AMTECH SYSTEMS INC
Form 10-Q
February 08, 2011

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

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: December 31, 2010

OR

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

For the transition period from ________________ to ________________

Commission File Number: 0-11412

AMTECH SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Arizona (State or other jurisdiction of incorporation or organization)	86-0411215 (I.R.S. Employer Identification No.)
131 South Clark Drive, Tempe, Arizona (Address of principal executive offices)	85281 (Zip Code)

Registrant’s telephone number, including area code: 480-967-5146

Indicate by a 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. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [ ] Yes [ ] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller Reporting Company [ ]

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

Shares of Common Stock outstanding as of February 2, 2011: 9,412,359

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
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PART I FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands except share data)

	December 31, 2010 (Unaudited)	September 30, 2010
Assets		
Current Assets		
Cash and cash equivalents	$ 53,207	$ 56,764
Restricted cash	2,588	6,192
Accounts receivable		
Trade (less allowance for doubtful accounts of $203 and $181 at December 31, 2010 and September 30, 2010, respectively)	26,382	9,252
Unbilled and other	20,706	15,231
Inventories	26,681	24,317
Deferred income taxes	3,750	2,130
Other	3,992	2,543
Total current assets	137,306	116,429
Property, Plant and Equipment - Net	9,574	9,577
Deferred Income Taxes - Long Term	3,100	2,660
Intangible Assets - Net	2,236	2,571
Goodwill	4,731	4,839
Other Assets	335	25
Total Assets	$ 157,282	$ 136,101

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

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands except share data)

	December 31, 2010 (Unaudited)	September 30, 2010
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 15,783	$ 12,446
Bank loans and current maturities of long-term debt	105	126
Accrued compensation and related taxes	8,169	8,305
Accrued warranty expense	2,014	1,843
Deferred profit	16,164	11,439
Customer deposits	13,361	8,858
Other accrued liabilities	1,740	1,479
Income taxes payable	8,550	6,320
Total current liabilities	65,886	50,816
Income Taxes Payable Long-term	1,270	1,010
Long-Term Obligations	21	32
Total liabilities	67,177	51,858
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock; 100,000,000 shares authorized; none issued	-	-
Common stock; $0.01 par value; 100,000,000 shares authorized; shares issued and outstanding: 9,408,815 and 9,209,213 at December 31, 2010 and September 30, 2010, respectively	94	92
Additional paid-in capital	75,241	72,919
Accumulated other comprehensive income (loss)	(2,436)	(982)
Retained Earnings	17,206	12,214
Total stockholders' equity	90,105	84,243
Total Liabilities and Stockholders' Equity	$ 157,282	$ 136,101

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

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)
(in thousands, except per share data)

	Three Months Ended December 31, 2010	2009
Revenues, net of returns and allowances	$ 53,712	$ 15,457
Cost of sales	34,115	10,857
Gross profit	19,597	4,600
Selling, general and administrative	10,397	3,975
Research and development	848	497
Operating income	8,352	128
Interest and other income (expense), net	(30)	2
Income before income taxes	8,322	130
Income tax provision	3,330	50
Net income	$ 4,992	$ 80
Earnings Per Share:		
Basic income per share	$ 0.54	$ 0.01
Weighted average shares outstanding	9,278	8,972
Diluted income per share	$ 0.52	$ 0.01
Weighted average shares outstanding	9,609	9,059

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

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Three Months Ended December 31, 2010	2009
Operating Activities		
Net income	$ 4,992	$ 80
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	647	424
Write-down of inventory	499	124
Deferred income taxes	(2,075)	(31)
Non-cash share based compensation expense	374	377
Provision for (reversal of) allowance for doubtful accounts	47	(122)
Changes in operating assets and liabilities:		
Restricted cash	3,495	(867)
Accounts receivable	(23,569)	1,171
Inventories	(3,476)	846
Accrued income taxes	2,469	(180)
Prepaid expenses and other assets	(1,838)	(902)
Accounts payable	3,678	222
Accrued liabilities and customer deposits	5,358	(225)
Deferred profit	5,098	(218)
Net cash provided by (used in) operating activities	(4,301)	699
Investing Activities		
Purchases of property, plant and equipment	(609)	(373)
Net cash used in investing activities	(609)	(373)
Financing Activities		
Proceeds from issuance of common stock	1,223	37
Payments on long-term obligations	(31)	(31)
Excess tax benefit of stock options	727	-
Net cash provided by financing activities	1,919	6
Effect of Exchange Rate Changes on Cash	(566)	(155)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,557)	177
Cash and Cash Equivalents, Beginning of Period	56,764	42,298
Cash and Cash Equivalents, End of Period	$ 53,207	$ 42,475
Supplemental Cash Flow Information:		
Interest paid	$ 2	$ 4
Income tax refunds	$ -	$ 21
Income tax payments	$ 2,168	$ 288

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

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009
(UNAUDITED)

1. Basis of Presentation

Nature of Operations and Basis of Presentation – Amtech Systems, Inc. (the "Company") designs, assembles, sells and installs capital equipment and related consumables used in the manufacture of solar cells, semiconductors, and wafers of various materials, primarily for the solar and semiconductor industries. The Company sells these products worldwide, particularly in Asia, the United States and Europe.

The Company serves markets in industries that are experiencing rapid technological advances, and which historically have been very cyclical. Therefore, future profitability and growth depend on the Company's ability to develop or acquire and market profitable new products, and on its ability to adapt to cyclical trends.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), and consequently do not include all disclosures normally required by U.S. generally accepted accounting principles. In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments necessary, all of which are of a normal recurring nature, to present fairly our financial position, results of operations and cash flows. Certain information and note disclosures normally included in financial statements have been condensed or omitted pursuant to the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2010.

The condensed consolidated results of operations for the three months ended December 31, 2010, are not necessarily indicative of the results to be expected for the full fiscal year.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Revenue Recognition – Revenue is recognized upon shipment of the Company's proven technology equal to the sales price less the greater of (i) the fair value of undelivered services and (ii) the contingent portion of the sales price, which is generally 10-20% of the total contract price. The entire cost of the equipment relating to proven technology is recorded upon shipment. The remaining contractual revenue, deferred costs and installation costs are recorded upon successful installation of the product.

For purposes of revenue recognition, proven technology means the Company has a history of at least two successful installations. New technology systems are those systems with respect to which the Company cannot demonstrate that it can meet the provisions of customer acceptance at the time of shipment. The full amount of revenue and costs of new technology shipments is recognized upon the completion of installation at the customers' premises and acceptance of the product by the customer.

Revenue from services is recognized as the services are performed. Revenue from prepaid service contracts is recognized ratably over the life of the contract. Revenue from spare parts is recorded upon shipment.

Deferred Profit – Revenue deferred pursuant to the Company’s revenue recognition policy, net of the related deferred costs, if any, is recorded as deferred profit in current liabilities. The components of deferred profit are as follows:

	December 31, 2010		September 30, 2010	
	(dollars in thousands)			
Deferred revenues	$	17,590	$	12,577
Deferred costs		1,426		1,138
Deferred profit	$	16,164	$	11,439

Concentrations of Credit Risk – Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of trade accounts receivable. The Company’s customers, located throughout the world, consist of manufacturers of solar cells, semiconductors, semiconductor wafers and MEMS. Credit risk is managed by performing ongoing credit evaluations of the customers’ financial condition, by requiring significant deposits where appropriate, and by actively monitoring collections. Letters of credit are required of certain customers depending on the size of the order, type of customer or its creditworthiness, and its country of domicile. Reserves for potentially uncollectible receivables are maintained based on an assessment of collectability.

The Company maintains its cash, cash equivalents and restricted cash in multiple financial institutions. Balances in the United States (approximately 50% of total cash balances) are primarily invested in US Treasuries or are in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Company also maintains cash in banks in The Netherlands and France that are uninsured.

As of December 31, 2010, receivables from one customer accounted for 13% of total accounts receivable. As of September 30, 2010, accounts receivable from three customers each exceeded 10% of accounts receivable; these three customers accounted for 25%, 11% and 11% of total accounts receivable, respectively.

Restricted Cash – Current restricted cash of $2.6 million and $6.2 million as of December 31, 2010 and September 30, 2010, respectively, consists of collateral for bank guarantees required by certain customers from whom deposits have been received in advance of shipment.

Accounts Receivable - Unbilled and Other – Unbilled and other accounts receivable consist mainly of the contingent portion of the sales price that is not collectible until successful installation and acceptance of the product, which amounts are generally billed upon final acceptance by our customers. The majority of these amounts are offset by balances included in deferred profit. As of December 31, 2010, the unbilled and other includes $2.9 million of Value Added Tax (VAT) receivables at our European operations. These are taxes paid to our suppliers that will be refunded to the Company by the government.

Inventories – Inventories are stated at the lower of cost or net realizable value. Approximately 90% of inventory are valued on an average cost basis with the remainder determined on a first-in, first-out (FIFO) basis. The components of inventories are as follows:

December 31, 2010	September 30, 2010

(dollars in erm equity incentive compensation encourages management to focus on long-term Company performance and provides an opportunity for executive officers and certain other key employees to increase their stake in the Company. The O&P Committee believes that these objectives are best met through the grant of stock options that vest over time. The Committee believes that the interests of the Company's stockholders are well served by aligning the senior executives' interests with those of its stockholders through the granting of stock options. The Committee believes that several features present in stock options give recipients substantial incentives to maximize the Company's long-term success. First, options under the Company's Stock Option Plan are granted at market price of the Company's common stock on the date of the grant. Second, the Committee believes that because the stock options vest at the rate of 20% per year, it promotes executive retention due to the forfeiture of unvested options upon departure from the Company.

Stock option award levels are determined based on award amounts for participants in prior years, Black-Scholes-derived information, the expense of such options to the Company, the relative benefits to participants of such expense and the overall compensation level of grantees. Stock option grants vary based on grantee's positions within the Company.

Stock options are generally granted at a regularly scheduled O&P meeting in February of each year after the Company issues a press release announcing results of the prior year. At this same meeting, the Committee makes base salary adjustments and determines annual bonus payments. In November 2006, the full Board set a specific date in February as the date on which the O&P Committee would make the annual stock option grants for 2007. The O&P Committee does not grant options with an exercise price that is less than the closing price of the Company's Common Stock on the grant date, nor does it grant options which are priced on a date other than the grant date. Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to such option, including voting rights and the right to receive dividends.

Stock Ownership Guidelines

The Company's Board adopted executive stock ownership guidelines because it believes it is in the best interest of the Company and its shareholders to align the financial interests of its senior officers with those of the Company's stockholders. Senior executives can satisfy their stock ownership requirements by owning Company common stock or common stock of the Company's parent corporation, American Financial Group, Inc. "AFG", or a combination. Under the guidelines, the Chief Operating Officer, Executive Vice Presidents and Senior Vice Presidents are required to own an amount of AFG and/or GAFRI common stock which is equal to or exceeds their annual base salary. Generally, persons subject to the guidelines are required to achieve the applicable ownership guideline by January 1, 2011.

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GREAT AMERICAN FINANCIAL RESOURCES, INC.

FORM 10-K/A

Retirement and Other Related Benefits

The Company provides retirement benefits to NEOs through a combination of qualified (under the Internal Revenue Code) and non-qualified plans. The Company provides qualified retirement benefits to employees through participation in the AFG Retirement and Savings Plan ("RASP"), a defined contribution plan. The Company makes contributions to the retirement fund portion of the plan and matches a percentage of employee contributions to the savings fund. The amount of such contributions and matching payments are based on a percentage of the employee's salary up to certain thresholds. The Company also makes available to certain employees, benefits in the AFG non-qualified Auxiliary RASP ("Auxiliary RASP"). The purpose of the Auxiliary RASP is to enable employees whose contributions in the retirement contribution portion of the RASP are limited by IRS regulations to have an additional benefit to the RASP.

The Company also maintains a Deferred Compensation Plan pursuant to which officers may defer a portion of their annual salary and/or bonus. For 2006, participants could elect to have the value of deferrals (i) earn a fixed rate of interest set annually (5-1/4% in 2006), or (ii) fluctuate based on the market value of GAFRI common stock plus dividends, and a 7-1/2% match to participant deferrals. The deferral terms of either a fixed number of years or upon termination of employment must be elected at the time of deferral. Under the plan, no federal or state income taxes are paid on deferred compensation. Rather, such taxes will be due upon receipt at the end of the deferral period.

Perquisites and Other Personal Benefits

The O&P Committee does not view perquisites as material to the NEOs total compensation and therefore does not consider those amounts in setting the other compensation elements.

COMPENSATION COMMITTEE REPORT

The O&P Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on these reviews and discussions, the O&P Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K.

Members of the Organization and Policy Committee: Ronald G. Joseph

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GREAT AMERICAN FINANCIAL RESOURCES, INC.

FORM 10-K/A

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

As of March 31, 2007, the only person known to us to own beneficially more than 5% of our common stock was American Financial Group, Inc. ("AFG"), One East Fourth Street, Cincinnati, Ohio 45202. AFG owns shares directly and indirectly through its subsidiaries. AFG beneficially owned 38,565,995 shares or approximately 81% of the shares outstanding as of that date.

The following table sets forth information, as of March 31, 2007 concerning the beneficial ownership of our equity securities by each director, nominee for director, the executive officers named in the Summary Compensation Table (see "Compensation" below) and by all of these individuals and executive officers not named in the Summary Compensation Table as a group. Such information is based on data furnished by the persons named. Except as set forth in the following table, no director or executive officer beneficially owned 1% or more of any class of our equity securities outstanding at March 31, 2007. Unless otherwise indicated, the persons named have sole voting and dispositive power of the shares reported.

Name of Beneficial Owner	Shares of Common Stock Held (a)	Percent of Class
Robert A. Adams	220,711	*
Kenneth C. Ambrecht	11,198	*
L. Thomas Hiltz	-	*
Ronald G. Joseph	86,381	*
John T. Lawrence III	46,676	*
Carl H. Lindner	536,808 (b)	1.1%
S. Craig Lindner	139,763 (b)	*
William R. Martin	51,460	*
Charles R. Scheper	451,896 (c)	*
Joseph P. Tomain	-	*
Christopher P. Miliano	75,525	*
Mark F. Muething	229,592 (d)	*
Michael J. Prager	115,933 (e)	*
All Directors and Executive Officers as a Group (16 persons)	2,340,738	4.8%

*Less than 1%

(a) Unless otherwise indicated, the persons named have sole voting and dispositive power over the shares listed opposite their names. The amounts listed include the following number of shares which may be acquired pursuant to options which are exercisable within 60 days: Mr. Ambrecht - 9,200, Mr. Joseph - 22,400, Mr. Lawrence - 22,400, Mr. Martin - 22,400, Mr. Scheper - 410,000, Mr. Miliano - 38,968, Mr. Muething - 117,500 and Mr. Prager - 107,000.

(b) Messrs. Carl H. Lindner and S. Craig Lindner disclaim beneficial ownership of the shares owned by AFG, of which Mr. Carl H. Lindner is Chairman of the Board and a principal stockholder and Mr. S. Craig Lindner is a director, officer and principal stockholder. See "Principal Stockholders."

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GREAT AMERICAN FINANCIAL RESOURCES, INC.

(c) Includes 8,183 share equivalents allocated to Mr. Scheper's account in the Great American Financial Resources, Inc. Deferred Compensation Plan ("Deferred Compensation Plan").

(d) Includes 46,194 share equivalents allocated to Mr. Muething's account in the Deferred Compensation Plan.

(e) Includes 7,049 share equivalents allocated to Mr. Prager's account in the Deferred Compensation Plan.

EQUITY COMPENSATION PLAN INFORMATION

The following reflects certain information about shares of our common stock for issuance (at December 31, 2006) under equity compensation plans.

Equity Compensation Plans	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities available for future issuance under equity compensation plans (excluding securities reflected in first column)
Approved by stockholders	3,049,980	$17.50	2,485,508(1)
Not approved by	309,476	$17.67	2,660,847(2)

1. Includes options exercisable into 1.7 million shares available for issuance under GAFRI's Stock Option Plans for employees and directors, 0.8 million shares issuable under our Employee Stock Purchase Plan and 43,869 shares issuable under GAFRI's Non-employee Director's Compensation Plan.
2. Represents shares issuable under GAFRI's Deferred Compensation Plan (0.2 million shares), Agent Stock Purchase Plan (0.9 million shares), Agent Stock Option Plan (1.2 million shares) and GAFRI's Bonus Plan (0.4 million shares).

Under the GAFRI Deferred Compensation Plan, certain highly compensated employees of GAFRI and its subsidiaries may defer a portion of their annual salary and/or bonus. Participants may elect to have the value of deferrals (i) earn a fixed rate of interest set annually by the Board of Directors or a committee thereof, or (ii) fluctuate based on the market value of GAFRI common stock, as adjusted to reflect stock splits, distributions, dividends, and a 7-1/2% match to participant deferrals.

Under the Agent Stock Purchase Plan, selected agents are able to utilize commissions earned from the sale of insurance products issued by our subsidiaries to purchase our common stock at 92.5% of the fair market value. The Plan provides that up to 1,000,000 of our common stock may be issued.

Under the Agent Stock Option Plan, selected agents are able to earn options to purchase GAFRI common stock based on production arrangements. The options have an exercise price equal to the fair market value of our common stock at the time of the grant. The options include vesting provisions based on quality of production. The Plan provides that up to 1,500,000 of GAFRI common stock may be issued upon the exercise of options.

Under GAFRI's Bonus Plan covering the majority of the Company's officers, participants may be required to receive 25% of their annual bonus in the form of GAFRI Common Stock. The Bonus Plan provides for the issuance of up to 500,000 shares of GAFRI common stock as partial payment of annual bonuses.

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GREAT AMERICAN FINANCIAL RESOURCES, INC.

FORM 10-K/A

Item 13. Certain Relationships and Related Transactions, and Director Independence

Great American Financial Resources and AMM, a wholly-owned subsidiary of AFG, are parties to an Investment Services Agreement under which AMM provides investment services to our insurance subsidiaries in accordance with guidelines. We and our subsidiaries pay AMM a fee based on AMM's cost of providing these services. Investment charges paid by us to AMM were $4.1 million in 2006.

Under a tax agreement with AFG that became effective in 2006, GAFRI and it subsidiaries in the consolidated tax return group generally pay or recover taxes based on each subsidiary's contribution to amounts due under AFG's consolidated return. The tax allocation agreements with AFG have not impacted the recognition of income tax expense and income tax payable in GAFRI's financial statements. If the AFG tax group utilizes any of GAFRI's net operating losses or deductions that originated prior to GAFRI's entering AFG's consolidated tax group, AFG will pay to GAFRI an amount equal to the benefit received. During 2006, we and our subsidiaries which are included in the AFG consolidated tax group incurred income tax expense of $47.6 million.

We paid $2.1 million to AFG for various information technology services (primarily outsourcing) in 2006. We paid approximately $202,000 to AFG for services related to purchases from third party vendors. All of these transactions were based on fair market value.

During 2006, we paid the Cincinnatian Hotel approximately $140,000 for lodging and meeting accommodations. The hotel is owned by a subsidiary of AFG.

Corporate Governance Matters

The corporate governance rules of the New York Stock Exchange (the "NYSE") do not require that a majority of the members of our Board of Directors be "independent," as provided under NYSE rules, because we are a "controlled company" in that more than 50% of our voting power is held by AFG. As a result, we do not have a majority of independent directors on our Board.

There are three Committees of the Board of Directors - the Audit Committee, the Executive Committee and the Organization and Policy Committee. As detailed below, the Organization and Policy Committee performs the functions generally delegated to Compensation and Nominating Committees of other Boards of Directors. As a "controlled company" under NYSE rules, we are not required to have solely independent directors on our Organization and Policy Committee. However, each of Ronald G. Joseph and John T. Lawrence III, the members of the Organization and Policy Committee, does meet the requirements of independent directors under the rules of the NYSE. Each of our Audit Committee and Organization and Policy Committee operates under written charters.

We have adopted a Code of Ethics that applies to all of our directors, officers (including our Chief Executive Officer, Chief Financial Officer, Controller and any person performing similar functions) and employees. We have also adopted Corporate Governance Guidelines.

Stockholders may communicate directly with directors by sending written communication to the attention of the Corporate Secretary at our principal offices. It is our practice not to screen such correspondence before it is forwarded to the director to whom it is addressed or to the Chairman, if addressed to the full Board of Directors.

NYSE rules require non-management directors to meet regularly in executive sessions. William R. Martin was selected to preside over the three meetings of non-management directors held in 2005. Stockholders and other interested parties may communicate with any of the non-management directors, individually or as a group, by sending the written communication to the attention of the Corporate Secretary at our principal offices.

Copies of our Audit Committee Charter, Organization and Policy Committee Charter, Code of Ethics and Corporate Governance Guidelines are available, without charge, by written request to Mark F. Muething; Executive Vice President, General Counsel and Secretary; Great American Financial Resources, Inc.; 250 East Fifth Street; Cincinnati, Ohio 45202 and are also available on our website at http://www.GAFRI.com. We will disclose on our website any waivers granted from or amendments to our Code of Ethics within four business days of such waiver or amendment.

Board of Directors

Our Board of Directors held six meetings in 2006. Directors are encouraged to attend the Annual Meeting of Stockholders. At the Annual Meeting of Stockholders held in May 2006, all directors were in attendance.

Audit Committee

The Audit Committee consists of three members: William R. Martin (Chairman), Kenneth C. Ambrecht and Ronald G. Joseph, none of whom is an officer or employee of ours or any of our subsidiaries. As provided in its charter, the Audit Committee's functions include: recommending to the Board of Directors the firm to be appointed as independent accountants to audit our consolidated financial statements and to provide other audit-related services and recommending the terms of such firm's engagement; reviewing the scope and results of the audit with the independent accountants; reviewing with management and the independent accountants our interim and year-end operating results; reviewing the adequacy and implementation of our internal accounting and auditing procedures; and reviewing the non-audit services to be performed by the independent accountants and considering the effect of such performance on the accountants' independence. The Audit Committee held thirteen meetings in 2006.

The Board has determined that William R. Martin, Chairman of the Audit Committee, is an "audit committee financial expert," as that term is defined in the rules of the Securities and Exchange Commission. All members of the Audit Committee are deemed to be independent, as that term is defined in the rules of the New York Stock Exchange.

The Audit Committee has adopted a policy that our independent accountants may not render any services to us outside the scope of the audit engagement letter without pre-approval of the Audit Committee. The Audit Committee has delegated to William R. Martin, Chairman of the Committee, authority to pre-approve audit and non-audit services outside of meetings of the Audit Committee. Management and the independent accountants are required to provide a written request, including a description of the services to be provided and an estimate of the fee to be charged, in connection with any request for pre-approval. The full Audit Committee may also pre-approve such services. In 2006, all services rendered outside the scope of the audit engagement letter were pre-approved without reliance on the de minimus safe harbor exception from the pre-approval requirements.

Executive Committee

The Executive Committee consists of three members: S. Craig Lindner (Chairman), Carl H. Lindner and Charles R. Scheper. The Committee is generally authorized to exercise the powers of the Board of Directors between meetings of the Board of Directors, except that the Committee's authority does not extend to certain fundamental matters, such as: amending our By-laws; filling vacancies on the Board of Directors; declaring a dividend; electing or removing our principal officers; adopting or approving a plan of merger, consolidation or sale of a substantial portion of our assets; our dissolution or reorganization or establishing or designating any class or series of our stock (or fixing or determining the relative rights and preferences thereof). The Executive Committee did not meet in 2006.

Organization and Policy Committee

The Organization and Policy Committee consists of two members: Ronald G. Joseph and John T. Lawrence III, neither of whom is an officer of ours or any of our subsidiaries.

As provided in its charter, the Organization and Policy Committee's functions include: reviewing the duties and responsibilities of our principal officers; approving the compensation of our principal officers and providing a report to the Board of Directors on those matters; reviewing our compensation and personnel policies; administering bonus and stock option plans; reviewing and making recommendations to the Board of Directors with respect to employee retirement policies; and supervising, reviewing and reporting to the Board of Directors on the performance of the management committee responsible for the administration and investment management of our pension and savings plans. The Organization and Policy Committee held two meetings in 2006.

The responsibilities of the Organization and Policy Committee include reviewing and providing advice with respect to the nomination of candidates for the Board of Directors. Except as provided below, the Board of Directors is responsible for the actual nomination of directors. The Committee does not impose any minimum requirements in considering candidates but rather reviews the overall business, industry and financial experience of candidates. The Committee has not retained any third party to identify or evaluate nominees. In addition, no person has recommended a candidate to the Committee in the last year. Our Certificate of Incorporation includes procedures whereby any stockholder of record may nominate one or more persons as candidates for the office of director. In order to utilize this procedure, a stockholder is required to give written notice of the intent to nominate a candidate at least five but not more than 30 days prior to the meeting of stockholders at which the election of directors will take place. Such procedures do not require any consideration or review by the Organization and Policy Committee.

Item 14. Principal Accountant Fees and Services

The accounting firm of Ernst & Young LLP served as our independent registered public accounting firm for the fiscal year ended December 31, 2006.

Fees Paid to the Independent Accountants

The following table sets for the fees billed by Ernst & Young LLP for Audit and other services. The Audit Committee considers the non-audit services provided in satisfying itself as to Ernst & Young LLP's independence.

	2006	2005
Audit Fees	$2,472,069	$1,637,199
Audit-Related Fees	99,829	84,700
Tax Fees	-	-
All Other Fees	-	-
	$2,571,898	$1,721,899

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GREAT AMERICAN FINANCIAL RESOURCES, INC.

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The Audit Committee approved all of the engagements pursuant to which these services were provided. Audit fees included fees related to services rendered in connection with the annual audit of our consolidated financial statements, the quarterly review of the consolidated financial statements included in our quarterly reports on Form 10-Q, reviews of and other services related to registration statements, audits of the statutory financial statements of our insurance subsidiaries and the review of our system of internal controls required by the Sarbanes-Oxley Act of 2002.

Audit-related fees for 2005 and 2006 related to a review of the controls in our fixed and variable lines of business.

Audit Committee Pre-Approval Policies

The Audit Committee has adopted policies that require its approval for any audit and non-audit services to be provided to the Company. The Audit Committee delegated authority to the Committee Chairman to approve certain non-audit services. Pursuant to these procedures and delegation of authority, the Audit Committee was informed of and approved all of the audit and other services described above. No services were provided with respect to the de minimus waiver process provided by rules of the Securities and Exchange Commission.

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Signature

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, Great American Financial Resources, Inc. has duly caused this Report to be signed on its behalf by the undersigned, duly authorized.

GREAT AMERICAN FINANCIAL
RESOURCES, INC.

Signed: April 30, 2007

BY:/s/ S. CRAIG LINDNER
S. Craig Lindner
Chief Executive Officer

GREAT AMERICAN FINANCIAL RESOURCES, INC.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed with this report

(1) and (2) No financial statements or schedules are filed with this report on Form 10-K/A.

Number	Exhibit Description
3.1	Certificate of Incorporation of Registrant
3.2	By-laws of Registrant
4	Registrant has no outstanding debt issues exceeding 10% of the assets of Registrant and consolidated subsidiaries.
10.1	Tax allocation agreement dated as of December 31, 2005 by and between American Financial Group, Inc. and its subsidiaries.
10.2	Investment Services Agreement, dated December 31, 1992, between Great American Life Insurance Company and American Money Management Corporation incorporated herein by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-2 dated January 7, 1993.
10.3	Common Stock Registration Agreement, dated December 31, 1992, between the Registrant and American Financial Corporation and its wholly-owned subsidiary Great American Insurance Company incorporated herein by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-2 dated January 7, 1993.
21	Subsidiaries of the Registrant.
31(a)	Sarbanes-Oxley Section 302(a) Certification of Chief Executive Officer
31(b)	Sarbanes-Oxley Section 302(a) Certification of Chief Financial Officer
32	Sarbanes-Oxley Section 906 Certification of Chief Executive Officer and Chief Financial Officer

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GREAT AMERICAN FINANCIAL RESOURCES, INC.

EXHIBIT 31(a)

SARBANES-OXLEY SECTION 302(a) CERTIFICATIONS

I, S. Craig Lindner, the principal executive officer of Great American Financial Resources, Inc., certify that:

1. I have reviewed this annual report on Form 10-K/A of Great American Financial Resources, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2007

/s/ S. Craig Lindner
S. Craig Lindner
Chief Executive Officer

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GREAT AMERICAN FINANCIAL RESOURCES, INC.

EXHIBIT 31(b)

SARBANES-OXLEY SECTION 302(a) CERTIFICATIONS - CONTINUED

I, Christopher P. Miliano, the principal financial officer of Great American Financial Resources, Inc., certify that:

1. I have reviewed this annual report on Form 10-K/A of Great American Financial Resources, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2007

/s/ Christopher P. Miliano
Christopher P. Miliano
Chief Financial Officer

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GREAT AMERICAN FINANCIAL RESOURCES, INC.

EXHIBIT 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Pursuant to 18 USC Section 1350

as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing with the Securities and Exchange Commission of the Annual Report of Great American Financial Resources, Inc. on Form 10-K/A for the period ending December 31, 2006 (the "Report"), the undersigned officers of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ S. Craig Lindner	/s/ Christopher P. Miliano
S. Craig Lindner	Christopher P. Miliano
Chief Executive Officer	Chief Financial Officer

April 30, 2007

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