowing outstanding under our $100.0 million asset based credit facility. We believe that our current cash and cash equivalents, funds available under our asset based credit facilities 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.

Our principal sources of liquidity to finance our business is our existing cash on hand, cash flows generated from operating activities, funds available under revolving credit facilities and special purpose financing arrangements.

	Year Ended December 31,		
	2013	2012	2011
	(Dollars in thousands)		
Net cash provided by (used in):			
Operating activities	$(2,492)	$16,210	$(2,045)
Investing activities	5,482	(6,764)	1,240
Financing activities	(3,075)	(5,888)	(4,001)
Effect of foreign currecy on cash	231	129	(240)
Net (decrease) increase in cash and cash equivalents	$146	$3,687	$(5,046)

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Cash used in operating activities was $2.5 million for the year ended December 31, 2013 compared to cash provided by operating activities of $16.2 million in 2012. Cash used in operating activities in 2013 includes net income adjusted

for noncash items and changes in operating assets and liabilities. The decrease in cash provided by operating activities in 2013 was primarily due to a decrease in net income during the year ended December 31, 2013 to $0.6 million from net income of $4.4 million during the year ended December 31, 2012 and the impact of the sales-type financing we provided on the sale of four oil rigs. Cash provided by operating activities in 2012 was favorably impacted by the increase in cash flows from our lending activities in the United Kingdom related to the cash collections on our loan receivable in the amount of $8.5 million. There were no similar lending activities during the year ended December 31, 2013.

Cash provided by investing activities was $5.5 million for the year ended December 31, 2013 compared to cash used in investing activities of $6.8 million during the year ended December 31, 2012. During the year ended December 31, 2013, cash provided by investing activities was primarily comprised of (a) a $7.6 million decrease in restricted cash and (b) $0.6 million of cash collected from the note receivable – related party, offset by $1.2 million of cash used to purchase property and equipment.

Cash used in financing activities was $3.1 million for the year ended December 31, 2013 compared to cash used in financing activities of $5.9 million in 2012. During the year ended December 31, 2013, cash used in financing activities primarily consisted of $2.8 million for the repayment of borrowings under our notes payable, $2.0 million of repayments on our accounts receivable revolving line of credit, $1.7 million of principal payments on the notes payable to the Phantom Equityholders, $1.9 million of distributions to noncontrolling interests, offset by borrowings of $5.7 million on our asset based credit facility that was utilized to purchase goods held for sale or auction in our wholesale and industrial operations. Cash used in financing activities was $5.9 million for the year ended December 31, 2012. During the year ended December 31, 2012, cash used in financing activities primarily consisted of $2.1 million for the repayment of borrowings under our notes payable, $1.7 million of principal payments on the notes payable to the Phantom Equityholders, $2.5 million of distributions to noncontrolling interests, offset by an increase of $0.4 million on the accounts receivable revolving line of credit.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Cash provided by operating activities was $16.2 million for the year ended December 31, 2012 compared to cash used in operating activities of $2.0 million in 2011. Cash provided by operating activities in 2012 includes net income adjusted for noncash items and changes in operating assets and liabilities. The increase in cash provided by operating activities in 2012 was primarily due to an increase in net income during the year ended December 31, 2012 to $4.4 million from net income of $0.6 million during the year ended December 31, 2011. Cash provided by operating activities in 2012 was favorably impacted by the increase in cash flows from our lending activities in the United Kingdom related to the cash collections on our loan receivable in the amount of $8.5 million and cash received from the sale of one oil rig for $1.7 million that was included in goods held for sale or auction at December 31, 2011.

Cash used in investing activities was $6.8 million for the year ended December 31, 2012 compared to cash provided by investing activities of $1.2 million during the year ended December 31, 2011. During the year ended December 31, 2012, cash used in investing activities was primarily comprised of (a) $7.9 million increase in restricted cash of which $6.7 million was used to collateralize letters of credit that were issued in September 2012 for a retail liquidation engagement; (b) $1.2 million of cash used to acquire the retail operations of Shoon in the United Kingdom; (c) $0.6 million for the purchase of property and equipment; and (d) $0.2 million of cash used to fund our equity investment in Great American Real Estate, LLC, offset by $3.2 million of cash generated from investing activities from collections of our note receivable – related party.

Cash used in financing activities was $5.9 million for the year ended December 31, 2012 compared to cash used in financing activities of $4.0 million in 2011. During the year ended December 31, 2012, cash used in financing activities primarily consisted of $2.1 million for the repayment of borrowings under our notes payable, $1.7 million of principal payments on the notes payable to the phantom equityholders, $2.5 million of distributions to noncontrolling interests, offset by an increase of $0.4 million on the accounts receivable revolving line of credit. During the year ended December 31, 2011, cash used in financing activities included $1.7 million of principal payments on our notes payable to the Phantom Equityholders, $3.3 million of distributions to noncontrolling interests and $0.1 million for the payment of employment taxes on the vesting of restricted stock that was awarded to the Phantom Equityholders in connection with the Acquisition, offset by cash generated from financing activities of $1.9 million from our new accounts receivable revolving line of credit. Cash used in financing activities during the year ended December 31, 2011 also included borrowings of $7.0 million from a note payable and the repayment of the face amount of the note payable in the amount of $7.6 million that was used to finance one of our retail liquidation engagements.

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, 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. Borrowings under the credit facility are only made at the discretion of the lender and are generally required to be repaid within 180 days. 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. On March 19, 2014, the Company entered into the UK Credit Agreement with an affiliate of Wells Fargo Bank, National Association which provides for the financing of transactions in the United Kingdom. The UK Credit Agreement allows the Company to borrow up to £50 million. Any borrowings on the UK Credit Agreement reduce the availability on the asset based $100.0 million credit facility. The UK Credit Agreement is cross collateralized and integrated in certain respects with the Credit Agreement. 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. The credit agreements 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 December 31, 2013 and December 31, 2012, the outstanding balance under the credit facility for borrowings was $5.7 million and $0, respectively. At December 31, 2013, there were no outstanding letters of credit under the credit facility. At December 31, 2012, there were letters of credits outstanding for a retail liquidation engagement in the amount of 6.7 million that 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. GAGEE entered into a Fifth Amendment to the Credit Agreement effective December 31, 2013 which extended the maturity date of the note payable to June 30, 2015 and the interest rate remained at 0% through maturity. The Third, Fourth and Fifth 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, 2013, the lease payments collected from the lease of four oil rigs was used to reduce the outstanding note payable balance by $2.7 million, to $6.9 million at December 31, 2013 from $9.6 million at December 31, 2012. 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. Proceeds from the Accounts Receivable Line of Credit were used to pay off borrowings under the factoring agreement. The Accounts Receivable Line of Credit is collateralized by the accounts receivable of our majority owned subsidiary and allows for borrowings in the amount of 85% of the net face amount of prime accounts, as defined in the Accounts Receivable Line of Credit, with maximum borrowings not to exceed $2.0 million. The interest rate under the Accounts Receivable Line of Credit is the prime rate plus 2%, payable monthly in arrears. The Accounts Receivable Line of Credit was 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, 2015 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 of the Accounts Receivable Line of Credit. The finance company has the right to terminate the Accounts Receivable Line of Credit at its sole discretion upon giving sixty days' prior written notice. In connection with the Accounts Receivable Line of Credit, GAG, LLC entered into a limited continuing guaranty of our majority owned subsidiary's obligations under the Accounts Receivable Line of Credit. Borrowings outstanding under the Accounts Receivable Line of Credit were $0.3 million and $2.3 million at December 31, 2013 and 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 and no prepayment is due for the fiscal year ended December 31, 2013. 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 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 December 31, 2013, there was $48.8 million in aggregate principal amount outstanding owed to the Great American Members, all of which accrues interest at 3.75%. As of December 31, 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 January 31, 2014, the Company paid in full the $0.7 million of principal balance for the notes to the Phantom Equityholders that had the 12.0% interest rate.

Dialectic Loan Agreement

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

Off Balance Sheet Arrangements

On 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 payments on the note receivable totaling $3.2 million and recorded 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 year ended December 31, 2013 and interest income was $0.2 million for the year ended December 31, 2012. The note receivable in the amount of $0.6 million is included in note-receivable – related party as of December 31, 2012. The note receivable in the amount of $0.6 million was paid to the Company in August 2013.

Other than with respect to our arrangements with GAHA Fund II, LLC, as further described in Note 17 "Related Party Transactions" to our consolidated financial statements, we have no obligations, assets or liabilities which would be

considered off-balance sheet arrangements and do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, established for the purpose of facilitating off-balance sheet arrangements. We have not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

Contractual Obligations

The following table sets forth aggregate information about our contractual obligations as of December 31, 2013 and the periods in which payments are due:

	Payments due by period				
	Total	Less Than One Year	1-3 Years	4-5 Years	More Than 5 years
	(Dollars in thousands)				
Contractual Obligations					
Revolving credit facility, including interest	$333	$ 333	$ —	$ —	$ —
Asset based credit facility, including interest	5,710	5,710	—	—	—
Long-term debt, including interest	58,970	3,620	3,686	51,664	—
Notes payable, including interest	6,856	6,856	—	—	—
Operating lease obligations	7,862	1,590	3,029	2,803	440
Total	$79,731	$ 18,109	$ 6,715	$ 54,467	$ 440

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

Critical Accounting Policies

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

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

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

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

Our significant accounting policies are described in Note 2 to the consolidated financial statements included elsewhere in this Annual Report. Management believes that the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our financial statements.

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

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

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

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

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

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

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

Revenues from the sale of goods in our UK retail stores segment are recognized as revenue upon the sale of product to retail customers. Our net sales represent gross sales invoiced to customers, less certain related charges for discounts, returns, and other promotional allowances and are recorded net of sales or value added tax. Allowances provided for these items are presented in the consolidated financial statements primarily as reductions to sales and cost of sales.

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 year ended December 31, 2013, the terms of the lease 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.

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

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

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 that related to Shoon in the amounts of $26.

We have evaluated the current level of inventories considering historical sales, shrinkage and other factors and, based on this evaluation, we record adjustments to cost of goods sold to reflect inventories at net realizable value. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from actual results if future economic conditions, customer demand or competition differ from expectations.

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

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

Goodwill includes (i) the excess of the purchase price over the fair value of net assets acquired in a business combination described in Note 6 and (ii) an increase for the subsequent acquisition of noncontrolling interests during the year ended December 31, 2007 (also see Note 6). The Codification requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment). Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. The Company operates two reporting units, which are the same as its reporting segments described in Note 17. Significant judgment is required to estimate the fair value of reporting units which includes estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment.

When testing goodwill for impairment, we may assess qualitative factors for some or all of our reporting units to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, we may bypass this qualitative assessment for some or all of our reporting units and perform a detailed qualitative test of impairment (step 1). If we

perform the detailed qualitative impairment test and the carrying amount of the reporting unit exceeds its fair value, we would perform an analysis (step 2) to measure such impairment. In 2013, we elected to proceed to the qualitative assessment of the recoverability of our goodwill balances for each of our reporting units in performing our annual impairment test. Based on our qualitative assessments, we concluded that the fair values of each of our reporting units exceeded their carrying values and no impairments were identified.

In accordance with the Codification, the Company reviews the carrying value of its intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the asset or asset group to the undiscounted cash flows that the asset or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount of the asset or asset group, if any, exceeds its fair market value. No impairment was deemed to exist as of December 31, 2013.

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

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

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

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

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

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

New Accounting Standards

In February 2013, the 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.

The FASB has issued ASU No. 2013-11, *"Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force"*. The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments in the ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

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

The primary objective of the our investment activities is to preserve capital for the purpose of funding operations while at the same time maximizing the income it receives from its investments without significantly increasing risk. To achieve these objectives, our investments allow it to maintain a portfolio of cash equivalents and short-term investments through a variety of securities, including commercial paper, money market funds and certificates of deposit. Our cash and cash equivalents through December 31, 2013 included amounts in bank checking, certificates of deposit and liquid money market accounts. The Company believes it has minimal interest rate risk. A one percentage point decrease in the average interest rate on our portfolio would have reduced its interest income for the year ended December 31, 2013 by an immaterial amount.

Foreign Currency Risk

The majority of our operating activities are conducted in U.S. dollars. Approximately 21.0% of our net sales for the year ended December 31, 2013 were denominated in other currencies such as British Pounds and Euros. The financial statements of our foreign subsidiaries are translated into U.S. dollars at fiscal year-end rates, with the exception of revenues, costs and expenses, which are translated at average rates during the reporting period. We include gains and losses resulting from foreign currency transactions in income, while we exclude those resulting from translation of financial statements from income and include them as a component of accumulated other comprehensive income. Transaction gains included in our consolidated statement of operations, amounted to approximately $0.3 million during the year ended December 31, 2013, a gain of approximately $0.9 million for the year ended December 31, 2012 and a loss of approximately $0.2 million for the year ended December 31, 2011. Furthermore, a 10% appreciation of the U.S. dollar relative to the local currency exchange rates would have resulted in a net increase in our operating income of approximately $0.1 million for the year ended December 31, 2013. Conversely, a 10% depreciation of the U.S. dollar relative to the local currency exchange rates would have resulted in a net decrease in our operating income of approximately $0.1 million for the year ended December 31, 2013.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures. Based upon the foregoing evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that as of December 31, 2013 our disclosure controls and procedures were effective at the reasonable assurance level.

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

Changes in Our Controls

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

Report of Management on Internal Control over Financial Reporting

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

participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

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

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2014 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2013.

Item 11. EXECUTIVE COMPENSATION

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2014 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2013.

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

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2014 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2013.

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

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2014 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2013.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by this item is hereby incorporated by reference from our definitive Proxy Statement relating to the 2014 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2013.

45

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

1. *Financial Statements.* The Company's Consolidated Financial Statements as of December 31, 2013 and 2012 and for each of the three years in the year ended December 31, 2013 and the notes thereto, together with the report of the independent auditors on those Consolidated Financial Statements are hereby filed as part of this report, beginning on page F-1.

2. *Financial Statement Schedules.*

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

(b) Exhibits and Index to Exhibits, below.

Exhibit Index

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

3.1(1)	Certificate of Incorporation of Great American Group, Inc.
3.2(1)	Bylaws of Great American Group, Inc.
4.1(1)	Form of common stock certificate
10.1(4)	Credit Agreement, dated as of May 29, 2008, by and among Great American Group Energy Equipment, LLC, Garrison Loan Agency Services LLC and the lender parties thereto
10.2(4)	Great American Group, LLC Guaranty, dated as of May 29, 2008, by Great American Group, LLC in favor of Garrison Special Opportunities Fund LP., Gage Investment Group, LLC and Garrison Loan Agency Services LLC
10.3(5)	Forbearance Agreement, dated as of October 8, 2009, by and among Great American Group Energy Equipment, LLC, Great American Group, LLC, Garrison Special Opportunities Fund LP, Gage Investment Group LLC and Garrison Loan Agency Services LLC
10.4(4)	Security Agreement, dated as of May 29, 2008, by and among Great American Group Energy Equipment, LLC, Great American Group, LLC and Garrison Loan Agency Services LLC
10.5(9)	Amended and Restated Credit Agreement, dated as of December 8, 2010, by and between Great American Group WF, LLC as US Borrower, GA Asset Advisors Limited, as English Borrower, and Wells Fargo Bank, National Association
10.6(9)	Amended and Restated Guaranty, dated as of December 8, 2010, by Great American Group, Inc. and Great American Group, LLC, in favor of Wells Fargo Bank, National Association

10.7(4)	Security Agreement, dated as of October 21, 2008, by and between Great American Group WF, LLC and Wells Fargo Bank, National Association (Successor to Wells Fargo Retail Finance, LLC)
10.8(4)	Form of promissory note issued by Great American Group, Inc. in favor of each Contribution Consideration Recipient
10.9(3)	Registration Rights Agreement, dated as of July 31, 2009, by and among Great American Group, Inc. and the stockholders of Great American Group, Inc. named therein
10.10(3)	Escrow Agreement, dated as of July 31, 2009, by and among Great American Group, Inc., the Member Representative and Continental Stock Transfer & Trust Company
10.11(1)	Letter Agreement, dated May 14, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc., Great American Group, LLC and the stockholders of Alternative Asset Management Acquisition Corp. named therein
10.12(1)	Amendment to Letter Agreement, dated as of July 8, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc., Great American Group, LLC and the stockholders of Alternative Asset Management Acquisition Corp. named therein
10.13(3)	Amendment to Letter Agreement, dated as of July 28, 2009, by and among Alternative Asset Management Acquisition Corp., Great American Group, Inc., Great American Group, LLC and the stockholders of Alternative Asset Management Acquisition Corp. named therein
10.14(3)#	Form of Director and Officer Indemnification Agreement
10.15(3)#	Employment Agreement, dated July 31, 2009, by and between Great American Group, Inc. and Harvey M. Yellen
10.16(3)#	Employment Agreement, dated July 31, 2009, by and between Great American Group, Inc. and Andrew Gumaer
10.17(3)#	Employment Agreement, dated July 31, 2009, by and between Great American Group, Inc. and Scott Carpenter
10.18(4)	Form of Phantom Equityholder Amendment Agreement and Release
10.19(4)	Form of Phantom Equityholder Acknowledgement to Amendment No. 3 to Agreement and Plan of Reorganization
10.20(4)#	Great American Group, Inc. Amended and Restated 2009 Stock Incentive Plan
10.21(4)	Sixth Amended and Restated Operating Agreement for Great American Group Advisory & Valuation Services, LLC, dated as of January 1, 2008, by and among Great American Group, LLC, Lester Friedman, John Bankert, Michael Marchlik, and Ken Bloore
10.22(4)	Operating Agreement for Great American Group Machinery & Equipment, LLC, dated as of April 10, 2007, by and among Great American Group, LLC, Marc Swirsky, Lester Friedman, Paul Erickson and John

	Bankert
10.23(6)	Amendment to Credit Agreement, dated as of December 18, 2009, by and among Great American Group Energy Equipment, LLC, Garrison Special Opportunities Fund LP and Garrison Loan Agency Services LLC
10.24(7)	Form of Amendment No. 1 to Subordinated Unsecured Promissory Note, dated as of April 30, 2010, by and between the Company and each of the Great American Members
10.25(7)	Form of Amendment No. 1 to Subordinated Unsecured Promissory Note, dated as of April 30, 2010, by and between the Company and certain of the Phantom Equityholders
10.26(8)	Second Amendment to and Extension of Credit Agreement and Omnibus Ratification of Loan Documents, dated as of July 16, 2010, by and between Great American Group WF, LLC and Wells Fargo Retail Finance, LLC
10.27(9)	Form of Waiver to Subordinated Unsecured Promissory Note, dated as of October 27, 2010
10.28(10)	Waiver and Second Amendment to Credit Agreement, dated as of May 9, 2011, by and among Great American Group Energy Equipment, LLC, Great American Group, LLC and Garrison Loan Agency Services LLC

10.29(11)	Loan and Security Agreement (Accounts Receivable & Inventory Line of Credit), dated as of May 17, 2011, by and between BFI Business Finance and Great American Group Advisory & Valuation Services, LLC
10.30(12)	Form of Waiver to Subordinated Unsecured Promissory Note with Phantom Equityholders
10.31(12)	Form of Amendment No. 2 to Subordinated Unsecured Promissory Note, dated as of July 31, 2011, by and between the Company and each of the Great American Members
10.32(13)	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
10.33(13)	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
10.34(14)	Uncommitted Liquidation Finance Agreement, dated as of March 19, 2014, by and among GA Asset Advisors Limited, each special purpose vehicle affiliated to GA Asset Advisors Limited which accedes to such agreement, and Burdale Financial Limited.
10.35(14)	Master Guarantee and Indemnity, dated as of March 19, 2014, by and among GA Asset Advisors Limited, the Company, Great American Group, LLC, Great American Group WF, LLC, Burdale Financial Limited and Wells Fargo Bank, National Association.
21(4)	Subsidiary List
31.1*	Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
31.2*	Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document

101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

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

\# Management contract or compensatory plan or arrangement.

(1) Incorporated by reference to the registrant's Registration Statement on Form S-4 (File No. 333-159644) declared effective by the Commission on July 17, 2009.

(2) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on July 30, 2009.

(3) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on August 6, 2009.

(4) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q filed with the SEC on August 31, 2009.

(5) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on October 15, 2009.

(6) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on January 7, 2010.

(7) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on May 7, 2010.

(8) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q filed with the SEC on November 15, 2010.

(9) Incorporated by reference to the registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2011.

(10) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q filed with the SEC on May 16, 2011.

(11) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on May 26, 2011.

(12) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on August 4, 2011.

(13) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on July 19, 2013.

(14) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on March 25, 2014.

SIGNATURES

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

Great American Group, Inc.

Date: March 31, 2014 /s/ PHILLIP J. AHN
(Phillip J. Ahn, Chief Operating Officer and Chief Financial Officer)

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

Signature	Title	Date
/s/ ANDREW GUMAER (Andrew Gumaer)	Chief Executive Officer and Director (Principal Executive Officer)	March 31, 2014
/s/ PHILLIP J. AHN (Phillip J. Ahn)	Chief Operating Officer and Chief Financial Officer (Principal Financial Officer)	March 31, 2014
/s/ HOWARD E. WEITZMAN (Howard E. Weitzman)	Chief Accounting Officer (Principal Accounting Officer)	March 31, 2014
/s/ HARVEY M. YELLEN (Harvey M. Yellen)	President, Vice Chairman and Director	March 31, 2014
/s/ MATTHEW J. HART (Matthew J. Hart)	Director	March 31, 2014
/s/ HUGH G. HILTON (Hugh G. Hilton)	Director	March 31, 2014
/s/ MARK D. KLEIN (Mark D. Klein)	Director	March 31, 2014
/s/ BRYANT R. RILEY (Bryant R. Riley)	Director	March 31, 2014

49

GREAT AMERICAN GROUP, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Comprehensive Income (Loss)	F-5
Consolidated Statements of Equity (Deficit)	F-6
Consolidated Statements of Cash Flows	F-7
Notes to Consolidated Financial Statements	F-9

Report of Independent Registered Public Accounting Firm

To the Board of Directors of

Great American Group, Inc.

We have audited the accompanying consolidated balance sheets of Great American Group, Inc. and Subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), equity (deficit) and cash flows for each of the years in the three year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Great American Group, Inc. and Subsidiaries as of December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the years in the three year period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP
Marcum LLP

Melville, New York
March 31, 2014

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value)

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 18,867	$ 18,721
Restricted cash	325	7,923
Accounts receivable, net	8,858	16,591
Lease finance receivable	8,099	—
Advances against customer contracts	1,058	2,441
Inventory	—	2,216
Goods held for sale or auction	13,964	10,196
Note receivable related party - current portion	703	611
Deferred income taxes	3,870	4,114
Prepaid expenses and other current assets	948	1,145
Total current assets	56,692	63,958
Note receivable related party - net of current portion	497	—
Property and equipment, net	1,090	970
Goodwill	5,688	5,688
Other intangible assets, net	140	140
Deferred income taxes	8,739	9,484
Other assets	831	343
Total assets	$ 73,677	$ 80,583
Liabilities and Equity (Deficit)		
Current liabilities:		
	$ 11,578	$ 16,886

Accounts payable and accrued liabilities		
Due to related parties	45	—
Auction and liquidation proceeds payable	—	864
Mandatorily redeemable noncontrolling interests	2,823	2,856
Asset based credit facility	5,710	—
Revolving credit facility	333	2,304
Current portion of long-term debt	1,724	1,724
Notes payable	6,856	9,628
Current portion of capital lease obligation	—	13
Total current liabilities	29,069	34,275
Long-term debt, net of current portion	48,759	50,483
Total liabilities	77,828	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 and outstanding as of December 31, 2013 and 2012, respectively	4	4
Additional paid-in capital	3,082	3,082
Retained earnings (deficit)	(6,611)	(7,669)
Accumulated other comprehensive income (loss)	(638)	(520)
Total Great American Group, Inc. stockholders' equity (deficit)	(4,163)	(5,103)
Noncontrolling interests	12	928

Total equity (deficit)		(4,151)			(4,175)
Total liabilities and equity (deficit)	$	73,677		$	80,583

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

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except share data)

	Year Ended December 31,		
	2013	2012	2011
Revenues:			
Services and fees	$59,967	$65,624	$60,627
Sale of goods	16,165	18,312	2,899
Total revenues	76,132	83,936	63,526
Operating expenses:			
Direct cost of services	24,146	23,911	19,749
Cost of goods sold	11,506	12,750	3,391
Selling, general and administrative	36,382	39,834	32,946
Total operating expenses	72,034	76,495	56,086
Operating income	4,098	7,441	7,440
Other income (expense):			
Interest income	26	201	476
Loss from equity investment in Great American Real Estate, LLC	(21)	(120)	(369)
Loss from equity investment in Shoon Trading Limited	(156)	—	—
Gain from bargain purchase	—	1,366	—
Interest expense	(2,667)	(2,612)	(4,885)
Income before provision for income taxes	1,280	6,276	2,662
Provision for income taxes	(704)	(1,936)	(2,060)
Net income	576	4,340	602
Net income (loss) attributable to noncontrolling interests	(482)	819	—
Net income attributable to Great American Group, Inc.	$1,058	$3,521	$602
Basic earnings per share	$0.04	$0.12	$0.02
Diluted earnings per share	$0.04	$0.12	$0.02
Weighted average basic shares outstanding	28,682,975	28,682,975	28,539,651
Weighted average diluted shares outstanding	29,907,402	29,614,252	29,408,466

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

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPHREHENSIVE INCOME (LOSS)

(Dollars in thousands)

	Year Ended December 31,		
	2013	2012	2011
Net income	$ 576	$ 4,340	$ 602
Other comprehensive income:			
Change in cumulative translation adjustment	(118)	(273)	(254)
Other comprehensive loss, net of tax	(118)	(273)	(254)
Total comprehensive income	458	4,067	348
Comprehensive income (loss) attributable to noncontrolling interests	(482)	819	—
Comprehensive income attributable to Great American Group, Inc.	$ 940	$ 3,248	$ 348

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

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

(Dollars in thousands)

	Preferred Stock		Common Stock		Additional Paid-in	Retained Earnings	Accumulated Other Comprehensive	Noncontrolling	Total Equity
	Shares	Amount	Shares	Amount	Capital	(Deficit)	Loss	Interests	(Deficit)
Balance, January 1, 2011	—	$ —	30,559,036	$ 4	$ 2,878	$ (11,792)	$ 7	$ —	$ (8,903)
Net income	—	—	—	—	—	602	—	—	602
Foreign currency translation adjustment	—	—	—	—	—	—	(254)	—	(254)
Vesting of restricted stock, net of shares withheld for employee taxes	—	—	442,573	—	(132)	—	—	—	(132)
Share based compensation	—	—	—	—	431	—	—	—	431
Balance, December 31, 2011	—	—	31,001,609	4	3,177	(11,190)	(247)	—	(8,256)
Net income	—	—	—	—	—	3,521	—	819	4,340
Foreign currency translation adjustment	—	—	—	—	—	—	(273)	—	(273)
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	—	—	—	—	—	—	—	31	31
Adjustments for restricted stock awards	—	—	1,366	—	—	—	—	—	—
Balance, December 31, 2012	—	—	30,002,975	4	3,082	(7,669)	(520)	928	(4,175)
Net income	—	—	—	—	—	1,058	—	(482)	576
Change in noncontrolling interest from deconsolidation of Shoon Trading Limited	—	—	—	—	—	—	—	(434)	(434)
Foreign currency translation adjustment	—	—	—	—	—	—	(118)	—	(118)

Balance, December 31, 2013	—	$ —	30,002,975	$ 4	$ 3,082	$(6,611)	$ (638)	$ 12	$(4,151)

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

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

CONSOLDIATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Year ended December 31,		
	2013	2012	2011
Cash flows from operating activities:			
Net income	$576	$4,340	$602
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,863	835	981
Provision for doubtful accounts	(12)	108	424
Impairment of goods held for sale or auction	428	194	159
Share-based payments	—	—	431
Effect of foreign currency on operations	226	(98)	(14)
Noncash interest expense	—	—	1,083
Amortization of discount on note payable	—	—	609
Loss from equity investment in Great American Real Estate, LLC and Shoon Trading Limited	177	120	369
Gain from bargain purchase	—	(1,366)	—
Loss on disposal of assets	—	3	4
Deferred income taxes	989	1,366	1,871
Change in fair value of mandatorily redeemable noncontrolling interests	—	—	(83)
Income allocated to mandatorily redeemable noncontrolling interests	1,897	1,928	3,934
Change in operating assets and liabilities:			
Accounts receivable and advances against customer contracts	5,145	(6,172)	(7,032)
Lease finance receivable	(8,099)	—	—
Income taxes receivable	—	—	—
Inventory	455	1,618	—
Goods held for sale or auction	(1,625)	2,361	224
Loan receivable	156	8,519	(8,306)
Prepaid expenses and other assets	167	(33)	1,093
Accounts payable and accrued expenses	(3,971)	1,641	3,300
Auction and liquidation proceeds payable	(864)	846	(1,694)
Net cash (used in) provided by operating activities	(2,492)	16,210	(2,045)
Cash flows from investing activities:			
Acquisition of business	—	(1,246)	—
Deconsolidation of Shoon Trading Limited	(1,564)	—	—
Purchase of noncontrolling interest in subsidiary	—	(95)	—
Purchases of property and equipment	(1,142)	(634)	(264)
Proceeds from sale of property and equipment	—	21	—
Decrease in notes receivable - related party	611	3,233	2,706

Equity investment in Great American Real Estate, LLC	(21)	(120)	(1,202)
Decrease (increase) in restricted cash	7,598	(7,923)	—
Net cash provided by (used in) investing activities	5,482	(6,764)	1,240
Cash flows from financing activities:			
Proceeds from (repayments of) revolving line of credit	(1,971)	362	1,942
Proceeds from asset based credit facility	5,710	—	—
Proceeds from note payable	—	—	7,000
Payment of financing costs	(375)	—	—
Repayment of notes payable and capital lease obligations	(2,785)	(2,138)	(7,786)
Repayments of long-term debt	(1,724)	(1,724)	(1,724)
Payment of employment taxes on vesting of restricted stock	—	—	(132)
Proceeds from formation of noncontrolling interests	—	78	—
Distributions to noncontrolling interests	(1,930)	(2,466)	(3,301)
Net cash (used in) provided by financing activities	(3,075)	(5,888)	(4,001)
Effect of foreign currency on cash	231	129	(240)
Net increase (decrease) in cash and cash equivalents	146	3,687	(5,046)
Cash and cash equivalents, beginning of year	18,721	15,034	20,080
Cash and cash equivalents, end of year	$18,867	$18,721	$15,034

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

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

CONSOLDIATED STATEMENTS OF CASH FLOWS, Continued

(Dollars in thousands)

	Year ended December 31,		
	2013	2012	2011
Supplemental disclosures:			
Interest paid	$2,680	$2,616	$2,424
Income taxes paid	175	278	11
Supplemental disclosure of noncash investing and financing activities:			
Accrued interest added to Note payable principal balance	$—	$—	$1,762

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

GREAT AMERICAN GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

NOTE 1—ORGANIZATION, BUSINESS OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Great American Group, Inc. (the "Company") provides 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 services firms throughout the United States, Canada, and the United Kingdom. The Company operates in two operating segments: auction and liquidation services ("Auction and Liquidation") and valuation and appraisal services ("Valuation and Appraisal"). In the Auction and Liquidation segment, the Company provides auction and liquidation services to help clients dispose of assets, capital advisory and real estate 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 Company previously had a third segment relating to UK retail stores ("UK Retail Stores"). The UK Retail Stores segment included 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 enabled the Company to control the board of directors of Shoon, as more fully described in Note 18. As a result of this amendment, the Company no longer controlled the board of directors of Shoon, no longer operated in the UK Retail Stores segment, and Shoon's operating results are not consolidated for any periods after July 31, 2013. In January 2014, Shoon was sold to a third party, and the Company no longer has a financial interest in the operations of Shoon.

The Company was incorporated in Delaware on May 7, 2009 as a wholly-owned subsidiary of Alternative Asset Management Acquisition Corp. ("AAMAC"). The Company was formed as a "shell company" for the purpose of acquiring Great American Group, LLC ("GAG, LLC"), a California limited liability company. On July 31, 2009, the members of GAG, LLC (the "Great American Members") contributed all of their membership interests of GAG, LLC to the Company (the "Contribution") in exchange for 10,560,000 shares of common stock of the Company and a subordinated unsecured promissory note in an initial principal amount of $60,000 issued in favor of the Great American Members and the phantom equityholders of GAG, LLC (the "Phantom Equityholders", and together with the Great American Members, the "Contribution Consideration Recipients") (see Note 9). Concurrently with the Contribution, AAMAC merged with and into AAMAC Merger Sub, Inc. ("Merger Sub"), a subsidiary of the Company (the "Merger" and, together with the Contribution, the "Acquisition"). As a result of the Acquisition, GAG, LLC and

AAMAC became wholly-owned subsidiaries of the Company. The Acquisition has been accounted for as a reverse merger accompanied by a recapitalization of the Company.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries: AAMAC, GAG LLC, Great American Group Advisory & Valuation Services, LLC ("GAAV"), Great American Group Machinery & Equipment, LLC ("GAME"), Great American Group Real Estate, LLC, Great American Venture, LLC, Great American Group Energy Equipment, LLC (GAGEE"), Great American Group Intellectual Property Advisors, LLC, GA Capital, LLC, GA Asset Advisors Limited, GAC Strategic Advisors, LLC, and Great American Group WF, LLC. The consolidated financial statements also include the accounts of Great American Global Partners, LLC which is controlled by the Company as a result of its ownership of a 50% member interest, appointment of two of the three executive officers and significant influence over the funding of operations. All intercompany accounts and transactions have been eliminated upon consolidation.

The accounting guidance requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity; to require ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE; to eliminate the solely quantitative approach previously required for determining the primary beneficiary of a VIE; to add an additional reconsideration event for determining whether an entity is a VIE when any changes in facts and circumstances occur such that holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity's economic performance; and to require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise's involvement in a VIE. As more fully described in Note 17, the Company determined that its' equity investment and subordinated financing arrangements with Great American Real Estate, LLC ("GARE"), a joint venture 50% owned by the Company and Kelly Capital, LLC, changes the status of GARE to a VIE that does not require consolidation in the Company's consolidated financial statements. The adoption of these changes had no material impact on the Company's consolidated financial statements.

(b) Use of Estimates

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

(c) Revenue Recognition

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

Revenues in the Valuation and Appraisal segment are primarily comprised of fees for valuation and appraisal services. Revenues are recognized upon the delivery of the completed services to the related customers and collection of the fee is reasonably assured. Revenues in the Valuation and Appraisal segment also include contractual reimbursable costs which totaled $2,811, $2,704 and $2,419 for the years ended December 31, 2013, 2012 and 2011, respectively.

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

Commission and fees earned on the sale of goods at auction and liquidation sales are recognized when evidence of an arrangement exists, the sales price has been determined, title has passed to the buyer and the buyer has assumed the risks of ownership, and collection is reasonably assured. The commission and fees earned for these services are included in revenues in the accompanying consolidated statements of operations. Under these types of arrangements, revenues also include contractual reimbursable costs which totaled $5,620, $5,295 and $3,791 for the years ended December 31, 2013, 2012, and 2011, respectively.

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

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

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

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 year ended December 31, 2013, the terms of the lease 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 year ended December 31, 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, if the fee is fixed and determinable and collection is reasonably assured.

Revenues from the sale of goods in our UK retail stores segment are recognized as revenue upon the sale of product to retail customers through July 31, 2013. Our net sales represent gross sales invoiced to customers, less certain related charges for discounts, returns, and other promotional allowances and are recorded net of sales or value added tax. Allowances provided for these items are presented in the consolidated financial statements primarily as reductions to sales and cost of sales.

In the normal course of business, the Company will enter into collaborative arrangements with other merchandise liquidators to collaboratively execute auction and liquidation contracts. The Company's collaborative arrangements specifically include contractual agreements with other liquidation agents in which the Company and such other liquidation agents actively participate in the performance of the liquidation services and are exposed to the risks and rewards of the liquidation engagement. The Company's participation in collaborative arrangements including its rights and obligations under each collaborative arrangement can vary. Revenues from collaborative arrangements are recorded net based on the proceeds received from the liquidation engagement. Amounts paid to participants in the collaborative arrangements are reported separately as direct costs of revenues. Revenue from collaborative arrangements in which the Company is not the majority participant is recorded net based on the Company's share of proceeds received. There were revenues of $8,094, $4,238 and $11,739 and direct cost of services of $1,073, $3,331 and $1,301 subject to collaborative arrangements during the years ended December 31, 2013, 2012 and 2011, respectively.

(e) Direct Cost of Services

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

(f) Concentration of Risk

Revenues from one liquidation service contract to a retailer and the sale of four oil rigs to one customer represented 10.7% and 12.2% of total revenues during the year ended December 31, 2013. Revenues from one liquidation service

contract to a retailer represented 14.4% of total revenues during the year ended December 31, 2012. Revenues from liquidation service contracts and financing activities to two retailers represented 15.2% and 11.7% of total revenues during the year ended December 31, 2011. Revenues in the Valuation and Appraisal segment and the Auction and Liquidation segment are primarily generated in the United States and Europe.

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

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

(g) Advertising Expense

The Company expenses advertising costs, which consist primarily of costs for printed materials, as incurred. Advertising costs totaled $446, $698 and $465 for the years ended December 31, 2013, 2012, and 2011, respectively. Advertising expense is included as a component of selling, general and administrative expenses in the accompanying consolidated statement of operations.

(h) Share-Based Compensation

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

(i) Income Taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated 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.

(j) Cash and Cash Equivalents

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

(k) Restricted Cash

The Company maintains deposits in accounts under the control of a financial institution as collateral for letters of credit relating to liquidation engagements in connection with the $100,000 credit facility described in Note 8(a) and the $6,856 note payable described in Note 10. As of December 31, 2013 and 2012, restricted cash included $165 of cash collateral for electronic payment processing in the United Kingdom and $6,667 of cash collateral for the letters of credit. As of December 31, 2013 and 2012, restricted cash also included $160 and $1,256 of cash collected from the leasing transactions related to four oil rigs that collateralize the related note payable, which had an outstanding principal amount of $6,856 as of December 31, 2013.

(l) Accounts Receivable

Accounts receivable represents amounts due from the Company's auction and liquidation and valuation and appraisal customers. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management utilizes a specific customer identification methodology. Management also considers historical losses adjusted for current market conditions and the customers' financial condition and the current receivables aging and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance sheet credit exposure related to its customers. The Company's bad debt expense (recoveries of bad debt) totaled $18, $108 and $424 for the years ended December 31, 2013, 2012 and 2011, respectively. These amounts are included as a component of selling, general and administrative expenses in the accompanying consolidated statement of operations.

(m) Advances Against Customer Contracts

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

(n) Inventory

Merchandise inventories at December 31, 2012 relate to the operations of Shoon and 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.

(o) 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.

(p) Lease Finance Receivable

Lease finance receivables consist of the Company's net investment in sales-type leases for four oil rigs as of December 31, 2013. As of December 31, 2013, the remaining gross lease payments in accordance with the purchase lease of $8,609 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 Company is currently in negotiations with the lessee to modify the terms of the lease. The lease finance receivable is comprised of the following:

	December 31, 2013
Minimum lease payment receivable	$ 4,367
Lease purchase option	4,242
Unearned income	(510)
Total lease finance receivable	$ 8,099

(q) Loan Receivable

During the year ended December 31, 2012, the Company collected the loan receivable that had a remaining balance of $8,306 at December 31, 2011. The loan receivable was acquired in 2011 from an investment bank at a discount from face value and provided financing to a retail company with operations in the United Kingdom. Interest income is recognized using the interest method and the discount is amortized to income over the stated term of the loan receivable. Financing revenues earned from the loan receivable totaled $5,030 and $1,471 during the years ended December 31, 2012 and 2011, respectively. Financing revenues included interest income of $641, amortization of discount on the loan receivable of $4,077 and loan monitoring fees of $312 during the year ended December 31, 2012 and interest income of $883 and amortization of discount on the loan receivable of $588 during the year ended December 31, 2011. These revenues from financing activities in included in revenues from services and fees in the auction and liquidation segment in the consolidated statements of operations.

(r) 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 were stated at the present value of minimum lease payments.

(s) Goodwill and Other Intangible Assets

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

Goodwill includes (i) the excess of the purchase price over the fair value of net assets acquired in a business combination described in Note 6 and (ii) an increase for the subsequent acquisition of noncontrolling interests during the year ended December 31, 2007 (also see Note 6). The Accounting Standards Codification (“Codification”) requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment). Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. The Company operates two reporting units, which are the same as its reporting segments described in Note 19. Significant judgment is required to estimate the fair value of reporting units which includes estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment.

When testing goodwill for impairment, the Company may assess qualitative factors for some or all of our reporting units to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, the Company may bypass this qualitative assessment for some or all of our reporting units and perform a detailed quantitative test of impairment (step 1). If the Company performs the detailed quantitative impairment test and the carrying amount of the reporting unit exceeds its fair value, the Company would perform an analysis (step 2) to measure such impairment. In 2013, the Company first performed a qualitative assessment to identify and evaluate events and circumstances to conclude whether it is more likely than not that the fair value of the Company's reporting units are less than its carrying amounts. Based on the Company's qualitative assessments, the Company concluded that a positive assertion can be made from the qualitative assessment that it is more likely than not that the fair value of the reporting units exceeded their carrying values and no impairments were identified.

In accordance with the Codification, the Company reviews the carrying value of its amortizable intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the asset or asset group to the undiscounted cash flows that the asset or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount of the asset or asset group, if any, exceeds its fair market value. No impairment was deemed to exist as of December 31, 2013.

(t) Fair Value Measurements

The Company records mandatorily redeemable noncontrolling interests that were issued after November 5, 2003 at fair value (see Note 14(b)) with fair value determined in accordance with the Codification. The following table below presents information about the Company's mandatorily redeemable noncontrolling interests that are measured at fair value on a recurring basis as of December 31, 2013 and 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 December 31, 2013 and 2012.

	Financial Assets Measured at Fair Value on a Recurring Basis at December 31, 2013, Using			
	Fair Value at December 31, 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	$ 2,273	$ -	$ -	$ 2,273
Total liabilities measured at fair value	$ 2,273	$ -	$ -	$ 2,273

	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 change in liabilities measured and recorded at fair value is comprised of an increase of $27 and a decrease of $636 in earnings attributable to the noncontrolling interest during the years ended December 31, 2013 and 2012, respectively.

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

(u) Foreign Currency Translation

The Company transacts business in various foreign currencies. In countries where the functional currency of the underlying operations has been determined to be the local country's currency, revenues and expenses of operations outside the United States are translated into United States dollars using average exchange rates while assets and liabilities of operations outside the United States are translated into United States dollars using year-end exchange rates. The effects of foreign currency translation adjustments are included in stockholders' equity as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets. Transaction gains were $257 and $892 during the years ended December 31, 2013 and 2012, respectively, and transaction losses were $218 during the year ended December 31, 2011. These amounts are included in selling, general and administrative expenses in our consolidated statements of operations.

(v) 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 consolidated financial statements.

The FASB has issued ASU No. 2013-11, *"Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force".* The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments in the ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted.

NOTE 3— ACCOUNTS RECEIVABLE

The components of accounts receivable net include the following:

December 31, 2013	December 31, 2012

Accounts receivable	$ 8,402	$ 16,350
Unbilled receivables	731	612
Total accounts receivable	9,133	16,962
Allowance for doubtful accounts	(275)	(371)
Accounts receivable, net	$ 8,858	$ 16,591

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

	Year Ended December 31,		
	2013	2012	2011
Balance, beginning of year	$ 371	$ 424	$ 15
Add: Additions to reserve	18	108	424
Less: Write-offs	(84)	(12)	(15)
Less: Recoveries	(30)	(149)	-
Balance, end of year	$ 275	$ 371	$ 424

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

GAAV is a party to a factoring agreement, dated as of May 22, 2007 (the "Factoring Agreement") with FCC LLC, d/b/a First Capital Western Region, LLC (the "Factor"). The Factoring Agreement provided for an initial term of two years and annual one-year automatic extensions unless GAAV provides written notice of termination to the Factor. The Factor, at its discretion, purchased on a nonrecourse basis, all of the GAAV's customer receivables. The Factor was responsible for servicing the receivables. The terms of the Factoring Agreement allowed for the Factor to pay 90% of the net receivable invoice amount upon request by GAAV and retain the remaining 10% in a reserve. The Factor, at its discretion, could offset the reserve for amounts not collected or outstanding at the end of the term of the Factoring Agreement. The Factor charged a factoring commission equal to 0.25% of the gross invoice amount of each account purchased, or five dollars per invoice, whichever is greater, with a minimum commission of $24 per year. The Factor also charged interest at prime plus 1% with a floor of 8% on the net uncollected outstanding balance of the receivables purchased. Effective December 1, 2009, the interest charged by the Factor was reduced to London Interbank Offered Rate ("LIBOR") plus 4.5% on the net uncollected outstanding balance of the receivables purchased. One of the members of the GAAV personally guaranteed up to a maximum of $500 plus interest and certain fees for accounts receivables sold pursuant to the Factoring Agreement. On May 20, 2011, the Factoring Agreement was terminated and replaced with an accounts receivable revolving line of credit described in Note 8.

The sale of receivables were accounted for in accordance with the accounting guidance for transfers and servicing of financial assets and extinguishments of liabilities. In accordance with the Codification, receivables were considered sold when they were transferred beyond the reach of the Company and its creditors, the purchaser had the right to pledge or exchange the receivables, and the Company had surrendered control over the transferred receivables. Accounts receivable sold to the Factor were $5,147 during the year ended December 31, 2011. Factoring commissions and other fees based on advances were $38 for the year ended December 31, 2011. Factoring commissions and other fees are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

At December 31, 2013 and 2012, accounts receivable in the amount of $1,284 and $2,947, respectively, were collateralized by the new accounts receivable revolving line of credit more fully described in Note 8.

NOTE 4— GOODS HELD FOR SALE OR AUCTION

Goods held for sale or auction consists of the following:

	December 31,	
	2013	2012
Machinery and equipment	$13,464	$257
Leased equipment	-	9,219
Aircraft parts and other	500	720

Total	$13,964	$10,196

Goods held for sale or auction includes machinery and equipment, leased equipment and aircraft parts and other. At December 31, 2013, machinery and equipment consists of $10,756 of machinery and equipment and oil rigs with a carrying value of $2,708. 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(p). This amendment caused a change in 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 third quarter of 2013. Aircraft parts and other is primarily comprised of aircraft parts with a carrying value of $500 and $720 which includes a lower of cost or market adjustment of $897 and $714 as of December 31, 2013 and 2012, respectively. The total amount recorded by the Company for a lower-of-cost or market adjustment for goods held for sale or auction was $405, $194 and $159 during the years ended December 31, 2013, 2012 and 2011, respectively.

The leased equipment at December 31, 2012 consisted of oil rigs that are depreciated over a period of 15 years which approximates their useful life. The Company has recorded deferred revenue of $1,076 at December 31, 2012, which represents non-refundable rent and deposits collected that may be applied to the purchase option at the end of the lease terms in accordance with the lease agreements for the oil rigs. The deferred revenue of $1,076 at December 31, 2012 was recorded as revenue from the sale of the four oil rigs in July 2013 as described above. Depreciation expense on the leased equipment was $1,252 and $209 during the years ended December 31, 2013 and 2012, respectively.

The leased equipment with a carrying value of $2,708 as of December 31, 2013 serves as collateral for the related note payable, which had an outstanding principal amount of $6,856 as of December 31, 2013, as more fully described in Note 10.

NOTE 5— PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Estimated Useful Lives	December 31, 2013	2012
Leasehold improvements	Shorter of lease or estimated useful life	$296	$282
Machinery, equipment and computer software	3 years	2,179	2,047
Furniture and fixtures	5 years	1,176	974
Capital lease equipment	3 to 5 years	388	388
Total		4,039	3,691
Less: Accumulated depreciation and amortization		(2,949)	(2,721)
		$1,090	$970

Depreciations and amortization expense was $611, $626 and $713 during the years ended December 31, 2013, 2012, and 2011, respectively.

NOTE 6— GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is comprised of $1,975 in the Auction and Liquidation segment and $3,713 in the Valuation and Appraisal segment. Goodwill of $1,975 in the Auction and Liquidation and $2,353 in the Valuation and Appraisal segment is the result of the acquisition of Garcel, Inc. on July 1, 2005. The remaining goodwill of $1,360 in the Valuation and Appraisal segment is the result of the allocation of purchase price in excess of the book value of the noncontrolling interests that were purchased from a member of GAAV during the year ended December 31, 2007. There have been no changes to the carrying amount of goodwill since December 31, 2007.

Other intangible assets with finite lives includes 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 December 31, 2013 and 2012. Amortization expense for the year ended December 31, 2011 was $81.

NOTE 7— LEASING ARRANGEMENTS

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

	December 31,	
	2013	2012
Machinery and equipment	$388	$388
Less: Accumulated depreciation and amortization	(388)	(378)
	$-	$10

Amortization expense for the assets under capital leases was $10, $23 and $106 for the years ended December 31, 2013, 2012, and 2011, respectively, and is included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

The Company has several noncancellable operating leases that expire at various dates through 2019. Future minimum lease payments under noncancellable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2013 are:

	Operating Leases
Year Ending December 31:	
2014	$ 1,590
2015	1,548
2016	1,481
2017	1,483
2018	1,320
Thereafter	440
Total minimum lease payments	$ 7,862

Rent expense under all operating leases was $1,717, $1,641 and $1,635 for the years ended December 31, 2013, 2012, and 2011, respectively. Rent expense is included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

NOTE 8— CREDIT FACILITIES

Credit facilities consist of the following arrangements:

(a) $100,000 Asset Based Credit Facility

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% (3.165% at December 31, 2013) 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 transactions in the United Kingdom. On March 19, 2014, the Company entered into a separate credit agreement (a "UK Credit Agreement") with an affiliate of Wells Fargo Bank, National Association which provides for the financing of transactions in the United Kingdom. The facility allows the Company to borrow up to £50,000. Any borrowings on the UK Credit Agreement reduce the availability on the asset based $100,000 credit facility. The UK Credit Agreement is cross collateralized and integrated in certain respects with the Credit Agreement. Cash advances and the issuance of letters of credit under the $100,000 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 $532 (including success fees of $292), $357 and $1,755 (including success fees of $1,286) for the years ended December 31, 2013, 2012 and 2011, respectively. The Company had no outstanding letter of credit and the outstanding borrowings under this credit facility was $5,710 at December 31, 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, GAAV entered into a Loan and Security Agreement (Accounts Receivable Line of Credit) (the "Line of Credit") with BFI Business Finance ("BFI"). The Line of Credit is collateralized by the accounts receivable of GAAV and allows for borrowings in the amount of 85% of the net face amount of prime accounts, as defined in the Line of Credit, with maximum borrowings not to exceed $2,000. The interest rate under the Line of Credit is the prime rate plus 2% (6% at December 31, 2012), payable monthly in arrears. The Line of Credit was amended effective February 3, 2012 and the maximum borrowings allowed was increased from $2,000 to $3,000. The maturity date of the Line of Credit is February 3, 2015 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. Proceeds from the Line of Credit were used to pay off GAAV's borrowings under the Factoring Agreement as more fully described in Note 5. Interest expense totaled $90, $112 and $77 for the years ended December 31, 2013, 2012 and 2011, respectively.

NOTE 9— LONG-TERM DEBT

Long-term debt consists of the following arrangements:

	December 31,	
	2013	2012
$60,000 notes payable to each of the Great American Members and the Phantom Equityholders of GAG, LLC issued in connection with the Acquisition dated July 31, 2009	$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

(a) $60,000 Notes Payable

On July 31, 2009, the Great American Members contributed all of their membership interests of GAG, LLC to the Company in exchange for 10,560,000 shares of common stock of the Company and a subordinated unsecured promissory note in an initial principal amount of $60,000 issued in favor of the Great American Members and 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. Prior to the Amendments described below, all Notes were payable in five equal annual principal payments in the aggregate amount of $11,123 due on the anniversary date of the Notes beginning on July 31, 2010 through July 31, 2014 with interest payable quarterly in arrears beginning October 31, 2009 at 12% per annum. On May 4, 2010, the Company entered into individual amendments (each, an Amendment and collectively, the "Amendments") to an aggregate of $52,419 of the $55,617 principal amount outstanding of the

subordinated unsecured promissory notes, which reduced the interest rate on the amended notes from 12.0% per annum to 3.75% per annum. The interest rate reduction was effective retroactive to February 1, 2010. In addition, the maturity date for $46,996 of the $55,617 principal amount outstanding of the subordinated, unsecured promissory notes was extended to July 31, 2018, subject to annual prepayments based upon the Company's cash flow subject to certain limitations, as provided in the amendment to the notes payable, including, without limitation, the Company's maintenance of a minimum adjusted cash balance of $20,000. Each prepayment, if any, is due within 30 days of the filing of the Company's Annual Report on Form 10-K, beginning with the Form 10-K for the fiscal year ending December 31, 2010. There were no prepayments due on the notes payable under this prepayment provision on April 30, 2013, 2012 and 2011. The remaining notes with $8,621 principal amount outstanding continue to be payable in five equal annual principal payments as described above.

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.

As of December 31, 2013, the aggregate principal amount of $48,759 in promissory notes outstanding to the Great American Members accrues interest at the note rate of 3.75% and has a maturity date of July 31, 2018 (subject to annual principal payments based upon our cash flow, with certain limitations). As of December 31, 2013, there is an aggregate principal amount of $1,724 of promissory notes outstanding to the Phantom Equityholders. Of this amount, $1,084 of the promissory notes has an interest rate of 3.75% and $640 has an interest rate of 12.0%. On January 31, 2014, the Company paid in full the $640 of principal balance for the promissory notes to the Phantom Equityholders that had the 12.0% interest rate.

Interest expense was $2,014, $2,132 and $2,221 for the years ended December 31, 2013, 2012 and 2011, 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 have been recorded in the accompanying consolidated balance sheet as of December 31, 2013. Accrued interest payable was $325 and $344 on the notes payable as of December 31, 2013 and 2012, respectively.

NOTE 10— NOTES PAYABLE

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

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

On December 31, 2009, GAGEE entered into an amendment to credit agreement (the "First Amendment To Credit Agreement") dated as of December 18, 2009 with Garrison Special Opportunities Fund LP and the Administrative Agent, whereby the Lender agreed to forebear from exercising any of the remedies available to them under the Forbearance Agreement and the related Security Agreement and to extend the maturity date of the Forbearance Agreement until November 18, 2010, unless a forbearance default occurs, as specified in the Credit Agreement. Pursuant to the terms of the First Amendment To Credit Agreement and Second Amendment To Credit Agreement, the interest rate was reduced from 20% to 0% and the Lender agreed to reimburse GAGEE for certain expenses from proceeds of the sale assets that collateralize the Credit Agreement. The Forbearance Agreement expired on November 18, 2010. 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. GAGEE entered into a fifth amendment to the Credit Agreement effective December 31, 2013 which extended the maturity date of the note payable to June 30, 2015 and the interest rate remained at 0% through maturity. The third, fourth and fifth Amendments 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 $8,099 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 December 31, 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 December 31, 2013 and 2012, the note payable balance was $6,856 and $9,513, respectively.

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

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

On July 31, 2012, the Company borrowed $227 from a finance company to finance insurance premiums. Interest on the loan was 6.6% and the loan required monthly installments of $23 until maturity on May 30, 2013. Interest expense totaled $6 and $5 for the year ended December 31, 2013 and 2012, respectively. The outstanding balance on the note payable of $115 at December 31, 2012 was repaid in June 2013.

NOTE 11— COMMITMENTS AND CONTINGENCIES

(a) Letters of Credit

There were no letters of credit outstanding at December 31, 2013 and there were letters of credit outstanding in the amount of $6,667 related to one retail liquidation engagement at December 31, 2012.

(b) Legal Matters

In 2013, the Company was served with a lawsuit that seeks to assert claims of breach of contract and other matters with damages in an amount up to $2,850. The Company is vigorously defending this lawsuit. This lawsuit is in the initial stages, the financial impact to the Company, if any, cannot be estimated.

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

NOTE 12— INCOME TAXES

The Company's provision (benefit) for income taxes consists of the following for the year ended December 31, 2013, 2012 and 2011:

	Year Ended December 31,		
	2013	2012	2011
Current:			
Federal	$ -	$ 204	$ 10
State	2	24	179
Foreign	(287)	342	-
Total current provision	(285)	570	189
Deferred:			
Federal	791	1,419	1,660
State	198	289	211
Foreign	-	(342)	-
Total deferred	989	1,366	1,871
Total provision for income taxes	$ 704	$ 1,936	$ 2,060

A reconciliation of the federal statutory rate of 34% to the effective tax rate for income (loss) from continuing operations before income taxes is as follows for the year ended December 31, 2013, 2012 and 2011:

	Year Ended December 31,		
	2013	2012	2011
Provision for income taxes at federal statutory rate	34.0 %	34.0 %	34.0 %
State income taxes, net of federal benefit	8.7	3.3	4.9
Foreign tax on gain on bargain purchase	-	(7.4)	-
Tax differental on vesting of restricted stock	-	-	37.2
Foreign tax differential	9.0	-	-
Other	3.3	0.9	1.3
Effective income tax rate	55.0 %	30.8 %	77.4 %

Deferred income tax assets (liabilities) consisted of the following as of December 31, 2013 and 2012:

	December 31,	
	2013	2012
Deferred tax assets:		
Allowance for doubtful accounts	$ 128	$ 141

Goods held for sale or auction	530	1,160
Deductible goodwill	520	553
Accrued liabilities and other	1,128	2,897
Deferred revenue	-	409
Mandatorily redeemable noncontrolling interests	671	736
Note payable to Phantom Equityholders	376	1,311
Foreign tax and other tax credit carryforwards	591	618
Net operating loss carryforward	8,665	5,773
Total gross deferred tax assets	$12,609	$13,598

The Company's income before income taxes of $1,280 for the year ended December 31, 2013 includes a United States component of $2,541 and a foreign component comprised of a loss before income taxes of $1,261. As of December 31, 2013, the Company had federal net operating loss carryforwards of $20,558, state net operating loss carryforwards of $21,617, and foreign tax credit carryforwards of $342. The Company’s federal net operating loss carryforwards will expire in the tax year ending December 31, 2029, 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 December 31, 2013, the Company believes that it is more-likely-than-not that future taxable earnings will be sufficient to realize its deferred tax assets and has not provided an allowance.

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

The Company's uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the calendar year ended December 31, 2010 to 2013. The Company and its subsidiaries' state tax returns are also open to audit under similar statutes of limitations for the same tax years. The Company accrues interest on unrecognized tax benefits as a component of income tax expense. Penalties, if incurred, would be recognized as a component of income tax expense. The Company had no such accrued interest or penalties included in the accrued liabilities associated with unrecognized tax benefits as of the date of adoption.

NOTE 13— EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income by the weighted-average number of shares outstanding during the period. Diluted earnings per share is calculated by dividing net income 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 AAMAC founders that were forfeited during 2012 as a result of the failure to achieve certain performance targets specified in the Acquisition Agreement. 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 from continuing operations were calculated as follows (in thousands, except per share amounts):

	Year Ended December 31,		
	2013	2012	2011
Income from operations	$1,058	$3,521	$602

Weighted average shares outstanding:			
Basic	28,682,975	28,682,975	28,539,651
Effect of dilutive potential common shares:			
Contingently issuable shares	1,224,427	931,277	868,815
Diluted	29,907,402	29,614,252	29,408,466
Basic earnings per share	$0.04	$0.12	$0.02
Diluted earnings per share	$0.04	$0.12	$0.02

NOTE 14— LIMITED LIABILITY COMPANY SUBSIDIARIES

(a) Operating Agreements of Limited Liability Company Subsidiaries

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

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

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

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

The Company evaluated the classification of all of its limited liability company members' ownership interests in accordance with the accounting guidance for financial instruments with characteristics of liabilities and equity. This

guidance generally provides for the classification of members' ownership interests that are subject to mandatory redemption obligations to be classified outside of equity. In accordance with this guidance, all members with a minority ownership interest in these subsidiaries are classified as liabilities and included in mandatorily redeemable noncontrolling interests in the accompanying consolidated balance sheet. Members of these subsidiaries with a minority ownership interest issued before November 5, 2003 are stated on a historical cost basis and members of the Company's subsidiaries with a minority ownership interests issued on or after November 5, 2003 are stated at fair value at each balance sheet date. The Company deems such repurchase obligations, which are payable to members who are also employees of these subsidiaries, to be a compensatory benefit. Accordingly, the changes in the historical cost basis and the changes in the fair value of the respective members' ownership interests (noncontrolling interests) are recorded as a component of selling, general and administrative expenses in the accompanying consolidated statements of operations. The noncontrolling interests share of net income was $1,897, $1,928 and $3,934 for the years ended December 31, 2013, 2012 and 2011, respectively. The decrease in fair value of the mandatorily redeemable noncontrolling interests of $83 for the year ended December 31, 2011 was recorded as a reduction of selling, general and administrative expenses in the accompanying consolidated statements of operations. There was no change in the fair value of the mandatorily redeemable noncontrolling interests during the years ended December 31, 2013 and 2012.

NOTE 15— SHARE BASED PAYMENTS

(a) Restricted Stock Awards

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

There were no restricted stock awards and no unrecognized share based compensation expense related to non-vested restricted shares as of and during the years ended December 31, 2013 and 2012. The Company's non-vested stock activity for the year ended December 31, 2011 is summarized in the following table:

	Shares	Weighted Average Fair Value Per Share
Non-vested at December 31, 2010	360,000	$ 4.93
Granted	-	-
Vested	(360,000)	4.93
Foreited/Cancelled	-	-
Non-vested at December 31, 2011	-	$ -

(b) Restricted Stock Unit Activity

On July 15, 2010, each of the non-employee directors then serving on the Company's board of directors were awarded 40,000 restricted stock units with a grant date fair value of $1.25 in connection with their annual grant. Such restricted stock units are subject to a one-year vesting period that commenced on July 15, 2010. The total number of restricted stock units granted in 2010 was 200,000 for a total value of $250. The restricted stock units granted in 2010 were 100% vested on July 14, 2011. Share based compensation for the restricted stock units was $135 for the year ended December 31, 2011 and is included in selling, general and administrative expense in the accompanying consolidated statement of operations. At December 31, 2013 and 2012, there were no restricted stock unit awards and no unrecognized share based compensation expense related to non-vested restricted stock unit awards as of and during the years ended December 31, 2013 and 2012.

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

In connection with the consummation of the Acquisition, the Company assumed the AAMAC 2009 Stock Incentive Plan which was approved by the AAMAC stockholders on July 31, 2009 (as assumed, the "Incentive Plan"). In accordance with Section 13(a) of the Incentive Plan, in connection with the Company's assumption of the Incentive Plan, the Company's board of directors adjusted the maximum number of shares that may be delivered under the Incentive Plan to 15,644,000 to account for the two-for-one exchange ratio of Company common stock for AAMAC common stock in the Acquisition. On August 19, 2009, the Company's board of directors approved an amendment and restatement of the Incentive Plan which adjusted the number of shares of stock the Company reserved for issuance thereunder to 7,822,000. As of December 31, 2013, there were no shares issued under the Incentive Plan.

NOTE 16— EMPLOYEE COMPENSATION ARRANGEMENTS

(a) Employee Benefit Plan

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

(b) Employment Agreements

In connection with the consummation of the Acquisition, the Company entered into separate employment agreements with the Chief Executive Officer, the Vice Chairman and President, the former Chief Financial Officer, and the Executive Vice President of Retail Services. The employment agreements have no defined term of employment and either party to each employment agreement may terminate the employment relationship at any time. Each employment agreement provides for a base salary and annual bonuses set by the Compensation Committee of the Company's board of directors, an annual increase in base salaries of no less than 5% and a monthly automobile allowance. Each employment agreement provides for the payment of severance ranging from 12 to 24 months following the date of termination, as defined therein. The employment agreement with the Company's former Chief Financial Officer was terminated in April 2013 in connection with the cessation of such individual's employment with the Company.

NOTE 17— RELATED PARTY TRANSACTIONS

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

On July 8, 2010, the Company loaned $3,224 to GARE for the purposes of investing in GAHA Fund II, LLC, a newly formed joint venture which is 50% owned by GARE. GAHA Fund II, LLC is a special purpose entity created to purchase non-performing distressed real estate loans at a discount to par from a financial institution and market the loans and real estate to third parties. The note receivable bears interest at a rate of 15% per annum and all unpaid principal and interest was originally due on July 8, 2011. In July 2011, the first amendment to the note receivable extended the maturity date of the loan and the interest rate was reduced to 8% per annum. On December 29, 2011, the second amendment to the note receivable increased the outstanding balance by $620 to $3,844 as additional funds were loaned to GARE and the maturity date of the note receivable was extended to July 31, 2012. On February 20, 2013, the third amendment to the note receivable extended the maturity date to December 31, 2013. The note receivable in the amount of $611 was included in note-receivable – related party as of December 31, 2012. The Company received principal payments of $3,164 from GARE during the year ended December 31, 2012 and recorded an impairment charge of $69 to write down the note receivable at December 31, 2012. The operations of GARE ceased upon the repayment of the note receivable in August 2013. There was no interest income earned on the note receivable during the year ended December 31, 2013. Interest income was $196 and $371 for the years ended December 31, 2012 and 2011, respectively, and is included in interest income in the accompanying consolidated statements of operations.

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. The loss from GARE is accounted for under the equity method of accounting and is included in other income (loss) in the amount of $21, $120 and $369 in the consolidated statements of operations for the years ended December 31, 2013, 2012 and 2011, respectively.

In August 2011, the Company paid a loan origination fee of $140 (2% of the $7,000 Dialectic Note as more fully described in Note 10) to B. Riley & Co., an investment bank. A member of the Company's board of directors is the controlling shareholder, president and chief executive officer of B. Riley & Co.

At December 31, 2013, amounts due to related party of $45 represents amounts due to 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 of 2013. The amount payable at December 31, 2013 is comprised of expenses that were paid on behalf of the Company by 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 December 31, 2013, note receivable – related party is comprised of two loans to Shoon with an aggregate outstanding receivable balance of $1,200. The Company owned 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 had a remaining principal balance of $353 at December 31, 2013. The loan had 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 $847 (net of $40 discount) was extended to Shoon with a maturity date of August 3, 2015. Interest is payable monthly at 6.5%. Both of the loans were collateralized by the inventory of Shoon. The loan receivables at December 31, 2013 is included in the Company's consolidated balance sheet in note receivable related party – current portion in the amount of $703 and in note receivable related party - net of current portion in the amount of $497. In January 2014, Shoon was sold to a third party and the two loans in the amount of $1,200 outstanding at December 31, 2013 were repaid to the Company as more fully described in Note 18.

NOTE 18— BUSINESS ACQUISITION

On May 4, 2012, the Company invested $65 for a 44.4% interest in the common stock of Shoon. 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 that is collateralized by retail inventory. The loan bore interest at an annual rate of LIBOR plus 6.0% payable monthly and had a maturity date of May 3, 2014. In accordance with the Shoon shareholder agreement, the Company had the right to appoint a Chairman of Shoon. Together with the Company's 44.4% investment in the common stock of Shoon and control of the majority of the board of directors, the Company had a controlling interest in Shoon. On August 2, 2013, an additional loan in the amount of $847 (net of $40 discount) was extended to Shoon with a maturity date of August 3, 2015. This increased the outstanding principal from both loans to $1,371. Interest on the new loan was payable monthly at 6.5%. Both of the loans are collateralized by the inventory of Shoon. The remaining balance of the loans receivable at December 31, 2013 is included in the Company's consolidated balance sheet in note receivable related party – current portion in the amount of $703 and in note receivable related party - net of current portion in the amount of $497. In connection with the new loan in August 2013, the Shoon shareholder agreement was 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. As such, the Company has 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 consolidated statements of operations. In January 2014, Shoon was sold to a third party and the two loans in the amount of $1,200 outstanding at December 31, 2013 were repaid to the Company. As a result of the sale of Shoon, the Company recorded an impairment charge as of December 31, 2013 of $111 to write-down the investment in Shoon to its estimated net realizable value.

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 December 31, 2013, the carrying amount and maximum exposure to loss due to the Company's involvement with Shoon is the combined balance of both loans in the amount of $1,200 and $22 equity investment in Shoon. The Company's loss under the equity method of accounting for Shoon was $156 for the five months ended December 31, 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.

	Five Months Ended December 31, 2013

Total revenues	$	6,294
Cost of goods sold		3,375
Loss before income taxes		(160)
Income tax benefit		58
Net loss	$	(102)
GAG, Inc equity share of net loss	$	(45)

		As of December 31, 2013
Current assets	$	3,865
Non-current asstes		397
Total assets		4,262
Current liabilities		3,338
Non-current liabilities		497
Net assets	$	427

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 gain on bargain purchase is included as a separate component of other income (expense) in the Company’s consolidated statements of operations.

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:

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

The following financial statement amounts and balances of Shoon were included in the accompanying consolidated financial statements in the UK retail stores segment as of December 31, 2012 and for the period from May 4, 2012, the date of investment, through December 31, 2012 and for the period from January 1, 2013 through July 31, 2013:

	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 and equity:	
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 and equity	2,260
Equity	1,558

Total liabilities and equity	$	3,818

	Period From January 1, 2013 to July 31, 2013	Period From May 4, 2012 to December 31, 2012
Revenues:		
Revenues - Sale of goods	$ 6,202	$ 10,206
Cost of goods sold	(3,566)	(5,475)
Selling, general and administrative expenses	(3,818)	(4,480)
Operating income (loss)	(1,182)	251
Other expenses	(94)	(251)
Gain on bargain purchase	-	1,366
Income (loss) before benefit (provision) for income taxes	(1,276)	1,366
Benefit (provision) for income taxes	319	(1)
Net income (loss)	(957)	1,365
Net income (loss) attributable to noncontrolling interest	(532)	819
Net income (loss) attributable to Great American Group, Inc.	$ (425)	$ 546

The disclosure of pro forma financial information for the years ended December 31, 2012 and 2011 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 19— 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, and Chief Financial Officer. The Company has several operating subsidiaries through which it delivers specific services. The Company provides auction, liquidation, capital advisory, financing, real estate, and other services to stressed or distressed companies in a variety of diverse industries that have included apparel, furniture, jewelry, real estate, and industrial machinery. The Company also provides appraisal and valuation services for retail and manufacturing companies. In addition, as a result of the acquisition of Shoon on May 4, 2012, the Company operated ten retail stores in the United Kingdom. The Company's business was previously 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. In August 2013, the Shoon shareholder agreement was amended and restated to eliminate the Company's super majority voting rights which enabled the Company to control the board of directors of Shoon as more fully described in Note 18. 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. As such, the Company no longer operates in the UK Retail Stores segment. In January 2014, Shoon was sold to a third party, and the Company no longer has a financial interest in the operations of Shoon. The Valuation and Appraisal reportable segment is an aggregation of the Company's valuation and appraisal operating segments, which are primarily organized based on the nature of services and legal structure.

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

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

	Year Ended December 31,		
	2013	2012	2011
Auction and Liquidation reportable segment:			
Revenues - Services and fees	$32,409	$40,132	$37,830
Revenues - Sale of goods	9,963	8,106	2,899
Total revenues	42,372	48,238	40,729
Direct cost of services	(11,120)	(12,327)	(10,097)
Cost of goods sold	(7,940)	(7,275)	(3,391)
Selling, general, and administrative expenses	(11,889)	(17,064)	(13,353)
Depreciation and amortization	(176)	(193)	(175)
Segment income	11,247	11,379	13,713
Valuation and Appraisal reportable segment:			
Revenues - Services and fees	27,558	25,492	22,797
Direct cost of services	(13,026)	(11,584)	(9,652)
Selling, general, and administrative expenses	(8,718)	(6,974)	(7,161)
Depreciation and amortization	(143)	(121)	(158)
Segment income	5,671	6,813	5,826
UK Retail Stores reportable segment:			
Revenues - Sale of goods	6,202	10,206	-
Cost of goods sold	(3,566)	(5,475)	-
Selling, general, and administrative expenses	(3,773)	(4,462)	-
Depreciation and amortization	(45)	(18)	-
Segment income	(1,182)	251	-
Consolidated operating income from reportable segments	15,736	18,443	19,539
Corporate and other expenses	(11,638)	(11,002)	(12,099)
Interest income	26	201	476
Loss from equity investment in Great American Real Estate, LLC and Shoon Trading Limited	(177)	(120)	(369)
Gain from bargain purchase	-	1,366	-
Interest expense	(2,667)	(2,612)	(4,885)
Income before provision for income taxes	1,280	6,276	2,662
Provision for income taxes	(704)	(1,936)	(2,060)
Net income	576	4,340	602
Net income (loss) attributable to noncontrolling interests	(482)	819	-
Net income attributable to Great American Group, Inc.	$1,058	$3,521	$602

Capital expenditures:			
Auction and Liquidation segment	$423	$394	$188
Valuation and Appraisal segment	418	134	76
UK Retail Stores segment	319	106	-
Total	$1,160	$634	$264

	As of December 31,	
	2013	2012
Total assets:		

Auction and Liquidation segment	$ 65,066	$ 66,600
Valuation and Appraisal segment	8,611	10,165
UK Retail Stores segment	-	3,818
Total	$ 73,677	$ 80,583

The following table presents revenues by geographical area:

	Year Ended December 31,		
	2013	2012	2011
Revenues:			
Revenues - Services and fees:			
United States	$50,624	$42,564	$49,298
Europe	9,343	23,060	11,329
Total Revenues - Services and fees	$59,967	$65,624	$60,627
Revenues - Sale of goods			
United States	$9,532	$7,842	$2,650
Europe	6,633	10,470	249
Total Revenues - Sale of goods	$16,165	$18,312	$2,899
Total Revenues:			
United States	$60,156	$50,406	$51,948
Europe	15,976	33,530	11,578
Total Revenues - Services and fees	$76,132	$83,936	$63,526

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

	As of December 31, 2013	As of December 31, 2012
Long-lived Assets - Property and Equipment, net:		
United States	$ 990	$ 689
Europe	100	281
Total Long-lived Assets	$ 1,090	$ 970
Identifiable Assets:		
United States	$ 68,405	$ 62,223
Europe	5,272	18,360
Total Long-lived Assets	$ 73,677	$ 80,583

NOTE 20— SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Total revenues	$20,954	$15,239	$21,751	$18,188
Operating income (loss)	$2,345	$(1,935)	$782	$2,906
Income (loss) before income taxes	$1,713	$(2,582)	$103	$2,046
(Provision) benefit for income taxes	$(778)	$987	$133	$(1,046)
Net income (loss)	$935	$(1,595)	$236	$1,000
Net income (loss) attributable to Great American Group, Inc.	$1,289	$(1,531)	$366	$934
Earnings (loss) per share:				
Basic	$0.04	$(0.05)	$0.01	$0.03
Diluted	$0.04	$(0.05)	$0.01	$0.03
Weighted average shares outstanding:				
Basic	28,682,975	28,682,975	28,682,975	28,682,975
Diluted	29,656,430	28,682,975	29,891,401	29,907,402

	Quarter Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Total revenues	$19,320	$19,651	$14,235	$30,730
Operating income (loss)	$2,400	$764	$(659)	$4,936
Income (loss) before income taxes	$1,772	$1,521	$(1,142)	$4,125
(Provision) benefit for income taxes	$(705)	$(57)	$375	$(1,549)
Net income (loss)	$1,067	$1,464	$(767)	$2,576
Net income (loss) attributable to Great American Group, Inc.	$1,067	$619	$(547)	$2,382
Earnings (loss) per share:				
Basic	$0.04	$0.02	$(0.02)	$0.08
Diluted	$0.04	$0.02	$(0.02)	$0.08
Weighted average shares outstanding:				
Basic	28,682,975	28,682,975	28,682,975	28,682,975
Diluted	29,534,610	29,599,424	28,682,975	29,614,252