# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-O

(Mark One)

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

For the quarterly period ended March 31, 2022

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: 001-36347



# A-MARK PRECIOUS METALS, INC.

(Exact name of registrant as specified in its charter)

(State of Incorporation)

<u>11-2464169</u> (IRS Employer I.D. No.)

2121 Rosecrans Ave. Suite 6300 El Segundo, CA 90245

(Address of principal executive offices)(Zip Code)

(310) 587-1477

(Registrant's Telephone Number, Including Area Code)

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

<u>Title of each class</u> Common Stock, \$0.01 par value Trading Symbol(s)
AMRK

Name of each exchange on which registered

NASDAQ Global Select Market

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.  $\square$  No.  $\square$ 

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes. Ø No. □

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

 Large accelerated filer
 □

 Non-accelerated filer
 □

 Smaller reporting company
 □

 Emerging growth company
 □

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.  $\Box$ 

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

As of April 28, 2022, the registrant had 11,514,010 shares of common stock outstanding, par value \$0.01 per share.

# A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES

# **QUARTERLY REPORT ON FORM 10-Q**For the Nine Months Ended March 31, 2022

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# PART I — FINANCIAL INFORMATION

# ITEM 1. FINANCIAL STATEMENTS

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# A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except for share data)

	M	larch 31, 2022	June 30, 2021		
ASSETS					
Current assets:					
Cash <sup>(1)</sup>	\$	28,549	\$	101,405	
Receivables, net		65,636		89,000	
Derivative assets		25,973		44,536	
Secured loans receivable <sup>(1)</sup>		145,838		112,968	
Precious metals held under financing arrangements <sup>(1)</sup>		87,450		154,742	
Inventories:		,		•	
Inventories <sup>(1)</sup>		564,816		256,991	
Restricted inventories		199,447		201,028	
		764,263		458,019	
Prepaid expenses and other assets <sup>(1)</sup>		8,188		3,557	
Total current assets		1,125,897		964,227	
Operating lease right of use assets		6,774		5,702	
Property, plant, and equipment, net		9,542		8,609	
Goodwill		100,943		100,943	
Intangibles, net		70,716		93,633	
č ,					
Long-term investments		32,511		18,467	
Other long-term assets		200	_		
Total assets	<u>\$</u>	1,346,583	\$	1,191,581	
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Lines of credit	\$	255,000	\$	185,000	
Liabilities on borrowed metals		67,824		91,866	
Product financing arrangements		199,447		201,028	
Accounts payable and other payables		26,175		5,935	
Deferred revenue and other advances		193,081		194,416	
Derivative liabilities		24,783		7,539	
Accrued liabilities <sup>(1)</sup>		21,399		18,785	
Income tax payable		268		5,016	
Total current liabilities		787,977		709.585	
Notes payable <sup>(1)</sup>		93,859		93,249	
Deferred tax liabilities		14,951		19,514	
Other liabilities		6,304		5,291	
Total liabilities		903.091		827.639	
Commitments and contingencies		703,071		027,037	
Stockholders' equity:					
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding; none as of March 31, 2022 and June 30, 2021		_		_	
Common stock, par value \$0.01; 40,000,000 shares authorized; 11,514,010 and 11,229,657 shares issued and outstanding as of March 31, 2022 and June 30, 2021, respectively		116		113	
Additional paid-in capital		156.997		150.420	
Retained earnings		284,651		212,090	
Total A-Mark Precious Metals, Inc. stockholders' equity		441.764		362.623	
Noncontrolling interests		1,728		1,319	
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Total stockholders' equity		443,492		363,942	
Total liabilities, noncontrolling interests and stockholders' equity	\$	1,346,583	\$	1,191,581	

<sup>(1)</sup> Includes amounts of the consolidated variable interest entity, which is presented separately in the table below.

# A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (amounts in thousands)

In September 2018, AM Capital Funding, LLC ("AMCF"), a wholly owned subsidiary of Collateral Finance Corporation (CFC"), completed an issuance of Secured Senior Term Notes, Series 2018-1, Class A in the aggregate principal amount of \$72.0 million and Secured Subordinated Term Notes, Series 2018-1, Class B in the aggregate principal amount of \$28.0 million (collectively, the "Notes"). The Class A Notes bear interest at a rate of 4.98% and the Class B Notes bear interest at a rate of 5.98%. The Notes have a maturity date of December 15, 2023.

The Company consolidates a variable interest entity ("VIE") if the Company is considered to be the primary beneficiary. AMCF is a VIE because its equity may be insufficient to maintain its on-going collateral requirements without additional financial support from the Company. The securitization is primarily secured by cash, bullion loans, and precious metals, and the Company is required to continuously hedge the value of certain collateral and make future contributions as necessary. The Company is the primary beneficiary of this VIE because the Company has the right to determine the type of collateral (i.e., cash, secured loans, or precious metals) placed into the entity, has the right to receive (and has received) the proceeds from the securitization transaction, earns on-going interest income from the secured loans (subject to collateral requirements), and has the obligation to absorb losses should AMCF's interest expense and other costs exceed its interest income.

The following table presents the assets and liabilities of this VIE, which are included in the condensed consolidated balance sheets above. The holders of the Notes have a first priority security interest in the assets as shown in the table below, which are in excess of the Notes' aggregate principal amount. Additionally, the liabilities of the VIE include intercompany balances, which are eliminated in consolidation. (See Note 15.)

	arch 31, 2022	June 30, 2021
ASSETS OF THE CONSOLIDATED VIE		
Cash	\$ 2,829	\$ 2,877
Secured loans receivable	101,646	84,817
Precious metals held under financing arrangements	_	23,976
Inventories	_	2,532
Prepaid expenses and other assets	28	23
Total assets of the consolidated variable interest entity	\$ 104,503	\$ 114,225
LIABILITIES OF THE CONSOLIDATED VIE	 	
Deferred payment obligations <sup>(1)</sup>	\$ 11,561	\$ 20,539
Accrued liabilities	995	847
Notes payable <sup>(2)</sup>	98,859	98,249
Total liabilities of the consolidated variable interest entity	\$ 111,415	\$ 119,635

This is an intercompany balance, which is eliminated in consolidation and hence is not shown on the consolidated balance sheets.

<sup>\$5.0</sup> million of the Notes are held by the Company, which is eliminated in consolidation and hence is not shown on the consolidated balance sheets.

# A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF INCOME (in thousands, except for share and per share data)

	Three Mon	Ended	Nine Mon	ths Ended		
	 March 31, 2022		March 31, 2021	March 31, 2022		March 31, 2021
Revenues	\$ 2,109,115	\$	2,049,489	\$ 6,069,450	\$	5,434,349
Cost of sales	 2,037,032		1,981,318	5,875,435		5,311,282
Gross profit	72,083		68,171	194,015		123,067
Selling, general, and administrative expenses	(20,494)		(13,295)	(55,884)		(31,328)
Depreciation and amortization expense	(7,548)		(1,488)	(24,077)		(2,494)
Interest income	5,343		4,724	16,125		13,240
Interest expense	(5,429)		(5,335)	(16,297)		(14,665)
Earnings from equity method investments	1,608		7,410	4,317		13,898
Other income, net	493		340	1,335		904
Remeasurement gain on pre-existing equity interest	_		26,306	_		26,306
Unrealized losses on foreign exchange	 (135)		(53)	 (128)		(131)
Net income before provision for income taxes	45,921		86,780	119,406		128,797
Income tax expense	 (8,375)		(9,847)	 (23,797)		(18,944)
Net income	37,546		76,933	95,609		109,853
Net income attributable to noncontrolling interests	164		308	409		1,221
Net income attributable to the Company	\$ 37,382	\$	76,625	\$ 95,200	\$	108,632
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:	_					
Basic	\$ 3.27	\$	9.54	\$ 8.38	\$	14.67
Diluted	\$ 3.06	\$	8.84	\$ 7.84	\$	13.61
Weighted average shares outstanding:						
Basic	11,429,800		8,028,900	11,356,400		7,403,900
Diluted	12,212,900		8,668,300	12,137,600		7,980,700

# A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (in thousands, except for share data)

	Common Stock (Shares)	Common Stock		Additional Paid-in Capital		tained rnings	P Mo Stoo	Total A-Mark Precious etals, Inc. ckholders' Equity	Non- Controlling Interests	Total Stockholders' Equity
Balance, June 30, 2020	7,031,500	\$ 7	71	\$ 27,289	S	73,644	\$	101,004	\$ 3,890	\$ 104,894
Net income	_	-	_	_		23,083		23,083	623	23,706
Share-based compensation	_	-	_	178		_		178	_	178
Net settlement on issuance of common shares on exercise of options	35,030	-	_	416		_		416	_	416
Dividends declared (\$1.50 per common share)	_	-	_	_		(10,553)		(10,553)	-	(10,553)
Balance, September 30, 2020	7,066,530	7	71	27,883		86,174		114,128	4,513	118,641
Net income	_	-	_	_		8,925		8,925	289	9,214
Share-based compensation	_	-	_	210		_		210	_	210
Net settlement on issuance of common shares on exercise of options	64,932		1	1,000		_		1,001	_	1,001
Dividends declared (\$1.50 per common share)	_	-	_	_		(10,638)		(10,638)	_	(10,638)
Balance, December 31, 2020	7,131,462	7	72	29,093		84,461		113,626	4,802	118,428
Net income	_	-	_			76,625		76,625	308	76,933
Share-based compensation	_	-	_	271		_		271	_	271
Issuance of common stock sold in public offering, net of offering costs	2,875,000	2	29	75,315		_		75,344	_	75,344
Common stock issued for acquisition of JMB	1,047,007	1	0	41,598		_		41,608	_	41,608
Net settlement on issuance of common shares on exercise of options	82,764		1	1,093		_		1,094		1,094
Balance, March 31, 2021	11,136,233	\$ 11	2	\$ 147,370	\$	161,086	\$	308,568	\$ 5,110	\$ 313,678
Balance, June 30, 2021	11.229.657	\$ 11	3	\$ 150.420	\$	212,090	\$	362,623	\$ 1.319	\$ 363,942
Net income	11,227,037	•	_	J 130,420	Ψ	26,024	Ψ	26,024	100	26,124
Share-based compensation				473		20,024		473	100	473
Net settlement on issuance of common shares on exercise of options	60,650	_	_	749		_		749	_	749
Common stock issued for increase in long term investment	61.590		1	2,977		_		2,978	_	2,978
Dividends declared (\$2.00 per common share)	01,570	_	_	2,777		(22.639)		(22,639)	_	(22,639)
Balance, September 30, 2021	11,351,897		4	154,619		215,475		370,208	1,419	371,627
Net income						31,794		31,794	145	31,939
Share-based compensation	_	_	_	582		_		582	_	582
Net settlement on issuance of common shares on exercise of options	57.732		1	639		_		640	_	640
Balance, December 31, 2021	11,409,629	11	5	155,840		247,269		403,224	1,564	404,788
Net income			_			37,382		37,382	164	37,546
Share-based compensation	_	_	_	573		_		573	_	573
Net settlement on issuance of common shares on exercise of options	104.381		1	584		_		585	_	585
Balance, March 31, 2022	11,514,010	\$ 11	6	\$ 156,997	\$	284,651	\$	441,764	\$ 1,728	\$ 443,492

# A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (amounts in thousands)

Nine Months Ended March 31,		2022	2021
Cash flows from operating activities:	Φ.	05.600	100.053
Net income	\$	95,609 \$	109,853
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		24.077	2 404
Depreciation and amortization  Amortization of loan cost		24,077	2,494
		2,089	1,661
Deferred income taxes		(4,563)	(1,561
Interest added to principal of secured loans		(13)	(9
Share-based compensation		1,628	659
Write-down of digital assets		50	(26.206
Remeasurement gain on pre-existing equity method investment			(26,306
Earnings from equity method investments		(4,317)	(13,898
Changes in assets and liabilities:			
Receivables		23,364	3,507
Secured loans receivable		747	3,303
Secured loans made to affiliates		(1,989)	8,646
Derivative assets		18,563	(18,342
Precious metals held under financing arrangements		67,292	17,589
Inventories		(306,244)	(181,933
Prepaid expenses and other assets		(1,923)	(634
Accounts payable and other payables		20,240	(63,694
Deferred revenue and other advances		(1,335)	64,219
Derivative liabilities		17,244	(13,113
Liabilities on borrowed metals		(24,042)	(58,471
Accrued liabilities		2,569	4,258
Income tax payable		(4,748)	6,324
Net cash used in operating activities		(75,702)	(155,448
Cash flows from investing activities:			
Capital expenditures for property, plant, and equipment		(2,106)	(1,351
Purchase of long-term investments		(6,750)	(6,763
Secured loans receivable, net		(31,615)	(48,958
Purchase of digital assets		(250)	_
Other secured loans, net		_	1,000
Incremental acquisition of pre-existing equity method investment, net of cash		_	(62,232
Net cash used in investing activities		(40,721)	(118,304
Cash flows from financing activities:			
Product financing arrangements, net		(1,581)	175,389
Dividends paid		(22,639)	(21,191
Borrowings and repayments under lines of credit, net		70,000	30,000
Net proceeds from the issuance of common stock		_	75,315
Debt funding issuance costs		(4,187)	(1,831
Net settlement on issuance of common shares on exercise of options		1,974	2,511
Net cash provided by financing activities		43,567	260,193
Net decrease in cash, cash equivalents, and restricted cash		(72,856)	(13,559
Cash, cash equivalents, and restricted cash, beginning of period		101,405	52,325
Cash, cash equivalents, and restricted cash, end of period	\$	28,549 \$	38,766
Supplemental disclosures of cash flow information:	<del></del>		
Interest paid	\$	15,244 \$	12,655
Income taxes paid	\$	33,108 \$	18,086
Income taxes refunded	\$ \$	- \$	(3,887
Non-cash investing and financing activities:	Ф	_ 3	(3,88/
Interest added to principal of secured loans	\$	13 \$	9
Fair value of shares exchanged for increase in long term investment	\$ \$	2,978 \$	41,608
Addition of right of use assets under operating lease obligations	\$ \$	2,978 \$	41,008

# A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

# 1. DESCRIPTION OF BUSINESS

# **Basis of Presentation**

The condensed consolidated financial statements comprise those of A-Mark Precious Metals, Inc. ("A-Mark" or the "Company"), its wholly-owned consolidated subsidiaries (including a wholly-owned variable interest entity), and its joint venture in which the Company has a controlling interest.

# **Business Segments**

The Company conducts its operations in three reportable segments: (i) Wholesale Sales & Ancillary Services, (ii) Direct-to-Consumer, and (iii) Secured Lending. Each of these reportable segments represents an aggregation of operating segments that meets the aggregation criteria set forth in the *Segment Reporting Topic* 280 of the Accounting Standards Codification ("ASC 280"). (See Note 19.)

# Wholesale Sales & Ancillary Services

The Company operates its Wholesale Sales & Ancillary Services segment directly and through its wholly-owned subsidiaries, A-Mark Trading AG ("AMTAG"), Transcontinental Depository Services, LLC ("TDS" or "Storage"), A-M Global Logistics, LLC ("AMGL" or "Logistics"), and AM&ST Associates, LLC ("AMST" or the "SilverTowne Mint").

The Wholesale Sales & Ancillary Services segment operates as a full-service precious metals company. We offer gold, silver, platinum, and palladium in the form of bars, plates, powder, wafers, grain, ingots, and coins. Our Industrial unit services manufacturers and fabricators of products utilizing or incorporating precious metals. Our Coin and Bar unit deals in over 1,000 coin and bar products in a variety of weights, shapes, and sizes for distribution to dealers and other qualified purchasers. We have a marketing support office in Vienna, Austria, and a trading center in El Segundo, California. The trading center, for buying and selling precious metals, is available to receive orders 24 hours every day, even when many major world commodity markets are closed. In addition to Wholesale Sales activity, A-Mark offers its customers a variety of ancillary services, including financing, storage, consignment, logistics, and various customized financial programs. As a U.S. Mint-authorized purchaser of gold, silver, platinum, and palladium coins. A-Mark purchases product directly from the U.S. Mint and other sovereign mints for sale to its customers.

Through its wholly-owned subsidiary AMTAG, the Company promotes A-Mark's products and services to the international market. Through our wholly-owned subsidiary TDS, we offer a variety of managed storage options for precious metals products to financial institutions, dealers, investors, and collectors around the world.

The Company's wholly-owned subsidiary AMGL is based in Las Vegas, Nevada, and provides our customers an array of complementary services, including receiving, handling, inventorying, processing, packing, and shipping of precious metals and custom coins on a secure basis.

Through its wholly-owned subsidiary AMST, the Company designs and produces minted silver products. Our SilverTowne Mint operations allow us to provide greater product selection to our customers and greater pricing stability within the supply chain, as well as to gain increased access to silver during volatile market environments, which have historically created higher demand for precious metals products.

#### Direct-to-Consumer

The Company operates its Direct-to-Consumer segment through its wholly-owned subsidiaries JM Bullion, Inc. ("JMB") and Goldline, Inc. ("Goldline".) JMB has five wholly-owned subsidiaries: Gold Price Group, Inc. ("GPG"), Silver.com, Inc. ("Silver.com"), Goldline Metal Buying Corp. ("GMBC"), Provident Metals Corp. ("PMC"), and Cybermetals Corp. ("CyberMetals"). Goldline, Inc. owns 100% of AMIP, LLC ("AMIP"), and has a 50% ownership interest in Precious Metals Purchasing Partners, LLC ("PMPP".) As the context requires, references in these Notes to "JMB" may include GPG, Silver.com, GMBC, PMC, and CyberMetals, and references to "Goldline" may include AMIP and PMPP.

JM Bullion, Inc.

JMB is a leading e-commerce retailer providing access to a broad array of gold, silver, copper, platinum, and palladium products through its websites and marketplaces. JMB operates five separately branded, company-owned websites targeting specific niches within the precious metals retail market.

During the third quarter of fiscal 2022, JMB beta tested the CyberMetals online platform, where customers may purchase fractional ounces of digital gold, silver, platinum and palladium in a range of denominations. CyberMetals' customers have the option to convert

their digital holdings to fabricated precious metals products via an integrated redemption flow with JMB. These products may be designated for storage by the Company or shipped directly to the customer. The CyberMetals platform was commercially launched in April 2022.

Goldline, Inc.

The Company acquired Goldline in August 2017 through an asset purchase transaction with Goldline, LLC, which had been in operation since 1960. Goldline is a direct retailer of precious metals to the investor community, and markets its precious metal products on television, radio, and the internet, as well as through customer service outreach. Goldline's subsidiary AMIP manages its intellectual property. PMPP was formed in fiscal 2019 pursuant to terms of a joint venture agreement, for the purpose of purchasing precious metals from the partners' retail customers, and then reselling the acquired products back to affiliates of the partners. PMPP commenced its operations in fiscal 2020.

Pro Forma Information for the Acquisition of JMB

The Company acquired the 79.5% interest in JMB that it did not previously own in March 2021. The following pro forma consolidated results of operations of the Company for the three and nine months ended March 31, 2021, assumes that the acquisition of JMB occurred on July 1, 2019.

<u>in thousands</u>	Three	Months Ended	Ni	ine Months Ended
		arch 31, 2021		March 31, 2021
Revenue	\$	2,339,148	\$	5,974,317
Net income	S	80 673	S	131 717

The above pro forma supplemental information does not purport to be indicative of what the Company's operations would have been had these transactions occurred on July 1, 2019 and should not be considered indicative of future operating results. The Company believes the assumptions used provide a reasonable basis for reflecting the significant pro forma effects directly attributable to the acquisition of JMB.

The unaudited pro forma information accounts for: (i) eliminations of equity investment income recognized prior to the acquisition and transactions between JMB and A-Mark; and (ii) adjustments to the income tax provision, revenue for JMB sales orders that were shipped but not delivered as of period end; stock compensation expense, and the amortization expense related to the acquired finite-lived intangible assets at fair value.

# Secured Lending

The Company operates its Secured Lending segment through its wholly-owned subsidiary, Collateral Finance Corporation, LLC including its two wholly-owned subsidiaries AM Capital Funding, LLC ("AMCF"), and CFC Alternative Investments ("CAI"), (collectively "CFC").

Collateral Finance Corporation, LLC is a California licensed finance lender that originates and acquires commercial loans secured by bullion and numismatic coins. CFC's customers include coin and precious metal dealers, investors, and collectors.

AM Capital Funding, LLC ("AMCF"), a wholly-owned subsidiary of CFC, was formed for the purpose of securitizing eligible secured loans of CFC. AMCF issued and administers the Notes. (See Note 15.)

CAI is a holding company that has a 50%-ownership stake in Collectible Card Partners, LLC ("CCP"). The purpose of CCP is to provide capital to fund commercial loans secured by graded sport cards and sports memorabilia.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

# **Principles of Consolidation**

The condensed consolidated financial statements reflect the financial condition, results of operations, statements of stockholders' equity, and cash flows of the Company, and were prepared using accounting principles generally accepted in the United States ("U.S. GAAP"). The Company consolidates its subsidiaries that are whollyowned, and majority owned, and entities that are variable interest entities where the Company is determined to be the primary beneficiary. The Company's condensed consolidated financial statements include the accounts of: A-Mark, AMTAG, TDS, AMGL, AMST, JMB, Goldline, and CFC (collectively the "Company"). Intercompany accounts and transactions are eliminated.

#### **Comprehensive Income**

For the nine months ended March 31, 2022 and 2021, there were no items that gave rise to other comprehensive income or loss, and, as a result net income equaled comprehensive income.

# **Use of Estimates**

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. These estimates include, among others, determination of fair value, allowances for doubtful accounts, impairment assessments of property, plant and equipment and intangible assets, valuation allowance determination on deferred tax assets, determining the incremental borrowing rate for calculating right of use assets and lease liabilities, and revenue recognition judgments. Significant estimates also include the Company's fair value determination with respect to its financial instruments, intangible assets, and precious metals inventory. Actual results could materially differ from these estimates.

#### Reclassification

In our condensed consolidated statements of income, we present depreciation and amortization expense as a separate line item. In prior fiscal years, depreciation and amortization expense was a component of the selling, general, and administrative expenses line item. In our condensed consolidated balance sheets and condensed consolidated statements of cash flows, we present (i) accounts payable and other payables and (ii) deferred revenue and other advances as a separate line items. In prior fiscal years the aggregate amounts were presented in a single line item, as accounts payable and other current liabilities.

Prior periods have been reclassified to conform to the current period presentation. These reclassifications have no impact on previously reported net income, financial position, or cash flows.

# **Unaudited Interim Financial Information**

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial reporting. These interim condensed consolidated financial statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary to present fairly the condensed consolidated balance sheets, condensed consolidated statements of income, condensed consolidated statements of stockholders' equity, and condensed consolidated statements of cash flows for the periods presented in accordance with U.S. GAAP. Operating results for the nine months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2022 or for any other interim period during such fiscal year. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations of the SEC. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended 2021 (the "2021 Annual Report"), as filed with the SEC. Amounts related to disclosure of June 30, 2021 balances within these interim condensed consolidated financial statements were derived from the audited consolidated financial statements and notes thereto included in the 2021 Annual Report.

# Fair Value Measurement

The Fair Value Measurements and Disclosures Topic 820 of the ASC ("ASC 820"), creates a single definition of fair value for financial reporting. The rules associated with ASC 820 state that valuation techniques consistent with the market approach, income approach, and/or cost approach should be used to estimate fair value. Selection of a valuation technique, or multiple valuation techniques, depends on the nature of the asset or liability being valued, as well as the availability of data. (See Note 3.)

#### Concentration of Credit Risk

Cash is maintained at financial institutions, and, at times, balances may exceed federally insured limits. The Company has not experienced any losses related to these balances.

Assets that potentially subject the Company to concentrations of credit risk consist principally of receivables, loans of inventory to customers, and inventory hedging transactions. Based on an assessment of credit risk, the Company typically grants collateralized credit to its customers. Credit risk with respect to loans of inventory to customers is minimal. The Company enters into inventory hedging transactions, principally utilizing metals commodity futures contracts traded on national futures exchanges or forward contracts with credit worthy financial institutions. All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions. Substantially all of these transactions are secured by the underlying metals positions.

# Foreign Currency

The functional currency of the Company is the United States dollar ("USD"). The functional currency of the Company's wholly-owned foreign subsidiary, AMTAG, is USD, but it maintains its books of record in the European Union Euro. The Company remeasures the financial statements of AMTAG into USD. The remeasurement of local currency amounts into USD creates remeasurement gains and losses, which are included in the consolidated statements of income.

To manage the effect of foreign currency exchange fluctuations, the Company utilizes foreign currency forward contracts. These derivatives generate gains and losses when settled and/or marked-to-market.

# **Business Combination**

The Company accounts for business combinations by applying the acquisition method in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations. The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. Transaction costs related to the acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred. The identifiable assets acquired, liabilities assumed and noncontrolling interests, if any, in an acquired entity are recognized and measured at their estimated fair values. The excess of the fair value of consideration transferred over the fair values of identifiable assets acquired, liabilities assumed and noncontrolling interests, if any, in an acquired entity is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets and liabilities. Net cash paid to acquire a business is classified as investing activities on the accompanying condensed consolidated statements of cash flows.

For a given acquisition, the Company may identify certain pre-acquisition uncertainties as of the acquisition date and may extend our review and evaluation of these pre-acquisition uncertainties throughout the measurement period in order to obtain sufficient information to assess whether we include these uncertainties as a part of the purchase price allocation and, if so, to determine the estimated amounts. If we determine that a pre-acquisition contingency (non-income tax related) is probable in nature and estimable as of the acquisition date, we record our best estimate for such an uncertain possibility as a part of the preliminary purchase price allocation. We often continue to gather information and evaluate our pre-acquisition uncertainties throughout the measurement period and if we make changes to the amounts recorded or if we identify additional pre-acquisition uncertainties during the measurement period, such amounts will be included in the purchase price allocation during the measurement period and, subsequently, in our results of operations.

Uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We review these items during the measurement period as we continue to actively seek and collect information relating to facts and circumstances that existed at the acquisition date. Changes to these uncertain tax positions and tax related valuation allowances made subsequent to the measurement period, or if they relate to facts and circumstances that did not exist at the acquisition date, are recorded in the "Provision for income taxes" line of the Company's condensed consolidated statements of income. (See Note 1.)

# Variable Interest Entity

A variable interest entity ("VIE") is a legal entity that has either (i) a total equity investment that is insufficient to finance its activities without additional subordinated financial support or (ii) whose equity investors as a group lack the ability to control the entity's activities or lack the ability to receive expected benefits or absorb obligations in a manner that is consistent with their investment in the entity.

A VIE is consolidated for accounting purposes by its primary beneficiary, which is the party that has both the power to direct the activities that most significantly impact the VIEs economic performance, and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company consolidates VIEs when it is deemed to be the primary beneficiary. Management regularly reviews and re-evaluates its previous determinations regarding whether it holds a variable interest in potential VIEs, the status of an entity as a VIE, and whether the Company is required to consolidate such VIEs in its condensed consolidated financial statements.

AMCF, a wholly owned subsidiary of CFC, is a special purpose entity ("SPE") formed as part of a securitization transaction in order to isolate certain assets and distribute the cash flows from those assets to investors. AMCF was structured to insulate investors from claims on AMCF's assets by creditors of other entities. The Company has various forms of on-going involvement with AMCF, which may include (i) holding senior or subordinated interests in AMCF; (ii) acting as loan servicer for a portfolio of loans held by AMCF; and (iii) providing administrative services to AMCF. AMCF is required to maintain separate books and records. The assets and liabilities of this VIE, as of March 31, 2022 and June 30, 2021, are indicated on the table that follows the condensed consolidated balance sheets.

AMCF is considered a VIE because its initial equity investment may be insufficient to maintain its on-going collateral requirements without additional financial support from the Company. The securitization is primarily secured by bullion loans and precious metals, and the Company is required to continuously hedge the value of certain collateral and make future contributions as necessary. The Company is the primary beneficiary of this VIE because the Company has the right to determine the type of collateral (i.e., cash, secured loans, or precious metals), has the right to receive (and has received) the proceeds from the securitization transaction, earns on-going interest income from the secured loans (subject to collateral requirements), and has the obligation to absorb losses should AMCF's interest expense and other costs exceed its interest income. (See Note 15.)

# Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents. The Company did not have any cash equivalents as of March 31, 2022 and June 30, 2021.

# **Precious Metals held under Financing Arrangements**

The Company enters into arrangements with certain customers under which A-Mark purchases precious metals from the customers which are subject to repurchase by the customer at the spot value of the product on the repurchase date. The precious metals purchased under these arrangements consist of rare and unique items, and therefore the Company accounts for these transactions as precious metals held under financing arrangements, which generate financing income rather than revenue earned from precious metals inventory sales. In these repurchase arrangements, the Company holds legal title to the metals and earns financing income for the duration of the agreement.

These arrangements are typically terminable by either party upon 14 days' notice. Upon termination, the customer's right to repurchase any remaining precious metal is forfeited, and the related precious metals are reclassified as inventory held for sale. As of March 31, 2022 and June 30, 2021, precious metals held under financing arrangements totaled \$87.5 million and \$154.7 million respectively.

The Company's precious metals held under financing arrangements are marked-to-market.

#### **Inventories**

The Company's inventory, which consists primarily of bullion and bullion coins, is acquired and initially recorded at cost and then marked to fair market value. The fair market value of the bullion and bullion coins comprises two components: (i) published market values attributable to the cost of the raw precious metal, and (ii) the premium paid at acquisition of the metal, which is attributable to the incremental value of the product in its finished goods form. The market value attributable solely to such premium is readily determinable by reference to multiple reputable published sources.

The Company's inventory, except for certain lower of cost or net realizable value basis products (as discussed below), are subsequently recorded at their fair market values, that is, "marked-to-market." The daily changes in the fair market value of our inventory are offset by daily changes in the fair market value of hedging derivatives that are taken with respect to our inventory positions; both the change in the fair market value of the inventory and the change in the fair market value of these derivative instruments are recorded in cost of sales in the condensed consolidated statements of income.

While the premium component included in inventory is marked-to-market, our commemorative coin inventory, including its premium component, is held at the lower of cost or net realizable value, because the value of commemorative coins is influenced more by supply and demand determinants than on the underlying spot price of the precious metal content of the commemorative coins. Unlike our bullion coins, the value of commemorative coins is not subject to the same level of volatility as bullion coins because our commemorative coins typically carry a substantially higher premium over the spot metal price than bullion coins. Neither the commemorative coin inventory nor the premium component of our inventory is hedged. (See Note 6.)

# Leased Right of Use Assets

We lease warehouse space, office facilities, and equipment. Our operating leases with terms longer than twelve months are recorded at the sum of the present value of the lease's fixed minimum payments as operating lease right of use assets ("ROU assets") in

the Company's condensed consolidated balance sheets. Lease terms include all periods covered by renewal and termination options where the Company is reasonably certain to exercise the renewal options or not to exercise the termination options. Our lease agreements do not contain any significant residual value guarantees or material restrictive covenants. Our finance leases (previously considered by the Company as capital leases prior to our adoption of ASU 2016-02, *Leases (Topic 842)* and subsequent related amendments ("ASC 842") are another type of ROU asset but are classified in the Company's condensed consolidated balance sheets as a component of property, plant, and equipment at the present value of the lease payments.

The ROU asset amounts include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by lease incentives. We use our incremental borrowing rate as the discount rate to determine the present value of the lease payments for leases, as our leases do not have readily determinable implicit discount rates. Our incremental borrowing rate is the rate of interest that we would incur to borrow on a collateralized basis over a similar term and amount in a similar economic environment

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities using the discount rate discussed above. The depreciable life of ROU assets is limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. (See Note 7)

# Property, Plant, and Equipment

Property, plant, and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using a straight-line method based on the estimated useful lives of the related assets, ranging from three years to twenty-five years. Depreciation and amortization commence when the related assets are placed into service. Internal-use software development costs are capitalized during the application development stage. Internal-use software costs incurred during the preliminary project stage are expensed as incurred. Land is recorded at historical cost and is not depreciated. Repair and maintenance costs are expensed as incurred. We have no major planned maintenance activities related to our plant assets associated with our minting operations

The Company reviews the carrying value of these assets for impairment whenever events and circumstances indicate that the carrying value of the asset may not be recoverable. In evaluating for impairment, the carrying value of each asset or group of assets is compared to the undiscounted estimated future cash flows expected to result from its use and eventual disposition. An impairment loss is recognized for the difference when the carrying value exceeds the discounted estimated future cash flows. The factors considered by the Company in performing this assessment include current and projected operating results, trends and prospects, the manner in which these assets are used, and the effects of obsolescence, demand and competition, as well as other economic factors.

# Finite-lived Intangible Assets

Finite-lived intangible assets consist primarily of customer relationships, non-compete agreements, and employment contracts. Existing customer relationships intangible assets are amortized in a manner reflecting the pattern in which the economic benefits of the assets are consumed. All other intangible assets subject to amortization are amortized using the straight-line method over their useful lives, which are estimated to be one year to fifteen years. We review our finite-lived intangible assets for impairment under the same policy described above for property, plant, and equipment; that is, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

# **Digital Assets**

The Company has purchased certain digital assets (crypto currencies) that are held for investment purposes. The Company accounts for digital assets in accordance with *Intangibles - Goodwill and Other* Topic 350 of the ASC ("ASC 350"). Digital assets are shown in the other long-term assets line item on the condensed consolidated balance sheets. Digital assets are a type of intangible asset with indefinite useful lives, which are recorded at cost less impairment. Accordingly, if the fair market value at any point during the reporting period is lower than the carrying value, an impairment loss is recorded. If the fair market value at any point during the reporting period is higher than the carrying value the basis of the digital assets will not be adjusted to account for this increase. Gains on digital assets, if any, are recognized upon sale or disposal of the digital assets. Write downs and gains are shown in the condensed consolidated statement of income, as component of the line item other income, net.

As of March 31, 2022 and June 30, 2021, the carrying balance of the digital assets was \$0.2 million and \$0.0 million respectively, which is shown net of cumulative write-downs of \$0.1 million and \$0.0 million, respectively. As of March 31, 2022, the fair market value of such digital assets held was \$0.3 million. For the three and nine months ended March 31, 2022, the Company recorded \$0.1 million and \$0.1 million, respectively, of write-downs on such digital assets. For the three and nine months ended March 31, 2022, the Company had no realized gains related to sale of digital assets. For the three and nine months ended March 31, 2021, the Company had no digital asset activity.

# Goodwill and Indefinite-lived Intangible Assets

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Goodwill and other indefinite-lived intangibles (such as trade names and trademarks) are not subject to amortization but are evaluated for impairment at least annually. However, for tax purposes, goodwill acquired in connection with a taxable asset acquisition is generally deductible.

The Company evaluates its goodwill and other indefinite-lived intangibles for impairment in the fourth quarter of the fiscal year (or more frequently if indicators of potential impairment exist) in accordance with ASC 350. Goodwill is reviewed for impairment at a reporting unit level, which for the Company, corresponds to the Company's reportable operating segments.

# Evaluation of goodwill for impairment

The Company has the option to first qualitatively assess whether relevant events and circumstances make it more likely than not that the fair value of the reporting unit's goodwill is less than its carrying value. A qualitative assessment includes analyzing current economic indicators associated with a particular reporting unit such as changes in economic, market and industry conditions, business strategy, cost factors, and financial performance, among others, to determine if there would be a significant decline to the fair value of a particular reporting unit. If the qualitative assessment indicates a stable or improved fair value, no further testing is required.

If, based on this qualitative assessment, management concludes that goodwill is more likely than not to be impaired, or elects not to perform the qualitative assessment, then it is required to perform a quantitative analysis to determine the fair value of the business, and compare the calculated fair value of the reporting unit with its carrying amount, including goodwill. If through this quantitative analysis the Company determines the fair value of a reporting unit exceeds its carrying amount, the goodwill of the reporting unit is considered not to be impaired. If the Company concludes that the fair value of the reporting unit is less than its carrying value, a goodwill impairment loss will be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. (See Note 9.)

# Evaluation of indefinite-lived intangible assets for impairment

The Company evaluates its indefinite-lived intangible assets (i.e., trade names and trademarks) for impairment. In assessing its indefinite-lived intangible assets for impairment, the Company has the option to first perform a qualitative assessment to determine whether events or circumstances exist that lead to a determination that it is unlikely that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If the Company determines that it is unlikely that the fair value of an indefinite-lived intangible asset is less than its carrying amount, the Company is not required to perform any additional tests in assessing the asset for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform a quantitative analysis to determine if the fair value of an indefinite-lived intangible asset is less than its carrying value. If through this quantitative analysis the Company determines the fair value of an indefinite-lived intangible asset exceeds its carrying amount, the indefinite-lived intangible asset is less than its carrying value, an impairment loss will be recognized for the amount by which the carrying amount exceeds the indefinite-lived intangible asset's fair value.

The methods used to estimate the fair value measurements of the Company's reporting units and indefinite-lived intangible assets include those based on the income approach (including the discounted cash flow and relief-from-royalty methods) and those based on the market approach (primarily the guideline transaction and guideline public company methods). (See Note 9.)

# **Long-Term Investments**

Investments in privately-held entities are accounted for using the equity method when the Company has significant influence but not control over the investee and are accounted for using the cost method when the Company has little or no influence over the investee. Significant influence is generally deemed to exist if the Company's ownership interest in the voting stock of the investee ranges between 20% and 50%, although other factors are considered in determining whether the equity method of accounting is appropriate. Under the equity method, the carrying value of the investment is adjusted for the Company's proportionate share of the investee's earnings or losses, with the corresponding share of earnings or losses reported in other income, net. The carrying value of the investment is reduced by the amount of the dividends received from the equity-method investee, as they are considered a return of capital. Under the cost method of accounting, the investment is measured at cost, adjusted for other-than-temporary impairments, with changes recognized in net income.

We evaluate our long-term investments for impairment quarterly or whenever events or changes in circumstances indicate that a decline in the fair value of these assets is determined to be other-than-temporary. Additionally, the Company performs an on-going evaluation of the investments with which the Company has variable interests to determine if any of these entities are VIEs that are required to be consolidated. None of the Company's long-term investments are reportable VIEs as of March 31, 2022 and June 30, 2021.

# Noncontrolling interest

The Company's condensed consolidated financial statements include entities in which the Company has a controlling financial interest. Noncontrolling interest is the portion of equity (net assets) in an entity in which the Company has a controlling financial interest that is not attributable, directly or indirectly, to the Company. Such noncontrolling interest is reported on the condensed consolidated balance sheets within equity, separately from the Company's equity. On the condensed consolidated statements of income, revenues, expenses and net income or loss from the less-than-wholly owned subsidiary are reported at their consolidated amounts, including both the amounts attributable to the Company and the noncontrolling interest. Income or loss is allocated to the noncontrolling interest based on its weighted average ownership percentage for the applicable period. The condensed consolidated statements of equity include beginning balances, activity for the period and ending balances for each component of stockholders' equity, noncontrolling interest and total equity.

# **Revenue Recognition**

#### Settlement Date Accounting

Substantially all of the Company's sales of precious metals are conducted using sales contracts that meet the definition of derivative instruments in accordance with the *Derivatives and Hedging* Topic 815 of the ASC ("ASC 815"). The contract underlying A-Mark's commitment to deliver precious metals is referred to as a "fixed-price forward commodity contract" because the price of the commodity is fixed at the time the order is placed. Revenue is recognized on the settlement date, which is defined as the date on which: (i) the quantity, price, and specific items being purchased have been established, (ii) metals have been delivered to the customer, and (iii) payment has been received or is covered by the customer's established credit limit with the Company.

All derivative instruments are marked-to-market during the interval between the order date and the settlement date, with the changes in the fair value charged to cost of sales. The Company's hedging strategy to mitigate the market risk associated with its sales commitments is described separately below under the caption "Hedging Activities."

# Types of Orders that are Physically Delivered

The Company's contracts to sell precious metals to customers are usually settled with the physical delivery of metals to the customer, although net settlement (i.e., settlement at an amount equal to the difference between the contract value and the market price of the metal on the settlement date) is permitted. Below is a summary of the Company's major order types and the key factors that determine when settlement occurs and when revenue is recognized for each type:

- *Traditional physical orders* The quantity, specific product, and price are determined on the order date. Payment or sufficient credit is verified prior to delivery of the metals on the settlement date.
- Consignment orders The Company delivers the items requested by the customer prior to establishing a firm order with a price. Settlement occurs and revenue is recognized once the customer confirms its order (quantity, specific product, and price) and remits full payment for the sale.
- **Provisional orders** The quantity and type of metal is established at the order date, but the price is not set. The customer commits to purchasing the metals within a specified time period, usually within one year, at the then-current market price. The Company delivers the metal to the customer after receiving the customer's deposit, which is typically based on 110% of the prevailing current spot price. The unpriced metal is subject to a margin call if the deposit falls below 105% of the value of the unpriced metal. The purchase price is established, and revenue is recognized at the time the customer notifies the Company that it desires to purchase the metal.
- Margin orders The quantity, specific product, and price are determined at the order date; however, the customer is allowed to finance the transaction through the Company and to defer delivery by committing to remit a partial payment (approximately 20%) of the total order price. With the remittance of the partial payment, the customer locks in the purchase price for a specified time period (usually up to two years from the order date). Revenue on margin orders is recognized when the order is paid in full and delivered to the customer.
- Borrowed precious metals orders for unallocated positions Customers may purchase unallocated metal positions in the Company's inventory. The quantity and type of metal is established at the order date, but the specific product is not yet determined. Revenue is not recognized until the customer selects the specific precious metal product it wishes to purchase, full payment is received, and the product is delivered to the customer.

In general, unshipped orders for which a customer advance has been received by the Company are classified as advances from customers. Orders that have been paid for and shipped, but not yet delivered to the customer are classified as deferred revenue. Both customer advances and deferred revenue are shown, in the aggregate, as deferred revenue and other advances in the condensed consolidated financial statements. See Note 11 for further details.

# **Hedging Activities**

The value of our inventory and our purchase and sale commitments are linked to the prevailing price of the underlying precious metal commodity. The Company seeks to minimize the effect of price changes of the underlying commodity and enters into inventory hedging transactions, principally utilizing metals commodity futures contracts traded on national futures exchanges or forward contracts with credit worthy financial institutions. The Company hedges by each commodity type (gold, silver, platinum, and palladium). All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions.

Commodity forward, and futures contracts entered into for hedging purposes are recorded at fair value on the trade date and are marked-to-market each period. The difference between the original contract values and the market values of these contracts are reflected as derivative assets or derivative liabilities in the condensed consolidated balance sheets at fair value, with the corresponding unrealized gains or losses included as a component of cost of sales. When these contracts are net settled, the unrealized gains and losses are reversed and the realized gains and losses for forward contracts are recorded in revenue and cost of sales and the net realized gains and losses for futures and option contracts are recorded in cost of sales.

The Company enters into futures and forward contracts solely for the purpose of hedging our inventory holding risk and our liability on price protection programs, and not for speculative market purposes. The Company's gains and losses on derivative instruments are substantially offset by the changes in the fair market value of the underlying precious metals inventory, which is also recorded in cost of sales in the condensed consolidated statements of income. (See Note 12.)

# Other Sources of Revenue

The Company recognizes its storage, logistics, licensing, and other services revenues in accordance with the FASB's release ASU 2014-09 *Revenue From Contracts With Customers Topic 606* of the ASC and subsequent related amendments ("ASC 606"), which follows five basic steps to determine whether revenue can be recognized: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company recognizes revenue when or as it satisfies its obligation by transferring control of the good or service to the customer. This is either satisfied over time or at a point in time. A performance obligation is satisfied over time if one of the following criteria are met: (i) the customer simultaneously receives and consumes the benefits as the Company performs, (ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or (iii) the Company's performance does not create an asset with an alternative use to the Company, and the Company has an enforceable right for payment of performance completed-to-date. When none of those is met, a performance obligation is satisfied at a point-in-time.

The Company recognizes storage revenue as the customer simultaneously receives and consumes the storage services (e.g., fixed storage fees based on the passage of time). The Company recognizes logistics (i.e., fulfillment) revenue when the customer receives the benefit of the services. The Company recognizes advertising and consulting revenues when the service is performed, and the benefit of the service by the customer. In aggregate, these types of service revenues account for less than 1% of the Company's consolidated revenues.

# **Interest Income**

In accordance with the *Interest* Topic 835 of the ASC ("ASC 835"), the following are interest income generating activities of the Company:

- Secured Loans The Company uses the effective interest method to recognize interest income on its secured loans transactions. The Company maintains a security interest in the precious metals and records interest income over the terms of the secured loan receivable. Recognition of interest income is suspended, and the loan is placed on non-accrual status when management determines that collection of future interest income is not probable. The interest income accrual is resumed, and previously suspended interest income is recognized, when the loan becomes contractually current and/or collection doubts are resolved. Cash receipts on impaired loans are recorded first against the principal and then to any unrecognized interest income. (See Note 5.)
- Margin accounts The Company earns a fee (interest income) under financing arrangements related to margin orders over the period during which customers have opted to defer making full payment on the purchase of metals.
- **Repurchase agreements** Repurchase agreements represent a form of secured financing whereby the Company sets aside specific metals for a customer and charges a fee on the outstanding value of these metals. The customer is granted the option (but not the obligation) to repurchase these metals at any time during the open reacquisition period. This fee is earned over the duration of the open reacquisition period and is classified as interest income.
- **Spot deferred orders** Spot deferred orders are a special type of forward delivery order that enable customers to purchase or sell certain precious metals from/to the Company at an agreed upon price but, are allowed to delay remitting or taking

delivery up to a maximum of two years from the date of order. Even though the contract allows for physical delivery, it rarely occurs for this type of order. As a result, revenue is not recorded from these transactions. Spot deferred orders are considered a type of financing transaction, where the Company earns a fee (interest income) under spot deferred arrangements over the period in which the order is open.

# Interest Expense

The Company accounts for interest expense on the following arrangements in accordance with *Interest* Topic 835 of the ASC ("ASC 835"):

- Borrowings The Company incurs interest expense from its lines of credit, its debt obligations, and notes payable using the effective interest method. (See Note 15.) Additionally, the Company amortizes capitalized loan costs to interest expense over the period of the loan agreement.
- Loan servicing fees When the Company purchases loan portfolios, the Company may have the seller service the loans that were purchased. The Company incurs a fee based on total interest charged to borrowers over the period the loans are outstanding. The servicing fee incurred by the Company is charged to interest expense.
- **Product financing arrangements** The Company incurs financing fees (classified as interest expense) from its product financing arrangements (also referred to as reverse-repurchase arrangements) with third party finance companies for the transfer and subsequent option to reacquire its precious metal inventory at a later date. These arrangements are accounted for as secured borrowings. During the term of this type of agreement, the third party charges a monthly fee as a percentage of the market value of the designated inventory, which the Company intends to reacquire in the future. No revenue is generated from these arrangements. The Company enters this type of transaction for additional liquidity.
- Borrowed and leased metals fees The Company may incur financing costs from its borrowed metal arrangements. The Company borrows precious metals (usually in the form of pool metals) from its suppliers and customers under short-term arrangements using other precious metals as collateral. Typically, during the term of these arrangements, the third party charges a monthly fee as a percentage of the market value of the metals borrowed (determined at the spot price) plus certain processing and other fees.

Leased metal transactions are a similar type of transaction, except the Company is not required to pledge other precious metal as collateral for the precious metal received. The fees charged by the third party are based on the spot value of the pool metal received.

Both borrowed and leased metal transactions provide an additional source of liquidity, as the Company usually monetizes the metals received under such arrangements. Repayment is usually in the same form as the metals advanced but may be settled in cash.

# **Amortization of Debt Issuance Costs**

Debt issuance costs incurred in connection with the issuance of debt have been included as a component of the carrying amount of debt, with the exception of Trading Credit Facility debt issuance costs, which are included in prepaid expenses and other assets in the Company's condensed consolidated balance sheets. Debt issuance costs are amortized to interest expense over the contractual term of the debt. Debt issuance costs of the Trading Credit Facility are amortized on a straight-line basis, while all other debt issuance costs are amortized using the effective interest method. Amortization of debt issuance costs included in interest expense was \$0.5 million and \$0.7 million for the three months ended March 31, 2022 and 2021, respectively. Amortization of debt issuance costs included in interest expense was \$2.1 million and \$1.7 million for the nine months ended March 31, 2022 and 2021, respectively.

# **Earnings from Equity Method Investments**

The Company's proportional interest in the reported earnings from equity method investments is shown on the condensed consolidated statements of income as earnings from equity method investments. Prior to the fourth quarter of fiscal 2021, the Company presented earnings from equity method investments as a component of other income (loss), net in the statements of income. Such reclassification had no impact on current or prior years' net income, total assets, total liabilities, stockholders' equity or cash flows.

# Other Income, Net

The Company's other income and expense is comprised of: (i) royalty income, which is recognized when earned, and (ii) digital asset impairment, which is recognized when the fair market value of the asset at any point during the reporting period is lower than its carrying value.

#### Advertising

Advertising and marketing costs consist primarily of internet advertising, online marketing, direct mail, print media, and television commercials and are expensed when incurred. Advertising costs totaled \$3.3 million and \$1.0 million for the three months ended March 31, 2022 and 2021. Advertising costs totaled \$9.1 million and \$2.3 million for the nine months ended March 31, 2022 and 2021. Costs associated with the marketing and promotion of the Company's products are included within selling, general, and administrative expenses. Advertising costs associated with the operation of our SilverPrice.org and GoldPrice.org websites, which provide price information on silver, gold, and cryptocurrencies, are not included within selling, general, and administrative expenses, but are included in cost of sales in the condensed consolidated statements of income.

# **Shipping and Handling Costs**

Shipping and handling costs represent costs associated with shipping product to customers and receiving product from vendors and are included in cost of sales in the condensed consolidated statements of income. Shipping and handling costs incurred totaled \$6.8 million and \$5.3 million, respectively, for the three months ended March 31, 2022 and 2021. Shipping and handling costs incurred totaled \$18.9 million and \$10.3 million, respectively, for the nine months ended March 31, 2022 and 2021.

#### **Share-Based Compensation**

The Company accounts for equity awards under the provisions of the Compensation - Stock Compensation Topic 718 of the ASC ("ASC 718"), which establishes fair value-based accounting requirements for share-based compensation to employees. ASC 718 requires the Company to recognize the grant-date fair value of stock options and other equity-based compensation issued to employees as expense over the service period in the Company's condensed consolidated financial statements. The expense is adjusted for actual forfeitures of unvested awards as they occur. (See Note 17.)

# **Income Taxes**

As part of the process of preparing its condensed consolidated financial statements, the Company is required to estimate its provision for income taxes in each of the tax jurisdictions in which it conducts business, in accordance with the *Income Taxes* Topic 740 of the ASC ("ASC 740"). The Company computes its annual tax rate based on the statutory tax rates and tax planning opportunities available to it in the various jurisdictions in which it earns income. Significant judgment is required in determining the Company's annual tax rate and in evaluating uncertainty in its tax positions. The Company has adopted the provisions of ASC 740-10, which clarifies the accounting for uncertain tax positions. ASC 740-10 requires that the Company recognizes the impact of a tax position in the financial statements if the position is not more likely than not to be sustained upon examination based on the technical merits of the position. The Company recognizes interest and penalties related to certain uncertain tax positions as a component of income tax expense and the accrued interest and penalties are included in deferred and income taxes payable in the Company's condensed consolidated balance sheets. (See Note 13 for more information on the Company's accounting for income taxes.)

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences 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 effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion or all of the net deferred tax assets will not be realized. The factors used to assess the likelihood of realization include the Company's forecast of the reversal of temporary differences, future taxable income, and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Company's effective tax rate on future earnings. Based on our assessment, it appears more likely than not that all of the net deferred tax assets will be realized through future taxable income.

# Earnings per Share ("EPS")

The Company computes and reports both basic EPS and diluted EPS. Basic EPS is computed by dividing net earnings by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings by the sum of the weighted average number of common shares and dilutive common stock equivalents outstanding during the period. Diluted EPS reflects the total potential dilution that could occur from outstanding equity awards, including unexercised stock options, utilizing the treasury stock method.

A reconciliation of shares used in calculating basic and diluted earnings per common share for the three and nine months ended March 31, 2022 and 2021, is presented below.

#### in thousands

	Three Montl	hs Ended	Nine Montl	ths Ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	
Basic weighted average shares outstanding	11,430	8,029	11,356	7,404	
Effect of common stock equivalents — stock issuable under outstanding equity awards	783	639	782	577	
Diluted weighted average shares outstanding	12,213	8,668	12,138	7,981	

Actual common shares outstanding totaled 11,514,010 and 11,136,233 as of March 31, 2022 and March 31, 2021.

#### Dividends

Dividends are recorded if and when they are declared by the Board of Directors (see Note 17).

# Recently Adopted Accounting Pronouncements and Auditing Standards

From time to time, the Financial Accounting Standards Board ("FASB") or other standards setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification ("ASC") are communicated through issuance of an Accounting Standards Update ("ASU").

In December 2019, the FASB issued ASU 2019-12 ("ASU 2019-12"), *Income Taxes (Topic 740)* Simplifying the Accounting for Income Taxes to simplify the accounting for income taxes. The guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences related to changes in ownership of equity method investments and foreign subsidiaries. The guidance also simplifies aspects of accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The Company adopted this ASU in the first quarter of the 2022 fiscal year. The adoption of ASU 2019-12 did not have a material impact on the Company's consolidated financial statements and disclosures.

# Recent Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04 ("ASU 2020-04"), *Reference Rate Reform (Topic 848)* Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this ASU apply to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate that is expected to be discontinued because of reference rate reform. This update provides optional guidance for a limited period of time to ease potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as interbank offered rates and the London interbank offered rate ("LIBOR"). This guidance includes practical expedients for contract modifications due to reference rate reform. Generally, contract modifications related to reference rate reform may be considered and event that does not require remeasurement or reassessment of a previous accounting determination at the modification date. This guidance is effective immediately; however, it is only available through December 31, 2022. The Company believes the amendments of ASU 2020-04 will not have a significant impact on the Company's consolidated financial statements and related disclosures as the Company does not currently have any material contracts tied to LIBOR. Effective December 21, 2021, our new Trading Credit Facility is now tied to SOFR and the Company did not in have any material adverse consequences from this transition (see Note 15).

In June 2016, the FASB issued ASU No. 2016-13, ("ASU 2016-13"), *Financial Instruments - Credit Loss (Topic 326)*, which updates the guidance on recognition and measurement of credit losses for financial assets. The new requirements, known as the current expected credit loss model ("CECL") will require entities to adopt an impairment model based on expected losses rather than incurred losses. This update is effective for the Company on July 1, 2022 (for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years). The FASB has issued multiple updates to ASU 2016-13 as codified in Topic 326, including ASU's 2018-19, 2019-05, 2019-10, 2019-11, 2020-02, and 2022-02. These ASU's have provided for various minor technical corrections and

improvements to the codification as well as other transition matters. The Company does not have a history of credit losses. The adoption of this guidance will not have a material impact on the Company's financial statements or our internal controls over financial reporting.

Management does not believe that any other recently issued, but not yet effective, accounting pronouncement if currently adopted would have a material effect on the Company's condensed consolidated financial statements.

# 3. ASSETS AND LIABILITIES, AT FAIR VALUE

# Fair Value of Financial Instruments

A financial instrument is defined as cash, evidence of an ownership interest in an entity, or a contract that creates a contractual obligation or right to deliver or receive cash or another financial instrument from a second entity. The fair value of financial instruments represents amounts that would be received upon the sale of those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk adjusted discount rates, and available observable and unobservable inputs.

For most of the Company's financial instruments, the carrying amount approximates fair value. The carrying amounts of cash, receivables, secured loans receivable, accounts payable and other current liabilities, accrued liabilities, and income taxes payable approximate fair value due to their short-term nature. The carrying amounts of derivative assets and derivative liabilities, liabilities on borrowed metals and product financing arrangements are marked-to-market on a daily basis to fair value. The carrying amounts of lines of credit approximate fair value based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities.

The Company's fixed-rate notes payable is reported at its aggregate principal amount less unamortized original issue discount and deferred financing costs on the accompanying condensed consolidated balance sheets. The fair value of the notes payable is based on the present value of the expected coupon and principal payments using an estimated discount rate based on current market rates for debt with similar credit risk. The following table presents the carrying amounts and estimated fair values of the Company's fixed-rate notes payable as of March 31, 2022 and June 30, 2021:

<u>in thousands</u>	March 31, 2022				June 30, 2021			
	 Carrying Amount		Fair value		Carrying Amount		Fair value	
Notes payable	\$ 93,859	\$	96,047	\$	93,249	\$	100,724	

# Valuation Hierarchy

In determining the fair value of its financial instruments, the Company employs a fair value hierarchy that prioritizes the inputs for the valuation techniques used to measure fair value. ASC 820 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

# Assets and Liabilities Measured at Fair Value on a Recurring Basis

The significant assumptions used to determine the carrying value and the related fair value of the assets and liabilities measured at fair value on a recurring basis are described below:

Inventories. The Company's inventory, which consists primarily of bullion and bullion coins, is acquired and initially recorded at cost and then marked to fair market value. The fair market value of the bullion and bullion coins comprises two components: i) published market values attributable to the cost of the raw precious metal, and ii) the premium paid at acquisition of the metal, which is attributable to the incremental value of the product in its finished goods form. The market value attributable solely to such premium is readily determinable by reference to multiple reputable published sources. Except for commemorative coin inventory, which are included in

inventory at the lower of cost or net realizable value, the Company's inventory is subsequently recorded at their fair market values on a daily basis. The fair value for commodities inventory (i.e., inventory excluding commemorative coins) is determined using pricing data derived from the markets on which the underlying commodities are traded. Precious metals commodities inventory is classified in Level 1 of the valuation hierarchy.

<u>Precious Metals held under Financing Arrangements</u>. The Company enters into arrangements with certain customers under which A-Mark purchases precious metals from the customers which are subject to repurchase by the customer at the spot value of the product on the repurchase date. The precious metals purchased under these arrangements consist of rare and unique items, and therefore the Company accounts for these transactions as precious metals held under financing arrangements, which generate financing income rather than revenue earned from precious metals inventory sales. In these repurchase arrangements, the Company holds legal title to the metals and earns financing income for the duration of the agreement. The fair value for precious metals held under financing arrangements, (a commodity, like inventory above) is determined using pricing data derived from the markets on which the underlying commodities are traded. Precious metals held under financing arrangements are classified in Level 1 of the valuation hierarchy.

<u>Derivatives</u>. Futures contracts, forward contracts, option contracts, and open sale and purchase commitments are valued at their fair values, based on the difference between the quoted market price and the contractual price (i.e., intrinsic value,) and are included within Level 1 of the valuation hierarchy.

<u>Margin and Borrowed Metals Liabilities</u>. Margin and borrowed metals liabilities consist of the Company's commodity obligations to margin customers and suppliers, respectively. Margin liabilities and borrowed metals liabilities are carried at fair value, which is determined using quoted market pricing and data derived from the markets on which the underlying commodities are traded. Margin and borrowed metals liabilities are classified in Level 1 of the valuation hierarchy.

<u>Product Financing Arrangements</u>. Product financing arrangements consist of financing agreements for the transfer and subsequent re-acquisition of the sale of gold and silver at an agreed-upon price based on the spot price with a third party. Such transactions allow the Company to repurchase this inventory on the termination (repurchase) date. The third party charges monthly interest as a percentage of the market value of the outstanding obligation, which is carried at fair value. The obligation is stated at the amount required to repurchase the outstanding inventory. Fair value is determined using quoted market pricing and data derived from the markets on which the underlying commodities are traded. Product financing arrangements are classified in Level 1 of the valuation hierarchy.

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2022 and June 30, 2021, aggregated by each fair value hierarchy level:

# in thousands

in mousulus	March 31, 2022								
	Pric Active I for Id Instru	oted ce in Markets entical iments vel 1)	Significant Otho Observable Inputs (Level 2)	er	Significant Unobservable Inputs (Level 3)		Total		
Assets:									
Inventories <sup>(1)</sup>	\$	763,155	\$	_	\$	\$	763,155		
Precious metals held under financing arrangements		87,450		_	_		87,450		
Derivative assets — open sale and purchase commitments, net		25,389		_	_		25,389		
Derivative assets — futures contracts		138		_	_		138		
Derivative assets — forward contracts		446		_	_		446		
Total assets, valued at fair value	\$	876,578	\$		\$ <u> </u>	\$	876,578		
Liabilities:									
Liabilities on borrowed metals	\$	67,824	\$	_	\$	\$	67,824		
Product financing arrangements		199,447		_	_		199,447		
Derivative liabilities — open sale and purchase commitments, net		2,522		_	_		2,522		
Derivative liabilities — margin accounts		4,081		_	_		4,081		
Derivative liabilities — futures contracts		1,260		_	_		1,260		
Derivative liabilities — forward contracts		16,920		_	_		16,920		
Total liabilities, valued at fair value	\$	292,054	\$		\$	\$	292,054		

<sup>(1)</sup> Commemorative coin inventory totaling \$1,108 thousand is held at lower of cost or realizable value, and thus is excluded from the inventories balance shown in this table.

#### in thousands

	June 30, 2021								
	Acti for In	Quoted Price in ve Markets · Identical struments Level 1)	Significant of Observa Observa Inputs (Level 2	ble i	Significant Unobservable Inputs (Level 3)		Total		
Assets:									
Inventories <sup>(1)</sup>	\$	457,613	\$	_	\$	\$	457,613		
Precious metals held under financing arrangements		154,742		_	_		154,742		
Derivative assets — open sale and purchase commitments, net		38,340		_	_		38,340		
Derivative assets — futures contracts		4,510		_	_		4,510		
Derivative assets — forward contracts		1,686		_	_		1,686		
Total assets, valued at fair value	\$	656,891	\$		\$	\$	656,891		
Liabilities:				_					
Liabilities on borrowed metals	\$	91,866	\$	_	\$	\$	91,866		
Product financing arrangements		201,028		_	_		201,028		
Derivative liabilities — open sale and purchase commitments, net		243		_	_		243		
Derivative liabilities — margin accounts		2,806		_	_		2,806		
Derivative liabilities — futures contracts		465		_	_		465		
Derivative liabilities — forward contracts		4,025		_			4,025		
Total liabilities, valued at fair value	\$	300,433	\$		<u> </u>	\$	300,433		

<sup>(1)</sup> Commemorative coin inventory totaling \$406 thousand is held at lower of cost or net realizable value, and thus is excluded from the inventories balance shown in this table.

There were no transfers in or out of Level 2 or 3 from other levels within the fair value hierarchy during the reported periods.

# Assets Measured at Fair Value on a Non-Recurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an on-going basis but are subject to fair value adjustments only under certain circumstances. These include (i) investments in private companies when there are identifiable events or changes in circumstances that may have a significant adverse impact on the fair value of these assets, (ii) equity method investments that are remeasured to the acquisition-date fair value upon the Company obtaining a controlling interest in the investee during a step acquisition, (iii) property, plant, and equipment and definite-lived intangibles, (iv) digital assets, (v) goodwill, or (vi) indefinite-lived intangibles, all of which are written down to fair value when they are held for sale or determined to be impaired.

With the exception of digital assets, our non-recurring valuations use significant unobservable inputs and significant judgments and therefore fall under Level 3 of the fair value hierarchy. The valuation inputs include assumptions on the appropriate discount rates, long-term growth rates, relevant comparable company earnings multiples, and the amount and timing of expected future cash flows. The cash flows employed in the analyses are based on the Company's estimated outlook and various growth rates. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective equity method investment, asset group, or reporting unit. In assessing the reasonableness of its determined fair values, the Company evaluates its results against other value indicators, such as comparable transactions and comparable public company trading values. The Company used a third-party independent valuation specialist to assist us to determine the fair value of the net assets acquired in connection with Company's step acquisition of JMB. (Refer to Note 1 in our 2021 Annual Report.)

In regards to the Company's digital assets, the fair value is determined quarterly in accordance with ASC 820 and is based on quoted prices on the active exchange(s) that we have determined is the principal market for such assets (Level 1 inputs). When the quoted prices on active exchanges decrease and indicate that it is more likely than not that our digital assets are impaired, we consider the lowest market price of one unit of digital asset quoted on the active exchange since acquiring the digital asset. If the then current carrying value of a digital asset exceeds the fair value so determined, an impairment loss has occurred with respect to those digital assets in the amount equal to the difference between their carrying values and the price determined. As of March 31, 2022, the carrying amounts and estimated fair values of the Company's digital assets totaled \$0.2 million and \$0.3 million, respectively.

#### 4. RECEIVABLES

in thousands

Receivables consist of the following as of March 31, 2022 and June 30, 2021:

in inousanas	March 31, 2022	June 30, 2021
Customer trade receivables	\$ 22,539	\$ 12,197
Wholesale trade advances	24,156	26,959
Due from brokers	18,941	49,844
	\$ 65,636	\$ 89,000

<u>Customer Trade Receivables.</u> Customer trade receivables represent short-term, non-interest bearing amounts due from precious metal sales, advances related to financing products, and other secured interests in assets of the customer.

Wholesale Trade Advances. Wholesale trade advances represent advances of various bullion products and cash advances for purchase commitments of precious metal inventory. Typically, these advances are unsecured, short-term, and non-interest bearing, and are made to wholesale metals dealers and government mints.

Due from Brokers. Due from brokers principally consists of the margin requirements held at brokers related to open futures contracts. (See Note 12.)

# 5. SECURED LOANS RECEIVABLE

Below is a summary of the carrying value of our secured loans as of March 31, 2022 and June 30, 2021:

<u>in thousands</u>				
	March 31, 2022			une 30, 2021
Secured loans originated	\$	43,884	\$	36,080
Secured loans originated - with a related party		7,034		3,042
		50,918		39,122
Secured loans acquired		94,920		73,846
	\$	145,838	\$	112,968

<u>Secured Loans - Originated</u>: Secured loans include short-term loans, which include a combination of on-demand lines and short-term facilities. These loans are fully secured by the customers' assets, which predominantly include bullion and numismatic and semi-numismatic material, and which are typically held in safekeeping by the Company. (See <u>Note 14</u> for further information regarding our secured loans made to related parties.)

<u>Secured Loans - Acquired:</u> Secured loans also include short-term loans, which include a combination of on-demand lines and short term facilities that are purchased from our customers. The Company acquires a portfolio of their loan receivables at a price that approximates the outstanding balance of each loan in the portfolio, as determined on the effective transaction date. Each loan in the portfolio is fully secured by the borrowers' assets, which include bullion and numismatic and semi-numismatic material, and which are typically held in safekeeping by the Company. The seller of the loan portfolio generally retains the responsibility for the servicing and administration of the loans.

As of March 31, 2022 and June 30, 2021, our secured loans carried weighted-average effective interest rates of 8.9% and 8.9%, respectively, and mature in periods ranging typically from on-demand to one year.

The secured loans that the Company generates with active customers of A-Mark are reflected as an operating activity on the condensed consolidated statements of cash flows. The secured loans that the Company generates with borrowers that are not active customers of A-Mark are reflected as an investing activity on the condensed consolidated statements of cash flows as secured loans receivables, net. For the secured loans that (i) are reflected as an investing activity and have terms that allow the borrowers to increase their loan balance (at the discretion of the Company) based on the excess value of their collateral compared to their aggregate principal balance of loan, and (ii) are repayable on demand or in the short-term, the borrowings and repayments are netted on the condensed consolidated statements of cash flows.

# Credit Quality of Secured Loans Receivables and Allowance for Credit Losses

#### Gonora

The Company's secured loan receivables portfolio comprises loans with similar credit risk profiles, which enables the Company to apply a standard methodology to determine the credit quality for each loan and the allowance for credit losses, if any.

The credit quality of each loan is generally determined by the collateral value assessment, loan-to-value ("LTV") ratio (that is, the principal amount of the loan divided by the estimated value of the collateral) and the type (or class) of secured material. All loans are fully secured by precious metal bullion, numismatic and semi-numismatic collateral, or graded sports memorabilia, which remains in the physical custody of the Company for the duration of the loan. The term of the loans is generally 180 days, however loans are typically renewed prior to maturity and therefore remain outstanding for a longer period of time. Interest earned on a loan is billed monthly and is typically due and payable within 20 days and, if not paid after all applicable grace periods, is added to the outstanding principal balance, and late fees and default interest rates are assessed.

When an account is in default or if a margin call has not been met on a timely basis, the Company has the right to liquidate the borrower's collateral in order to satisfy the unpaid balance of the outstanding loans, including accrued and unpaid interest.

# Class and Credit Quality of Loans

The three classes of secured loan receivables are defined by collateral type: (i) bullion, (ii) numismatic and semi-numismatic and (iii) graded sports memorabilia. The Company required LTV ratios vary with the class of loans. Typically, the Company requires a LTV ratio of approximately 75% for bullion, 65% for numismatic and semi-numismatic collateral, and 50.0% for graded sports memorabilia. The LTV ratio for loans collateralized by numismatic and semi-numismatic collateral is typically lower on a percentage basis than bullion collateralized loans because a higher value of the numismatic and semi-numismatic collateral relates to its premium value, rather than its underlying commodity value. The LTV ratio for loans collateralized by graded sports memorabilia is lower because the underlying collateral is not as liquid as bullion and numismatic and semi-numismatic collateral.

The Company's secured loans by portfolio class, which align with internal management reporting, are as follows:

# in thousands

	March 31, 2	022	June 30	, 2021
Bullion	\$ 108,253	74.2 %	\$ 88,332	78.2 %
Numismatic and semi-numismatic	36,303	24.9 %	24,636	21.8 %
Graded sports memorabilia	1,282	0.9 %	_	0.0 %
	\$ 145,838	100.0 %	\$ 112,968	100.0 %

Due to the nature of market fluctuations of precious metal commodity prices, the Company monitors the bullion collateral value of each loan on a daily basis, based on spot price of precious metals. Numismatic and graded sports memorabilia specialists typically within every 90 days and when loan terms are renewed.

Generally, we initiate the margin call process when the outstanding loan balance is in excess of 85% of the current value of the underlying collateral. In the event that a borrower fails to meet a margin call to reestablish the required LTV ratio, the loan is considered in default. The collateral material (either bullion, numismatic or graded sports memorabilia) underlying such loans is then sold by the Company to satisfy all amounts due under the loan.

Loans with LTV ratios of less than 75% are generally considered to be higher quality loans. Below is summary of aggregate outstanding secured loan balances bifurcated into (i) loans with a LTV ratio of less than 75% and (ii) loans with a LTV ratio of 75% or more:

# in thousands

	March 31, 2022			June 30, 2021			
Loan-to-value of less than 75%	\$ 105,072	72.0 %	\$	96,602	85.5 %		
Loan-to-value of 75% or more	 40,766	28.0 %		16,366	14.5 %		
	\$ 145,838	100.0 %	\$	112,968	100.0 %		

The Company had no loans with a LTV ratio in excess of 100% as of March 31, 2022 and June 30, 2021.

# Non-Performing Loans/Impaired Loans

Historically, the Company has not established an allowance for any credit losses because the Company has liquidated the collateral to satisfy the amount due before any loan becomes non-performing or impaired.

Non-performing loans have the highest probability for credit loss. The allowance for secured loan credit losses attributable to non-performing loans is based on the most probable source of repayment, which is normally the liquidation of collateral. Due to the accelerated liquidation terms of the Company's loan portfolio, past due loans are generally liquidated within 90 days of default before a loan becomes non-performing. In the event a loan were to become non-performing, the Company would determine a reserve to reduce the carrying balance to its estimated net realizable value. As of March 31, 2022 and June 30, 2021, the Company had no allowance for secured loan losses or loans classified as non-performing.

A loan is considered impaired if it is probable, based on current information and events, that the Company will be unable to collect all amounts due according to the contractual terms of the loan. Customer loans are reviewed for impairment and include loans that are past due or non-performing, or if the customer is in bankruptcy. In the event of an impairment, recognition of interest income would be suspended, and the loan would be placed on non-accrual status at the time. Accrual would be resumed, and previously suspended interest income would be recognized, when the loan becomes contractually current and/or collection doubts are removed. Cash receipts on impaired loans are recorded first against the receivable and then to any unrecognized interest income. For the nine months ended March 31, 2022 and 2021, the Company incurred no loan impairment costs and no loans were placed on a non-accrual status.

# 6. INVENTORIES

Our inventory consists of the precious metals that the Company has physically received, and inventory held by third-parties, which, at the Company's option, it may or may not receive. Below, our inventory is summarized by classification at March 31, 2022 and June 30, 2021:

<u>in thousands</u>				
	rch 31, 2022	June 30, 2021		
Inventory held for sale	\$ 435,343	\$	159,319	
Repurchase arrangements with customers	105,196		75,063	
Consignment arrangements with customers	1,001		1,327	
Commemorative coins, held at lower of cost or net realizable value	1,108		406	
Borrowed precious metals	22,168		20,876	
Product financing arrangements, restricted	 199,447		201,028	
	\$ 764,263	\$	458,019	

<u>Inventory Held for Sale</u>. Inventory held for sale represents precious metals, excluding commemorative coin inventory, that have been received by the Company and are not subject to repurchase by or consignment arrangements with third parties, borrowed precious metals, and product financing arrangements. As of March 31, 2022 and June 30, 2021, the inventory held for sale totaled \$435.3 million and \$159.3 million, respectively.

Repurchase Arrangements with Customers. The Company enters into arrangements with certain customers under which A-Mark purchases precious metals from the customers which are subject to repurchase by the customer at the fair value of the product on the repurchase date. Under these arrangements, the Company, which holds legal title to the metals, earns financing income until the time the arrangement is terminated, or the material is repurchased by the customer. In the event of a repurchase by the customer, the Company records a sale.

These arrangements are typically terminable by either party upon 14 days' notice. Upon termination, the customer's rights to repurchase any remaining inventory is forfeited. As of March 31, 2022 and June 30, 2021, included within inventories is \$105.2 million and \$75.1 million, respectively, of precious metals products subject to repurchase arrangements with customers.

<u>Consignment Arrangements with Customers</u>. The Company periodically loans metals to customers 'on a short-term consignment basis. Inventory loaned under consignment arrangements to customers as of March 31, 2022 and June 30, 2021 totaled \$1.0 million and \$1.3 million, respectively. Such transactions are recorded as sales and are removed from the Company's inventory at the time the customer elects to price and purchase the precious metals.

<u>Commemorative Coins</u>. Our commemorative coin inventory, including its premium component, is held at the lower of cost or net realizable value, because the value of commemorative coins is influenced more by supply and demand determinants than on the underlying spot price of the precious metal content of the commemorative coins. The value of commemorative coins is not subject to the same level of volatility as bullion coins because our commemorative coins typically carry a substantially higher premium over the spot metal price than bullion coins. Our commemorative coins are not hedged and totaled \$1.1 million and \$0.4 million as of March 31, 2022 and June 30, 2021, respectively.

Borrowed Precious Metals. Borrowed precious metals inventory include: (i) metals held by suppliers as collateral on advanced pool metals, (ii) metals due to suppliers for the use of their consigned inventory, (iii) unallocated metal positions held by customers in the Company's inventory, and (iv) shortages in unallocated metal positions held by the Company in the supplier's inventory. Unallocated or pool metal represents an unsegregated inventory position that is due on demand, in a specified physical form, based on the total ounces of metal held in the position. Amounts due under these arrangements require delivery either in the form of precious metals or cash. The Company's inventory included borrowed precious metals with market values totaling \$22.1 million and \$20.9 million as of March 31, 2022 and June 30, 2021, respectively, with a corresponding offsetting obligation reflected as liabilities on borrowed metals on the condensed consolidated balance sheets.

<u>Product Financing Arrangements</u>. This inventory represents amounts held as security by lenders for obligations under product financing arrangements. The Company enters into a product financing agreement for the transfer and subsequent re-acquisition of gold and silver at an agreed-upon price based on the spot price with a third-party finance company. This inventory is restricted and is held at a custodial storage facility in exchange for a financing fee, paid to the third-party finance company. During the term of the financing, the third-party finance company holds the inventory as collateral, and both parties intend for the inventory to be returned to the Company at an agreed-upon price based on the spot price on the finance arrangement termination date. These transactions do not qualify as sales and have been accounted for as financing arrangements in accordance with ASC 470-40 *Product Financing Arrangements*. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing arrangements and the underlying inventory are carried at fair value, with changes in fair value included in cost of sales in the condensed consolidated statements of income. Such obligations totaled \$199.4 million and \$201.0 million as of March 31, 2022 and June 30, 2021, respectively.

The Company mitigates market risk of its physical inventory and open commitments through commodity hedge transactions. (See Note 12.) As of March 31, 2022 and June 30, 2021, the unrealized gains (losses) resulting from the difference between market value and cost of physical inventory were \$12.6 million and (\$5.6) million, respectively.

# Premium component of inventory

The premium component, at market value, included in the inventory as of March 31, 2022 and June 30, 2021 totaled \$20.4 million and \$11.0 million, respectively.

# 7. LEASES

As of March 31, 2022 and June 30, 2021, the balance of the operating lease right of use assets ("ROU") was \$6.8 million and \$5.7 million respectively. Components of operating lease expense for the three and nine months ended March 31, 2022 and 2021 were as follows:

# in thousands

	 Three Months Ended				Nine Months Ended				
	arch 31, 2022		March 31, 2021		March 31, 2022	March 31, 2021			
Operating lease costs	\$ 347	\$	361	\$	1,181	\$	1,060		
Variable lease costs	143		67		379		217		
Short term lease costs	23		21		70		73		
Finance lease costs	6		5		16		16		
	\$ 519	\$	454	\$	1,646	\$	1,366		

For the nine months ended March 31, 2022, we made cash payments of \$1.4 million for operating lease obligations. These payments are included in operating cash flows. At March 31, 2022, the weighted-average remaining lease term under our capitalized operating leases was 5.6 years, while the weighted-average discount rate for our operating leases was approximately 4.9%.

The following represents our future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities, as of March 31, 2022:

Years ending June 30,	Operating Leases
2022 (3 months remaining)	380
2023	1,646
2024	1,692
2025	1,669
2026	1,244
Thereafter	2,102
Total lease payments	8,733
Imputed interest	$(1,159)_{(1)}$
	\$\frac{(1,159)}{\$} \tag{7,574}
Operating lease liability - current	\$ 1,270 (2)
Operating lease liability - current Operating lease liability - long-term	6,304 (3)
	\$ 7,574

Represents the present value of the capitalized operating lease liabilities as of March 31, 2022.

The Company has no related party leases. We do not have leases that have not yet commenced, which would create significant rights and obligations for us, including any involvement with the construction or design of the underlying asset.

Current operating lease liabilities are presented within accrued liabilities on our condensed consolidated balance sheets.

<sup>(2)</sup> Long-term operating lease liabilities are presented within other liabilities on our condensed consolidated balance sheets.

# 8. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consists of the following at March 31, 2022 and June 30, 2021:

in thousands

	N	March 31, 2022		
Office furniture, and fixtures	\$	2,177	\$	2,373
Computer equipment		1,222		1,069
Computer software		6,267		5,387
Plant equipment		6,135		5,535
Building		509		505
Leasehold improvements		3,012		3,009
Total depreciable assets		19,322		17,878
Less: Accumulated depreciation and amortization		(11,461)		(10,714)
Property and equipment not placed in service		1,645		1,409
Land		36		36
Property, plant, and equipment, net	\$	9,542	\$	8,609

Property, plant and equipment depreciation and amortization expense for the three months ended March 31, 2022 and 2021 was \$0.4 million and \$0.3 million respectively. Property, plant and equipment depreciation and amortization expense for the nine months ended March 31, 2022 and 2021 was \$1.2 million and \$1.0 million, respectively. For the periods presented, depreciation and amortization expense allocable to cost of sales was not significant.

# 9. GOODWILL AND INTANGIBLE ASSETS

Goodwill is an intangible asset that arises when a company acquires an existing business or assets (net of assumed liabilities) which comprise a business. In general, the amount of goodwill recorded in an acquisition is calculated as the purchase price of the business minus the fair market value of the tangible assets and the identifiable intangible assets, net of the assumed liabilities. Goodwill and intangibles can also be established by push-down accounting. Below is a summary of the significant transactions that generated goodwill and intangible assets of the Company:

- In connection with the acquisition of A-Mark by Spectrum Group International, Inc. in July 2005, the accounts of the Company were adjusted using the push down basis of accounting to recognize the allocation of the consideration paid to the respective net assets acquired. In accordance with the push down basis of accounting, the Company's net assets were adjusted to their fair values as of the date of the acquisition based upon an independent appraisal.
- In connection with the Company's business combination with AMST in August 2016, the Company recorded an additional \$2.5 million and \$4.3 million of identifiable intangible assets and goodwill, respectively; these values were based upon an independent appraisal and represent their fair values at the acquisition date. The Company's investment in AMST has resulted in synergies between the acquired minting operation and the Company's established distribution network by providing a steadier and more reliable fabricated source of silver during times of market volatility. The Company considers that much of the acquired goodwill relates to the "ready state" of AMST's established minting operation with existing quality processes, procedures, and ability to scale production to meet market needs.
- In connection with the Company's acquisition of Goldline in August 2017, the Company recorded \$5.0 million and \$1.4 million of additional identifiable intangible assets and goodwill, respectively; these values were based upon an independent appraisal and represent their fair values at the acquisition date. The Company's investment in Goldline created synergies between Goldline's direct marketing operation and the Company's established distribution network, secured storage and lending operations that has led to increased product margin spreads, and lower distribution and storage costs for Goldline.
- In March 2021, the Company acquired 100% ownership of JMB, in which we previously held a 20.5% equity interest. At the acquisition date we measured the value of identifiable intangible assets and goodwill at \$98.0 million and \$92.1 million, respectively.

#### **Carrying Value**

The carrying value of goodwill and other purchased intangibles as of March 31, 2022 and June 30, 2021 is as described below:

dollar amounts in thousand	<u>s</u>			March 3	31, 2022			June 3	0, 2021	
	Estimated Useful Lives (Years)	Remaining Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Book Value
Identifiable intangible assets:										
Existing customer relationships	5 - 15	3.1	\$ 53,498	\$ (36,736)	s –	\$ 16,762	\$ 53,498	\$ (15,832)	s —	\$ 37,666
Developed technology	4	3.0	10,500	(2,710)	_	7,790	10,500	(741)	_	9,759
Non-compete and other	3 - 5	0.0	2,300	(2,300)	_	_	2,300	(2,256)	_	44
Employment agreement	1 - 3	0.0	295	(295)	_	_	295	(295)	_	_
Intangibles subject to amortization			66,593	(42,041)	_	24,552	66,593	(19,124)	_	47,469
Trade names and trademarks	Indefinite	Indefinite	47,454		(1,290)	46,164	47,454		(1,290)	46,164
Identifiable intangible assets			\$ 114,047	\$ (42,041)	\$ (1,290)	70,716	\$ 114,047	\$ (19,124)	\$ (1,290)	\$ 93,633
Goodwill	Indefinite	Indefinite	\$ 102,307	<u>s — </u>	\$ (1,364)	\$ 100,943	\$ 102,307	<u>s — </u>	\$ (1,364)	\$ 100,943

The Company's intangible assets are subject to amortization except for trade names and trademarks, which have an indefinite life. Existing customer relationships intangible assets are amortized in a manner reflecting the pattern in which the economic benefits of the assets are consumed. All other intangible assets subject to amortization are amortized using the straight-line method over their useful lives, which are estimated to be one to fifteen years. Amortization expense related to the Company's intangible assets for the three months ended March 31, 2022 and 2021 was \$7.2 million and \$1.1 million, respectively. Amortization expense related to the Company's intangible assets for the nine months ended March 31, 2022 and 2021 was \$22.9 million and \$1.5 million, respectively. For the presented periods, amortization expense allocable to cost of sales was not significant.

# **Impairment**

The accumulated impairment charge of \$2.7 million (goodwill and indefinite-lived intangible assets) was a non-recurring charge for fiscal 2018 related to Goldline. No further impairment of goodwill or indefinite-lived intangible assets has occurred since fiscal 2018.

# **Estimated Amortization**

Estimated annual amortization expense related to definite-lived intangible assets for the succeeding five years is as follows (in thousands):

Fiscal Year Ending June 30,	Amount	
2022 (3 months remaining)	2	2,752
2023		9,893
2024	7	7,382
2025	4	4,240
2026		47
Thereafter		238
	\$ 24	4,552

# 10. LONG-TERM INVESTMENTS

As of March 31, 2022, the Company had five investments in privately-held entities. The Company has determined that it is appropriate to account for four of these investments under the equity method of accounting, and the remaining investment under the cost-basis method of accounting.

The following table shows the carrying value and ownership percentage of the Company's investment in each entity:

	March 31, 2022				June 30, 2021		
Investee (1)(2)			Ownership Percentage	Carrying Value		Ownership Percentage	
	(in thousands)			(in thousands)			
Company A	\$	4,579	7.4 %	\$	3,795	7.4 %	
Company C (3)		13,220	49.0 %		1,940	10.0 %	
Company D		12,477	44.9 %		10,499	44.9 %	
Company E		233	33.3 %		233	33.3 %	
Company F		2,002	50.0 %		2,000	50.0 %	
	\$	32,511		\$	18,467		

JMB was previously reported as Company B. In March 2021, we acquired the remaining ownership interest in JMB that we did not previously own and consequently consolidated JMB as a wholly-owned subsidiary.

The Company considers all of our equity method investees to be related parties. See Note 14 for a summary of the Company's aggregate balances and activity with these related party entities. Company E is a cost method investment, which is not a related party.

# 11. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities consist of the following:

# in thousands

	March 31, 2022			
Trade payables to customers	\$	21,827	\$	1,561
Other accounts payable		4,348		4,374
Trade payables and other payables	\$	26,175	\$	5,935
Deferred revenue	\$	30,974	\$	20,508
Advances from customers		162,107		173,908
Deferred revenue and advances from customers	\$	193,081	\$	194,416

<sup>(2)</sup> All of the Company's investees are accounted for using the equity method, with the exception of Company E, which is accounted for using the cost method.

<sup>(3)</sup> On August 27, 2021, the Company increased its ownership interest in Company C from 10% to 49%, for a purchase price of \$9.75 million, consisting of \$6.75 million in cash and 61,590 shares of the Company's common stock. The Company acquired its initial minority investment in January 2019.

# 12. DERIVATIVE INSTRUMENTS AND HEDGING TRANSACTIONS

The Company is exposed to market risk, such as changes in commodity prices and foreign exchange rates. To manage the volatility related to these exposures, the Company enters into various derivative products, such as forwards and futures contracts. By policy, the Company historically has entered into derivative financial instruments for the purpose of hedging substantially all of Company's market exposure to precious metals prices, and not for speculative purposes. The Company's gains (losses) on derivative instruments are substantially offset by the changes in the fair market value of the underlying precious metals inventory, both of which are recorded in cost of sales in the condensed consolidated statements of income.

#### **Commodity Price Management**

The Company manages the value of certain assets and liabilities of its trading business, including trading inventory, by employing a variety of hedging strategies. These strategies include the management of exposure to changes in the market values of the Company's trading inventory through the purchase and sale of a variety of derivative instruments, such as forwards and futures contracts.

The Company enters into derivative transactions solely for the purpose of hedging its inventory subject to price risk, and not for speculative market purposes. Due to the nature of the Company's global hedging strategy, the Company is not using hedge accounting as defined under ASC 815, whereby the gains or losses would be deferred and included as a component of other comprehensive income. Instead, gains or losses resulting from the Company's futures and forward contracts and open sale and purchase commitments are reported in the condensed consolidated statements of income as unrealized gains or losses on commodity contracts (a component of cost of sales) with the related unrealized amounts due from or to counterparties reflected as derivative assets or liabilities on the condensed consolidated balance sheets.

The Company's trading inventory and purchase and sale transactions consist primarily of precious metal products. The value of these assets and liabilities are marked-to-market daily to the prevailing closing price of the underlying precious metals. The Company's precious metals inventory is subject to market value changes, created by changes in the underlying commodity market prices. Inventory purchased or borrowed by the Company is subject to price changes. Inventory borrowed is considered a natural hedge, since changes in value of the metal held are offset by the obligation to return the metal to the supplier.

The Company's open sale and purchase commitments typically settle within 2 business days, and for those commitments that do not have stated settlement dates, the Company has the right to settle the positions upon demand. Futures and forwards contracts open at end of any period typically settle within 30 days. Open sale and purchase commitments are subject to changes in value between the date the purchase or sale price is fixed (the trade date) and the date the metal is received or delivered (the settlement date). The Company seeks to minimize the effect of price changes of the underlying commodity through the use of forward and futures contracts.

The Company's policy is to substantially hedge its inventory position, net of open sale and purchase commitments that are subject to price risk. The Company regularly enters into precious metals commodity forward and futures contracts with financial institutions to hedge price changes that would cause changes in the value of its physical metals positions and purchase commitments and sale commitments. The Company has access to all of the precious metals markets, allowing it to place hedges. The Company also maintains relationships with major market makers in every major precious metals dealing center.

The Company's management sets credit and position risk limits. These limits include gross position limits for counterparties engaged in sales and purchase transactions with the Company. They also include collateral limits for different types of sale and purchase transactions that counterparties may engage in from time to time.

# **Derivative Assets and Liabilities**

The Company's derivative assets and liabilities represent the net fair value of the difference (or intrinsic value) between market values and trade values at the trade date for open precious metals sale and purchase contracts, as adjusted on a daily basis for changes in market values of the underlying metals, until settled. The Company's derivative assets and liabilities represent the net fair value of open precious metals forwards and futures contracts. The precious metals forwards and futures contracts are settled at the contract settlement date.

All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions (i.e., offsetting derivative instruments). As such, for the Company's derivative contracts with the same counterparty, the receivables and payables have been netted on the condensed consolidated balance sheets. Such derivative contracts include open sale and purchase commitments, futures, forwards and margin accounts. In the table below, the aggregate gross and net derivative receivables and payables balances are presented by contract type and type of hedge, as of March 31, 2022 and June 30, 2021.

#### in thousands

		March 31, 2022					June 30, 2021									
	D	Gross Perivative	Amounts Netted		Cash Collateral Pledge		Net Derivative		Gross Derivative		Amounts Netted		Cash Collateral Pledge		Net Derivative	
Nettable derivative assets:																
Open sale and purchase commitments	\$	41,283	\$	(15,894)	\$	_	\$	25,389	\$	56,923	\$	(18,583)	\$	_	\$	38,340
Future contracts		138		_		_		138		4,510		_		_		4,510
Forward contracts		446		_		_		446		1,686		_		_		1,686
	\$	41,867	\$	(15,894)	\$		\$	25,973	\$	63,119	\$	(18,583)	\$	_	\$	44,536
Nettable derivative liabilities:				_												
Open sale and purchase commitments	\$	3,597	\$	(1,075)	\$	_	\$	2,522	\$	1,410	\$	(1,167)	\$	_	\$	243
Margin accounts		12,639		_		(8,558)		4,081		7,322		_		(4,516)		2,806
Future contracts		1,260		_		_		1,260		465		_		_		465
Forward contracts		16,920		_		_		16,920		4,025						4,025
	\$	34,416	\$	(1,075)	\$	(8,558)	\$	24,783	\$	13,222	\$	(1,167)	\$	(4,516)	\$	7,539

# **Gains or Losses on Derivative Instruments**

The Company records the derivative at the trade date with a corresponding unrealized gains or losses, shown as a component of cost of sales in the condensed consolidated statements of income. The Company adjusts the derivatives to fair value on a daily basis until the transactions are settled. When these contracts are net settled, the unrealized gains and losses are reversed and the realized gains and losses for forward contracts are recorded in revenue and cost of sales, and the net realized gains and losses for futures and option contracts are recorded in cost of sales.

Below is a summary of the net gains (losses) on derivative instruments for the three and nine months ended March 31, 2022 and 2021.

# in thousands

	Three Months Ended				Nine Mont	Nine Months Ended			
	M	larch 31, 2022		March 31, 2021	March 31, 2022			March 31, 2021	
Gains (losses) on derivative instruments:									
Unrealized gains (losses) on open future commodity and forward contracts and open sale and purchase commitments, net	\$	23,411	\$	42,390	\$	(34,694)	\$	28,115	
Realized (losses) gains on future commodity contracts, net		(16,457)		(38,271)		26,355		(145,693)	
	\$	6,954	\$	4,119	\$	(8,339)	\$	(117,578)	

The Company's net gains (losses) on derivative instruments, as shown in the table above, were substantially offset by the changes in the fair market value of the underlying precious metals inventory and open sale and purchase commitments, which were also recorded in cost of sales in the condensed consolidated statements of income.

# **Summary of Hedging Positions**

In a hedging relationship, the change in the value of the derivative financial instrument is offset to a great extent by the change in the value of the underlying hedged item. The following table summarizes the results of our hedging activities, which shows the precious metal commodity inventory position, net of open sale and purchase commitments, that is subject to price risk as of March 31, 2022 and June 30, 2021.

<u>in thousands</u>			
	rch 31, 2022	June 30, 2021	
Inventories	\$ 764,263 \$	458,019	
Precious metals held under financing arrangements	87,450	154,742	
	851,713	612,761	
Less unhedgeable inventories:			
Commemorative coin inventory, held at lower of cost or net realizable value	(1,108)	(406)	
Premium on metals position	(20,353)	(11,017)	
Precious metal value not hedged	(21,461)	(11,423)	
	830,252	601,338	
Commitments at market:			
Open inventory purchase commitments	950,825	987,926	
Open inventory sales commitments	(861,977)	(590,156)	
Margin sale commitments	(12,639)	(7,322)	
In-transit inventory no longer subject to market risk	(23,965)	(16,707)	
Unhedgeable premiums on open commitment positions	9,073	8,638	
Borrowed precious metals	(67,824)	(91,866)	
Product financing arrangements	(199,447)	(201,028)	
Advances on industrial metals	 55	287	
	(205,899)	89,772	
Precious metal subject to price risk	624,353	691,110	
Precious metal subject to derivative financial instruments:			
Precious metals forward contracts at market values	299,310	175,352	
Precious metals futures contracts at market values	 323,211	514,240	
Total market value of derivative financial instruments	622,521	689,592	
Net precious metals subject to commodity price risk	\$ 1,832 \$	1,518	

# **Notional Balances of Derivatives**

The notional balances of the Company's derivative instruments, consisting of contractual metal quantities, are expressed at current spot prices of the underlying precious metal commodity. As of March 31, 2022 and June 30, 2021, the Company had the following outstanding commitments and open forward and future contracts:

<u>in thousands</u>	 March 31, 2022	June 30, 2021		
Purchase commitments	\$ 950,825	\$	987,926	
Sales commitments	\$ (861,977)	\$	(590,156)	
Margin sales commitments	\$ (12,639)	\$	(7,322)	
Open forward contracts	\$ 299,310	\$	175,352	
Onen futures contracts	\$ 323 211	\$	514 240	

The contract amounts (i.e., notional balances) of the Company's forward and futures contracts and the open sales and purchase commitments are not reflected in the accompanying condensed consolidated balance sheet. The Company records the difference between the market price of the underlying metal or contract and the trade amount at fair value.

The Company is exposed to the risk of failure of the counterparties to its derivative contracts. Significant judgment is applied by the Company when evaluating the fair value implications. The Company regularly reviews the creditworthiness of its major counterparties and monitors its exposure to concentrations. At March 31, 2022, the Company believes its risk of counterparty default is mitigated as a result of such evaluation and the short-term duration of these arrangements.

# Foreign Currency Exchange Rate Management

The Company utilizes foreign currency forward contracts to manage the effect of foreign currency exchange fluctuations on its sale and purchase transactions. These contracts generally have maturities of less than one week.

Unrealized losses on foreign exchange derivative instruments related to open trades are shown on the face of the condensed consolidated statements of income and totaled \$0.14 million and \$0.05 million for the three months ended March 31, 2022 and 2021, respectively, and \$0.13 million and \$0.13 million for the nine months ended March 31, 2022 and 2021, respectively. The market values (fair values) of the Company's foreign exchange forward contracts and the net open sale and purchase commitment transactions, denominated in foreign currencies, outstanding are as follows:

in thousands

	Marc 		June 30, 2021		
Foreign exchange forward contracts	\$	17,042	\$	6,541	
Open sale and purchase commitment transactions, net	\$	16,083	\$	4,311	

## 13. INCOME TAXES

Net income from operations before provision for income taxes for the three and nine months ended March 31, 2022 and 2021 is shown below:

in thousands

	Three Months Ended				Nine Months Ended			
	rch 31, 2022		March 31, 2021	March 31, 2022			March 31, 2021	
U.S.	\$ 45,919	\$	86,774	\$	119,380	\$	128,779	
Foreign	2		6		26		18	
	\$ 45,921	\$	86,780	\$	119,406	\$	128,797	

The Company files a consolidated federal income tax return based on a June 30 tax year end. The provision for income tax expense by jurisdiction and the effective tax rate for the three and nine months ended March 31, 2022 and 2021 are shown below:

in thousands

	Three Months Ended				Nine Months Ended			
	March 31, 2022			M	Iarch 31, 2022	M	arch 31, 2021	
Federal	\$ 7,579	\$	9,643	\$	21,066	\$	17,836	
State and local	790		199		2,714		1,041	
Foreign	6		5		17		67	
Income tax expense	\$ 8,375	\$	9,847	\$	23,797	\$	18,944	
Effective tax rate	18.2 %		11.3 %		19.9 %		14.7 %	

Our effective tax rate was approximately 18.2% and 11.3% for the three months ended March 31, 2022 and 2021, respectively. Our effective tax rate was approximately 19.9% and 14.7% for the nine months ended March 31, 2022 and 2021, respectively. For the three and nine months ended March 31, 2022, our effective tax rate differs from the federal statutory rate primarily due to the excess tax benefit from share based compensation, the foreign derived intangible income special deduction, offset by state taxes (net of federal tax benefit), and other normal course non-deductible expenditures. For the three and nine months ended March 31, 2021, our effective tax rate differs from the federal statutory rate primarily due to the exclusion of the fair value remeasurement gain of our pre-existing equity investment in JMB, a one-time benefit from the reversal of the previously established deferred tax liability related to our equity investment in JMB, an exclusion of the fiscal 2021 pre-acquisition period JMB equity earnings, the foreign derived intangible income special deduction, offset by state taxes (net of federal tax benefit), and other normal course non-deductible expenditures.

#### Tax Balances and Activity

## Income Taxes Receivable and Payable

As of March 31, 2022 and June 30, 2021, income tax payable totaled \$0.3 million and \$5.0 million, respectively.

### Deferred Tax Assets and Liabilities

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized by evaluating both positive and negative evidence. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. As of March 31, 2022 and June 30, 2021, management concluded that it was more likely than not that the Company would be able to realize the benefit of the U.S. federal and state deferred tax assets. We based this conclusion on historical and projected operating performance, as well as our expectation that our operations will generate sufficient taxable income in future periods to realize the tax benefits associated with the deferred tax assets. A tax valuation allowance was considered unnecessary, as management concluded that it was more likely than not that the Company would be able to realize the benefit of the U.S. federal and state deferred tax assets.

As of March 31, 2022, the condensed consolidated balance sheet reflects the deferred tax items for each tax-paying component (i.e., federal and state), resulting in a state deferred tax liability of \$1.2 million and a federal deferred tax liability of \$13.8 million. As of June 30, 2021, the condensed consolidated balance sheet reflects the deferred tax items for each tax-paying component (i.e., federal and state), resulting in a state deferred tax liability of \$1.7 million primarily comprised of net operating loss carryforwards and a federal deferred tax liability of \$17.8 million. The change in the balance of the deferred tax liability is primarily due to amortization of the carrying balance of our acquired intangible assets from JMB.

## Net Operating Loss Carryforwards

As of March 31, 2022 and June 30, 2021, the Company has approximately \$12.2 million and \$12.2 million of state net operating loss carryforwards, respectively. The Company's combined state tax-effected net operating loss carryforwards totaled \$0.9 million and \$0.9 million, as of March 31, 2022 and June 30, 2021, respectively. These state net operating loss carryforwards start to expire in the year ending June 30, 2030.

## **Unrecognized Tax Benefits**

The Company has taken or expects to take certain tax benefits on its income tax return filings that it has not recognized as a tax benefit (i.e., an unrecognized tax benefit) on its condensed consolidated statements of income. The Company's measurement of its uncertain tax positions is based on management's assessment of all relevant information, including, but not limited to prior audit experience, audit settlement, or lapse of the applicable statute of limitations. For the nine months ended March 31, 2022, there was no material movement in unrecognized tax benefits including interest and penalties.

#### **Tax Examinations**

During the quarter, the Internal Revenue Service completed the examination of JMB's 2018 income tax year and made no changes to the reported tax.

#### 14. RELATED PARTY TRANSACTIONS

Related parties are entities that the Company controls or has the ability to significantly influence. Related parties also include persons who are affiliated with related entities or the Company who are in a position to influence corporate decisions (such as owners, executives, board members and their families). In the normal course of business, we enter into transactions with our related parties. Below is a list of related parties with whom we have had significant transactions during the presented periods:

- Stack's Bowers Numismatics, LLC ("Stack's Bowers Galleries"). Stack's Bowers Galleries is a wholly-owned subsidiary of Spectrum Group International, Inc. ("SGI"). In March 2014, SGI distributed all of the shares of common stock of A-Mark to its stockholders, effecting a spinoff of A-Mark from SGI. As a result of this distribution the Company became a publicly traded company independent from SGI. SGI and the Company have a common chief executive officer, and the chief executive officer and the general counsel of the Company are board members of SGI.
- 2) <u>Silver Towne, L.P.</u> Through March 31, 2021, Silver Towne L.P. was a noncontrolling owner of AMST, and all subsequent transactions with it are considered to be activity with an unrelated third-party.
- 3) Equity method investees. As of March 31, 2022, the Company has 4 investments in privately-held entities, each of which has been determined to be an equity method investee and a related party.

Our related party transactions include (i) sales and purchases of precious metals (ii) financing activities (iii) repurchase arrangements, and (iv) hedging transactions. Below is a summary of our related party transactions. The amounts presented for each period were based on each entity's related party status for that period.

#### **Balances with Related Parties**

#### Receivables and Pavables, Net

As of March 31, 2022 and June 30, 2021, the Company had related party receivables and payables balances as set forth below:

#### in thousands

		March 31						
	Recei	vables	P	ayables	Re	ceivables		Payables
Stack's Bowers Galleries	\$	<u> </u>	\$	6,085	\$	3,576	\$	_
Equity method investees		2,372		1,530		10,693		84
	\$	2,372	\$	7,615	\$	14,269	\$	84

<sup>(1)</sup> Balance includes secured loan receivables and trade and other payables, net.

### Long-term Investments

As of March 31, 2022 and June 30, 2021, the aggregate carrying balance of the equity method investments was \$32.3 million and \$18.2 million respectively. (See Note 10.)

#### Secured Loans Receivable

On March 1, 2018, CFC entered into a loan agreement with Stack's Bowers Galleries providing a secured line of credit on the wholesale value (i.e., the excess over the spot value of the metal), of numismatic products bearing interest at a competitive rate per annum, with a maximum borrowing line (subject to temporary increases) of \$10.0 million. In addition to the annual rate of interest, the Company is entitled to receive a participation interest equal to 10% of the net profits realized by Stack's Bowers Galleries on the ultimate sale of the products. The initial term of the loan was 180 days and has been extended for additional 180 day periods by mutual agreement. As of March 31, 2022 and June 30, 2021, the outstanding principal balance of this loan was \$5.0 million and \$3.0 million, respectively.

On March 4, 2022, CFC entered into a loan agreement with Stack's Bowers Galleries providing a secured line of credit based on the collateral value of Stack's Bowers Galleries' secured customers' notes. The loan bears interest at a competitive rate per annum, with a maximum borrowing line of \$3.0 million. The initial term of the loan is 180 days may be extended for additional 180 periods by mutual agreement. As of March 31, 2022, the outstanding principal balance of this loan was \$ 2.0 million.

<sup>(2)</sup> Balance primarily represents receivables, net (shown as components of receivables and derivative assets).

## **Activity with Related Parties**

## Sales and Purchases

During the three and nine months ended March 31, 2022 and 2021, the Company made sales and purchases to various companies, which have been deemed to be related parties, as follows:

## in thousands

			Three Mo	nths l	Ended			Nine Months Ended								
	March 31, 2022				March 31, 2021			March 31, 2022				March 31, 2021				
	Sales	Pu	rchases		Sales	Pı	urchases		Sales	Pı	urchases		Sales		Purchases	
Stack's Bowers Galleries	\$ 55,519	\$	12,569	\$	17,127	\$	11,731	\$	69,170	\$	41,879	\$	53,958	5	48,066	
Equity method investees	244,147		8,170		591,740	(1)	4,829	(1)	531,130		30,438		1,463,857	(1)	12,701 (1)	
SilverTowne L.P.	 				5,858				_				12,695		4,769	
	\$ 299,666	\$	20,739	\$	614,725	\$	16,560	\$	600,300	\$	72,317	\$	1,530,510	5	65,536	

<sup>(1)</sup> Includes sales and purchases activity with JMB, which the Company fully acquired in March 2021.

### Interest Income

During the three and nine months ended March 31, 2022 and 2021, the Company earned interest income related to loans made to Stack's Bowers and from financing arrangements (including repurchase agreements) with affiliated companies, as set forth below:

<del></del>		Three Mont	ed	Nine Months Ended			
	N	March 31, March 31, 2022 2021			 March 31, 2022		March 31, 2021
Interest income from secured loans receivables	\$	44	\$	44	\$ 143	\$	197
Interest income from finance products and repurchase arrangements		1,576		2,173	5,537		5,980
	\$	1,620	\$	2,217	\$ 5,680	\$	6,177

### Equity method investments — Earnings

During the three months ended March 31, 2022 and 2021, the Company's proportional share of our equity method investee's net income totaled \$1.6 million and \$7.4 million, respectively. During the nine months ended March 31, 2022 and 2021, the Company's proportional share of our equity method investee's net income totaled \$4.3 million and \$13.9 million, respectively. As a result of our acquisition of JMB in March 2021, the Company no longer accounts for the subsidiary's earnings under the equity method. For the nine months ended March 31, 2022, the Company accounted for JMB's earnings as a wholly owned subsidiary in the Company's consolidated results.

#### Other Income

During the three months ended March 31, 2022 and 2021, the Company earned royalty income related to one of CFC's secured lending agreements with Stack's Bowers that totaled \$0.5 million and \$0.3 million, respectively. During the nine months ended March 31, 2022 and 2021, the Company earned royalty income related to one of CFC's secured lending agreements with Stack's Bowers that totaled \$1.4 million and \$0.9 million, respectively.

### 15. FINANCING AGREEMENTS

#### Lines of Credit

On December 21, 2021, the Company entered into a new three-year committed facility provided by a syndicate of financial institutions (the "Trading Credit Facility"), with a total current revolving commitment of up to \$350.0 million and with a termination date of December 21, 2024. The Trading Credit Facility is secured by substantially all of the Company's assets on a first priority basis and subsidiary guarantees, except for AMCF. The Trading Credit Facility currently bears interest at the daily SOFR rate plus an applicable margin of 236 basis points. As of March 31, 2022, the interest rate was approximately 2.7%. The daily SOFR rate was approximately 0.29% as of March 31, 2022

Also on December 21, 2021, in connection with entry into the Trading Credit Facility, all amounts outstanding under the Company's uncommitted demand borrowing facility with a syndicate of banks (the "Prior Credit Facility") were paid in full, and the Prior Trading Credit Facility was terminated. The amounts set forth in this Note 15 and in Note 14 to our condensed consolidated financial statements for all periods prior to December 21, 2021 refer to the Prior Credit Facility.

The Trading Credit Facility provides the Company with the liquidity to buy and sell billions of dollars of precious metals annually. A-Mark routinely uses funds drawn under the Trading Credit Facility to purchase metals from its suppliers and for operating cash flow purposes. Our CFC subsidiary also uses the funds drawn under the Trading Credit Facility to finance certain of its lending activities.

Borrowings totaled \$255.0 million and \$185.0 million at March 31, 2022 and June 30, 2021, respectively. The amounts available under the respective lines of credit are determined at the end of each week and at each month end following a specified borrowing base formula. The Company is able to access additional credit as needed to finance operations, subject to the overall limits of the borrowing facilities and lender approval of the borrowing base calculation. Based on the month end borrowing bases in effect, the availability under the Trading Credit Facility, after taking into account current borrowings, totaled \$95.0 million and \$65.4 million as determined on March 31, 2022 and June 30, 2021, respectively. As of March 31, 2022 and June 30, 2021, the remaining unamortized balance of loan costs was approximately \$3.6 million and \$0.9 million, respectively.

The Trading Credit Facility contains various covenants, all of which the Company was in compliance with as of March 31, 2022.

Although the Trading Credit Facility is a committed facility, lenders holding at least 66.67% of the revolving commitments under the Trading Credit Facility may require us to repay all outstanding indebtedness under the Trading Credit Facility at any time, even if we are in compliance with the financial and other covenants under the Trading Credit Facility. After such demand, each lender with a revolving loan commitment may, but is not obligated to, make revolving loans until the termination date of the Trading Credit Facility.

Interest expense related to the Company's lines of credit totaled \$1.9 million and \$2.0 million, which represents 34.7% and 38.2% of the total interest expense recognized, for the three months ended March 31, 2022 and 2021, respectively. Our lines of credit carried a daily weighted average effective interest rate of 3.18% and 3.82%, respectively, for the three months ended March 31, 2022 and 2021.

Interest expense related to the Company's lines of credit totaled \$6.2 million and \$5.6 million, which represents 37.9% and 38.2% of the total interest expense recognized, for the nine months ended March 31, 2022 and 2021, respectively. Our lines of credit carried a daily weighted average effective interest rate of 3.42% and 3.66%, respectively, for the nine months ended March 31, 2022 and 2021.

#### **Notes Payable**

In September 2018, AM Capital Funding, LLC ("AMCF"), a wholly owned subsidiary of CFC, completed an issuance of Secured Senior Term Notes (collectively, the "Notes"): Series 2018-1, Class A (the "Class A Notes") in the aggregate principal amount of \$72.0 million and Secured Subordinated Term Notes, Series 2018-1, Class B (the "Class B Notes" and together with the Class A Notes, the "Notes") in the aggregate principal amount of \$28.0 million. The Class A Notes bear interest at a rate of 4.98% and the Class B Notes bear interest at a rate of 5.98%. The Notes have a maturity date of December 15, 2023. The Notes were issued under a Master Indenture and the Series 2018-1 Supplement thereto between AMCF and Citibank, N.A., as trustee. The Company holds \$5.0 million of the Class B Notes in order to comply with the Credit Risk Retention Rules of Section 15G of the Securities Exchange Act of 1934. The \$5.0 million portion of the Class B Notes retained by the Company is eliminated in consolidation.

AMCF applied the net proceeds from the sale to the Company's purchase loans and precious metals inventory, and to pay certain costs and expenses. CFC and A-Mark may from time to time also contribute cash or sell precious metals to AMCF in exchange for cash or subordinated, deferred payment obligations from AMCF. In addition, AMCF may from time to time sell precious metals to A-Mark for cash.

As of March 31, 2022, the consolidated carrying balance of the Notes was \$93.9 million (which excludes the \$5.0 million note that the Company retained), and the remaining unamortized loan cost balance was approximately \$1.1 million. As of March 31, 2022, the balance of the interest payable was \$0.2 million. Interest on the Notes is payable monthly in arrears at the aggregate rate of 5.26% per annum.

For the three months ended March 31, 2022 and 2021, the interest expense related to the Notes (including loan amortization costs) totaled \$1.5 million and \$1.4 million, which represents 26.7% and 26.7% of the total interest expense recognized by the Company, respectively. For the three months ended March 31, 2022 and 2021, the Notes' weighted average effective interest rate was 5.88% and 5.88%, respectively.

For the nine months ended March 31, 2022 and 2021, the interest expense related to the Notes (including loan amortization costs) totaled \$4.3 million and \$4.3 million, which represents 26.6% and 29.1% of the total interest expense recognized by the Company, respectively. For the nine months ended March 31, 2022 and 2021, the Notes' weighted average effective interest rate was 5.88% and 5.88%, respectively.

#### **Liabilities on Borrowed Metals**

The Company recorded liabilities on borrowed precious metals with market values totaling \$67.8 million as of March 31, 2022, with corresponding metals totaling \$45.7 million and \$22.1 million included in precious metals held under financing arrangements and inventories, respectively, on the condensed consolidated March 31, 2022 balance sheet. The Company recorded liabilities on borrowed metals with market values totaling \$91.9 million as of June 30, 2021 with corresponding metals totaling \$71.0 million and \$20.9 million included in precious metals held under financing arrangements and inventories, respectively, on the condensed consolidated June 30, 2021 balance sheet.

For the three months ended March 31, 2022 and 2021, the interest expense related to liabilities on borrowed metals totaled \$0.4 million and \$0.3 million, which represents 6.4% and 6.2% of the total interest expense recognized by the Company, respectively. For the nine months ended March 31, 2022 and 2021, the interest expense related to liabilities on borrowed metals totaled \$0.9 million and \$1.2 million, which represents 5.8% and 8.5% of the total interest expense recognized by the Company, respectively.

### Advanced pool metals

The Company borrows precious metals from its suppliers and customers under short-term agreements using other precious metals from its inventory as collateral. The Company has the ability to sell the metals advanced. These arrangements can be settled by repayment in similar metals or in cash. Once the obligation is settled, the metals held as collateral are released back to the Company.

## Liabilities on borrowed metals — Other

Liabilities may also arise from: (i) unallocated metal positions held by customers in the Company's inventory, (ii) amounts due to suppliers for the use of their consigned inventory, and (iii) shortages in unallocated metal positions held by the Company in the supplier's inventory. Unallocated or pool metal represent an unsegregated inventory position that is due on demand, in a specified physical form, based on the total ounces of metal held in the position. Amounts due under these arrangements require delivery either in the form of precious metals, or in cash.

#### **Product Financing Arrangements**

The Company has agreements with third party financial institutions which allow the Company to transfer its gold and silver inventory at an agreed-upon price, which is based on the spot price. Such agreements allow the Company to repurchase this inventory at an agreed-upon price based on the spot price on the repurchase date. The third party charges a monthly fee as a percentage of the market value of the outstanding obligation; such monthly charges are classified in interest expense. These transactions do not qualify as sales, and therefore have been accounted for as financing arrangements and are reflected in the condensed consolidated balance sheet as product financing arrangements. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing obligation and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value recorded as a component of cost of sales in the condensed consolidated statements of income. Such obligations totaled \$199.4 million and \$201.0 million as of March 31, 2022 and June 30, 2021, respectively.

For the three months ended March 31, 2022 and 2021, the interest expense related to product financing arrangements totaled \$1.1 million and \$1.1 million, which represents 20.8% and 20.7% of the total interest expense recognized by the Company, respectively. For the nine months ended March 31, 2022 and 2021, the interest expense related to product financing arrangements totaled \$3.1 million and \$2.5 million, which represents 19.3% and 16.7% of the total interest expense recognized by the Company, respectively.

## 16. COMMITMENTS AND CONTINGENCIES

Refer to Note 7 for information relating to minimum rental payments under operating and finance leases. Refer to Note 15 of the Notes to Consolidated Financial Statements in the 2021 Annual Report for information relating to consulting and employment contracts, and other commitments. The Company is not aware of any material changes to commitments as summarized in the 2021 Annual Report.

### **Legal Matters**

The Company is from time to time party to various lawsuits, claims and other proceedings, that arise in the ordinary course of its business. Additionally, we record receivables for insurance recoveries relating to litigation-related losses and expenses if and when such amounts are covered by insurance and recovery of such losses or expenses are due.

In accordance with U.S. GAAP, we review the need to accrue for any loss contingency and establish a liability when, in the opinion of management, it is probable that a matter would result in a liability and the amount of loss, if any, can be reasonably estimated. We do not believe that the resolution of any currently pending lawsuits, claims and proceedings, either individually or in the aggregate, will have a material adverse effect on financial position, results of operations or liquidity. However, the outcomes of any currently pending lawsuits, claims and proceedings cannot be predicted, and therefore, there can be no assurance that this will be the case.

### COVID-19

The Company remains exposed to the effects of the COVID-19 pandemic. The pandemic has caused significant disruption in the financial markets both globally and in the United States. The resulting macroeconomic events have contributed to an increase in the business conducted by the Company, but also pose certain risks and uncertainties for the Company. The Company does not know how long the COVID-19 pandemic will continue, the extent to which the effects that the Company has experienced from the pandemic thus far will persist, or whether other effects on the Company and its businesses will materialize in the short or long term.

### 17. STOCKHOLDERS' EQUITY

## **Shelf Registration Statement**

On September 25, 2020, the Company filed a universal shelf registration statement on Form S-3, which was declared effective by the Securities and Exchange Commission (the "SEC") on March 4, 2021, on which the Company registered for sale up to \$150.0 million of any combination of its debt securities, shares of common stock, shares of preferred stock, rights, warrants, units and/or purchase contracts from time to time and at prices and on terms that the Company may determine. After a public offering in March 2021, approximately \$69.5 million of securities remain available for issuance under this shelf registration statement. Securities may be offered or sold under this registration statement until March 2024.

## Issuance of Common Stock in Connection with Increase in Long Term Investments

On August 27, 2021, the Company issued 61,590 shares of its common stock as partial consideration for its acquisition of an additional ownership interest in an equity method investment. (See Note 10).

# **Share Repurchase Program**

In April 2018, the Company's Board of Directors approved a share repurchase program which authorizes the Company to purchase up to 500,000 shares of its common stock from time to time, either in the open market or in block purchase transactions. The amount and timing of specific repurchases are subject to market conditions, applicable legal requirements, and other factors. As of March 31, 2022, no shares had been repurchased under the program.

### **Dividends**

On August 30, 2021, the Company's Board of Directors declared a non-recurring special dividend of \$2.00 per common share to stockholders of record at the close of business on September 20, 2021. The dividend was paid on September 24, 2021 and totaled \$22.6 million.

### 2014 Stock Award and Incentive Plan

The Company's amended and restated 2014 Stock Award and Incentive Plan (the "2014 Plan") was approved by the Company's stockholders on November 2, 2017. As of March 31, 2022, 935,520 stock options and 19,370 restricted stock units were outstanding and 314,877 shares were available for issuance of new awards under the 2014 Plan

Under the 2014 Plan, the Company may grant options and other equity awards as a means of attracting and retaining officers, employees, non-employee directors and consultants, to provide incentives to such persons, and to align the interests of such persons with the interests of stockholders by providing compensation based on the value of the Company's stock. Awards under the 2014 Plan may be granted in the form of incentive or non-qualified stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), dividend equivalent rights, other stock-based awards (which may include outright grants of shares) and cash incentive awards. The 2014 Plan also authorizes grants of awards with performance-based conditions and market-based conditions. The 2014 Plan is administered by the Compensation Committee of the Board of Directors, which, in its discretion, may select officers and other employees, directors (including non-employee directors) and consultants to the Company and its subsidiaries to receive grants of awards. The Board of Directors itself may perform any of the functions of the Compensation Committee under the 2014 Plan.

Under the 2014 Plan, the exercise price of options and base price of SARs, as set by the Compensation Committee, generally may not be less than the fair market value of the shares on the date of grant, and the maximum term of stock options and SARs is 10 years. The 2014 Plan limits the number of share-denominated awards that may be granted to any one eligible person in any fiscal year to 250,000 shares plus the participant's unused annual limit at the close of the previous year. Also, in the case of non-employee directors, the 2014 Plan limits the maximum grant-date fair value at \$300,000 of stock-denominated awards granted to a director in a given fiscal year, except for a non-employee Chairman of the Board whose grant-date fair value maximum is \$600,000 per fiscal year. The 2014 Plan will terminate when no shares remain available for issuance and no awards remain outstanding; however, the authority to grant new awards will terminate on November 2, 2027.

As of March 31, 2022 there were no awards with performance conditions nor awards with market conditions.

### **Options Granted Under Other Plans**

Upon the spinoff of A-Mark from SGI in March 2014, A-Mark assumed certain outstanding SGI stock options and converted them to become option to purchase A-Mark common stock. At March 31, 2022, 31,548 of the assumed awards and converted stock options remained outstanding and exercisable, with no shares available under the former SGI plans for future awards.

## Stock Options

During the three months ended March 31, 2022 and 2021, the Company incurred \$0.3 million and \$0.3 million of compensation expense related to stock options, respectively. During the nine months ended March 31, 2022 and 2021, the Company incurred \$1.0 million and \$0.7 million of compensation expense related to stock options, respectively. As of March 31, 2022, there was total remaining compensation expense of \$2.2 million related to employee stock options, which will be recorded over a weighted average vesting period of approximately 1.6 years.

A required adjustment to outstanding stock options was triggered as a result of the non-recurring special dividend declared on August 30, 2021. In accordance with the terms of the Company's equity award plans under which the options were issued, an adjustment was required to protect the holders of such stock options from decreases in the value of the stock options due to payment of the non-recurring special dividends. This event decreased the exercise price of outstanding stock options by \$2.00 per dividend, effective as of the record date (September 20, 2021). The fair value of the options before and after this event was unchanged, and therefore no incremental stock-based compensation was recorded.

The following table summarizes the stock option activity for the nine months ended March 31, 2022.

	Options	 Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value (in thousands)			Weighted Average Grant Date Fair Value Per Award		
Outstanding at June 30, 2021	1,159,028	\$ 16.01	\$	35,343	\$	6.88		
Exercises	(223,508)	\$ 9.05						
Outstanding at March 31, 2022	935,520	\$ 15.25	\$	58,084	\$	6.99		
Exercisable at March 31, 2022	527,198	\$ 13.20	\$	33,814	\$	5.61		

Following is a summary of the status of stock options outstanding as of March 31, 2022.

	Exercise Pa	rice Rar	iges		Options Outstanding			Options Exercisable			
From To			То	Shares Contractual			Weighted Average xercise Price	Number of Shares Exercisable	Weighted Average Remaining Contractual Life (Years)	g Weigh al Avera	
\$	_	\$	10.00	438,597	6.87	\$	5.70	214,276	5.99	\$	6.31
\$	10.01	\$	15.00	110,923	4.76	\$	13.69	102,589	4.55	\$	13.96
\$	15.01	\$	25.00	231,667	4.42	\$	19.68	205,000	3.90	\$	19.55
\$	25.01	\$	60.00	154,333	8.94	\$	36.88	5,333	8.73	\$	31.55
				935,520	6.35	\$	15.25	527,198	4.92	\$	13.20

The following table summarizes the nonvested stock option activity for the nine months ended March 31, 2022.

		Weighted Average Grant Date Fair Value
	Options	Per Award
Nonvested Outstanding at June 30, 2021	466,377	\$ 8.52
Vested	(58,055)	\$ 6.79
Nonvested Outstanding at March 31, 2022	408,322	\$ 8.77

#### Restricted Stock Units

RSUs granted by the Company are not transferable and automatically convert to shares of common stock on a one-for-one basis as the awards vest or at a specified date after vesting.

During the three months ended March 31, 2022 and 2021, the Company incurred \$0.2 million and \$0 of compensation expense related to RSUs, respectively. During the nine months ended March 31, 2022 and 2021, the Company incurred \$0.6 million and \$0 of compensation expense related to RSUs, respectively. As of March 31, 2022, there is \$0.2 million remaining compensation expense related to RSUs, which will be recorded over a weighted average vesting period of approximately 0.6 years. RSUs granted to a non-US citizen are referred to as "deferred stock units".

The following table summarizes the RSU activity for the nine months ended March 31, 2022:

	Awards Outstanding	Average Fair Value per Unit at Grant Date
Outstanding at June 30, 2021	12,721	\$ 37.72
Shares granted	6,649	\$ 72.15
Outstanding at March 31, 2022	19,370	\$ 49.54
Vested but subject to deferred settlement at March 31, 2022		\$ _

<sup>(1)</sup> A required adjustment to certain outstanding RSUs was triggered as a result of the non-recurring special dividend declared on August 30, 2021. In accordance with the terms of the Company's RSU agreements under which the RSUs were issued, the holders of the RSUs were entitled to credits equivalent to dividends that would have been paid had the RSUs had been outstanding shares as of the applicable record date. In the case of RSUs with terms not permitting crediting of dividend equivalents in cash, this event resulted in crediting of additional RSUs, increasing the number of RSUs by 55.848 RSUs as of the record date (Sentember 20, 2021)

### **Certain Anti-Takeover Provisions**

The Company's certificate of incorporation and by-laws contain certain anti-takeover provisions that could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company without negotiating with its Board. Such provisions could limit the price that certain investors might be willing to pay in the future for the Company's securities. Certain of such provisions allow the Company to issue preferred stock with rights senior to those of the common stock or impose various procedural and other requirements which could make it more difficult for stockholders to effect certain corporate actions.

#### 18. CUSTOMER AND SUPPLIER CONCENTRATIONS

### **Customer Concentration**

No single customer provided 10 percent or more of the Company's revenues for three and nine months ended March 31, 2022.

Customers providing 10 percent or more of the Company's accounts receivable as of March 31, 2022 are presented on a comparative basis (to June 30, 2021) in the table below.

## in thousands

		March 31,	2022	 June 30, 2021						
	<u></u>	Amount	Percent	Amount	Percent					
Total accounts receivable	\$	65,636	100.0 %	\$ 89,000	100.0 %					
Customer concentrations										
Morgan Stanley	\$	9,190	14.0 %	\$ _	0.0 %					

No single customer provided 10 percent or more of the Company's secured loan receivable balances as of March 31, 2022.

# **Supplier Concentration**

The Company buys precious metals from a variety of sources, including through brokers and dealers, from sovereign and private mints, from refiners and directly from customers. The Company believes that no one supplier or small group of suppliers is critical to its business, since other sources of supply are available that provide similar products on comparable terms.

## 19. SEGMENTS AND GEOGRAPHIC INFORMATION

The Company evaluates segment reporting in accordance with Segment Reporting Topic 280 of the ASC, each reporting period, including evaluating the organizational structure and the reporting package that is reviewed by the chief operating decision makers. The Company's operations are organized under three business segments (i) Wholesale Sales & Ancillary Services, (ii) Direct-to-Consumer, and (iii) Secured Lending. The Wholesale Sales & Ancillary Services segment includes the consolidating eliminations of inter-segment transactions and unallocated segment adjustments. (See Note 1 for a description of the types of products and services from which each reportable segment derives its revenues.)

### Revenue

### in thousands

	Three Montl	ıs End	led	Nine Months Ended				
	 March 31, 2022	March 31, 2021		March 31, 2022			March 31, 2021	
Revenue by segment <sup>(1)</sup>								
Wholesale Sales & Ancillary Services	\$ 1,966,897	\$	2,017,120	\$	5,732,207	\$	5,347,951	
Eliminations of inter-segment sales	(447,857)		(93,857)		(1,306,411)		(133,491)	
Wholesale Sales & Ancillary Services, net of eliminations (2)	1,519,040		1,923,263		4,425,796		5,214,460	
Direct-to-Consumer	590,075		126,226		1,643,654		219,889 <sup>(d)</sup>	
	\$ 2,109,115	\$	2,049,489	\$	6,069,450	\$	5,434,349	

<sup>(1)</sup> The Secured Lending segment earns interest income from its lending activity and earns no revenue from the sales of precious metals. Therefore, no amounts are shown for the Secured Lending segment in the above table.

(2) The eliminations of inter-segment sales are reflected in the Wholesale Sales & Ancillary Services segment.

- (a) (b) Includes \$0.9 million of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment. Includes \$2.0 million of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment.
- (c) Includes \$7.8 million of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment.

### in thousands

	Three Mor	iths End	ed	Nine Months Ended				
	 March 31, 2022		March 31, 2021		March 31, 2022		1arch 31, 2021	
Revenue by geographic region <sup>(1)</sup>								
United States	\$ 1,256,092	\$	1,320,129	\$	3,631,974	\$	3,407,484	
Europe	495,293		285,843		1,542,293		1,067,325	
North America, excluding United States	342,392		394,562		850,681		867,437	
Asia Pacific	9,592		17,514		34,586		43,649	
Africa	_		_		17		_	
Australia	5,746		31,441		9,899		48,454	
	\$ 2,109,115	\$	2,049,489	\$	6,069,450	\$	5,434,349	

<sup>(1)</sup> Presentation of amounts realigned based on current accounting policy that defines geographic area based on the delivery or settlement location. The presentation change had no impact on the segments' operations or the Company's condensed consolidated results.

## **Gross Profit and Gross Margin Percentage**

	<b>Three Months Ended</b>				Nine Months Ended			
		arch 31, 2022	M	arch 31, 2021	M	larch 31, 2022	M	arch 31, 2021
Gross profit by segment <sup>(1)</sup>								
Wholesale Sales & Ancillary Services	\$	32,002	\$	51,529	\$	85,474	\$	95,327
Eliminations and adjustments		(1,463)		34		(445)		103
Wholesale Sales & Ancillary Services, net of eliminations and adjustments		30,539		51,563		85,029		95,430
Direct-to-Consumer, net of eliminations		41,544		16,608		108,986		27,637
	\$	72,083	\$	68,171	\$	194,015	\$	123,067
Gross margin percentage by segment								
Wholesale Sales & Ancillary Services		1.627 %		2.555 %		1.491 %		1.782 %
Wholesale Sales & Ancillary Services, net of eliminations and adjustments		2.010 %		2.681 %		1.921 %		1.830 %
Direct-to-Consumer		7.040 %		13.157 %		6.631 %		12.569 %
Weighted average gross margin percentage		3.418%		3.326 %		3.197 %		2.265 %

<sup>(1)</sup> The Secured Lending segment earns interest income from its lending activity and earns no gross profit from the sales of precious metals. Therefore, no amounts are shown for the Secured Lending segment in the above table.

Includes \$0.4 million of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment.

# Operating income and (expenses)

# in thousands

	Three Months Ended			Nine Months Ended			
	arch 31, 2022		March 31, 2021		March 31, 2022		March 31, 2021
Operating income (expense) by segment	 _						
Wholesale Sales & Ancillary Services	\$ (9,963)	\$	22,916	\$	(24,485)	\$	14,176
Eliminations	 (60)		(45)		(191)		(114)
Wholesale Sales & Ancillary Services, net of eliminations	\$ (10,023)	\$	22,871	\$	(24,676)	\$	14,062
Wholesale Sales & Ancillary Services, net of eliminations							
Selling, general and administrative expenses	\$ (11,203)	\$	(9,859)	\$	(28,748)	\$	(23,727)
Depreciation and amortization expense	(214)		(213)		(673)		(637)
Interest income	2,300		2,554		7,952		7,490
Interest expense	(2,379)		(3,274)		(7,396)		(9,137)
Earnings from equity method investments	1,608		7,410		4,317		13,898
Remeasurement gain on pre-existing equity interest	_		26,306		_		26,306
Unrealized losses on foreign exchange	(135)		(53)		(128)		(131)
	\$ (10,023)	\$	22,871	\$	(24,676)	\$	14,062
Direct-to-Consumer							
Selling, general and administrative expenses	\$ (8,913)	\$	(2,644)	\$	(25,906)	\$	(5,982)
Depreciation and amortization expense	(7,245)		(1,187)		(23,140)		(1,593)
Interest expense	(703)		(45)		(2,062)		(45)
Other expense, net	 (50)		<u> </u>		(50)		<u> </u>
	\$ (16,911)	\$	(3,876)	\$	(51,158)	\$	(7,620)
Secured Lending							
Selling, general and administrative expenses	\$ (379)	\$	(792)	\$	(1,230)	\$	(1,619)
Depreciation and amortization expense	(88)		(88)		(264)		(264)
Interest income	3,043		2,170		8,173		5,750
Interest expense	(2,347)		(2,016)		(6,839)		(5,483)
Other income, net	 543		340		1,385		904
	\$ 772	\$	(386)	\$	1,225	\$	(712)

# Net income before provision for income taxes

## in thousands

		Three Months Ended			Nine Months En			l
		arch 31, 2022	N	March 31, 2021		March 31, 2022	]	March 31, 2021
Net income before provision for income taxes by segment	<u> </u>							
Wholesale Sales & Ancillary Services	\$	20,516	\$	74,434	\$	60,353	\$	109,492
Direct-to-Consumer		24,633		12,732		57,828		20,017
Secured Lending		772		(386)		1,225		(712)
	\$	45,921	\$	86,780	\$	119,406	\$	128,797

# Advertising expense

		Three Months Ended				Nine Months Ended			
	M	arch 31, 2022		March 31, 2021		March 31, 2022		March 31, 2021	
Advertising expense by segment									
Wholesale Sales & Ancillary Services	\$	(190)	\$	(74)	\$	(433)	\$	(217)	
Direct-to-Consumer		(3,077)		(821)		(8,493)		(1,932)	
Secured Lending		(52)		(63)		(154)		(131)	
	\$	(3,319)	\$	(958)	\$	(9,080)	\$	(2,280)	

# Precious metals held under financing arrangements

:	thousands	
ın	tnousanas	

	irch 31, 2022	June 30, 2021
Precious metals held under financing arrangements by segment	_	
Wholesale Sales & Ancillary Services	\$ 87,450	\$ 130,766
Secured Lending	 	 23,976
	\$ 87,450	\$ 154,742

# Inventories

# in thousands

	IVI	2022	2021
Inventories by segment			
Wholesale Sales & Ancillary Services	\$	623,188	\$ 402,418
Direct-to-Consumer		141,075	53,069
Secured Lending			 2,532
	\$	764,263	\$ 458,019

# in thousands

	arch 31, 2022	June 30, 2021	
Inventories by geographic region			
United States	\$ 706,249	\$	431,732
North America, excluding United States	35,329		16,633
Europe	22,098		9,451
Asia	405		203
Australia	182		_
	\$ 764,263	\$	458,019

# **Total Assets**

# in thousands

	M	larch 31, 2022	J	June 30, 2021
Assets by segment				
Wholesale Sales & Ancillary Services	\$	968,591	\$	874,152
Eliminations		(143,462)		(163,850)
Wholesale Sales & Ancillary Services, net of eliminations		825,129		710,302
Direct-to-Consumer		368,768		335,829
Secured Lending		152,686		145,450
	\$	1,346,583	\$	1,191,581

	N	March 31, 2022	June 30, 2021	
Assets by geographic region				
United States	\$	1,285,377	\$	1,162,195
North America, excluding United States		35,329		16,633
Europe		25,290		12,550
Asia		405		203
Australia		182		_
	\$	1,346,583	\$	1,191,581

## Long-term Assets

•	thousands	
ın	thousanas	

	N	1arch 31, 2022	 June 30, 2021
Long-term assets by segment			
Wholesale Sales & Ancillary Services	\$	49,946	\$ 36,174
Direct-to-Consumer		168,031	188,208
Secured Lending		2,710	2,972
	\$	220,687	\$ 227,354

# in thousands

	rch 31, 2022	June 30, 2021
Long-term assets by geographic region		
United States	\$ 220,685	\$ 227,352
Europe	2	2
	\$ 220,687	\$ 227,354

# Capital Expenditures for Property, Plant, and Equipment

## in thousands

		Three Mon	ths Ended	<u> </u>	Nine Months Ended				
	Marc 20		M	arch 31, 2021	M	larch 31, 2022	M	arch 31, 2021	
Capital expenditures on property, plant, and equipment by segment									
Wholesale Sales & Ancillary Services	\$	183	\$	411	\$	812	\$	1,335	
Direct-to-Consumer		296		3		1,294		12	
Secured Lending		_		_		_		4	
	\$	479	\$	414	\$	2,106	\$	1,351	

# Goodwill and Intangible Assets

## in thousands

	_	March 31, 2022			June 30, 2021		
Goodwill by segment							
Wholesale Sales & Ancillary Services	\$	8	8,881	\$	8,881		
Direct-to-Consumer <sup>(1)</sup>	_		92,062		92,062		
	\$	5	100,943	\$	100,943		

<sup>(1)</sup> Direct-to-Consumer segment's goodwill balance is net of \$1.4 million accumulated impairment losses.

# Intangible assets

	March 31, 2022	June 30, 2021		
Intangibles by segment				
Wholesale Sales & Ancillary Services	\$ 2,774	\$ 2,831		
Direct-to-Consumer <sup>(1)</sup>	67,942	90,802		
	\$ 70,716	\$ 93,633		

Direct-to-Consumer segment's intangibles balance is net of \$1.3 million accumulated impairment losses.

## 20. SUBSEQUENT EVENTS

## Stock Split in the Form of a Dividend

On April 28, 2022, the Company's Board of Directors declared a two-for-one split of A-Mark's common stock in the form of a stock dividend. Each stockholder of record at the close of business on May 23, 2022 will receive a dividend of one additional share of common stock for every share held on the record date, to be distributed after the close of trading on June 6, 2022.

## Increased Investment In Silver Gold Bull, Inc.

On April 28, 2022, the Company entered into an agreement to increase its ownership interest in Silver Gold Bull, Inc. ("Silver Gold Bull") from 7.4% to 47.4% for a purchase price of approximately \$44.0 million, consisting of \$34.0 million in cash and 126,964 shares of the Company's common stock (without giving effect to the stock dividend referred to in the preceding paragraph.) A-Mark had acquired its initial interest in Silver Gold Bull in 2014, increasing its investment to 7.4% in 2018. Founded in 2009, Silver Gold Bull is a leading e-commerce precious metals retailer in Canada.

Under the terms of the agreement, A-Mark will also extend its existing exclusive supplier agreement with Silver Gold Bull for an additional four years, to December 2026. The Company will also have the option, exercisable between months 18 and 27 following the closing, to purchase an additional 27.7% of the outstanding equity of Silver Gold Bull to bring its ownership interest to 75%.

The acquisition is expected to close in the fourth quarter of fiscal 2022, subject to customary closing conditions and regulatory approval.

# ${\bf ITEM~2.~MANAGEMENT'S~DISCUSSION~AND~ANALYSIS~OF~FINANCIAL~CONDITION~AND~RESULTS~OF~OPERATIONS}\\$

# CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report on Form 10-Q ("Form 10-Q") contains statements that are considered forward-looking statements. Forward-looking statements give the Company's current expectations and forecasts of future events. All statements other than statements of current or historical fact contained in this Quarterly Report, including statements regarding the Company's future financial position, business strategy, budgets, projected costs and plans, and objectives of management for future operations, are forward-looking statements. The words "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "plan," and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. These statements are based on the Company's current plans, and the Company's actual future activities and results of operations may be materially different from those set forth in the forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. Any or all of the forward-looking statements in this Quarterly Report may turn out to be inaccurate. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy, and financial needs. The forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and assumptions. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events occurring after the date hereof. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements contained in this Form 10-Q.

In addition to the risks and uncertainties that may ordinarily influence our business, the Company remains exposed to the effects of the COVID-19 pandemic. The pandemic has caused significant disruption in the financial markets both globally and in the United States. The resulting macroeconomic events have contributed to an increase in the business conducted by the Company, but also pose certain risks and uncertainties for the Company. The Company does not know how long the COVID-19 pandemic will continue, the extent to which the effects that the Company has experienced from the pandemic thus far will persist, or whether other effects on the Company and its businesses will materialize in the short or long term.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes contained elsewhere in this Form 10-Q, and in the consolidated financial statements and notes contained in the Form 10-K for the fiscal year ended 2021. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those factors discussed below and elsewhere in this Quarterly Report, particularly in "Risk Factors."

## INTRODUCTION

Management's discussion and analysis of financial condition and results of operations is provided as a supplement to the accompanying condensed consolidated financial statements and related notes to aid in the understanding of our results of operations and financial condition. Our discussion is organized as follows:

- <u>Executive overview</u>. This section provides a general description of our business, as well as significant transactions and events that we believe are important in understanding the results of operations.
- <u>Results of operations</u>. This section provides an analysis of our results of operations presented in the accompanying condensed consolidated statements of income by comparing the results for the respective periods presented. Included in our analysis is a discussion of six performance metrics: (i) ounces of gold and silver sold, (ii) Wholesale Sales ticket volume, (iii) Direct-to-Consumer ticket volume, (iv) number of Direct-to-Consumer customers, (v) inventory turnover ratio, and (vi) number of secured loans at period-end.
- <u>Segment results of operations</u>. This section provides an analysis of our results of operations presented for our three segments:
  - o Wholesale Sales & Ancillary Services
  - o <u>Direct-to-Consumer</u>, and
  - o <u>Secured Lending</u>

for the comparable periods.

• Non-GAAP Measures. In addition to certain key operational metrics to assess the performance of our business, management uses the financial performance measures "adjusted net income before provision for income taxes" and "adjusted net income before provision for income taxes per diluted share" that are not prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP").

- <u>Liquidity and financial condition</u>. This section provides an analysis of our cash flows, as well as a discussion of our outstanding debt as of March 31, 2022, sources of liquidity and the amount of financial capacity available to fund our future commitments and other financing arrangements.
- <u>Critical accounting policies</u>. This section discusses critical accounting policies that are considered both important to our financial condition and results of operations and require management to make significant judgment and estimates. All of our significant accounting policies, including the critical accounting policies, are also summarized in <u>Note 2</u> to the Company's condensed consolidated financial statements.
- <u>Recent accounting pronouncements</u>. This section discusses new accounting pronouncements, dates of implementation and their expected impact on our accompanying condensed consolidated financial statements.

### EXECUTIVE OVERVIEW

#### Our Business

We conduct our operations in three reportable segments: (i) Wholesale Sales & Ancillary Services, (ii) Direct-to-Consumer and (iii) Secured Lending.

# Wholesale Sales & Ancillary Services Segment

The Company operates its Wholesale Sales & Ancillary Services segment directly and through its wholly-owned subsidiaries, A-Mark Trading AG ("AMTAG"), Transcontinental Depository Services, LLC ("TDS" or "Storage"), A-M Global Logistics, LLC ("AMGL" or "Logistics"), and AM&ST Associates, LLC ("AMST" or the "SilverTowne Mint").

The Wholesale Sales & Ancillary Services segment operates as a full-service precious metals company. We offer gold, silver, platinum, and palladium in the form of bars, plates, powder, wafers, grain, ingots, and coins. Our Industrial unit services manufacturers and fabricators of products utilizing or incorporating precious metals. Our Coin and Bar unit deals in over 1,000 coin and bar products in a variety of weights, shapes, and sizes for distribution to dealers and other qualified purchasers. We have a marketing support office in Vienna, Austria, and a trading center in El Segundo, California. The trading center, for buying and selling precious metals, is available to receive orders 24 hours every day, even when many major world commodity markets are closed. In addition to Wholesale Sales activity, A-Mark offers its customers a variety of ancillary services, including financing, storage, consignment, logistics, and various customized financial programs. As a U.S. Mint-authorized purchaser of gold, silver, platinum, and palladium coins, A-Mark purchases product directly from the U.S. Mint and other sovereign mints for sale to its customers.

Through its wholly-owned subsidiary AMTAG, the Company promotes A-Mark's products and services to the international market. Through our wholly-owned subsidiary TDS, we offer a variety of managed storage options for precious metals products to financial institutions, dealers, investors, and collectors around the world.

The Company's wholly-owned subsidiary AMGL is based in Las Vegas, Nevada, and provides our customers an array of complementary services, including receiving, handling, inventorying, processing, packing, and shipping of precious metals and custom coins on a secure basis.

Through its wholly-owned subsidiary AMST, the Company designs and produces minted silver products. Our SilverTowne Mint operations allow us to provide greater product selection to our customers and greater pricing stability within the supply chain, as well as to gain increased access to silver during volatile market environments, which have historically created higher demand for precious metals products.

### Direct-to-Consumer

The Company operates its Direct-to-Consumer segment through its wholly-owned subsidiaries JM Bullion, Inc. ("JMB") and Goldline, Inc. ("Goldline"). JMB has five wholly-owned subsidiaries: Gold Price Group, Inc. ("GPG"), Silver.com, Inc. ("Silver.com"), Goldline Metal Buying Corp. ("GMBC"), Provident Metals Corp. ("PMC"), and Cybermetals Corp. ("CyberMetals"). Goldline, Inc. owns 100% of AMIP, LLC ("AMIP"), and has a 50% ownership interest in Precious Metals Purchasing Partners, LLC ("PMPP".) As the context requires, references in this Form 10-Q to "JMB" may include GPG, Silver.com, GMBC, PMC, and CyberMetals, and references to "Goldline" may include AMIP and PMPP.

JMB is a leading e-commerce retailer providing access to a broad array of gold, silver, copper, platinum, and palladium products through its websites and marketplaces. JMB operates five separately branded, company-owned websites targeting specific niches within the precious metals retail market, including JMBullion.com, ProvidentMetals.com, Silver.com, GoldPrice.org, and SilverPrice.org.

The Company acquired the 79.5% interest in JMB that it did not previously own in March 2021. With this acquisition, we substantially expanded our e-commerce channel for precious metals product sales and increased the diversification of our business between wholesale and retail distribution.

During the third quarter of fiscal 2022, JMB beta tested the CyberMetals online platform, where customers may purchase fractional ounces of digital gold, silver, platinum and palladium in a range of denominations. CyberMetals' customers have the option to convert their digital holdings to fabricated precious metals products via an integrated redemption flow with JMB. These products may be designated for storage by the Company or shipped directly to the customer. The CyberMetals platform was commercially launched in April 2022.

The Company acquired Goldline in August 2017 through an asset purchase transaction with Goldline, LLC, which had been in operation since 1960. Goldline is a direct retailer of precious metals to the investor community, and markets its precious metal products on television, radio, and the internet, as well as through customer service outreach. AMIP manages Goldline's intellectual property.

PMPP was formed in in fiscal 2019 pursuant to terms of a joint venture agreement, for the purpose of purchasing precious metals from the partners' retail customers, and then reselling the acquired products back to affiliates of the partners. PMPP commenced operations in fiscal 2020.

## **Secured Lending**

The Company operates its Secured Lending segment through its wholly-owned subsidiary Collateral Finance Corporation, LLC ("CFC"). CFC has two wholly-owned subsidiaries: AM Capital Funding, LLC ("AMCF"), and CFC Alternative Investments ("CAI").

CFC is a California licensed finance lender that originates and acquires commercial loans secured by bullion and numismatic coins. CFC's customers include coin and precious metal dealers, investors, and collectors. As of March 31, 2022, CFC and AMCF had, in the aggregate, approximately \$145.8 million in secured loans outstanding, of which approximately 65.1% were acquired from third parties (some of which may be customers of A-Mark) and approximately 34.9% were originated by CFC.

AMCF was formed for the purpose of securitizing eligible secured loans of CFC. AMCF issued, administers, and owns Secured Senior Term Notes: Series 2018-1, Class A, with an aggregate principal amount of \$72.0 million and Secured Subordinated Term Notes, Series 2018-1, Class B in the aggregate principal amount of \$28.0 million (collectively referred to as the "Notes"). The Class A Notes bear interest at a rate of 4.98%, and the Class B Notes bear interest at a rate of 5.98%. The Notes have a maturity date of December 15, 2023. See Note 5 to the Company's condensed consolidated financial statements for additional information.

CAI is a holding company that has an equity method interest in Collectible Card Partners, LLC ("CCP"). The purpose of CCP is to provide capital to fund commercial loans secured by graded sport cards and sports memorabilia. CCP commenced operations in fiscal 2022.

## Our Strategy

The Company was formed in 1965 and has grown into a significant participant in the bullion and coin markets, with approximately \$7.6 billion in revenues for fiscal year 2021. Our strategy continues to focus on growth, including the volume of our business, our geographic presence, and the scope of complementary products, services, and technological tools that we offer to our customers.

We intend to continue to grow by leveraging off the strengths of our existing integrated operations:

- our expertise in e-commerce and marketing;
- our expansive retail distribution network;
- the depth of our customer relationships;
- our access to market makers, suppliers, and sovereign and private mints;
- our trading systems in the U.S. and Europe;
- our network of precious metals dealers;
- our depository relationships around the world;
- our knowledge of secured lending;
- our design and production of minted silver products;
- our ability to obtain more favorable pricing and financing terms due to our size;
- our distribution, storage and logistics capabilities; and

• the quality and experience of our management team.

## **Our Customers**

Our customers include financial institutions, bullion retailers, industrial manufacturers and fabricators, sovereign mints, refiners, coin and metal dealers, investors, collectors, and e-commerce and other retail customers. The Company makes a two-way market in its wholesale operations, which results in many customers also operating as our suppliers in that segment. This diverse base of wholesale customers purchases a variety of products from the Company in a multitude of grades, primarily in the form of coins and bars. Our Direct-to-Consumer segment sells to (and, through JMB and PMPP, buys from) retail customers, with JMB focusing on e-commerce operations and Goldline marketing through various traditional channels to the investor community. The Direct-to-Consumer segment offers these customers a variety of gold, silver, copper, platinum, and palladium products.

## Factors Affecting Revenues, Gross Profit, Interest Income, and Interest Expense

Set forth below are the key factors affecting the Company's revenues, gross profit, interest income, and interest expense. These factors can result from both the Company's ongoing business activities as well as from Company acquisitions. For the three and nine months ended March 31, 2022 and 2021, the Company's results were significantly impacted by the acquisition of JMB in March 2021.

<u>Revenues</u>. The Company enters into transactions to sell and deliver gold, silver, platinum, palladium, and rhodium to industrial and commercial users, coin and bullion dealers, mints, and financial institutions. The metals are investment or industrial grade and are sold in a variety of shapes and sizes.

The Company also sells and delivers gold, silver, platinum, palladium, and copper products directly to customers and the investor community through its Direct-to Consumer segment. Customers may place orders over the phone or online at one of the Company's websites.

The Company also sells precious metals on forward contracts at a fixed price based on current prevailing precious metal spot prices with a certain delivery date in the future (up to six months from inception date of the forward contract). The Company also uses other derivative products (primarily futures contracts) or combinations thereof to hedge commodity risks. We enter into these forward and future contracts as part of our hedging strategy to mitigate our price risk of holding inventory; they are not entered into for speculative purposes.

Forward sales contracts by their nature are required to be included in revenues, unlike futures contracts which do not impact the Company's revenue. The decision to use a forward contract versus another derivative type of product (e.g., a futures contract) for hedging purposes is based on the economics of the transaction. Since the volume of hedging can be significant, the movement in and out of forwards can substantially impact revenues, either positively or negatively, from period to period. For this reason, the Company believes ounces sold (excluding ounces sold on forward sales contracts) is a meaningful metric to assess our top line performance.

In addition, the Company earns revenue by providing storage solutions for precious metals and numismatic coins for financial institutions, dealers, investors and collectors worldwide and by providing storage and order-fulfillment services to our retail customers. The Company also earns revenue from advertisements placed on our Direct-to-Consumer websites. These revenue streams represent less than 1% of the Company's consolidated revenues.

The Company operates in a high volume/low margin industry. Revenues are impacted by three primary factors: product volume, market prices, and market volatility. A material changes in any one or more of these factors may result in a significant change in the Company's revenues. A significant increase or decrease in revenues can occur simply based on changes in the underlying commodity prices and may not be reflective of an increase or decrease in the volume of products sold.

<u>Gross Profit</u>. Gross profit is the difference between our revenues and the cost of our products sold. Since we quote prices based on the current commodity market prices for precious metals, we enter into a combination of forward and futures contracts to effect a hedge position equal to the underlying precious metal commodity value, which substantially represents inventory subject to price risk. We enter into these derivative transactions solely for the purpose of hedging our inventory, and not for speculative purposes. Our gross profit includes the gains and losses resulting from these derivative instruments. However, the gains and losses on the derivative instruments are substantially offset by the gains and losses on the corresponding changes in the market value of our precious metals inventory. As a result, our results of operations generally are not materially impacted by changes in commodity prices.

Volatility also affects our gross profit. Greater volatility typically causes the premium spreads to widen resulting in an increase in the gross profit. Product supply constraints during extended periods of higher volatility have historically resulted in a heightening of wider premium spreads resulting in further improvement in the gross profit.

<u>Interest Income</u>. The Company enters into secured loans and secured financing structures with its customers under which it charges interest. CFC acquires loan portfolios and originates loans that are secured by precious metal bullion and numismatic material owned by the borrowers and held by the Company for the term of the loan. Additionally, AMCF acquires certain loans from CFC that are secured by precious metal bullion to meet the collateral requirements of the Notes. Also, the Company offers a number of secured financing options to its customers to finance their precious metals purchases including consignments and other structured inventory

finance products whereby the Company earns a fee based on the underlying value of the precious metal ("repurchase arrangements with customers").

<u>Interest Expense</u>. The Company incurs interest expense associated with its lines of credit, Notes, product financing agreements for the transfer and subsequent reacquisition of gold, silver, and platinum at a fixed price with a third-party finance company ("product financing arrangements"), and short-term precious metal borrowing arrangements with our suppliers ("liabilities on borrowed metals").

#### Performance Metrics

In addition to financial statement indicators, management also utilizes certain key operational metrics to assess the performance of our business.

Gold and Silver Ounces Sold and Delivered to Customers. We look at the number of ounces of gold and silver sold and delivered to our customers (excluding ounces recorded on forward contracts). These metrics reflect our business volume without regard to changes in commodity pricing, which also impacts revenue, but can mask actual business trends.

The primary purpose of entering into forward sales transactions is to hedge commodity price risk. Although the revenues realized from these forward sales transactions are often significant, they generally have negligible impact on gross margins. As a result, the Company excludes the ounces recorded on forward contracts from its performance metrics, as the Company does not enter into forward sales transactions for speculative purposes.

Wholesale Sales Ticket Volume. Another measure of our business that is unaffected by changes in commodity pricing is ticket volume (or number of orders processed). Ticket volume for the Wholesale Sales & Ancillary Services segment measures the total number of wholesale orders processed during the period. In periods of higher volatility, there is generally increased trading in the commodity markets, causing increased demand for our products, resulting in higher business volume. During periods of heightened demand order size per ticket may increase.

<u>Direct-to-Consumer Customers</u>. We are focused on attracting new customers and retaining existing customers to drive revenue growth. We use the following three metrics as revenue growth indicators when assessing our customer base:

- New Direct-to-Consumer Customers means the number of customers that have registered or setup a new account or made a purchase for the first time.
- Active Direct-to-Consumer Customers means the number of customers that have made a purchase during the period.
- <u>Total Direct-to-Consumer Customers</u> means the aggregate number of customers that have registered or set up an account or have made a purchase in the past.

<u>Direct-to-Consumer Ticket Volume.</u> Ticket volume for the Direct-to-Consumer (or "DTC") segment measures the number of retail orders processed during the period. In periods of higher volatility, there is generally increased consumer demand for our products, resulting in higher business volume. We use the following three metrics indicators when assessing our ticket volume:

- <u>Ticket Volume from new Direct-to-Consumer Customers</u> means the number of retail orders processed from new customers (refer to the definition of new customers above).
- <u>Ticket Volume from Pre-existing Direct-to-Consumer Customers</u> means the number of retail orders processed from pre-existing retail customers.
- <u>Total Ticket Volume from Direct-to-Consumer Customers</u> means the aggregate number of retail orders processed during the period.

<u>Inventory Turnover</u>. Inventory turnover is another performance measure on which we are focused and is calculated as the cost of sales divided by the average inventory during the relevant period. Inventory turnover is a measure of how quickly inventory has moved during the period. A higher inventory turnover ratio, which we typically experience during periods of higher volatility when trading is more robust, typically reflects a more efficient use of our capital.

The period of time that inventory is held by the Company varies depending upon the nature of our inventory commitments with customers and suppliers. (See Note 6 to the Company's condensed consolidated financial statements for a description of our classifications of inventory by type.) When management analyzes inventory turnover on a period over period basis, consideration is given to each inventory type and its corresponding impact on the inventory turnover calculation. For example:

- The Company enters into various structured borrowing arrangements that commit the Company's inventory (such as product financing arrangements or liabilities on borrowed metals) for an unspecified period of time. While the Company is able to obtain access to this inventory on demand, this type of inventory tends not to turn over as quickly as other types of inventory.
- The Company enters into repurchase arrangements with customers under which A-Mark holds precious metals which are subject to repurchase for an unspecified period of time. While the Company has legal title to this inventory, the Company

is required to hold this inventory (or like-kind inventory) for the customer until the arrangement is terminated or the material is repurchased by the customer. As a result, this type of inventory tends not to turn over as quickly as other types of inventory.

Additionally, our inventory turnover ratio can be affected by hedging activity, as the period over period change of the inventory turnover ratio may be significantly impacted by a period over period change in hedging volume. For example, if trading activity were to remain constant over two periods, but there were significantly higher forward sales in the current period compared to a prior period, the calculated inventory turnover ratio would increase notwithstanding the constancy of the trading volume.

<u>Number of Secured Loans</u>. Finally, as a measure of the size of our Secured Lending segment, we look at the number of outstanding secured loans to customers that are primarily collateralized by precious metals at the end of each quarter. Typically, the number of loans increases during periods of increasing precious metal pricing and decreases during periods of declining precious metal prices.

The Company calculates a loan-to-value ("LTV") ratio for each loan as the principal amount of the loan divided by the liquidation value of the collateral, which is based on daily spot market prices of precious metal bullion. When the market price of the pledged collateral decreases and thereby increases the LTV ratio of a loan above a prescribed maximum ratio, usually 85%, the Company has the option to make a margin call on the loan. As a result, a decline of precious metal market prices may cause a decrease in the number of loans outstanding in a period.

#### Non-GAAP Financial Measures

In addition to certain key operational metrics to assess the performance of our business, management uses financial performance measures that are not prepared in accordance with U.S. GAAP. "Adjusted net income before provision for income taxes" and "adjusted net income before provision for income taxes per diluted share" are non-GAAP measures that provide useful information that can be used to evaluate our performance. Non-GAAP measures do not have standardized definitions and should not be relied upon or as a substitute for measures that are prepared in accordance with U.S. GAAP. For a reconciliation of these non-GAAP measures to the most directly comparable U.S. GAAP measures reported in our condensed consolidated statements of income for the three and nine months ended March 31, 2022 and 2021, and certain limitations inherent in such measures, refer to the "Non-GAAP Measures" section below.

#### Fiscal Year

Our fiscal year end is June 30 each year. Unless otherwise stated, references to years in this report relate to fiscal years rather than to calendar years.

### **Recent Developments**

Recent events impacting our business are as follows:

### COVID-19

The COVID-19 outbreak has caused significant disruption in the financial markets both globally and in the United States. The resulting macroeconomic events contributed to an increase in the business conducted by the Company, but also pose certain risks and uncertainties for the Company. It is challenging to predict how long the COVID-19 pandemic will continue, the extent to which the effects that the Company has experienced from the pandemic thus far will persist, or whether other effects on the Company and its businesses will materialize in the short or long term.

Macroeconomic events have positively affected the Company's trading revenues and gross profit as the volatility of the price of precious metals and numismatics resulted in a material increase in the spread between bid and ask prices on these products. We also experienced substantially increased demand for products in each of our coin and bar, industrial and retail businesses. We attribute this to certain customers seeking to assure a supply of precious metals necessary for the operation of their businesses, and other customers, particularly in Goldline and our recently acquired JMB retail units, seeking the safety of investments in precious metals. In response to the heightened demand, in certain cases prices for the products we sell have also risen. We are uncertain of the duration of these conditions.

### New Credit Facility

During the second quarter of fiscal 2022, the Company closed a new three-year, committed \$350 million credit facility provided by a syndicate of financial institutions, replacing its existing \$280 million credit facility. The new credit facility became effective on December 21, 2021 and matures on December 20, 2024.

### Launch of the CyberMetals Online Platform

During the third quarter of fiscal 2022, JMB beta tested the CyberMetals online platform, where customers may purchase fractional ounces of digital gold, silver, platinum and palladium in a range of denominations. CyberMetals' customers have the option to convert their digital holdings to fabricated precious metals products via an integrated redemption flow with JMB. These products may be designated for storage by the Company or shipped directly to the customer. The CyberMetals platform was commercially launched in April 2022.

## RESULTS OF OPERATIONS

## Overview of Results of Operations for the Three Months Ended March 31, 2022 and 2021

# Consolidated Results of Operations

The operating results of our business for the three months ended March 31, 2022 and 2021 are as follows:

# in thousands, except for share, per share, and performance metrics data

Three Months Ended March 31,	2022				2021		\$		%	
,		\$	% of revenue		\$	% of revenue		Increase/ (decrease)	Increase/ (decrease)	
Revenues	\$	2,109,115	100.000 %	\$	2,049,489	100.000 %	\$	59,626	2.9 %	
Gross profit		72,083	3.418%		68,171	3.326%	\$	3,912	5.7 %	
Selling, general, and administrative expenses		(20,494)	(0.972 %)		(13,295)	(0.649%)	\$	7,199	54.1 %	
Depreciation and amortization expense		(7,548)	(0.358%)		(1,488)	(0.073 %)	\$	6,060	407.3 %	
Interest income		5,343	0.253 %		4,724	0.230 %	\$	619	13.1 %	
Interest expense		(5,429)	(0.257%)		(5,335)	(0.260%)	\$	94	1.8 %	
Earnings from equity method investments		1,608	0.076 %		7,410	0.362 %	\$	(5,802)	(78.3 %)	
Other income, net		493	0.023 %		340	0.017%	\$	153	45.0 %	
Remeasurement gain on pre-existing equity interest		_	_		26,306	1.284 %	\$	(26,306)	(100.0%)	
Unrealized losses on foreign exchange		(135)	(0.006%)		(53)	(0.003 %)	\$	82	154.7 %	
Net income before provision for income taxes		45,921	2.177%		86,780	4.234%	\$	(40,859)	(47.1%)	
Income tax expense		(8,375)	(0.397%)		(9,847)	(0.480%)	\$	(1,472)	(14.9%)	
Net income		37,546	1.780 %		76,933	3.754%	\$	(39,387)	(51.2%)	
Net income attributable to noncontrolling interests		164	0.008 %		308	0.015 %	\$	(144)	(46.8 %)	
Net income attributable to the Company	\$	37,382	1.772 %	\$	76,625	3.739 %	\$	(39,243)	(51.2%)	
Basic and diluted net income per share attributable to A Metals, Inc.:  Per Share Data:	-Mark P	recious								
Basic	\$	3.27		\$	9.54		\$	(6.27)	(65.7%)	
Diluted	\$	3.06		\$	8.84		\$	(5.78)	(65.4%)	
Weighted average shares outstanding:										
Basic		11,429,800			8,028,900			3,400,900	42.4 %	
Diluted		12,212,900			8,668,300			3,544,600	40.9 %	
Performance Metrics:(1)										
Gold ounces sold <sup>(2)</sup>		727,000			771,000			(44,000)	(5.7%)	
Silver ounces sold <sup>(3)</sup>		34,498,000			33,100,000			1,398,000	4.2 %	
Inventory turnover ratio <sup>(4)</sup>		3.1			3.7			(0.6)	-16.2 %	
Number of secured loans at period end <sup>(5)</sup>		2,697			1,571			1,126	71.7%	

See "Results of Segments" for a description of additional metrics not listed above.

<sup>(1)</sup> (2) (3) (4) Gold ounces sold represents the ounces of gold product sold and delivered to the customer during the period, excluding ounces of gold recorded on forward contracts.

Silver ounces sold represents the ounces of silver product sold and delivered to the customer during the period, excluding ounces of silver recorded on forward contracts.

Inventory turnover ratio is the cost of sales divided by average inventory for the period presented above. This calculation excludes precious metals held under financing arrangements, which are not classified as inventory on the condensed consolidated balance sheets.

<sup>(5)</sup> Number of outstanding secured loans to customers that are primarily collateralized by precious metals at the end of the period.

## Overview of Results of Operations for the Nine Months Ended March 31, 2022 and 2021

# **Consolidated Results of Operations**

The operating results of our business for the nine months ended March 31, 2022 and 2021 are as follows:

# in thousands, except for share, per share, and performance metrics

Nine Months Ended March 31,		2022			2021			\$	%	
		% of revenue			\$	% of revenue		ncrease/ lecrease)	Increase/ (decrease)	
Revenues	\$	6,069,450	100.000%	\$	5,434,349	100.000 %	\$	635,101	11.7	
Gross profit		194,015	3.197 %		123,067	2.265 %	\$	70,948	57.69	
Selling, general, and administrative expenses		(55,884)	(0.921%)		(31,328)	(0.576%)	\$	24,556	78.4	
Depreciation and amortization expense		(24,077)	(0.397%)		(2,494)	(0.046 %)	\$	21,583	865.4 %	
interest income		16,125	0.266 %		13,240	0.244 %	\$	2,885	21.8 %	
nterest expense		(16,297)	(0.269 %)		(14,665)	(0.270%)	\$	1,632	11.1 %	
Earnings from equity method investments		4,317	0.071 %		13,898	0.256 %	\$	(9,581)	(68.9 %	
Other income, net		1,335	0.022 %		904	0.017 %	\$	431	47.7 %	
Remeasurement gain on pre-existing equity interest		_	_		26,306	0.484 %	\$	(26,306)	(100.0%	
Unrealized losses on foreign exchange		(128)	(0.002 %)		(131)	(0.002 %)	\$	(3)	(2.3 %	
Net income before provision for income taxes		119,406	1.967 %		128,797	2.370 %	\$	(9,391)	(7.3 %	
Income tax expense		(23,797)	(0.392 %)		(18,944)	(0.349%)	\$	4,853	25.6 %	
Net income		95,609	1.575 %		109,853	2.021 %	\$	(14,244)	(13.0%	
Net income attributable to noncontrolling interests		409	0.007 %		1,221	0.022 %	\$	(812)	(66.5 %	
Net income attributable to the Company	\$	95,200		\$	108,632	4 000 07		(40.400)		
	<u> </u>		1.569 %	3	108,032	1.999 %	\$	(13,432)	(12.4 %	
Basic and diluted net income per share attributable to A Metals, Inc.:	<u> </u>		1.569%	J.	108,032	1.999 %	\$	(13,432)	(12.4%	
Basic and diluted net income per share attributable to A	<u> </u>	Precious	1.569 %	\$	<u> </u>	1.999%			,	
Basic and diluted net income per share attributable to A Metals, Inc.: Per Share Data:	<u> </u>		1.569 %		14.67 13.61	1.999 %	\$ \$ \$	(6.29) (5.77)	(42.9 % (42.9 %	
Basic and diluted net income per share attributable to A Metals, Inc.: Per Share Data: Basic	<u> </u>	Precious 8.38	1.569 %	\$	14.67	1.999 %	\$	(6.29)	(42.9%	
Basic and diluted net income per share attributable to A Metals, Inc.: Per Share Data: Basic Diluted	<u> </u>	Precious 8.38	1.569 %	\$	14.67	1.999 %	\$	(6.29) (5.77)	(42.9 % (42.4 %	
Basic and diluted net income per share attributable to A Metals, Inc.: Per Share Data: Basic Diluted Weighted average shares outstanding:	<u> </u>	8.38 7.84	1.569 %	\$	14.67	1.999 %	\$	(6.29)	(42.9 %) (42.4 %)	
Basic and diluted net income per share attributable to A Metals, Inc.:  Per Share Data:  Basic  Diluted  Weighted average shares outstanding:  Basic  Diluted  Performance Metrics: [1]	<u> </u>	8.38 7.84	1.569 %	\$	14.67 13.61 7,403,900	1.999 %	\$	(6.29) (5.77) 3,952,500	(42.9 %) (42.4 %)	
Basic and diluted net income per share attributable to A Metals, Inc.:  Per Share Data: Basic Diluted  Weighted average shares outstanding: Basic Diluted  Performance Metrics: (1) Gold ounces sold (2)	<u> </u>	8.38 7.84	1.569 %	\$	14.67 13.61 7,403,900	1.999 %	\$	(6.29) (5.77) 3,952,500	(42.9 °) (42.4 °) 53.4 °) 52.1 °)	
Basic and diluted net income per share attributable to A Metals, Inc.:  Per Share Data:  Basic  Diluted  Weighted average shares outstanding:  Basic  Diluted  Performance Metrics: [1]	<u> </u>	8.38 7.84 11,356,400 12,137,600	1.569 %	\$	14.67 13.61 7,403,900 7,980,700	1.999 %	\$	(6.29) (5.77) 3,952,500 4,156,900	(42.9 % (42.4 % 53.4 % 52.1 %	
Basic and diluted net income per share attributable to A Metals, Inc.:  Per Share Data: Basic Diluted  Weighted average shares outstanding: Basic Diluted  Performance Metrics: (1) Gold ounces sold (2)	<u> </u>	8.38 7.84 11,356,400 12,137,600	1.569 %	\$	14.67 13.61 7,403,900 7,980,700	1.999 %	\$	(6.29) (5.77) 3,952,500 4,156,900	(42.9 %	

See "Results of Segments" for a description of additional metrics not listed above.

Gold ounces sold represents the ounces of gold product sold and delivered to the customer during the period, excluding ounces of gold recorded on forward contracts.

Silver ounces sold represents the ounces of silver product sold and delivered to the customer during the period, excluding ounces of silver recorded on forward contracts.

Inventory turnover ratio is the cost of sales divided by average inventory for the period presented above. This calculation excludes precious metals held under financing arrangements, which are not classified as inventory on the condensed consolidated balance sheets.

Number of outstanding secured loans to customers that are primarily collateralized by precious metals at the end of the period. (1) (2) (3) (4)

### Revenues

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

in thousands, except performance metrics

Three Months Ended March 31,	202	2022 20:		1	\$	3	%
	\$	% of revenue	\$	% of revenue	Incre (decr		Increase/ (decrease)
Revenues	\$ 2,109,115	100.000 %	\$ 2,049,489	100.000 %	\$	59,626	2.9 %
Performance Metrics							
Gold ounces sold	727,000		771,000			(44,000)	(5.7%)
Silver ounces sold	34,498,000		33,100,000			1,398,000	4.2 %

Revenues for the three months ended March 31, 2022 increased \$59.6 million, or 2.9% to \$2.109 billion from \$2.049 billion in 2021. Excluding an increase of \$184.7 million of forward sales, our revenues decreased \$125.1 million or 6.6%, which was due to an decrease in gold ounces sold and lower average selling prices of silver, offset by an increase in silver ounces sold and higher average selling prices of gold.

Gold ounces sold for the three months ended March 31, 2022 decreased 44,000 ounces, or 5.7%, to 727,000 ounces from 771,000 ounces in 2021. Silver ounces sold for the three months ended March 31, 2022 increased 1,398,000 ounces, or 4.2%, to 34,498,000 ounces from 33,100,000 ounces in 2021. On average, the selling prices for gold increased by 7.5% and selling prices for silver decreased by 9.7% during the three months ended March 31, 2022 as compared to the prior year period.

JMB's revenue represented 25.7% of the Company's consolidated revenue for the three months ended March 31, 2022. JMB's gold and silver ounces sold represented 22.3% and 20.0%, respectively, of the Company's consolidated total gold and silver ounces sold for the three months ended March 31, 2022. As JMB was acquired on March 19, 2021, its revenue represented 3.3% of the Company's consolidated revenue for the three months ended March 31,2021. JMB's gold and silver ounces sold represented 3.5% and 4.5%, respectively, of the Company's consolidated total gold and silver ounces sold for the three months ended March 31, 2021.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

in thousands, except performance metrics

Nine Months Ended March 31,	2022	:	2021			\$	%	
	\$	% of % of sevenue \$ revenue					Increase/ (decrease)	
Revenues	\$ 6,069,450	100.000 %	\$ 5,434,349	100.000 %	\$	635,101	11.7%	
Performance Metrics								
Gold ounces sold	2,027,000		1,971,000			56,000	2.8 %	
Silver ounces sold	94,612,000		78,593,000			16,019,000	20.4 %	

Revenues for the nine months ended March 31, 2022 increased \$635.1 million, or 11.7% to \$6.069 billion from \$5.434 billion in 2021. Excluding an increase of \$522.1 million of forward sales, our revenues increased \$113.0 million or 2.3%, which was due to an increase in gold and silver ounces sold and higher average selling prices of gold, partially offset by lower average selling prices of silver.

Gold ounces sold for the nine months ended March 31, 2022 increased 56,000 ounces, or 2.8%, to 2,027,000 ounces from 1,971,000 ounces in 2021. Silver ounces sold for the nine months ended March 31, 2022 increased 16,019,000 ounces, or 20.4%, to 94,612,000 ounces from 78,593,000 ounces in 2021. On average, the selling prices for gold increased by 0.7% and selling prices for silver decreased by 1.4% during the nine months ended March 31, 2022 as compared to the prior year period.

JMB's revenue represented 24.8% of the Company's consolidated revenue for the nine months ended March 31, 2022. JMB's gold and silver ounces sold represented 21.2% and 21.7%, respectively, of the Company's consolidated total gold and silver ounces sold for the nine months ended March 31, 2022. As JMB was acquired on March 19, 2021, its revenue represented 1.3% of the Company's consolidated revenue for the nine months ended March 31, 2021. JMB's gold and silver ounces sold represented 1.4% and 1.9%, respectively, of the Company's consolidated total gold and silver ounces sold for the nine months ended March 31, 2021.

#### Gross Profit

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

in thousands, except performance metric

Three Months Ended March 31,	2022			2021				\$	%	
		\$	% of revenue	\$		% of revenue	Increase/ (decrease)		Increase/ (decrease)	
Gross profit	\$	72,083	3.418%	\$	68,171	3.326%	\$	3,912	5.7 %	
Performance Metric		_								
Inventory turnover ratio		3.1			3.7			(0.6)	(16.2 %)	

Gross profit for the three months ended March 31, 2022 increased by \$3.9 million, or 5.7%, to \$72.1 million from \$68.2 million in 2021. The overall gross profit increase was due to higher gross profits earned from the Direct-to-Consumer segment, partially offset by lower gross profits earned from the Wholesale Sales & Ancillary Services Segment.

The Company's overall gross margin percentage for the three months ended March 31, 2022 increased by 9.2 basis points to 3.418% from 3.326% in 2021. Excluding an increase of \$184.7 million of forward sales that had a negligible impact to the amount of gross profit, our gross margin percentage for the three months ended March 31, 2022 increased by 47.0 basis points to 4.043% from 3.572%, which was partially offset by lower trading profits.

The increase in gross margin percentage was mainly attributable to JMB's retail market activity, which represented 47.8% and 12.5%, respectively, of the Company's consolidated gross profit for the three months ended March 31, 2022 and 2021.

Our inventory turnover rate for the three months ended March 31, 2022 decreased by 16.2% to 3.1 from 3.7 in 2021. The decrease in our inventory turnover ratio was primarily due to higher average inventory balances partially offset by higher forward sales.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

in thousands, except performance metric

Nine Months Ended March 31,	2022	2	2021		\$	%
	\$	% of revenue	\$	% of revenue	Increase (decrease	
Gross profit	\$ 194,015	3.197%	\$ 123,067	2.265 %	\$ 70	0,948 57.6%
Performance Metric						
Inventory turnover ratio	9.6		12.0			(2.4) (20.0%)

Gross profit for the nine months ended March 31, 2022 increased by \$70.9 million, or 57.6%, to \$194.0 million from \$123.1 million in 2021. The overall gross profit increase was due to higher gross profits earned from the Direct-to-Consumer segment, partially offset by lower gross profits earned from the Wholesale Sales & Ancillary Services Segment.

The Company's overall gross margin percentage for the nine months ended March 31, 2022 increased by 93.2 basis points to 3.197% from 2.265% in 2021. Excluding an increase of \$522.1 million of forward sales that had a negligible impact to the amount of gross profit, our gross margin percentage for the nine months ended March 31, 2022 increased by 133.3 basis points to 3.795% from 2.462%, which was partially offset by lower trading profits.

The increase in gross margin percentage was mainly attributable to JMB's retail market activity, which represented 45.8% and 6.9%, respectively, of the Company's consolidated gross profit for the nine months ended March 31, 2022 and 2021.

Our inventory turnover rate for the nine months ended March 31, 2022 decreased by 20.0%, to 9.6 from 12.0 in 2021. The decrease in our inventory turnover ratio was primarily due to higher average inventory balances partially offset by higher forward sales.

## Selling, General and Administrative Expense

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

Three Months Ended March 31,	 2022			2021			\$	%	
	 s	% of revenue		\$	% of revenue	Increase/ (decrease)		Increase/ (decrease)	
Selling, general, and administrative expenses	\$ (20,494)	(0.972)%	\$	(13,295)	(0.649 %)	\$	7,199	54.1 %	

Selling, general and administrative expenses for the three months ended March 31, 2022 increased \$7.2 million, or 54.1%, to \$20.5 million from \$13.3 million in 2021. The change was primarily due to: (i) \$6.5 million of expenses incurred by JMB, (ii) increased compensation expense (including performance-based accruals) of \$1.4 million, offset by lower consulting and professional fees of \$0.9 million.

JMB's selling, general, and administrative expenses represented 35.2% and 5.1%, respectively, of the Company's consolidated selling, general, and administrative expenses for the three months ended March 31, 2022 and 2021.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

#### in thousands

Nine Months Ended March 31,		2022			2021			\$	%	
	<u></u>	% of				% of	Ir	icrease/	Increase/	
		\$ revenue		\$		revenue	(decrease)		(decrease)	
Selling, general, and administrative expenses	\$	(55,884)	(0.921%)	\$	(31,328)	(0.576%)	\$	24,556	78.4 %	

Selling, general and administrative expenses for the nine months ended March 31, 2022 increased \$24.6 million, or 78.4%, to \$55.9 million from \$31.3 million in 2021. The change was primarily due to: (i) \$19.4 million of expenses incurred by JMB, (ii) increased compensation expense (including performance-based accruals) of \$2.7 million, (iii) increased consulting and professional fees of \$1.6 million, and (iv) higher insurance costs of \$0.9 million.

JMB's selling, general, and administrative expenses represented 36.0% and 2.2%, respectively, of the Company's consolidated selling, general, and administrative expenses for the nine months ended March 31, 2022 and 2021.

## Depreciation and Amortization Expense

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

#### in thousands

Three Months Ended March 31,	2022	2022				\$	%
	\$	% of revenue		\$	% of revenue	crease/ ecrease)	Increase/ (decrease)
Depreciation and amortization expense	\$ (7,548)	(0.358)%	\$	(1,488)	(0.073)%	\$ 6,060	407.3 %

Depreciation and amortization expense for the three months ended March 31, 2022 increased \$6.1 million, or 407.3%, to \$7.5 million from \$1.5 million in 2021. The change was primarily due to \$6.1 million increase of JMB's intangible asset amortization expense.

JMB's depreciation and amortization expense represented 93.9% and 67.0%, respectively, of the Company's consolidated depreciation and amortization expense for the three months ended March 31, 2022 and 2021.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

## in thousands

Nine Months Ended March 31,		2022			2021			\$	%	
		% of \$ revenue				% of	Ir	icrease/	Increase/	
					\$	revenue	(decrease)		(decrease)	
Depreciation and amortization expense	\$	(24,077)	(0.397%)	\$	(2,494)	(0.046%)	\$	21,583	865.4 %	

Depreciation and amortization expense for the nine months ended March 31, 2022 increased \$21.6 million, or 865.4%, to \$24.1 million from \$2.5 million in 2021. The change was primarily due to \$21.5 million of JMB's intangible asset amortization expense.

JMB's depreciation and amortization expense represented 93.9% and 39.8%, respectively, of the Company's consolidated depreciation and amortization expense for the nine months ended March 31, 2022.

#### Interest Income

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

## in thousands, except performance metric

Three Months Ended March 31,		2022			20	21		\$	%	
	\$ rev		% of revenue	\$		% of revenue	Increase/ (decrease)		Increase/ (decrease)	
Interest income	\$	5,343	0.253 %	\$	4,724	0.230 %	\$	619	13.1 %	
Performance Metric										
Number of secured loans at period-end		2,697			1,571			1,126	71.7 %	

Interest income for the three months ended March 31, 2022 increased \$0.6 million, or 13.1%, to \$5.3 million from \$4.7 million in 2021. The aggregate increase in interest income was primarily due to higher interest income earned by our Secured Lending segment offset by lower other finance product income.

The interest income from our Secured Lending segment increased by \$0.9 million or by 40.2% compared with the prior year. The increase in interest income earned from the segment's secured loan portfolio was primarily due to higher average monthly loan balances during the current period as compared to the average monthly loan balances for the prior year period. The number of secured loans outstanding increased by 71.7% to 2,697 as of March 31, 2022, from 1,571 as of March 31, 2021.

The interest income from our other finance product income decreased by \$0.3 million in comparison to the same year-ago period.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

### in thousands, except performance metric

Nine Months Ended March 31,		202	2		2021			\$	%	
	<u> </u>		% of revenue	<b>s</b>		% of revenue	Increase/ (decrease)		Increase/ (decrease)	
Interest income	\$	16,125	0.266%	\$	13,240	0.244 %	\$	2,885	21.8 %	
Performance Metric	<u> </u>				_					
Number of secured loans at period-end		2,697			1,571			1,126	71.7%	

Interest income for the nine months ended March 31, 2022 increased \$2.9 million, or 21.8%, to \$16.1 million from \$13.2 million in 2021. The aggregate increase in interest income was primarily due to higher interest income earned by our Secured Lending segment and higher other finance product income.

The interest income from our Secured Lending segment increased by \$2.4 million or by 42.1% compared with the prior year. The increase in interest income earned from the segment's secured loan portfolio was primarily due to higher average monthly loan balances during the current period as compared to the average monthly loan balances for the prior year period. The number of secured loans outstanding increased by 71.7% to 2,697 as of March 31, 2022, from 1,571 as of March 31, 2021.

The interest income from our other finance product income increased by \$0.5 million in comparison to the same year-ago period.

### Interest Expense

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

#### in thousands

Three Months Ended March 31,		2022		 2021			\$	%	
	· ·	\$	% of revenue	\$	% of revenue	Increase/ (decrease)		Increase/ (decrease)	
Interest expense	\$	(5,429)	(0.257%)	\$ (5,335)	(0.260%)	\$	94	1.8%	

Interest expense for the three months ended March 31, 2022 increased \$0.1 million, or 1.8% to \$5.4 million from \$5.3 million in 2021. The increase in interest expense was primarily driven by \$0.2 million of loan servicing fees, offset by a decrease of \$0.1 million associated with our Trading Credit Facility and the Notes (including amortization of debt issuance costs).

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

## in thousands

Nine Months Ended March 31,	2022			2021			\$	%	
	 % of			% of			icrease/	Increase/	
			revenue \$		revenue	(decrease)		(decrease)	
Interest expense	\$ (16,297)	(0.269 %)	\$	(14,665)	(0.270%)	\$	1,632	11.1 %	

Interest expense for the nine months ended March 31, 2022 increased \$1.6 million, or 11.1% to \$16.3 million from \$14.7 million in 2021. The increase in interest expense was primarily driven by each of the following components: (i) \$0.6 million associated with our Trading Credit Facility and the Notes (including amortization of debt issuance costs), (ii) \$0.7 million related to product financing arrangements, (iii) \$0.6 million of loan servicing fees, offset by a decrease of (iv) \$0.3 million in interest associated with liabilities on borrowed metals.

### Earnings from equity method investments

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

## in thousands

Three Months Ended March 31,		202	2		202	1		\$	%	
	·	% of			% of			crease/	Increase/	
		\$ revenue			\$	revenue	(decrease)		(decrease)	
Earnings from equity method investments	\$	1,608	0.076 %	\$	7,410	0.362 %	\$	(5,802)	(78.3 %)	

Earnings from equity method investments for the three months ended March 31, 2022 decreased \$5.8 million or 78.3% to \$1.6 million from \$7.4 million in 2021. The net decrease of \$5.8 million includes a \$6.1 million decrease related to JMB, a former equity method investment which is now reported by the Company as a wholly owned subsidiary, offset by increased earnings of \$0.3 million from our other equity method investments.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

### in thousands

_	line Months Ended March 31,	202	22	 2021			\$	%	
		\$	% of revenue	\$	% of revenue		crease/ ecrease)	Increase/ (decrease)	
E	arnings from equity method investments	\$ 4,317	0.071 %	\$ 13,898	0.256%	S	(9.581)	(68 9 %)	

Earnings from equity method investments for the nine months ended March 31, 2022 decreased \$9.6 million or 68.9% to \$4.3 million from \$13.9 million in 2021. The net decrease of \$9.6 million includes a \$11.7 million decrease related to JMB, a former equity

method investment which is now reported by the Company as a wholly owned subsidiary, offset by increased earnings of \$2.1 million from our other equity method investments.

### Other income, net

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

#### in thousands

Three Months Ended March 31,	 2022			2021	<u> </u>		\$	%
	Φ.	% of			% of		icrease/	Increase/
	 2	revenue		3	revenue	(a	ecrease)	(decrease)
Other income, net	\$ 493	0.023 %	\$	340	0.017 %	\$	153	45.0 %

Other income, net for the three months ended March 31, 2022 increased \$0.2 million, or 45.0% to \$0.5 million from \$0.3 million in 2021. The increase was primarily due to higher royalties earned by our Secured Lending segment.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

#### in thousands

Nine Months Ended March 31,	2022			2021			\$	%	
		% of	% of			Inc	rease/	Increase/	
	 \$ revenue		\$		revenue	(decrease)		(decrease)	
Other income, net	\$ 1,335	0.022 %	\$	904	0.017%	\$	431	47.7 %	

Other income, net for the nine months ended March 31, 2022 increased \$0.4 million, or 47.7% to \$1.3 million from \$0.9 million in 2021. The increase was primarily due to higher royalties earned by our Secured Lending segment.

## Remeasurement gain on pre-existing equity interest

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

### in thousands

Three Months Ended March 31,	2022	2022					\$	%
				% of		ncrease/	Increase/	
	\$	revenue		\$	revenue	(decrease)		(decrease)
Remeasurement gain on pre-existing equity interest	<u> </u>	(%)	\$	26,306	1.284 %	\$	(26,306)	(100.0%)

The remeasurement gain on pre-existing equity interest recognized during the Company's prior year fiscal third quarter was in connection with the acquisition of JMB. The Company's fair value of its 20.5% pre-existing equity interest in JMB was determined to be approximately \$33.9 million at the acquisition date. Based on the total consideration paid of \$207.4 million, the remeasurement resulted in the recognition of a pretax gain of \$26.3 million.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

### in thousands

Nine Months Ended March 31,	202	2	202	1	\$ Increase/ (decrease)	\$	%	
		% of		% of	Ir	icrease/	Increase/	
	\$ 	revenue	 \$	revenue	(d	ecrease)	(decrease)	
Remeasurement gain on pre-existing equity interest	\$ _	-%	\$ 26,306	0.484 %	\$	(26,306)	(100.0%)	

The remeasurement gain on pre-existing equity interest recognized during the Company's prior year fiscal third quarter was in connection with the acquisition of JMB. The Company's fair value of its 20.5% pre-existing equity interest in JMB was determined to be approximately \$33.9 million at the acquisition date. Based on the total consideration paid of \$207.4 million, the remeasurement resulted in the recognition of a pretax gain of \$26.3 million.

### Income tax expense

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

in thousands

Three Months Ended March 31,	2022	2		2021			\$	%	
		% of	· ·		% of	In	crease/	Increase/	
	 \$	revenue		\$	revenue	(de	ecrease)	(decrease)	
Income tax expense	\$ (8,375)	(0.397%)	\$	(9,847)	(0.480%)	\$	(1,472)	(14.9%)	

Our income tax expense was \$8.4 million and \$9.8 million for the three months ended March 31, 2022 and 2021, respectively. Our effective tax rate was approximately 18.2% and 11.3% for the three months ended March 31, 2022 and 2021, respectively. For the three months ended March 31, 2022, our effective tax rate differs from the federal statutory rate primarily due to the excess tax benefit from share based compensation, the foreign derived intangible income special deduction, offset by state taxes (net of federal tax benefit), and other normal course non-deductible expenditures. For the three months ended March 31, 2021, our effective tax rate differs from the federal statutory rate primarily due to the exclusion of the fair value remeasurement gain of our pre-existing equity investment in JMB, a one-time benefit from the reversal of the previously established deferred tax liability related to our equity investment in JMB, an exclusion of the fiscal 2021 pre-acquisition period JMB equity earnings, the foreign derived intangible income special deduction, offset by state taxes (net of federal tax benefit), and other normal course non-deductible expenditures.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

in thousands

Nine Months Ended March 31,	2022			2021			\$	<u>%</u>
	% of				% of	In	ncrease/	Increase/
	 \$	revenue		\$	revenue	(d	ecrease)	(decrease)
Income tax expense	\$ (23,797)	(0.392 %)	\$	(18,944)	(0.349 %)	\$	4,853	25.6 %

Our income tax expense was \$23.8 million and \$18.9 million for the nine months ended March 31, 2022 and 2021, respectively. Our effective tax rate was approximately 19.9% and 14.7% for the nine months ended March 31, 2022 and 2021, respectively. For the nine months ended March 31, 2022, our effective tax rate differs from the federal statutory rate primarily due to the excess tax benefit from share based compensation, the foreign derived intangible income special deduction, offset by state taxes (net of federal tax benefit), and other normal course non-deductible expenditures. For the nine months ended March 31, 2021, our effective tax rate differs from the federal statutory rate primarily due to the exclusion of the fair value remeasurement gain of our pre-existing equity investment in JMB, a one-time benefit from the reversal of the previously established deferred tax liability related to our equity investment in JMB, an exclusion of the fiscal 2021 pre-acquisition period JMB equity earnings, the foreign derived intangible income special deduction, offset by state taxes (net of federal tax benefit), and other normal course non-deductible expenditures.

### SEGMENT RESULTS OF OPERATIONS

The Company conducts its operations in three reportable segments: (i) Wholesale Sales & Ancillary Services, (ii) Direct-to-Consumer, and (iii) Secured Lending. Each of these reportable segments represents an aggregation of operating segments that meets the aggregation criteria set forth in the *Segment Reporting Topic 280* of the Accounting Standards Codification ("ASC 280").

### Results of Operations — Wholesale Sales & Ancillary Services Segment

The Company operates its Wholesale Sales & Ancillary Services segment directly and through its wholly-owned subsidiaries, A-Mark Trading AG ("AMTAG"), Transcontinental Depository Services ("TDS"), A-M Global Logistics, LLC ("Logistics"), and AM&ST Associates, LLC ("AMST" or "Silver Towne" or the "Mint"). Also, the Wholesale Sales & Ancillary Services segment includes the consolidating eliminations of inter-segment transactions and unallocated segment adjustments.

## Overview of Results of Operations for the Three Months Ended March 31, 2022 and 2021

## - Wholesale Sales & Ancillary Services Segment

The operating results of our Wholesale Sales & Ancillary Services Segment for the three months ended March 31, 2022 and 2021 are as follows:

Three Months Ended March 31,	2022		2021		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 1,519,040 (a)	100.000 %	\$ 1,923,263 <sup>(c)</sup>	100.000 %	\$ (404,223)	(21.0%)
Gross profit	30,539	2.010 % <sup>(b)</sup>	51,563	2.681 % <sup>(d)</sup>	\$ (21,024)	(40.8 %)
Selling, general, and administrative expenses	(11,203)	(0.738 %)	(9,859)	(0.513 %)	\$ 1,344	13.6 %
Depreciation and amortization expense	(214)	(0.014%)	(213)	(0.011 %)	\$ 1	0.5 %
Interest income	2,300	0.151 %	2,554	0.133 %	\$ (254)	(9.9%)
Interest expense	(2,379)	(0.157%)	(3,274)	(0.170%)	\$ (895)	(27.3 %)
Earnings from equity method investments	1,608	0.106 %	7,410	0.385 %	\$ (5,802)	(78.3 %)
Remeasurement gain on pre-existing equity interest	_	_	26,306	1.368 %	\$ (26,306)	(100.0%)
Unrealized losses on foreign exchange	 (135)	(0.009 %)	 (53)	(0.003 %)	\$ 82	154.7 %
Net income before provision for income taxes	\$ 20,516	1.351 %	\$ 74,434	3.870 %	\$ (53,918)	(72.4%)
Performance Metrics:						
Gold ounces sold <sup>(1)</sup>	552,000		727,000		(175,000)	(24.1 %)
Silver ounces sold <sup>(2)</sup>	27,145,000		31,141,000		(3,996,000)	(12.8 %)
Wholesale Sales ticket volume <sup>(3)</sup>	28,122		44,966		(16,844)	(37.5%)

<sup>(</sup>a) Revenues are presented net of inter-segment transactions with the Direct-to-Consumer segment that totaled \$447.9 million. This segment's gross sales before eliminations of inter-segment activity totaled \$1.967 billion

<sup>(</sup>b) Gross profit percentage before elimination of inter-segment sales to the Direct-to-Consumer segment was 1.627% for the period.

<sup>(</sup>c) Revenues are presented net of inter-segment transactions with the Direct-to-Consumer segment that totaled \$93.9 million. This segment's gross sales before eliminations of inter-segment activity totaled \$2.017 billion.

<sup>(</sup>d) Gross profit percentage before elimination of inter-segment sales to the Direct-to-Consumer segment was 2.555% for the period.

<sup>(1)</sup> Gold ounces sold represents the ounces of gold product sold and delivered to the customer during the period, excluding ounces of gold recorded on forward contracts.

<sup>(2)</sup> Silver ounces sold represents the ounces of silver product sold and delivered to the customer during the period, excluding ounces of silver recorded on forward contracts.

<sup>(3)</sup> Wholesale Sales ticket volume represents the total number of product orders processed.

## Overview of Results of Operations for the Nine Months Ended March 31, 2022 and 2021

## - Wholesale Sales & Ancillary Services Segment

The operating results of our Wholesale Sales & Ancillary Services Segment for the nine months ended March 31, 2022 and 2021 are as follows:

in thousands, except performance metrics								
Nine Months Ended March 31,	2022		2021			\$		%
	\$	% of revenue		\$	% of revenue		Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 4,425,796 (a)	100.000 %	\$	5,214,460 <sup>(c)</sup>	100.000 %	\$	(788,664)	(15.1 %)
Gross profit	85,029	1.921 % <sup>(b)</sup>		95,430	1.830 % <sup>(d)</sup>	\$	(10,401)	(10.9 %)
Selling, general, and administrative expenses	(28,748)	(0.650%)		(23,727)	(0.455%)	\$	5,021	21.2 %
Depreciation and amortization expense	(673)	(0.015%)		(637)	(0.012%)	\$	36	5.7 %
Interest income	7,952	0.180 %		7,490	0.144 %	\$	462	6.2 %
Interest expense	(7,396)	(0.167%)		(9,137)	(0.175%)	\$	(1,741)	(19.1%)
Earnings from equity method investments	4,317	0.098 %		13,898	0.267 %	\$	(9,581)	(68.9 %)
Remeasurement gain on pre-existing equity interest	_	_		26,306	0.504 %	\$	(26,306)	(100.0%)
Unrealized losses on foreign exchange	 (128)	(0.003 %)		(131)	(0.003 %)	\$	(3)	(2.3 %)
Net income before provision for income taxes	\$ 60,353	1.364 %	\$	109,492	2.100 %	\$	(49,139)	(44.9 %)
Performance Metrics:	 							
Gold ounces sold <sup>(1)</sup>	1,559,000			1,896,000			(337,000)	(17.8%)
Silver ounces sold <sup>(2)</sup>	72,698,000			76,031,000			(3,333,000)	(4.4%)
Wholesale Sales ticket volume <sup>(3)</sup>	81 009			110 104			(29 095)	(26.4%)

Revenues are presented net of inter-segment transactions with the Direct-to-Consumer segment that totaled \$1,306.4 million. This segment's gross sales before eliminations of inter-segment activity totaled (a)

<sup>(</sup>b)

Gross profit percentage before elimination of inter-segment sales to the Direct-to-Consumer segment was 1.491% for the period.

Revenues are presented net of inter-segment transactions with the Direct-to-Consumer segment that totaled \$133.5 million. This segment's gross sales before eliminations of inter-segment activity totaled \$5.348 (c)

Gross profit percentage before elimination of inter-segment sales to the Direct-to-Consumer segment was 1.782% for the period.

Gold ounces sold represents the ounces of gold product sold and delivered to the customer during the period, excluding ounces of gold recorded on forward contracts. Silver ounces sold represents the ounces of silver product sold and delivered to the customer during the period, excluding ounces of silver recorded on forward contracts.

Wholesales Sales ticket volume represents the total number of product orders processed.

## Revenues — Wholesale Sales & Ancillary Services

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

### in thousands, except performance metrics

Three Months Ended March 31,	2022		2021	2021 \$			%	
	% of revenue		\$	% of revenue	Increase/ (decrease)		Increase/ (decrease)	
Revenues	\$ 1,519,040 (a)	100.000 %	\$ 1,923,263 <sup>(c)</sup>	100.000 %	\$	(404,223)	(21.0%)	
Performance Metrics								
Gold ounces sold	552,000		727,000			(175,000)	(24.1 %)	
Silver ounces sold	27,145,000		31,141,000			(3,996,000)	(12.8%)	
Wholesale Sales ticket volume	28,122		44,966			(16,844)	(37.5 %)	

- (a) Revenues are presented net of inter-segment transactions with the Direct-to-Consumer segment that totaled \$447.9 million. This segment's gross sales before eliminations of inter-segment activity totaled \$1.967 billion
- (c) Revenues are presented net of inter-segment transactions with the Direct-to-Consumer segment that totaled \$93.9 million. This segment's gross sales before eliminations of inter-segment activity totaled \$2.017 hillion

Revenues for the three months ended March 31, 2022 decreased \$404.2 million, or 21.0%, to \$1.519 billion from \$1.923 billion in 2021. Excluding an increase in forward sales of \$184.7 million, our revenues decreased \$588.9 million, which was due to a decrease in gold and silver ounces sold and lower average selling prices of silver ounces sold, partially offset by higher average selling prices of gold ounces sold.

Gold ounces sold for the three months ended March 31, 2022 decreased 175,000 ounces, or 24.1%, to 552,000 ounces from 727,000 ounces in 2021. Silver ounces sold for the three months ended March 31, 2022 decreased 3,996,000 ounces, or 12.8%, to 27,145,000 ounces from 31,141,000 ounces in 2021. On average, the selling prices for gold increased by 4.6% and selling prices for silver decreased by 11.7% during the three months ended March 31, 2022 as compared to the prior year period.

For the three months ended March 31, 2022, the Wholesale Sales & Ancillary Services segment's revenue and product volumes sold exclude transactions with JMB, since they were eliminated as inter-segment transactions. For the three months ended March 31, 2021, Wholesale Sales & Ancillary Services segment's revenue and product volumes sold includes JMB's transactions from January 1, 2021 through the acquisition date (i.e., March 19, 2021). Since the acquisition date, JMB's results are included in the Direct-to-Consumer Segment. The Wholesale Sales & Ancillary Services segment's gross sales before elimination of inter-segment activity for the three months ended March 31, 2022 decreased \$50.2 million, or 2.5%, to \$1.967 billion from \$2.017 billion in 2021, which was due to an increase in silver ounces sold, partially offset by a decrease in gold ounces sold, and by lower average selling prices of gold and silver.

Gold ounces sold before eliminations of inter-segment activity for the three months ended March 31, 2022 decreased 85,000 ounces, or 11.2%, to 677,000 ounces from 762,000 ounces in 2021. Silver ounces sold before eliminations of inter-segment activity for the three months ended March 31, 2022 increased 1,258,000 ounces, or 3.9%, to 33,826,000 ounces from 32,568,000 ounces in 2021.

The Wholesale Sales ticket volume for the three months ended March 31, 2022 decreased by 16,844 tickets, or 37.5%, to 28,122 tickets from 44,966 tickets in 2021. The decrease in the ticket volume reflects the exclusion of transactions with JMB in the current period due to inter-segment eliminations, which were included in the comparable period through the acquisition date (i.e., March 19, 2021).

in thousands, except performance metrics

Nine Months Ended March 31,	2022		2021		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 4,425,796 (a)	100.000 %	\$ 5,214,460 <sup>(c)</sup>	100.000 %	\$ (788,664)	(15.1%)
Performance Metrics						
Gold ounces sold	1,559,000		1,896,000		(337,000)	(17.8%)
Silver ounces sold	72,698,000		76,031,000		(3,333,000)	(4.4%)
Wholesale Sales ticket volume	81,009		110,104		(29,095)	(26.4%)

- a) Revenues are presented net of inter-segment transactions with the Direct-to-Consumer segment that totaled \$1,306.4 million. This segment's gross sales before eliminations of inter-segment activity totaled \$5.732 billion.
- Revenues are presented net of inter-segment transactions with the Direct-to-Consumer segment that totaled \$133.5 million. This segment's gross sales before eliminations of inter-segment activity totaled \$5.348 hillion

Revenues for the nine months ended March 31, 2022 decreased \$788.7 million, or 15.1%, to \$4.426 billion from \$5.214 billion in 2021. Excluding an increase in forward sales of \$522.1 million, our revenues decreased \$1,310.7 million, which was due to a decrease in gold and silver ounces sold and lower average selling prices of gold and silver.

Gold ounces sold for the nine months ended March 31, 2022 decreased 337,000 ounces, or 17.8%, to 1,559,000 ounces from 1,896,000 ounces in 2021. Silver ounces sold for the nine months ended March 31, 2022 decreased 3,333,000 ounces, or 4.4%, to 72,698,000 ounces from 76,031,000 ounces in 2021. On average, the selling prices for gold and silver decreased by 2.3% and 3.1%, respectively, during the nine months ended March 31, 2022 as compared to the prior year period.

For the nine months ended March 31, 2022, the Wholesale Sales & Ancillary Services segment's revenue and product volumes sold exclude transactions with JMB, since they were eliminated as inter-segment transactions. For the nine months ended March 31, 2021, Wholesale Sales & Ancillary Services segment's revenue and product volumes sold includes JMB's transactions through the acquisition date (i.e., March 19, 2021). Since the acquisition date, JMB's results are included in the Direct-to-Consumer Segment. The Wholesale Sales & Ancillary Services segment's gross sales before elimination of inter-segment activity for the nine months ended March 31, 2022 increased \$384.3 million, or 7.2%, to \$5.732 billion from \$5.348 billion in 2021, which was due to an increase silver ounces sold, partially offset by a decrease in gold ounces sold, and by lower average selling prices of gold and silver.

Gold ounces sold before eliminations of inter-segment activity for the nine months ended March 31, 2022 decreased 5,000 ounces, or 0.3%, to 1,949,000 ounces from 1,954,000 ounces in 2021. Silver ounces sold before eliminations of inter-segment activity for the nine months ended March 31, 2022 increased 15,215,000 ounces, or 19.5%, to 93,086,000 ounces from 77,871,000 ounces in 2021.

The Wholesale Sales ticket volume for the nine months ended March 31, 2022 decreased by 29,095 tickets, or 26.4% to 81,009 tickets from 110,104 tickets in 2021. The decrease in the ticket volume reflects the exclusion of transactions with JMB in the current period due to inter-segment eliminations, which were included in the comparable period through the acquisition date (i.e., March 19, 2021).

#### Gross Profit — Wholesale Sales & Ancillary Services

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

#### in thousands, except performance metric

Three Months Ended March 31,	20	22	 202	21	\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Gross profit	\$ 30,539	2.010 % <sup>(b)</sup>	\$ 51,563	2.681 % <sup>(d)</sup>	\$ (21,024)	(40.8 %)

- (b) Gross profit percentage before elimination of inter-segment sales to the Direct-to-Consumer segment was 1.627% for the period.
- (d) Gross profit percentage before elimination of inter-segment sales to the Direct-to-Consumer segment was 2.555% for the period.

Gross profit for the three months ended March 31, 2022 decreased by \$21.0 million, or 40.8%, to \$30.5 million from \$51.6 million in 2021. The overall gross profit decrease was primarily due to the elimination of inter-segment transactions with JMB, as discussed in the preceding *Revenues* section, and lower trading profits.

This segment's profit margin percentage decreased by 67.1 basis points to 2.010% from 2.681% in 2021. Excluding an increase of \$184.7 million of forward sales that had a negligible impact to the amount of gross profit, the gross margin percentage for the three months ended March 31, 2022 decreased by 33.4 basis points to 2.560% from 2.894%.

The decrease in gross margin percentage was mainly attributable to lower premium spreads, higher forward sales, and lower trading profits. Forward sales increase revenues but are associated with negligible gross profit. The Company enters into forward contracts to hedge its precious metals price risk exposure and not for speculative purposes.

## Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

#### in thousands, except performance metric

Nine Months Ended March 31,	2022		2021		\$	%
		% of		% of	Increase/	Increase/
	\$	revenue	\$	revenue	(decrease)	(decrease)
Gross profit	\$ 85,029	1.921 %	\$ 95,430	1.830 %	\$ (10,401)	(10.9%)

- b) Gross profit percentage before elimination of inter-segment sales to the Direct-to-Consumer segment was 1.491% for the period.
- (d) Gross profit percentage before elimination of inter-segment sales to the Direct-to-Consumer segment was 1.782% for the period.

Gross profit for the nine months ended March 31, 2022 decreased by \$10.4 million, or 10.9%, to \$85.0 million from \$95.4 million in 2021. The overall gross profit decrease was primarily due to wider product margins, offset by the elimination of inter-segment transactions with JMB, as discussed in the preceding *Revenues* section.

This segment's profit margin percentage increased by 9.1 basis points to 1.921% from 1.830% in 2021. Excluding an increase of \$522.1 million of forward sales that had a negligible impact to the amount of gross profit, our gross margin percentage for the nine months ended March 31, 2022 increased by 45.5 basis points to 2.451% from 1.997%.

The increase in gross margin percentage was mainly attributable to wider premium spreads due to increased silver demand offset by the impact of increased forward sales and lower trading profits. Forward sales increase revenues but are associated with negligible gross profit. The Company enters into forward contracts to hedge its precious metals price risk exposure and not for speculative purposes.

# Selling, General and Administrative Expenses — Wholesale Sales & Ancillary Services

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

in thousands

Three Months Ended March 31,	2022	<b>!</b>		2021			\$	%	
	 \$	% of revenue				% of Increase/ revenue (decrease)			
Selling, general, and administrative expenses	\$ (11,203)	(0.738%)	\$	(9,859)	(0.513 %)	\$	1,344	13.6%	

Selling, general and administrative expenses for the three months ended March 31, 2022 increased \$1.3 million, or 13.6%, to \$11.2 million from \$9.9 million in 2021. The change was primarily due to: (i) increased compensation expense (including performance-based accruals) of \$1.5 million, (ii) increased insurance expense of \$0.3 million, (iii) increased travel expense of \$0.1 million, and (iv) increased computer expense of \$0.1 million, offset by (v) decreased consulting and professional fees of \$0.8 million.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

'n	thousands

Nine Months Ended March 31,		2022		 2021			\$	%	
	· ·		% of		% of	Increase/		Increase/	
		\$	revenue	\$	revenue	(de	ecrease)	(decrease)	
Selling, general, and administrative expenses	\$	(28,748)	(0.650%)	\$ (23,727)	(0.455%)	\$	5,021	21.2 %	

Selling, general and administrative expenses for the nine months ended March 31, 2022 increased \$5.0 million, or 21.2%, to \$28.7 million from \$23.7 million in 2021. The change was primarily due to: (i) increased compensation expense (including performance-based accruals) of \$2.9 million, (ii) increased insurance expense of \$0.9 million, (iii) increased consulting and professional and fees of \$0.8 million, (iv) increased travel expense of \$0.2 million, and (v) increased computer expense of \$0.1 million.

# Interest Income — Wholesale Sales & Ancillary Services

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

in thousands

Three Months Ended March 31,	2022	2	2021				\$	%
	 % of				% of	Increase/		Increase/
	 \$	revenue		\$	revenue	(de	ecrease)	(decrease)
Interest income	\$ 2,300	0.151 %	\$	2,554	0.133 %	\$	(254)	(9.9%)

Interest income for the three months ended March 31, 2022 decreased \$0.3 million, or 9.9%, to \$2.3 million from \$2.6 million in 2021. The overall decrease is primarily due to lower interest earned from repurchase agreements of \$0.4 million offset by higher interest income \$0.1 million associated with spot deferred orders.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

in thousands

Nine Months Ended March 31,	 2022		2021				8	%	
	 \$	% of revenue		\$	% of revenue	Incr (decr	ease/ ease)	Increase/ (decrease)	_
Interest income	\$ 7,952	0.180%	\$	7,490	0 144 %	S	462	62%	Ī

Interest income for the nine months ended March 31, 2022 increased \$0.5 million, or 6.2%, to \$8.0 million from \$7.5 million in 2021. The overall increase is primarily due to higher interest earned from spot deferred orders of \$0.4 million.

#### Interest Expense — Wholesale Sales & Ancillary Services

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

#### in thousands

Three Months Ended March 31,	2022	2022			2021			%	
	% of		<b>C</b>		% of	Increase/ (decrease)		Increase/	
	<b>J</b>	revenue		Φ	revenue	(uc	crease	(decrease)	
Interest expense	\$ (2,379)	(0.157%)	\$	(3,274)	(0.170%)	\$	(895)	(27.3 %)	

Interest expense for the three months ended March 31, 2022 decreased \$0.9 million, or 27.3% to \$2.4 million from \$3.3 million in 2021. The overall decrease was primarily driven by inter-segment eliminations related to JMB's product financing activity with A-Mark of \$0.7 million and lower interest and fees from our Trading Credit Facility and the Notes of \$0.3 million.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

## in thousands

Nine Months Ended March 31,		2022			2021			\$	<u>%</u>	
	· · · · · · · · · · · · · · · · · · ·		% of			% of	Increase/		Increase/	
		\$	revenue		\$	revenue	(de	ecrease)	(decrease)	
Interest expense	\$	(7,396)	(0.167%)	\$	(9,137)	(0.175%)	\$	(1,741)	(19.1%)	

Interest expense for the nine months ended March 31, 2022 decreased \$1.7 million, or 19.1% to \$7.4 million from \$9.1 million in 2021. The overall decrease was primarily driven by inter-segment eliminations related to JMB's product financing activity with A-Mark of \$2.0 million, lower interest expense related to liabilities on borrowed metals of \$0.3 million, and a decrease of \$0.1 million in connection with our Trading Credit Facility and the Notes, partially offset by higher interest and fees from product financing arrangements of \$0.7 million.

## Earnings from equity method investments— Wholesale Sales & Ancillary Services

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

# in thousands

Three Months Ended March 31,		2022			2021			\$	%
	•		% of	<b>.</b>		% of	Increase/		Increase/
			revenue		3	revenue	<u>(a</u>	ecrease)	(decrease)
Earnings from equity method investments	\$	1,608	0.106 %	\$	7,410	0.385 %	\$	(5,802)	(78.3 %)

Earnings from equity method investments for the three months ended March 31, 2022 decreased \$5.8 million, or 78.3% to \$1.6 million from \$7.4 million in 2021. The net decrease of \$5.8 million includes a \$6.1 million decrease related to JMB, a former equity method investment which is now reported by the Company as a wholly owned subsidiary, offset by increased earnings of \$0.3 million from our other equity method investments.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

## in thousands

Nine Months Ended March 31,	2022		2021			\$	%	
		% of		% of	Inc	crease/	Increase/	
	 \$	revenue	 \$	revenue	(de	crease)	(decrease)	_
Earnings from equity method investments	\$ 4,317	0.098 %	\$ 13,898	0.267 %	S	(9.581)	(68.9%)	

Earnings from equity method investments for the nine months ended March 31, 2022 decreased \$9.6 million, or 68.9% to \$4.3 million from \$13.9 million in 2020. The net decrease of \$9.6 million includes an \$11.7 million decrease related to JMB, a former equity method investment which is now reported by the Company as a wholly owned subsidiary, offset by increased earnings of \$2.1 million from our other equity method investments.

# Remeasurement gain on pre-existing equity interest— Wholesale Sales & Ancillary Services

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

in thousands

Three Months Ended March 31,	2022	2	 202	1		\$	%
	<b>s</b>	% of revenue	% of S revenu		Increase/ (decrease)		Increase/ (decrease)
Remeasurement gain on pre-existing equity interest	s —	(-%)	\$ 26,306	1.368 %	\$	(26,306)	(100.0%)

The remeasurement gain on pre-existing equity interest recognized during the Company's prior year fiscal third quarter was in connection with the acquisition of JMB. The Company's fair value of its 20.5% pre-existing equity interest in JMB was determined to be approximately \$33.9 million at the acquisition date. Based on the total consideration paid of \$207.4 million, the remeasurement resulted in the recognition of a pretax gain of \$26.3 million.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

n	thousands	ï

Nine Months Ended March 31,	2022	2022			2021			%	
		% of			% of	Ir	icrease/	Increase/	
	\$	revenue		\$	revenue	(d	ecrease)	(decrease)	
Remeasurement gain on pre-existing equity interest	<u> </u>	(-%)	\$	26,306	0.504 %	\$	(26,306)	(100.0%)	

The remeasurement gain on pre-existing equity interest recognized during the Company's prior year fiscal third quarter was in connection with the acquisition of JMB. The Company's fair value of its 20.5% pre-existing equity interest in JMB was determined to be approximately \$33.9 million at the acquisition date. Based on the total consideration paid of \$207.4 million, the remeasurement resulted in the recognition of a pretax gain of \$26.3 million.

# Results of Operations — Direct-to-Consumer Segment

The Company operates its Direct-to-Consumer segment through our wholly-owned subsidiaries: JM Bullion, Inc. ("JMB"), Goldline, Inc. ("Goldline"), and through our 50%-owned subsidiary Precious Metals Purchasing Partners, LLC ("PMPP"). As a result of the completion of our acquisition of JMB in March 2021 (see Note 1 of the Company's condensed consolidated financial statements) JMB's financial activity, including performance data, is included in the Direct-to-Consumer segment's current fiscal year quarterly results.

# Overview of Results of Operations for the Three Months Ended March 31, 2022 and 2021

## - Direct-to-Consumer Segment

The operating results of our Direct-to-Consumer segment for the three months ended March 31, 2022 and 2021 are as follows:

### in thousands, except performance metrics

Three Months Ended March 31,	2022			 2021		 \$	<u>%</u>
		\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$	590,075 <sup>(a)</sup>	100.000 %	\$ 126,226 <sup>(c)</sup>	100.000 %	\$ 463,849	367.5 %
Gross profit		41,544	7.040 % <sup>(b)</sup>	16,608	13.157 % <sup>(d)</sup>	\$ 24,936	150.1 %
Selling, general and administrative expenses		(8,913)	(1.510%)	(2,644)	(2.095%)	\$ 6,269	237.1 %
Depreciation and amortization expense		(7,245)	(1.228%)	(1,187)	(0.940 %)	\$ 6,058	510.4%
Interest expense		(703)	(0.119%)	(45)	(0.036 %)	\$ 658	1462.2 %
Other expense, net		(50)	(0.008%)	_	(%)	\$ 50	_
Net income before provision for income taxes	\$	24,633	4.175 %	12,732	10.087 %	\$ 11,901	93.5 %
Performance Metrics:		_					
Gold ounces sold <sup>(1)</sup>		175,000		44,000		131,000	297.7 %
Silver ounces sold <sup>(2)</sup>		7,353,000		1,959,000		5,394,000	275.3 %
Number of new customers <sup>(3)</sup>		108,400		13,200		95,200	721.2 %
Number of active customers <sup>(4)</sup>		284,800		36,600		248,200	678.1 %
Number of total customers <sup>(5)</sup>		1,968,200		1,633,800		334,400	20.5 %
DTC ticket volume from new customers <sup>(6)</sup>		49,197		11,658		37,539	322.0 %
DTC ticket volume from pre-existing customers <sup>(7)</sup>		170,727		44,391		126,336	284.6 %
DTC total ticket volume <sup>(8)</sup>		219,924		56,049		163,875	292.4 %

Includes \$0.4 million of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment.

Gross profit percentage, excluding inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment, is 7.045% for the period. Includes \$0.9 million of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment.

Gross profit percentage, excluding inter-segment company sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment, is 13.677% for the period.

Gold ounces sold represents the ounces of gold product sold and delivered during the period.

Silver ounces sold represents the ounces of silver product sold and delivered during the period.

Number of new customers represents the number of customers that have registered or setup a new account or made a purchase for the first time during the period.

Number of active customers represents the number of customers that have made a purchase during the period.

(a) (b) (c) (d) (1) (2) (3) (4) (5) (6) (7) (8) Number of total customers represents the aggregate number of customers that have flada a purchase unifgence period.

Ticket volume represents the number of product orders from new customer processed by JMB, Goldline, and PMPP during the period.

Ticket volume represents the total number of product orders from pre-existing customer processed by JMB, Goldline, and PMPP during the period.

Ticket volume represents the total number of product orders from pre-existing customer processed by JMB, Goldline, and PMPP during the period.

Ticket volume represents the total number of product orders processed by JMB, Goldline, and PMPP during the period.

# Overview of Results of Operations for the Nine Months Ended March 31, 2022 and 2021

# — Direct-to-Consumer Segment

The operating results of our Direct-to-Consumer segment for the nine months ended March 31, 2022 and 2021 are as follows:

# in thousands, except performance metrics

Nine Months Ended March 31,	2022			2021				\$	%
		\$	% of revenue		\$	% of revenue		Increase/ (decrease)	Increase/ (decrease)
Revenues	\$	1,643,654 (a)	100.000 %	\$	219,889 <sup>(c)</sup>	100.000 %	\$	1,423,765	647.5 %
Gross profit		108,986	6.631 % <sup>(b)</sup>		27,637	12.569 % <sup>(d</sup>	\$	81,349	294.3 %
Selling, general and administrative expenses		(25,906)	(1.576%)		(5,982)	(2.720%)	\$	19,924	333.1 %
Depreciation and amortization expense		(23,140)	(1.408 %)		(1,593)	(0.724%)	\$	21,547	1,352.6 %
Interest expense		(2,062)	(0.125 %)		(45)	(0.020%)	\$	2,017	4482.2 %
Other expense, net		(50)	(0.003 %)		_	(%)	\$	50	_
Net income before provision for income taxes	\$	57,828	3.518 %		20,017	9.103 %	\$	37,811	188.9 %
Performance Metrics:									
Gold ounces sold <sup>(1)</sup>		468,000			75,000			393,000	524.0 %
Silver ounces sold <sup>(2)</sup>		21,914,000			2,562,000			19,352,000	755.3 %
Number of new customers <sup>(3)</sup>		182,000			14,900			167,100	1,121.5 %
Number of active customers <sup>(4)</sup>		492,000			40,600			451,400	1,111.8 %
Number of total customers <sup>(5)</sup>		1,968,200			1,633,800			334,400	20.5 %
DTC ticket volume from new customers <sup>(6)</sup>		142,805			15,432			127,373	825.4 %
DTC ticket volume from pre-existing customers <sup>(7)</sup>		534,525			52,176			482,349	924.5 %
DTC total ticket volume <sup>(8)</sup>		677,330			67,608			609,722	901.8 %

Includes \$2.0 million of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment.

<sup>(</sup>a) (b) (c) (d) (1) (2) (3) (4) (5) (6) (7) (8)

forest profit percentage, excluding inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment, is 6.638% for the period.

Includes \$7.8 million of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment, is 6.638% for the period.

Gold ounces sold represents the ounces of gold product sold and delivered during the period.

Silver ounces sold represents the ounces of silver product sold and delivered during the period.

Number of new customers represents the number of customers that have registered or setup a new account or made a purchase for the first time during the period.

Number of active customers represents the number of customers that have made a purchase during the period.

Number of total customers represents the aggregate number of customers that have registered or set up an account or have made a purchase in the past.

Ticket volume represents the number of product orders from new customer processed by JMB, Goldline, and PMPP during the period.

Ticket volume represents the total number of product orders from pre-existing customer processed by JMB, Goldline, and PMPP during the period.

Ticket volume represents the total number of product orders processed by JMB, Goldline, and PMPP during the period.

Ticket volume represents the total number of product orders processed by JMB, Goldline, and PMPP during the period.

## Segment Results — Direct-to-Consumer

## Revenues - Direct-to-Consumer

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

in thousands, except performance metrics

Three Months Ended March 31,	2022		2021		\$	%
	\$	% of % of s revenue \$ revenue		ecrease/	Increase/ (decrease)	
Revenues	\$ 590,075	100.000 %	\$ 126,226	100.000 %	\$ 463,849	367.5 %
Performance Metrics:						
Gold ounces sold	175,000		44,000		131,000	297.7 %
Silver ounces sold	7,353,000		1,959,000		5,394,000	275.3 %

Revenues for the three months ended March 31, 2022 increased \$463.8 million, or 367.5%, to \$590.1 million from \$126.2 million in 2021. Excluding inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment, revenues for the three months ended March 31, 2022 increased \$464.4 million or 370.6% to \$589.7 million from \$125.3 million in 2021. For the three months ended March 31, 2022 the increase in revenue was primarily due to JMB's activity, with revenue of \$542.7 million for the three months ended March 31, 2022. The revenue of Goldline and PMPP, in the aggregate, decreased by \$10.4 million as compared to the prior year period.

Gold ounces sold for the three months ended March 31, 2022 increased 131,000 ounces, or 297.7%, to 175,000 ounces from 44,000 ounces in 2021. Silver ounces sold for the three months ended March 31, 2022 increased 5,394,000 ounces, or 275.3%, to 7,353,000 ounces from 1,959,000 ounces in 2021. The increase in the segment's precious metals ounces sold was primarily due to JMB activity, which accounted for 92.6% and 93.9% of total gold and silver ounces sold, respectively, for the three months ended March 31, 2022. The gold and silver ounces sold by Goldline and PMPP in the aggregate were relatively flat compared to the prior year period.

On average, the selling prices for gold increased by 7.6% and selling prices for silver decreased by 6.3% during the three months ended March 31, 2022 as compared to the prior year period.

The number of new customers for the three months ended March 31, 2022 increased 95,200, or 721.2% to 108,400 from 13,200 in 2021. The number of active customers for the three months ended March 31, 2022 increased 248,200 or 678.1%, to 284,800 from 36,600 in 2021. The number of total customers as of March 31, 2022 increased 334,400, or 20.5% to 1,968,200 from 1,633,800 as of March 31, 2021. The increases in the customer-based metrics were primarily due to our acquisition of JMB, in March 2021.

For the three months ended March 31, 2022, the Direct-to-Consumer ticket volume related to new customers increased by 37,539 tickets, or 322.0%, to 49,197 tickets from 11,658 tickets in 2021. For the three months ended March 31, 2022, the Direct-to-Consumer ticket volume related to pre-existing customers increased by 126,336 tickets, or 284.6%, to 170,727 tickets from 44,391 tickets in 2021. For the three months ended March 31, 2022, the Direct-to-Consumer total ticket volume increased by 163,875 tickets, or 292.4%, to 219,924 tickets from 56,049 tickets in 2021. The increase in ticket volume was primarily due to transactions generated by JMB.

## Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

in thousands, except performance metrics

Nine Months Ended March 31,		2022	2022			2021			%
		\$	% of revenue		\$	% of revenue	Increase/ (decrease)		Increase/ (decrease)
Revenues	\$	1,643,654	100.000 %	\$	219,889	100.000 %	\$	1,423,765	647.5 %
Performance Metrics:									
Gold ounces sold		468,000			75,000			393,000	524.0 %
Silver ounces sold		21.914.000			2.562.000			19.352.000	755.3 %

Revenues for the nine months ended March 31, 2022 increased \$1,423.8 million, or 647.5%, to \$1,643.7 million from \$219.9 million in 2021. Excluding inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment, revenues for the nine months ended March 31, 2022 increased \$1,429.6 million or 674.0% to \$1,641.7 million from \$212.1 million in 2021. The increase in revenue was primarily due to JMB activity, with revenue of \$1,504.3 million for the nine months ended March 31, 2022, while revenue of Goldline and PMPP, in the aggregate, decreased by \$12.1 million as compared to the prior year period.

Gold ounces sold for the nine months ended March 31, 2022 increased 393,000 ounces, or 524.0%, to 468,000 ounces from 75,000 ounces in 2021. Silver ounces sold for the nine months ended March 31, 2022 increased 19,352,000 ounces, or 755.3%, to 21,914,000 ounces from 2,562,000 ounces in 2021. The increase in the segment's precious metals ounces sold was primarily due to JMB activity, which accounted for 91.7% and 93.8% of total gold and silver ounces sold, respectively, for the nine months ended March 31, 2022. The gold and silver ounces sold by Goldline and PMPP in the aggregate were relatively flat compared to the prior year period.

On average, the selling prices for gold decreased by 0.8% and selling prices for silver decreased by 8.8% during the nine months ended March 31, 2022 as compared to the prior year period.

The number of new customers for the nine months ended March 31, 2022 increased 167,100, or 1,121.5% to 182,000 from 14,900 in 2021. The number of active customers for the nine months ended March 31, 2022 increased 451,400, or 1,111.8% to 492,000 from 40,600 in 2021. The number of total customers as of March 31, 2022 increased 334,400, or 20.5% to 1,968,200 from 1,633,800 as of March 31, 2021. The increases in the customer-based metrics were primarily due to our acquisition of JMB, in March 2021.

For the nine months ended March 31, 2022, the Direct-to-Consumer ticket volume related to new customers increased by 127,373 tickets, or 825.4%, to 142,805 tickets from 15,432 tickets in 2021. For the nine months ended March 31, 2022, Direct-to-Consumer ticket volume related to pre-existing customers increased by 482,349 tickets, or 924.5%, to 534,525 tickets from 52,176 tickets in 2021. For the nine months ended March 31, 2022, the Direct-to-Consumer ticket volume increased by 609,722 tickets, or 901.8%, to 677,330 tickets from 67,608 tickets in 2021. The increase in ticket volume was primarily due to transactions generated by JMB.

#### Gross Profit — Direct-to-Consumer

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

## in thousands, except performance metric

Three Months Ended March 31,		202	22	2021				\$	%
	<u></u>	•	% of		•	% of		icrease/	Increase/
		<b>.</b>	revenue		<b>.</b>	revenue	(ui	ecrease)	(decrease)
Gross profit	\$	41,544	7.040 %	\$	16,608	13.157 %	\$	24,936	150.1 %

Gross profit for the three months ended March 31, 2022 increased by \$24.9 million, or 150.1%, to \$41.5 million from \$16.6 million in 2021. The increase in gross profit was due to JMB's contribution, which accounted for \$25.9 million or 103.9% of the increase, offset by a decrease in Goldline's gross profit.

For the three months ended March 31, 2022, the Company's profit margin percentage decreased by 612 basis points to 7.040% from 13.157% in 2021. Excluding the impact of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment, the Direct-to-Consumer segment's gross profit margin percentage decreased by 663 basis points to 7.045% from 13.677% in 2021. The decrease in the gross profit margin percentage was mainly driven by the addition of JMB which has lower direct-to-consumer margins than Goldline and PMPP, partially offset by improved gross profit percentages at Goldline and PMPP.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

# in thousands, except performance metric

Nine Months Ended March 31,	 2022			2021			\$	%
	% of				% of	Ir	icrease/	Increase/
	 \$	revenue		\$	revenue	(decrease)		(decrease)
Gross profit	\$ 108,986	6.631 %	\$	27,637	12.569 %	\$	81,349	294.3 %

Gross profit for the nine months ended March 31, 2022 increased by \$81.3 million, or 294.3%, to \$109.0 million from \$27.6 million in 2021. The increase in gross profit was mainly due to JMB's contribution, which accounted for \$80.3 million or 98.7% of the increase.

For the nine months ended March 31, 2022, the Company's profit margin percentage decreased by 593.8 basis points to 6.631% from 12.569% in 2021. Excluding the impact of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment, the Direct-to-Consumer segment's gross profit margin percentage decreased by 643 basis points to 6.638% from 13.072% in 2021. The decrease in the gross profit margin percentage was mainly driven by the addition of JMB which has lower Direct-to-Consumer margins than Goldline and PMPP, partially offset by improved gross profit percentages at Goldline and PMPP.

## Selling, General and Administrative Expense — Direct-to-Consumer

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

## in thousands

Three Months Ended March 31,	2022		2021		\$	%
	 <b>s</b>	% of revenue	\$	% of revenue	 crease/ ecrease)	Increase/ (decrease)
Selling, general and administrative expenses	\$ (8,913)	(1.510%)	\$ (2,644)	(2.095%)	\$ 6,269	237.1%

Selling, general and administrative expenses for the three months ended March 31, 2022 increased \$6.3 million, or 237.1%, to \$8.9 million from \$2.6 million in 2021. The change was primarily due to JMB's selling, general, and administrative activity of \$6.5 million, partially offset by lower costs incurred by Goldline and PMPP.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

## in thousands

Nine Months Ended March 31,	2022		:	2021	\$		<u>%</u>
		% of		% of	Inc	crease/	Increase/
	\$	revenue	\$	revenue	(decrease)		(decrease)
Selling, general and administrative expenses	\$ (25,906)	(1.576%)	\$ (5,982	(2.720%)	\$	19,924	333.1 %

Selling, general and administrative expenses for the nine months ended March 31, 2022 increased \$19.9 million, or 333.1%, to \$25.9 million from \$6.0 million in 2021. The change was primarily due to JMB's selling, general, and administrative activity of \$19.4 million.

# Depreciation and amortization expense — Direct-to-Consumer

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

# in thousands

Three Months Ended March 31,	2022			2021			\$	%
	% of				% of	Increase/		Increase/
	\$	revenue		\$	revenue	(de	ecrease)	(decrease)
Depreciation and amortization expense	\$ (7,245)	(1.228 %)	\$	(1,187)	(0.940 %)	\$	6,058	510.4 %

Depreciation and amortization expense for the three months ended March 31, 2022, increased \$6.1 million, or 510.4%, to \$7.2 million from \$1.2 million in 2021. The change was primarily due to JMB's depreciation and amortization expense of \$6.1 million.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

## in thousands

Nine Months Ended March 31,	<u> </u>	2022			2021			\$	%
		% of			_	% of	Increase/		Increase/
		\$	revenue		\$	revenue	(d	ecrease)	(decrease)
Depreciation and amortization expense	\$	(23,140)	(1 408 %)	\$	(1,593)	(0.724%)	S	21.547	1.352.6 %

Depreciation and amortization expense for the nine months ended March 31, 2022, increased \$21.5 million, or 1,352.6%, to \$23.1 million from \$1.6 million in 2021. The change was primarily due to JMB's depreciation and amortization expense of \$21.5 million.

# Interest expense — Direct-to-Consumer

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

# in thousands

Three Months Ended March 31,	202		2021		\$		%	
	<b>\$</b>	% of revenue	s		% of revenue	Increase/ (decrease)		Increase/ (decrease)
Interest expense	\$ (703)	(0.119%)	\$	(45)	(0.036%)	\$	658	1462.2 %

Interest expense for the three months ended March 31, 2022 increased \$0.7 million to \$0.7 million from \$0.0 million in 2021. The increase is related to JMB's product financing activity with A-Mark.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

# in thousands

Nine Months Ended March 31,	 2022			2021			\$	<u>%</u>
		% of			% of	In	crease/	Increase/
	 \$	revenue		\$	revenue	(decrease)		(decrease)
Interest expense	\$ (2,062)	(0.125%)	\$	(45)	(0.020%)	\$	2,017	4,482.2 %

Interest expense for the nine months ended March 31, 2022 increased \$2.0 million to \$2.1 million from \$0.1 million in 2021. The increase is related to JMB's product financing activity with A-Mark.

# Results of Operations — Secured Lending Segment

The Company operates its Secured Lending segment through its wholly-owned subsidiaries, Collateral Finance Corporation, LLC ("CFC"), AM Capital Funding, LLC ("AMCF"), and CFC Alternative Investments ("CAI").

# Overview of Results of Operations for the Three Months Ended March 31, 2022 and 2021

# — Secured Lending Segment

The operating results of our Secured Lending segment for the three months ended March 31, 2022 and 2021 are as follows:

in thousands, except performance metrics

Three Months Ended March 31,	2022			 2021		 \$	%
		\$	% of interest income	<b>\$</b>	% of interest income	ncrease/ lecrease)	Increase/ (decrease)
Interest income	\$	3,043	100.000 %	\$ 2,170	100.000 %	\$ 873	40.2 %
Interest expense		(2,347)	(77.128%)	(2,016)	(92.903 %)	\$ 331	16.4 %
Selling, general and administrative expenses		(379)	(12.455 %)	(792)	(36.498 %)	\$ (413)	(52.1 %)
Depreciation and amortization expense		(88)	(2.892 %)	(88)	(4.055 %)	\$ 0	(%)
Other income, net		543	17.844 %	340	15.668 %	\$ 203	59.7 %
Net income (loss) before provision for income taxes	\$	772	25.370 %	\$ (386)	(17.788%)	\$ 1,158	300.0 %
Performance Metric:							
Number of secured loans at period end <sup>(1)</sup>		2,697		1,571		1,126	71.7%

<sup>(1)</sup>Number of outstanding secured loans to customers at the end of the period.

# Overview of Results of Operations for the Nine Months Ended March 31, 2022 and 2021

# - Secured Lending Segment

The operating results of our Secured Lending segment for the nine months ended March 31, 2022 and 2021 are as follows:

in thousands, except performance metrics

Nine Months Ended March 31,	2022			2021			\$	%	
		\$	% of interest income	<b>\$</b>	% of interest income		acrease/ ecrease)	Increase/ (decrease)	
Interest income	\$	8,173	100.000 %	\$ 5,750	100.000 %	\$	2,423	42.1 %	
Interest expense		(6,839)	(83.678 %)	(5,483)	(95.357%)	\$	1,356	24.7 %	
Selling, general and administrative expenses		(1,230)	(15.050%)	(1,619)	(28.157%)	\$	(389)	(24.0 %)	
Depreciation and amortization expense		(264)	(3.230 %)	(264)	(4.591 %)	\$	0	(%)	
Other income, net		1,385	16.946 %	 904	15.722 %	\$	481	53.2 %	
Net income (loss) before provision for income taxes	\$	1,225	14.988 %	\$ (712)	(12.383 %)	\$	1,937	272.1 %	
Performance Metric:		_							
Number of secured loans at period end <sup>(1)</sup>		2,697		1,571			1,126	71.7 %	

<sup>(1)</sup> Number of outstanding secured loans to customers at the end of the period.

## Interest Income — Secured Lending

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

in thousands, except performance metric

Three Months Ended March 31,	2022	2022		2021			%
	\$	% of interest income	\$	% of interest income	Incre (decre		Increase/ (decrease)
Interest income	\$ 3,043	100.000 %	\$ 2,170	100.000 %	\$	873	40.2 %
Performance Metric Number of secured loans at period-end	2,697		1,571			1,126	71.7%

Interest income for the three months ended March 31, 2022 increased \$0.9 million, or 40.2%, to \$3.0 million from \$2.2 million in 2021. The increase in interest income earned from the segment's secured loan portfolio was primarily due to higher average monthly loan balances during the current period as compared to the average monthly loan balances for the prior year period. The number of secured loans outstanding increased by 1,126 or 71.7% to 2,697 from 1,571 as of March 31, 2021.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

in thousands, except performance metric

Nine Months Ended March 31,	2022		2021	[	\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Interest income	\$ 8,173	100.000 %	\$ 5,750	100.000 %	\$ 2,423	42.1 %
Performance Metric						
Number of secured loans at period-end	2,697		1,571		1,126	71.7 %

Interest income for the nine months ended March 31, 2022 increased \$2.4 million, or 42.1%, to \$8.2 million from \$5.8 million in 2021. The increase in interest income earned from the segment's secured loan portfolio was primarily due to higher average monthly loan balances during the current period as compared to the average monthly loan balances for the prior year period. The number of secured loans outstanding increased by 1,126 or 71.7% to 2,697 from 1,571 as of March 31, 2021.

# Interest Expense — Secured Lending

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

in thousands

Three Months Ended March 31,		2022	2021			\$	%	
	s	% of interest income	\$	% of interest income		crease/ crease)	Increase/ (decrease)	
Interest expense	\$ (2	<u>,347)</u> (77.128%)	\$ (2,016)	(92.903 %)	\$	331	16.4 %	

Interest expense for the three months ended March 31, 2022 increased \$0.3 million, or 16.4% to \$2.3 million from \$2.0 million in 2021. The increase in interest expense is driven by the value of our secured loan portfolio, which is primarily financed through the Notes and Trading Credit Facility. As compared to the same year-ago period, interest expense related to the Notes and our Trading Credit Facility increased \$0.2 million and loan servicing costs increased \$0.2 million.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

n	thousands	

Nine Months Ended March 31,	2022		2021		\$	%
	·	% of		% of	·	
		interest		interest	Increas	se/ Increase/
	\$	income	\$	income	(decrea	se) (decrease)
Interest expense	\$ (6,839)	(83.678%)	\$ (5,483)	(95.357%)	\$	1,356 24.7 %

Interest expense for the nine months ended March 31, 2022 increased \$1.4 million, or 24.7% to \$6.8 million from \$5.5 million in 2021. The change in interest expense is driven by the value of our secured loan portfolio, which is primarily financed through the Notes and our Trading Credit Facility. As compared to the same year-ago period, interest expense related to the Notes and our Trading Credit Facility increased \$0.8 million and loan servicing costs increased \$0.6 million.

## Selling, General and Administrative Expenses — Secured Lending

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

# in thousands

Three Months Ended March 31,	20:	22	2021		\$		
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)	
Selling, general, and administrative expenses	\$ (379)	(12.455%)	\$ (792)	(36.498 %)	\$ (413)	(52.1 %)	

Selling, general, and administrative expenses for the three months ended March 31, 2022 decreased \$0.4 million, or 52.1%, to \$0.4 million from \$0.8 million in 2021. The decrease was mainly driven by lower compensation expense.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

#### in thousands

Nine Months Ended March 31,	 2022			2021			\$	%
		% of			% of	т.	2000001	Inavasal
	\$	interest income		\$	interest income		ncrease/ ecrease)	Increase/ (decrease)
Selling, general, and administrative expenses	\$ (1,230)	(15.050%)	\$	(1,619)	(28.157%)	\$	(389)	(24.0 %)

Selling, general, and administrative expenses for the nine months ended March 31, 2022 decreased \$0.4 million, or 24.0%, to \$1.2 million from \$1.6 million in 2021. The decrease was mainly driven by lower compensation expense.

## Other Income, net — Secured Lending

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

#### in thousands

Three Months Ended March 31,		2022	2	2	021		\$	%
	·		% of interest	% of interest			ncrease/	Increase/
		\$	income	\$	income	(d	lecrease)	(decrease)
Other income, net	\$	543	17.844 %	\$ 34	<u>0</u> 15.668 %	\$	203	59.7 %

Other income, net for the three months ended March 31, 2022 increased \$0.2 million, or 59.7% to \$0.5 million from \$0.3 million in 2021. The increase was due to higher royalty income earned.

Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

## in thousands

Nine Months Ended March 31,	202	2	202	1	\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Other income, net	\$ 1,385	16.946 %	\$ 904	15.722 %	\$ 481	53.2 %

Other income, net for the nine months ended March 31, 2022 increased \$0.5 million, or 53.2% to \$1.4 million from \$0.9 million in 2021. The increase was due to higher royalty income earned.

# NON-GAAP MEASURES

## Adjusted net income before provision for income taxes and adjusted net income before provision for income taxes per diluted share

## Overview

In addition to our results determined in accordance with U.S. GAAP, we believe the below non-GAAP measures are useful in evaluating our operating performance. We use the financial measures "adjusted net income before provision for income taxes" and "adjusted net income before provision for income taxes per diluted share" to present our pre-tax earnings from on-going business operations. These measures do not have standardized definitions and are not prepared in accordance with U.S. GAAP. The items excluded from these financial measures may have a material impact on our financial results. Certain of those items are non-recurring, while others are non-cash in nature. Accordingly, these non-GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, the comparable measures prepared in accordance with U.S. GAAP.

## Reconciliation

We calculate these non-GAAP measures by eliminating from net income before provision for income taxes and diluted net income per common share the impact of items we do not consider indicative of our ongoing operations. We eliminate the impact of the following four items: (i) remeasurement gains or losses; (ii) acquisition expenses; (iii) amortization expenses related to intangible assets acquired; and (iv) depreciation expense. The following tables reconcile this non-GAAP financial measure to its most closely comparable U.S. GAAP measure on our financial statements for the three and nine months ended March 31, 2022 and 2021.

# Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

in thousand	s, exce	pt for	share	and	per share data	

Three Months Ended March 31,	onths Ended March 31, 2022		2021	\$	%	
,		\$	 s	ncrease/ lecrease)	Increase/ (decrease)	
Net income before provision for income taxes	\$	45,921	\$ 86,780	\$ (40,859)	(47.1 %)	
Adjustments:						
Remeasurement gain on pre-existing equity interest		_	(26,306)	\$ (26,306)	(100.0%)	
Acquisition costs		836	2,196	\$ (1,360)	(61.9%)	
Amortization of acquired intangibles		7,188	1,140	\$ 6,048	530.5 %	
Depreciation expense		360	348	\$ 12	3.4 %	
Adjusted net income before provision for income taxes (non-GAAP)	\$	54,305	\$ 64,158	\$ (9,853)	(15.4%)	
Net income per diluted share reconciliation:						
Diluted earnings per share	\$	3.06	\$ 8.84	\$ (5.78)	(65.4%)	
Non-GAAP adjustments:						
Remeasurement gain on pre-existing equity interest		_	(3.03)	\$ (3.03)	(100.0%)	
Acquisition costs		0.07	0.25	\$ (0.18)	(72.0%)	
Amortization of acquired intangibles		0.59	0.13	\$ 0.46	353.8 %	
Depreciation expense		0.03	0.04	\$ (0.01)	(25.0 %)	
Income tax expense (1)		0.69	1.13	\$ (0.44)	(38.9 %)	
Net income attributable to noncontrolling interests		0.01	 0.04	\$ (0.03)	(75.0%)	
Adjusted net income before provision for income taxes per diluted share (non-GAAP)	\$	4.45	\$ 7.40	\$ (2.95)	(39.9 %)	
Weighted average shares outstanding:						
Diluted		12,212,900	 8,668,300	3,544,600	40.9 %	

<sup>(1)</sup> The income tax expense adjustment is based on the effective tax rate for the period.

# Nine Months Ended March 31, 2022 Compared to Nine Months Ended March 31, 2021

#### in thousands, except for share and per share data

Nine Months Ended March 31,	nths Ended March 31, 2022		2021	\$	%	
,		\$	 \$	ncrease/ lecrease)	Increase/ (decrease)	
Net income before provision for income taxes	\$	119,406	\$ 128,797	\$ (9,391)	(7.3 %)	
Adjustments:						
Remeasurement gain on pre-existing equity interest		_	(26,306)	\$ (26,306)	(100.0%)	
Acquisition costs		889	2,576	\$ (1,687)	(65.5 %)	
Amortization of acquired intangibles		22,932	1,457	\$ 21,475	1,473.9 %	
Depreciation expense		1,145	1,037	\$ 108	10.4 %	
Adjusted net income before provision for income taxes (non-GAAP)	\$	144,372	\$ 107,561	\$ 36,811	34.2 %	
Net income per diluted share reconciliation:						
Diluted earnings per share	\$	7.84	\$ 13.61	\$ (5.77)	(42.4 %)	
Non-GAAP adjustments:						
Remeasurement gain on pre-existing equity interest		_	(3.30)	\$ (3.30)	(100.0%)	
Acquisition costs		0.07	0.32	\$ (0.25)	(78.1 %)	
Amortization of acquired intangibles		1.89	0.19	\$ 1.70	894.7 %	
Depreciation expense		0.09	0.13	\$ (0.04)	(30.8 %)	
Income tax expense (1)		1.97	2.38	\$ (0.41)	(17.2 %)	
Net income attributable to noncontrolling interests		0.03	0.15	\$ (0.12)	(80.0%)	
Adjusted net income before provision for income taxes per diluted share (non-GAAP)	\$	11.89	\$ 13.48	\$ (1.59)	(11.8%)	
Weighted average shares outstanding:						
Diluted		12,137,600	 7,980,700	4,156,900	52.1 %	

<sup>(1)</sup> The income tax expense adjustment is based on the effective tax rate for the period.

## Adjustments

Remeasurement gains or losses. This adjustment relates to our acquisition in March 2021 of the 79.5% of the equity interest in JMB that was not previously owned by us. When we acquire control of a business for which we had previously owned a noncontrolling equity interest, we are required to estimate the fair value of our pre-existing equity investment and record the change in its value as a remeasurement gain or loss, which we present on the face of our consolidated statements of income. Remeasurement gains and losses are recorded upon the completion of an acquisition. We exclude these types of remeasurement gains and losses when we evaluate our on-going operational performance and to facilitate comparison of period-to-period operational performance. For additional information about our acquisition of JMB, see Note 1 to the Company's Annual Report on Form 10-K for the fiscal year ended 2021.

<u>Acquisition expenses.</u> We incur expenses for professional services rendered in connection with business combinations, which are included as a component of selling, general, and administrative expenses in the Company's condensed consolidated statements of income. Acquisition expenses are recorded in the periods in which the costs are incurred, and the services are received. We exclude acquisition expenses when we evaluate our on-going operational performance and to facilitate comparison of period-to-period operational performance.

Amortization of purchased intangibles. Amortization expense of purchased intangibles varies in amount and frequency and is significantly impacted by the timing and size of our acquisitions. Management finds it useful to exclude these charges from our operating expenses to assist in the review of a measure that more closely corresponds to cash operating income generated from our business. Amortization of purchased intangible assets will recur in future periods. For additional information about the amortization of our purchased intangibles, see Note 9 to the Company's condensed consolidated financial statements.

<u>Depreciation expense</u>. Depreciation expense is calculated using a straight-line method based on the estimated useful lives of the related assets, ranging from three years to twenty-five years. Due to depreciation expense being non-cash in nature, management finds it useful to exclude these charges from our operating expenses to assist in the review of a measure that more closely corresponds to cash operating income generated from our business. See <u>Note 8</u> to the Company's condensed consolidated financial statements.

# LIQUIDITY AND FINANCIAL CONDITION

## **Primary Sources and Uses of Cash**

#### Overview

Liquidity refers to the availability to the Company of amounts of cash to meet all of our cash needs. Our sources of liquidity principally include cash from operations, Trading Credit Facility (see "Lines of Credit" below), and product financing arrangements.

A substantial portion of our assets are liquid. As of March 31, 2022, approximately 82.9% of our assets consisted of cash, receivables, derivative assets, secured loans receivables, precious metals held under financing arrangements and inventories, measured at fair value. Cash generated from the sales or financing of our precious metals products is our primary source of operating liquidity. Among other things, these include our product financing arrangements and liabilities on borrowed metals. Typically, the Company acquires its inventory by: (i) purchasing inventory from its suppliers by utilizing our own capital and lines of credit; (ii) borrowing precious metals from its suppliers under short-term arrangements which may bear interest at a designated rate, and (iii) repurchasing inventory at an agreed-upon price based on the spot price on the specified repurchase date.

In addition to selling inventory, the Company generates cash from earning interest income. The Company enters into secured loans and secured financing structures with its customers under which it charges interest. The loans are secured by precious metals and numismatic material owned by the borrowers and held by the Company as security for the term of the loan. The Company also offers a number of secured financing options to its customers to finance their precious metals purchases including consignments and other structured inventory finance products. Furthermore, our customers may enter into agreements whereby the customer agrees to repurchase our precious metals at the prevailing spot price for delivery of the product at a specific point in time in the future; interest income is earned from the contract date until the material is delivered and paid for in full.

We may also raise funds through the public or private offering of equity or debt securities, although there is no assurance that we will be able to do so at the times and in the amounts required. We have an effective universal shelf registration statement, on file with the Securities and Exchange Commission for this purpose, under which we may issue approximately \$69.5 million worth of securities at this time through March 2024.

We continually review our overall credit and capital needs to ensure that our capital base, both stockholders' equity and available credit facilities, can appropriately support our anticipated financing needs. The Company also continually monitors its current and forecasted cash requirements and draws upon and pays down its lines of credit so as to minimize interest expense. (See Note 15 to the Company's condensed consolidated financial statements.)

# Lines of Credit

## in thousands

	N	March 31, 2022		June 30, 2021	March 31, 2022 Compared to June 30, 2021	
Lines of credit	\$	255,000	\$	185,000	\$	70,000

Effective December 21, 2021, A-Mark entered into a three-year committed borrowing facility (the "Trading Credit Facility") with CIBC Bank USA, as agent and joint lead arranger, and a syndicate of banks. As of March 31, 2022, the Trading Credit Facility provided the Company with access up to \$350.0 million. The credit facility has a termination date of December 21, 2024.

A-Mark routinely uses funds drawn under the Trading Credit Facility to purchase metals from its suppliers and for other operating cash flow purposes. Our CFC subsidiary also uses the funds drawn under the Trading Credit Facility to finance certain of its lending activities.

#### Notes Payable

#### in thousands

	<u>M</u>	arch 31, 2022	Ju	ine 30, 2021	Cor	ch 31, 2022 npared to e 30, 2021
Notes payable	\$	93,859	\$	93,249	\$	610

On September 14, 2018, AM Capital Funding, LLC ("AMCF"), a wholly owned subsidiary of CFC, completed an issuance of Secured Senior Term Notes, Series 2018-1, Class A in the aggregate principal amount of \$72.0 million and Secured Subordinated Term Notes, Series 2018-1, Class B in the aggregate principal amount of \$28.0 million (collectively, the "Notes".) The Class A Notes bear interest at a rate of 4.98% and the Class B Notes bear interest at a rate of 5.98%. The Notes have a maturity date of December 15, 2023.

As of March 31, 2022, the consolidated aggregate carrying balance of the Notes was \$93.9 million (which excludes the \$5.0 million portion of the Class B Notes that the Company retained), and the remaining unamortized loan cost balance was approximately \$1.1 million, which is amortized using the effective interest method through the maturity date. (See Note 15 to the Company's condensed consolidated financial statements.)

## Liabilities on Borrowed Metals

#### in thousands

	March 31, 2022			June 30, 2021	March 31, 2022 Compared to June 30, 2021	
Liabilities on borrowed metals	\$ 67,8	324	\$	91,866	\$	(24,042)

We borrow precious metals from our suppliers and customers under short-term arrangements using other precious metal from our inventory or precious metals held under financing arrangements as collateral. Amounts under these arrangements require repayment either in the form of precious metals or cash. Liabilities also arise from unallocated metal positions held by customers in our inventory. Typically, these positions are due on demand, in a specified physical form, based on the total ounces of metal held in the position.

## **Product Financing Arrangements**

## in thousands

	M	arch 31, 2022	J	June 30, 2021	March 31, 2022 Compared to June 30, 2021	
Product financing arrangements	\$	199,447	\$	201,028	\$	(1,581)

The Company has agreements with financial institutions and other third parties that allow the Company to transfer its gold and silver inventory to the third party at an agreed-upon price based on the spot price, which provides alternative sources of liquidity. During the term of the agreement both parties intend for inventory to be returned at an agreed-upon price based on the spot price on the termination (repurchase) date. The third parties charge monthly interest as a percentage of the market value of the outstanding obligation; such monthly charges are classified as interest expense. These transactions do not qualify as sales and therefore are accounted for as financing arrangements and reflected in the Company's condensed consolidated balance sheets as product financing arrangements. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing arrangements and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value included as a component of cost of sales.

#### Secured Loans Receivable

#### in thousands

	M	Iarch 31, 2022	Jı	ine 30, 2021	Co	mpared to ne 30, 2021
Secured loans receivable	\$	145,838	\$	112,968	\$	32,870

CFC is a California licensed finance lender that makes and acquires commercial loans secured by bullion and numismatic coins that affords our customers a convenient means of financing their inventory or collections. (See Note 5 to the Company's condensed consolidated financial statements.) AMCF also purchases and holds secured loans from CFC to meet its collateral requirements related to the Notes (See Note 15 to Company's condensed consolidated financial statements.) Most of the Company's secured loans are short-term in nature. The renewal of these instruments is at the discretion of the Company and, as such, provides us with some flexibility in regard to our capital deployment strategies.

## Dividends

On August 30, 2021, the Company's Board of Directors declared a non-recurring special dividend of \$2.00 per common share to stockholders of record at the close of business on September 20, 2021. The dividend was paid on September 24, 2021 and totaled \$22.6 million.

## **Cash Flows**

The majority of the Company's trading activities involve two-day value trades under which payment is received in advance of delivery or product is received in advance of payment. The combination of sales volume, inventory turnover, and precious metals price volatility can cause material changes in the sources of cash used in or provided by operating activities on a daily basis. The Company manages these variances through its liquidity forecasts and counterparty limits by maintaining a liquidity reserve to meet the Company's cash needs. The Company uses various short-term financial instruments to manage the cycle of our trading activities from customer purchase order to cash collections and product delivery, which can cause material changes in the amount of cash used in or provided by financing activities on a daily basis.

The following summarizes components of our condensed consolidated statements of cash flows for the nine months ended March 31, 2022 and 2021:

## in thousands

Year Ended	March 31, 2022	]	March 31, 2021	March 31, 2022 Compared to March 31, 2021
Net cash used in operating activities	\$ (75,702)	\$	(155,448)	\$ 79,746
Net cash used in investing activities	\$ (40,721)	\$	(118,304)	\$ 77,583
Net cash provided by financing activities	\$ 43,567	\$	260,193	\$ (216,626)

For the periods presented, our principal capital requirements have been to fund (i) working capital and (ii) investing activity. Our working capital requirements fluctuated with market conditions, the availability of precious metals, and the volatility of precious metals commodity pricing. The primary reason for the decrease in net cash used in operating activities was due to increased cash generated from net income, adjusted for noncash items, and changes in working capital. Net cash used in investing activities decreased as a result of lower acquisition activity and loan originations. The primary reason for the decrease in net cash provided by financing activities was due to a decrease in the use of short-term debt financing, as well as the absence of proceeds from a public offering of common stock.

# Net cash used in operating activities

Operating activities used \$75.7 million and \$155.4 million in cash for the nine months ended March 31, 2022 and 2021, respectively, representing a \$79.7 million decrease in cash used compared to the nine months ended March 31, 2021. The decrease in cash used was primarily driven by increased net income adjusted for noncash items, and changes in working capital, which includes the balances of accounts payable, precious metals held under financing arrangements, derivative assets and liabilities, and liabilities on borrowed metals, partially offset by changes in the balances of inventories, deferred revenue and other advances, and income tax payable.

# Net cash used in investing activities

Investing activities used \$40.7 million and \$118.3 million in cash for the nine months ended March 31, 2022 and 2021, respectively, representing a \$77.6 million decrease in the use of cash compared to the nine months ended March 31, 2021. This period

over period decrease in cash used was primarily due to the lower investing cash outflows associated with acquisitions during the current year, in which the prior year activity included the Company's \$62.2 million incremental acquisition of JMB, and lower investing cash outflows of \$17.3 million associated with the acquisition and origination of secured loans in the current period.

# Net cash provided by financing activities

Financing activities provided \$43.6 million and \$260.2 million in cash for the nine months ended March 31, 2022 and 2021, respectively, representing a \$216.6 million decrease in cash provided compared to the nine months ended March 31, 2021. This period over period decrease was primarily due to the change in cash used by product financing arrangements of \$177.0 million, and the absence of proceeds from a public offering of common stock of \$75.3 million, offset by higher cash inflows of \$40.0 million associated with borrowings under lines of credit.

## **Capital Resources**

We believe that our current cash availability under the Trading Credit Facility, product financing arrangements, financing derived from borrowed metals and the cash we anticipate generating from operating activities will provide us with sufficient liquidity to satisfy our working capital needs, capital expenditures, investment requirements, and commitments through at least the next twelve months.

## CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND COMMITMENTS

## Counterparty Risk

We face counterparty risks in our Wholesale Sales and Ancillary Services segment. We manage these risks by setting credit and position risk limits with our trading counterparties, including gross position limits for counterparties engaged in sales and purchase transactions and inventory consignment transactions with us, as well as collateral limits for different types of sale and purchase transactions that counterparties may engage in from time to time.

## **Commodities Risk and Derivatives**

We use a variety of strategies to manage our risk including fluctuations in commodity prices for precious metals. Our inventory consists of, and our trading activities involve, precious metals and precious metal products, for which prices are linked to the corresponding precious metal commodity prices. Inventory purchased or borrowed by us is subject to price changes. Inventory borrowed is a natural hedge, since changes in value of the metal held are offset by the obligation to return the metal to the supplier or deliver metals to the customer.

Open sale and purchase commitments in our trading activities are subject to changes in value between the date the purchase or sale price is fixed (the trade date) and the date the metal is received or delivered (the settlement date). We seek to minimize the effect of price changes of the underlying commodity through the use of forward and futures contracts. Our open sale and purchase commitments generally settle within 2 business days, and for those commitments that do not have stated settlement dates, we have the right to settle the positions upon demand.

Our policy is to substantially hedge our underlying precious metal commodity inventory position. We regularly enter into metals commodity forward and futures contracts with financial institutions to hedge price changes that would cause changes in the value of our physical metals positions and purchase commitments and sale commitments. We have access to all of the precious metals markets, allowing us to place hedges. We also maintain relationships with major market makers in every major precious metals dealing center, which allows us to enter into contracts with market makers. Our forwards contracts open at March 31, 2022 are scheduled to settle within 60 days. Futures positions do not have settlement dates. The Company typically uses futures contracts for its shorter-term hedge positions and forward contracts for longer term hedge positions.

The Company enters into these derivative transactions solely for the purpose of hedging our inventory holding risk, and not for speculative market purposes. Due to the nature of our hedging strategy, we are not using hedge accounting as defined under, *Derivatives and Hedging* Topic 815 of the Accounting Standards Codification ("ASC 815".) Unrealized gains or losses resulting from our futures and forward contracts are reported as cost of sales with the related amounts due from or to counterparties reflected as derivative assets or liabilities. The Company adjusts the derivatives to fair value on a daily basis until the transactions are settled. When these contracts are net settled, the unrealized gains and losses are reversed and the realized gains and losses for forward contracts are recorded in cost of sales and the net realized gains and losses for futures are recorded in cost of sales.

The Company's net gains on derivative instruments for the three months ended March 31, 2022 and 2021, totaled \$7.0 million and \$4.1 million, respectively. The Company's net losses on derivative instruments for the nine months ended March 31, 2022 and 2021, totaled \$8.3 million and \$117.6 million, respectively. These net gains and losses on derivative instruments were substantially offset by the changes in fair market value of the underlying precious metals inventory and open sale and purchase commitments, which is also recorded in cost of sales in the condensed consolidated statements of income.

The purpose of the Company's hedging policy is to substantially match the change in the value of the derivative financial instrument to the change in the value of the underlying hedged item. The following table summarizes the results of our hedging activities, showing the precious metal commodity inventory position, net of open sale and purchase commitments, which is subject to price risk, compared to change in the value of the derivative instruments as of March 31, 2022 and June 30, 2021:

in thousands			
	March 31, 2022	,	June 30, 2021
Inventories	\$	764,263 \$	458,019
Precious metals held under financing arrangements		87,450	154,742
		851,713	612,761
Less unhedgeable inventories:			
Commemorative coin inventory, held at lower of cost or net realizable value		(1,108)	(406)
Premium on metals position		(20,353)	(11,017)
Precious metal value not hedged		(21,461)	(11,423)
		830,252	601,338
Commitments at market:			
Open inventory purchase commitments		950,825	987,926
Open inventory sales commitments		(861,977)	(590,156)
Margin sale commitments		(12,639)	(7,322)
In-transit inventory no longer subject to market risk		(23,965)	(16,707)
Unhedgeable premiums on open commitment positions		9,073	8,638
Borrowed precious metals		(67,824)	(91,866)
Product financing arrangements		(199,447)	(201,028)
Advances on industrial metals		55	287
		(205,899)	89,772
Precious metal subject to price risk		624,353	691,110
Precious metal subject to derivative financial instruments:			
Precious metals forward contracts at market values		299,310	175,352
Precious metals futures contracts at market values		323,211	514,240
Total market value of derivative financial instruments		622,521	689,592
Net precious metals subject to commodity price risk	\$	1,832 \$	1,518

We are exposed to the risk of default of the counterparties to our derivative contracts. Significant judgment is applied by us when evaluating the fair value implications. We regularly review the creditworthiness of our major counterparties and monitor our exposure to concentrations. At March 31, 2022, we believe our risk of counterparty default is mitigated based on our evaluation of the creditworthiness of our major counterparties, the strong financial condition of our counterparties, and the short-term duration of these arrangements.

### **Commitments and Contingencies**

Refer to Note 16 to the Company's condensed consolidated financial statements for information relating Company's commitments and contingencies.

## OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2022 and June 30, 2021, we had the following outstanding sale and purchase commitments and open forward and future contracts, which are normal and recurring, in nature:

#### in thousands

	N	2022	2021
Purchase commitments	\$	950,825	\$ 987,926
Sales commitments	\$	(861,977)	\$ (590,156)
Margin sales commitments	\$	(12,639)	\$ (7,322)
Open forward contracts	\$	299,310	\$ 175,352
Open futures contracts	\$	323,211	\$ 514,240
Foreign exchange forward contracts	\$	17,042	\$ 6,541

The notional amounts of the commodity forward and futures contracts and the open sales and purchase orders, as shown in the table above, are not reflected at the notional amounts in the condensed consolidated balance sheets. The Company records commodity forward and futures contracts at the fair value, which is the difference between the market price of the underlying metal or contract measured on the reporting date and the trade amount measured on the date the contract was transacted. The fair value of the open derivative contracts are shown as a component of derivative assets or derivative liabilities in the accompanying condensed consolidated balance sheets.

The Company enters into the derivative forward and future transactions solely for the purpose of hedging its inventory holding risk, and not for speculative market purposes. The Company's gains (losses) on derivative instruments are substantially offset by the changes in fair market value of the underlying precious metals inventory position, including our open sale and purchase commitments. The Company records the derivatives at the trade date, and any corresponding unrealized gains or losses are shown as a component of cost of sales in the condensed consolidated statements of income. We adjust the carrying value of the derivatives to fair value on a daily basis until the transactions are physically settled. (See Note 12 to the Company's condensed consolidated financial statements.)

#### CRITICAL ACCOUNTING POLICIES

The Company's condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). In connection with the preparation of our financial statements, we are required to make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that we believe to be relevant at the time the Company's condensed consolidated financial statements are prepared. On a regular basis, we review our accounting policies, assumptions, estimates and judgments to ensure that the Company's condensed consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could materially differ from our estimates.

Our significant accounting policies are discussed in Note 2 to the Company's condensed consolidated financial statements. We believe that the following accounting policies are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. We have reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

# Revenue Recognition

The Company accounts for its metals and sales contracts using settlement date accounting. Pursuant to such accounting, the Company recognizes the sale or purchase of the metals at settlement date. During the period between the trade and settlement dates, the Company has entered into a forward contract that meets the definition of a derivative in accordance with the *Derivatives and Hedging* Topic 815 of the ASC. The Company records the derivative at the trade date with any corresponding unrealized gain (loss), shown as component of cost of sales in the condensed consolidated statements of income. The Company adjusts the derivatives to fair value on a daily basis until the transactions are settled. When these contracts are settled, the unrealized gains and losses are reversed, and revenue is recognized for contracts that are physically settled. For contracts that are net settled, the realized gains and losses are recorded in cost of sales, with the exception of forward contracts, where their associated realized gains and losses are recorded in revenue and cost of sales, respectively.

Also, the Company recognizes its storage, logistics, licensing, advertising revenue, and other services revenues in accordance with the FASB's release ASU 2014-09 *Revenue From Contracts With Customers Topic 606* and subsequent related amendments ("ASC 606"), which follows five basic steps to determine whether revenue can be recognized: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

## Inventories

The Company's inventory, which primarily consists of bullion and bullion coins, is acquired and initially recorded at cost and then marked to fair market value. The fair market value of the bullion and bullion coins comprises two components: (i) published market values attributable to the cost of the raw precious metal, and (ii) the premium paid at acquisition of the metal, which is attributable to the incremental value of the product in its finished goods form. The market value attributable solely to such premium is readily determinable by reference to multiple reputable published sources. The precious metal component of the inventory may be hedged through the use of precious metal commodity positions, while the premium component of our inventory is not a commodity that may be hedged.

The Company's inventory, except for certain lower of cost or net realizable value basis products (as described below), is subsequently recorded at their fair market values. The daily changes in the fair market value of our inventory are offset by daily changes in the fair market value of hedging derivatives that are taken with respect to our inventory positions; both the change in the fair market value of these derivative instruments are recorded in cost of sales in the condensed consolidated statements of income.

While the premium component included in inventory is marked-to-market, our commemorative coin inventory, including its premium component, is held at the lower of cost or net realizable value, because the value of commemorative coins is influenced more by supply and demand determinants than on the underlying spot price of the precious metal content of the commemorative coins. Unlike our bullion coins, the value of commemorative coins is not subject to the same level of volatility as bullion coins because our commemorative coins typically carry a substantially higher premium over the spot metal price than bullion coins. Additionally, neither the commemorative coin inventory nor the premium component of our inventory is hedged.

Inventory includes amounts borrowed from suppliers and customers arising from various arrangements including unallocated metal positions held by customers in the Company's inventory, amounts due to suppliers for the use of consigned inventory, metals held by suppliers as collateral on advanced pool metals, as well as shortages in unallocated metal positions held by the Company in the supplier's inventory. Unallocated or pool metal represents an unsegregated inventory position that is due on demand, in a specified physical form, based on the total ounces of metal held in the position. Amounts under these arrangements require delivery either in the form of precious metals or cash. The Company mitigates market risk of its physical inventory and open commitments through commodity hedge transactions. (See Note 12 to the Company's condensed consolidated financial statements.)

The Company enters into product financing agreements for the transfer and subsequent option or obligation to reacquire its gold and silver inventory at an agreed-upon price based on the spot price with a third party finance company. This inventory is restricted and is held at a custodial storage facility in exchange for a financing fee, charged by the third party finance company. During the term of the financing agreement, the third party company holds the inventory as collateral, and both parties intend for the inventory to be returned to the Company at an agreed-upon price based on the spot price on the termination (repurchase) date. The third party charges a monthly fee as percentage of the market value of the outstanding obligation; such monthly charge is classified as interest expense. These transactions do not qualify as sales and have been accounted for as financing arrangements in accordance with ASC 470-40 *Product Financing Arrangements*, and are reflected in the Company's condensed consolidated balance sheets as product financing arrangements. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing and the underlying inventory (which is restricted) are carried at fair value, with changes in fair value included in cost of sales in the Company's condensed consolidated statements of income.

The Company periodically loans metals to customers on a short-term consignment basis. Such inventory is removed at the time the customer elects to price and purchase the metals, and the Company records a corresponding sale and receivable.

The Company enters into financing arrangements with certain customers under which A-Mark purchases precious metals products that are subject to repurchase by the customer at the fair value of the product on the repurchase date. The Company or the counterparty may typically terminate any such arrangement with 14 days' notice. Upon termination the customer's rights to repurchase any remaining inventory is forfeited.

## **Business Combinations**

We completed the acquisition of JMB during the third quarter of fiscal year 2021. The accounting for a business combination requires tangible and intangible assets acquired and liabilities assumed to be recorded at estimated fair value. We valued intangible assets at their estimated fair values at the acquisition date based upon assumptions related to the future cash flows and discount rates utilizing the then currently available information, and in some cases, valuation results from independent valuation specialists. The use of a discounted cash flow analysis requires significant judgment to estimate the future cash flows derived from the asset and the expected period of time over which those cash flows will occur and to determine an appropriate discount rate.

We make certain judgments and estimates when determining the fair value of assets acquired and liabilities assumed in a business combination. Those judgments and estimates also include determining the lives assigned to acquired intangibles, the resulting amortization period, what indicators will trigger an impairment, whether those indicators are other than temporary, what economic or competitive factors affect valuation, valuation methodology, and key assumptions including discount rates and cash flow estimates.

# Goodwill and Other Purchased Intangible Assets

We evaluate goodwill and other indefinite-lived intangibles for impairment annually in the fourth quarter of the fiscal year (or more frequently if indicators of potential impairment exist) in accordance with the *Intangibles - Goodwill and Other* Topic 350 of the ASC. Other finite-lived intangible assets are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. We may first qualitatively assess whether relevant events and circumstances make it more likely than not that the fair value of the reporting unit's goodwill is less than its carrying value. If, based on this qualitative assessment, we determine that goodwill is more likely than not to be impaired, a quantitative impairment test is performed. This step requires us to determine the fair value of the business and compare the calculated fair value of a reporting unit with its carrying amount, including goodwill. If through this quantitative analysis the Company determines the fair value of a reporting unit exceeds its carrying amount, the goodwill of the reporting unit is considered not to be impaired. If the Company concludes that the fair value of the reporting unit is less than its carrying value, a goodwill impairment will be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value.

The Company also performs impairment reviews on its indefinite-lived intangible assets (i.e., trade names and trademarks). In assessing its indefinite-lived intangible assets for impairment, the Company has the option to first perform a qualitative assessment to determine whether events or circumstances exist that lead to a determination that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If the Company determines that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, the Company is not required to perform any additional tests in assessing the asset for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform a quantitative analysis to determine if the fair value of an indefinite-lived intangible asset is less than its carrying value. If through a quantitative analysis the Company determines the fair value of an indefinite-lived intangible asset exceeds its carrying amount, the indefinite-lived intangible asset is less than its carrying value, an impairment will be recognized for the amount by which the carrying amount exceeds the indefinite-lived intangible asset's fair value.

#### Income Taxes

As part of the process of preparing the Company's condensed consolidated financial statements, the Company is required to estimate its provision for income taxes in each of the tax jurisdictions in which it conducts business, in accordance with the *Income Taxes* Topic 740 of the ASC ("ASC 740"). The Company computes its annual tax rate based on the statutory tax rates and tax planning opportunities available to it in the various jurisdictions in which it earns income. Significant judgment is required in determining the Company's annual tax rate and in evaluating uncertainty in its tax positions. The Company has adopted the provisions of ASC 740-10, which clarifies the accounting for uncertain tax positions. ASC 740-10 requires that the Company recognizes the impact of a tax position in the financial statements if the position is not more likely than not to be sustained upon examination based on the technical merits of the position. The Company recognizes interest and penalties related to certain uncertain tax positions as a component of income tax expense and the accrued interest and penalties are included in deferred and income taxes payable in the Company's condensed consolidated balance sheets. (See Note 13 to the Company's condensed consolidated financial statements for more information on the Company's accounting for income taxes.)

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences 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 effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion or all of the net deferred tax assets will not be realized. The factors used to assess the likelihood of realization include the Company's forecast of the reversal of temporary differences, future taxable income, and

available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Company's effective tax rate on future earnings. Based on our assessment, it appears more likely than not that all of the net deferred tax assets will be realized through future taxable income.

# RECENT ACCOUNTING PRONOUNCEMENTS

For a description of accounting changes and recent accounting standards, including the expected dates of adoption and estimated effects, if any, on our financial position or results of operations, see Note 2 to the Company's condensed consolidated financial statements.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

# ITEM 4. CONTROLS AND PROCEDURES

#### **Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on the foregoing, our Certifying Officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report.

Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Certifying Officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

## **Changes in Internal Control over Financial Reporting**

We have not experienced any material impact to our internal control over financial reporting during the COVID-19 pandemic. Many of our employees worked remotely during the period in which we prepared these financial statements and, accordingly, we ensured on-going related oversight and monitoring procedures continued during the financial close and reporting process. We did not compromise our disclosure controls and procedures. We are continually monitoring and assessing our disclosure controls to ensure disclosure controls and procedures continue to be effective.

There was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

We are from time to time involved in legal proceedings, claims, or investigations that are incidental to the conduct of our business.

Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on current information, including our assessment of the particular claim, we do not expect that these legal proceedings or claims will have any material adverse impact on our future consolidated financial position, results of operations, or cash flows.

## ITEM 1A. RISK FACTORS

#### Risks Relating to Market Trends and Global Events

The demand for our products and our profitability ultimately depends on preferences and perceptions regarding the desirability of owning precious metals, but those preferences and perceptions are subject to change.

While the Company operates at both the wholesale and direct-to-consumer levels, the demand for our products is dependent upon the perceptions and preferences in the global market regarding the ownership of precious metals and numismatics. These perceptions and preferences depend on a variety of factors, including world events (as discussed more fully below), business and economic conditions, inflationary and other currency related trends and alternative investment opportunities. All such factors may change over time and as a consequence the results of our operations, profitability and stock price may vary over both the short and the long term.

## Our profitability and stock price have recently risen to historically unprecedented levels, but may in the future revert to more normalized levels.

The consequences of the COVID-19 pandemic and other global and macroeconomic events have had an overall positive effect on the demand for our products and ancillary services, the margins that we are able to realize on our products and services and our overall profitability. Our stock price has responded favorably to these unprecedented circumstances as well. While it is not possible to predict with any accuracy future market trends, our business may revert at some point to levels more closely in line with industry activity prior to the COVID-19 outbreak, particularly in the direct-to-consumer business of the Company and its recently acquired JMB subsidiary. If that were to occur our profitability and the price of our stock could return to more normalized levels as well.

# We regularly seek to innovate and to anticipate market changes, but there is no assurance that we will be successful in doing so.

We are alert to the special sensitivity of our business to economic, social and political trends and events, and we attempt to project their effects on our business over the long term. So, for example, we have been placing increasing emphasis on our direct-to-consumer business, in anticipation that the economic uncertainties, market volatilities and global challenges that we face will continue to make investment in precious metals and numismatics more attractive to individual consumers. There can be no assurance, however, that we will be correct in our assessments of market trends or evolving business and consumer preferences, or that, even if our judgments are correct, our response to projected trends and preferences will be timely or effective. Moreover, because of the sensitivity of our business to macro-economic, social and political circumstances, there may be no effective strategy to insulate us from the adverse effects that these circumstances could have on our business.

# **Risks Relating to our Operations**

# Our business is heavily dependent on our credit facility.

Our business depends substantially on our ability to obtain financing for our operations. On December 21, 2021, we entered into a new committed facility provided by a syndicate of financial institutions (the "Trading Credit Facility"), with a total current revolving commitment of up to \$350.0 million and with a termination date of December 21, 2024. The Trading Credit Facility provides the Company with the liquidity to buy and sell billions of dollars of precious metals annually. A-Mark routinely uses funds drawn under the Trading Credit Facility to purchase metals from its suppliers and for operating cash flow purposes. Our CFC subsidiary also uses the funds drawn under the Trading Credit Facility to finance certain of its lending activities.

The Trading Credit Facility requires us to comply with customary affirmative and negative covenants, and with a variety of financial covenants, including a minimum working capital requirement; a fixed charge coverage ratio; a ratio of total recourse debt to consolidated tangible net worth; and limitations on the amount of ownership-based financings (as defined). Upon the occurrence of an event of default under the Trading Credit Facility that was not cured or waived pursuant to the terms of the Trading Credit Facility, the lenders under the Trading Credit Facility could elect to declare all amounts outstanding under the Trading Credit Facility to be due and payable immediately. Further, lenders holding at least 66.67% of the revolving commitments under the Trading Credit Facility may require us to repay all outstanding indebtedness under the Trading Credit Facility at any time, even if we are in compliance with the financial and other covenants under the Trading Credit Facility. After such demand, each lender with a revolving loan commitment may, but is not obligated to, make revolving loans until the termination date of the Trading Credit Facility.

If we are unable to access funds under the Trading Credit Facility, we may be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments, including the Trading Credit Facility, upon demand or acceleration, or at maturity, or that we would be able to refinance or restructure the payments under the Trading Credit Facility. The failure of A-Mark to renew or replace the Trading Credit Facility under such circumstances would reduce the financing available to us and could limit our ability to conduct our business, including certain lending activity of our CFC subsidiary. There can be no assurance that we could procure replacement financing on commercially acceptable terms on a timely basis, or at all. We have pledged a significant portion of our assets as collateral under the Trading Credit Facility, and if we were unable to repay the amounts outstanding thereunder, the administrative agent under the Trading Credit Facility could proceed against the collateral granted to secure such indebtedness.

We are subject to fluctuations in interest rates based on the variable interest terms of the Trading Credit Facility, and we may not be able to pass along to our customers and borrowers some or any part of an increase in the interest that we are required to pay under the Trading Credit Facility.

## Loans under our credit facility may bear interest based on SOFR, but experience with SOFR based loans is limited.

Revolving loans under the Trading Credit Facility are at our option either Based Rate Loans that bear interest at a base rate plus a prescribed margin, or SOFR Loans that bear interest at rates selected by us based on the Secured Overnight Financing Rate published by the Federal Reserve Bank of New York (SOFR) plus prescribed margins. The use of SOFR based rates is intended to replace rates based on the London interbank offered rate ("LIBOR"), and reflects the cessation of the publication of LIBOR rates previously announced by regulators in the United Kingdom and the discontinuation of the use of LIBOR in the financial markets. The use of SOFR based rates may result in interest rates and/or payments that are higher or lower than the rates and payments that we experienced under our prior Trading Credit Facility, where interest rates were based on LIBOR. Also, the use of SOFR based rates is relatively new, and there could be unanticipated difficulties or disruptions with the calculation and publication of SOFR based rates. In particular, if the agent under the Trading Credit Facility determines that SOFR Rates cannot be determined or the agent or the lenders determine that SOFR based rates do not adequately reflect the cost of funding the SOFR Loans, outstanding SOFR Loans will be converted into Base Rate Loans. This could result in increased borrowing costs for the Company.

## We could suffer losses with our financing operations.

We engage in a variety of financing activities with our customers:

- Receivables from our customers with whom we trade in precious metal products are effectively short-term, non-interest bearing extensions of credit that are, in certain cases, secured by the related products maintained in the Company's possession or by a letter of credit issued on behalf of the customer. On average, these receivables are outstanding for periods of between 8 and 9 days.
- The Company operates a financing business through CFC which makes secured loans at loan-to-value ratios—principal loan amount divided by the liquidation value, as conservatively estimated by management, of the collateral—of, in most cases, 50% to 85%. These loans are both variable and fixed interest rate loans, with some maturities on-demand and others from three to twelve months.
- We make advances to our customers on unrefined metals secured by materials received from the customer. These advances are limited to a portion of the
  materials received.
- The Company makes unsecured, short-term, non-interest bearing advances to wholesale metals dealers and government mints.
- The Company periodically extends short-term credit through the issuance of notes receivable to approved customers at interest rates determined on a customerby-customer basis.

Our ability to minimize losses on the credit that we extend to our customers depends on a variety of factors, including:

- · our loan underwriting and other credit policies and controls designed to assure repayment, which may prove inadequate to prevent losses;
- our ability to sell collateral upon customer defaults for amounts sufficient to offset credit losses, which can be affected by a number of factors outside of our control, including (i) changes in economic conditions, including as a consequence of the COVID-19 pandemic, (ii) increases in market rates of interest and (iii) changes in the condition or value of the collateral; and
- the reserves we establish for loan losses, which may prove insufficient.

## Liquidity constraints may limit our ability to grow our business.

We will require adequate sources of liquidity to fund both our existing business and our strategy for expansion, evidenced most recently by our acquisition of JMB. Currently, our main sources of liquidity are the cash that we generate from operations, our borrowing availability under the Trading Credit Facility, and the proceeds from our securitization transaction through our subsidiary AM Capital Funding LLC ("AMCF"). There can be no assurance that these sources will be adequate to support the growth that we are hoping to

achieve or that additional sources of financing for this purpose, in the form of additional debt or equity financing, will be available to us, on satisfactory terms or at all. Also, the Trading Credit Facility contains, and any future debt financing is likely to contain, various financial and other restrictive covenants. The need to comply with these covenants may limit our ability to implement our growth initiatives.

## We are dependent on our key management personnel and our trading experts.

Our strategic vision and performance is dependent on Greg Roberts, our Chief Executive Officer, other members of our senior management and certain other key employees. We have employment agreements with Mr. Roberts and Brian Aquilino, our Chief Operating Officer, which both expire on June 30, 2023, and with Thor Gjerdrum, our President, which expires on June 30, 2022. The continuing integration of JMB with our other businesses relies in part on the knowledge and experience of Michael Wittmeyer, the Chief Executive Officer of JMB. We recently entered into an employment agreement with Mr. Wittmeyer which terminates on June 30, 2024.

These and other employees have expertise in the trading markets, e-commerce operations and digital marketing; have industry-wide reputations; and perform critical functions for our business. We cannot offer assurance that we will be able to negotiate acceptable terms for the renewal of the employment agreements or otherwise retain our key employees. Also, there is significant competition for skilled precious metals traders and other industry professionals. The loss of our current key officers and employees, without the ability to replace them, would have a materially adverse effect on our business.

# We rely extensively on computer systems to execute trades and process transactions, and we could suffer substantial damages if the operation of these systems were interrupted.

We rely on our computer and communications hardware and software systems to execute a large volume of trading transactions each year. With the acquisition of JMB, whose sales are conducted exclusively through the internet, our dependence on computer and communications technology has further increased. It is therefore critical that we maintain uninterrupted operation of these systems, and we have invested considerable resources to protect our systems from physical compromise and security breaches and to maintain backup and redundancy. Nevertheless, our systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, including breaches of our transaction processing or other systems, catastrophic events such as fires, tornadoes and hurricanes, and usage errors by our employees. If our systems are breached, damaged or cease to function properly, we may have to make a significant investment to fix or replace them, we may suffer interruptions in our ability to provide quotations or trading services in the interim, and we may face costly litigation.

## **Risks Related to World Events**

# Our business is influenced by political conditions and world events.

The precious metals business is especially subject to global political conditions and world events. Precious metals are viewed by some as a secure financial investment in times of political upheaval or unrest, particularly in developing economies, which may drive up pricing. The volatility of the commodity prices for precious metals is also likely to increase in politically uncertain times. Conversely, during periods of relative international calm precious metal volatility is likely to decrease, along with demand, and the prices of precious metals may retreat. Because our business is dependent on the volatility and pricing of precious metals, we are likely to be influenced by world events more than businesses in other economic sectors.

Recently, Russia initiated significant military action against Ukraine. In response, the U.S. and certain other countries imposed significant sanctions and export controls, and could impose further sanctions and controls, against Russia, Belarus and certain individuals and entities connected to Russian or Belarusian political, business, and financial organizations. It is not possible to predict the broader consequences of this conflict, which could materially adversely affect global trade, currency exchange rates, regional economies and the global economy, and its impact on us. We could benefit from the resulting uncertainty and instability, as it may encourage investors to seek perceived safety in the ownership of precious metals. On the other hand, we have a sales operation in Austria and have significant business in Germany and other parts of Europe that could be materially and adversely affected by prolonged or expanded military activity in that region. More generally, a depressing effect on the global economy as a consequence of the military action in Ukraine could similarly dampen our business activity and reduce the demand for our products and services.

The Company has experienced outsized growth in its revenues and operating profits since the onset of the COVID-19 pandemic, but there can be no assurance that this level of performance will continue, and its performance may drop as the pandemic and its related effects subside.

The recent growth of the business of the Company generally, and the business of its recently acquired JMB subsidiary in particular, may be attributed to the unprecedented uncertainties and volatility in the financial markets resulting from the COVID-19 pandemic, its effects on the economy and the related government responses. Other contemporary events and circumstances, including political polarization and global instability, may also have been contributing factors to the recent growth of the business of the Company. In this environment, consumers may have sought perceived financial safety in precious coins and metals.

There can be no assurance that the recent growth in the precious metals business will continue in future periods or will not decline as the pandemic and its effects on the economy, the business environment and the responsive actions of government subside, or as the current political environment becomes less charged. Even if the effects of the COVID-19 pandemic on the domestic and world markets, or the perceived political instability, continue for an extended period of time, consumer perceptions with respect to precious coins and metals could shift, these commodities may no longer be viewed as secure investments and the demand for the Company's products could substantially decline. We cannot predict the performance of our business and operations if and when business conditions revert to more normalized levels. A decline in our future revenues and earnings would have adverse effects on our overall results of operations and could cause our stock price to decline. Moreover, because of the nature of the current business and financial environment, particularly in regards to the precious metal industry, it is not possible to create with any acceptable measure of precision customary financial projections and forecasts for our business over the next several years. This could adversely affect our ability to engage in financial and operational planning for the future.

# Our business could also be adversely affected by the continuing COVID-19 pandemic.

The COVID-19 outbreak has caused significant disruption in the financial markets both globally and in the United States. While there have been positive effects of the market reaction to the outbreak on our business, the continuing pandemic could have adverse effects on our businesses in the future, including with respect to the following:

- We maintain facilities for our clients' and our own precious metal and numismatic inventories, where we receive and store these products and from which we make shipments for physical settlement in our trading activity. We have implemented procedures at these facilities to ensure social distancing and minimize the risk of infected personnel. Nonetheless, there can be no assurance that we will not experience an outbreak of infection at these facilities, which could necessitate their closure or the curtailment of their activity.
- We engage in transactions with numerous financial counterparties. If these parties were to experience significant financial reversals as a result of the COVID-19 pandemic, these parties may be unable to comply with their financial obligations to us, may cease transacting business with us or could curtail or terminate the credit that they extend to us. While we deal with a significant number of counterparties, we nonetheless have concentration in our customer base. To the extent that the COVID-19 pandemic were to materially and adversely affect the financial condition of customers responsible for a material portion of our revenues, our business could be correspondingly impaired.
- We require a regular supply of newly minted coins and other numismatics in the conduct of our coin and bar and retail businesses. Our AM&ST Associates, LLC ("AMST") subsidiary supplies a portion of our requirements for silver products. We are also dependent on the production of gold and silver mints around the world for the supply of the majority of our product requirements. Many mints, and refineries that supply gold and silver for the mints, reduced the capacity of their operations during the COVID-19 crisis, and most major mints continue to operate at reduced capacity due to COVID-19 protocols and related workforce shortages. As a result we have experienced periods when precious metals products were unavailable to us. Any uncertainty regarding the availability of coin and other products could make it difficult for us to commit to future delivery, could make it more difficult for us to forecast and plan for our coin and bar operations and could otherwise adversely impact this aspect of our business.
- Mints and refineries, including our AMST subsidiary, rely on specialized, armored vehicles provided by third party commercial services to transport precious
  metals and numismatics. We also rely on these transportation services to transport our products to and from our customers and from the mints and our other
  suppliers. During the COVID-19 pandemic, mints, refineries, and we have faced transportation challenges and increased transportation costs. Constraints on
  transportation capacity could impact product availability and higher transportation costs may in the future adversely affect our sales and profitability.

## We have significant operations outside the United States.

We derive a significant portion of our revenues from business outside the United States, including from customers in developing countries. Business operations outside the U.S. are subject to political, economic and other risks inherent in operating in foreign countries. These include risks of general applicability, such as the need to comply with multiple regulatory regimes; trade protection measures and import or export licensing requirements; and fluctuations in equity, revenues and profits due to changes in foreign currency exchange rates. Currently, we do not conduct substantial business with customers in developing countries. However, if our business in these areas of the world were to increase, we would also face risks that are particular to developing countries, including the difficulty of enforcing agreements, collecting receivables, protecting inventory and other assets through foreign legal systems, limitations on the repatriation of earnings, currency devaluation and manipulation of exchange rates, and high levels of inflation.

We try to manage these risks by monitoring current and anticipated political, economic, legal and regulatory developments in the countries outside the United States in which we operate or have customers and adjusting operations as appropriate, but there can be no assurance that the measures we adopt will be successful in protecting the Company's business interests.

#### Risks Related to our Wholesale Sales & Ancillary Services Segment

## Our business is dependent on a concentrated customer base.

One of A-Mark's key assets is the customer base of its Wholesale Sales & Ancillary Services segment. This customer base provides deep distribution of product and makes A-Mark a desirable trading partner for precious metals product manufacturers, including sovereign mints seeking to distribute precious metals coinage or large refiners seeking to sell large volumes of physical precious metals. In any given quarter, our sales in this segment may be derived from a small number of significant customers. If our relationships with these customers deteriorated, or if we were to lose these customers, our business could be materially adversely affected.

# The loss of a government purchaser/distributorship arrangement could materially adversely affect our business.

A-Mark's business is heavily dependent on its purchaser/distributorship arrangements with various governmental mints. Our ability to offer numismatic coins and bars to our customers on a competitive basis is based on the ability to purchase products directly from a government source. The arrangements with the governmental mints may be discontinued by them at any time. The loss of an authorized purchaser/distributor relationship, including with the U.S. Mint, could have a material adverse effect on our business.

## We operate in a highly competitive industry.

The business of buying and selling precious metals is global and highly competitive. The Company competes with precious metals firms and banks throughout North America, Europe and elsewhere in the world, some of whom have greater financial and other resources, and greater name recognition, than the Company. We believe that, as a full-service firm devoted exclusively to precious metals trading, we offer pricing, product availability, execution, financing alternatives and storage options that are attractive to our customers and allow us to compete effectively. We also believe that our purchaser/distributorship arrangements with various governmental mints give us a competitive advantage in our coin distribution business. However, given the global reach of the precious metals business, the absence of intellectual property protections and the availability of numerous, evolving platforms for trading in precious metals, we cannot assure you that A-Mark will be able to continue to compete successfully or that future developments in the industry will not create additional competitive challenges.

## The Company is subject to risks relating to its AMST operations.

Our AMST subsidiary, which operates our SilverTowne, Mint depends on critical pieces of equipment which may be out of service occasionally for scheduled upgrades or maintenance or as a result of unanticipated failures or business interruptions. AMST's facilities are subject to equipment failures and the risk of catastrophic loss due to unanticipated events such as fires, earthquakes, accidents or violent weather conditions. AMST has insurance to cover certain of the risks associated with equipment damage and resulting business interruption, but there are certain events that would not be covered by insurance, and there can be no assurance that insurance will continue to be available on acceptable terms.

AMST's ability to continue to expand the scope of its services and customer base depends in part on its ability to increase the size of its skilled labor force. The inability to employ or retain skilled technical personnel could adversely affect AMST's operating results. In the past, the demand for skilled personnel has been high and the supply limited.

Interruptions in AMST's processing and production capabilities and shutdowns resulting from unanticipated events, or its inability to adequately staff its operations, could adversely affect our business.

# We have in the past engaged, and continue to engage, in transactions with Stack's Bowers, an affiliate of the Company, which could be perceived as not being made at arms-length.

Stack's-Bowers Numismatics, LLC ("Stack's Bowers"), which is primarily engaged in the business of auctions of high-value and rare coins and in coin retailing, is a wholly-owned subsidiary of Spectrum Group International, Inc. ("SGI"), our former parent and a related party. We have engaged in the past, and continue to engage, in transactions with Stack's Bowers. These transactions include secured lending transactions in which Stack's Bowers is the borrower, and other transactions involving the purchase and sale of rare coins, including with JMB. SGI and the Company have a common chief executive officer, and the chief executive officer and the general counsel of the Company are board members of SGI. In addition, a majority of the board of directors of the Company has retained an ownership interest in SGI that in the aggregate represents a controlling interest in SGI. All transactions between the Company and Stack's Bowers are approved by our Audit Committee, and we believe that all such transactions are on terms no less favorable to the Company than would be obtained from an unaffiliated third party. Nonetheless, these transactions could be perceived as being conflicted.

## The materials held by A-Mark are subject to loss, damage, theft or restriction on access.

A-Mark has significant quantities of high-value precious metals at its Logistics facility, at third-party depositories and in transit. There is a risk that part or all of the gold and other precious metals held by A-Mark, whether on its own behalf or on behalf of its customers, could be lost, damaged or stolen. In addition, access to A-Mark's precious metals could be restricted by natural events (such as an earthquake) or human actions (such as a terrorist attack). Although we maintain insurance on terms and conditions that we consider appropriate, we may not have adequate sources of recovery if our precious metals inventory is lost, damaged, stolen or destroyed, and recovery may be limited. Among other things, our insurance policies exclude coverage in the event of loss as a result of terrorist attacks or civil unrest.

# Our Logistics depository is subject to authorization by our lenders.

Our lenders under our Trading Credit Facility have approved our Logistics facility as an authorized depository. If that approval were to be withdrawn for any reason, we would no longer be able to keep inventory at that location, which would substantially limit our ability to conduct business from that facility.

# Risks Related to our Direct-to Consumer Segment

## Our Direct-to-Consumer businesses could be subject to accusations of improper sales practices.

Through our JMB and Goldline subsidiaries, the Company sells precious metals and numismatics directly to the retail investor community. JMB markets its products over the internet. Goldline markets its precious metal products on television, radio, and over the internet, and through customer service outreach. Prior to its acquisition by the Company, Goldline had been accused of improper sales practices, and was the subject of a state enforcement action that was subsequently settled. Other retailers of precious metal products have similarly been the subject of accusations regarding their sales practices, including claims of misrepresentation, excessive product markups, pressured sales tactics and product switching. The Company believes that the sales practices of its Goldline subsidiary conform to applicable legal and ethical standards, and that there is no material basis for claims against Goldline in this regard. Nevertheless, given the nature of the retail precious metals business, the possibility that investors in precious metals may lose a substantial portion of their investment as a result of adverse market trends and the vulnerability of certain retail precious metal investors to economic loss, there can be no assurance that claims will not be made regarding business practices of Goldline or JMB or that, if made, such claims will not attract the attention of governmental and private sector consumer advocates. Were this to occur, the Company could suffer adverse publicity, be subject to governmental enforcements actions or be forced to modify the sales and marketing practices of its direct-to-consumer business.

# Our Direct-to-Consumer businesses operates in a highly competitive environment.

JMB and Goldline face competition from other specialty online precious metal and coin sites, as well as from traditional precious metal retail brokers and coin stores. In addition, certain general online merchandisers such as eBay also offer collectible coins and bullion for sale, and other major online retailers, with financial and marketing resources, name recognition and a customer base that are far greater than those that are available to JMB and Goldline, may in the future enter this market. Competition is based upon the demand and availability of coin and bullion product, price, delivery times, convenience and customer service. There can be no assurance that JMB and Goldline will be able to compete effectively with other retail sources and channels for precious coin and bullion, especially if the demand for these products were to contract from its current record high levels.

# JMB's search engine optimization strategies have provided it with an important competitive advantage, but this may not continue.

We believe that the internally developed search engine optimization (SEO) strategies of JMB provide its business with a competitive advantage in driving traffic to its sites over other e-commerce precious metal retailers and have been a significant factor in the growth of JMB. The challenges of efficient SEO programming are continually evolving, and other e-commerce retailers in the precious metal space are constantly working to improve their own SEO capabilities. If JMB does not continue to maintain its competitive edge in SEO technology, it could lose customers and market share to its competitors.

JMB relies upon paid and unpaid internet search engines to rank its product offerings and drive traffic to its website, and its website traffic may suffer if its rankings decline or its relationship with these services deteriorates.

JMB relies on paid and unpaid internet search engines to attract consumer interest in its product offerings. Search engine companies change their natural search engine algorithms periodically, and these changes may adversely affect JMB's product offerings in paid and/or unpaid searches. JMB may also at times be subject to ranking penalties if the operators of search engines believe it is not in compliance with their guidelines. If JMB's search engine rankings decline, and JMB is unable to timely regain its prior rankings, it may have to use more expensive marketing channels to sustain and grow its revenues, resulting in reduced profitability.

If JMB and Goldline do not respond effectively to technological and market changes, they will cease to be competitive with other channels that consumers may have for the purchase of precious coins and bullion.

To remain competitive, JMB must continue to enhance and improve the responsiveness, functionality and features of its online operations. The internet and the electronic commerce industry are characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies, and the emergence of new industry standards and practices.

The evolving nature of the internet could render JMB's existing technology and systems obsolete. Its continuing success will depend, in part, on its ability to:

- develop, license or acquire leading technologies useful in its business;
- develop new features and technology that address the increasingly sophisticated preferences of its customers; and
- respond to technological advances and emerging industry and regulatory standards and practices in a cost-effective and timely manner.

With the growth of e-commerce, the pace of change in product offerings and consumer tastes in the shipping and logistics industries is faster now than in years past. This accelerated pace of change increases uncertainty and places a greater burden on management to anticipate and respond to such changes. The increased pace of change also means that the window in which a technologically advanced or sophisticated product or service can achieve and maintain partner and consumer interest is shrinking and, to the extent JMB fails to timely anticipate or respond to changes in its industry, the effects of such missteps may be amplified.

Future advances in technology may not be beneficial to, or compatible with, JMB's or Goldline's businesses. Furthermore, JMB and Goldline may be unsuccessful in using new technologies effectively or adapting their technology and systems to user requirements or emerging industry standards on a timely basis. Their ability to remain technologically competitive may require substantial expenditures and lead time. If JMB or Goldline is unable to adapt in a timely manner and at reasonable cost to changing market conditions or user requirements, it will cease to be competitive with other channels for the purchase of precious coins and bullion.

# If JMB fails to continuously improve its website (on all relevant platforms, including mobile), it may not attract or retain customers.

JMB must continually update its website (on all relevant platforms, including mobile) to improve and enhance its content, accessibility, convenience and ease of use. Failure to do so may create a perception that the websites of JMB's competitors are easier to use and navigate or that they are better able to service customer needs for precious metal coins and bullion. If such a perception were to gain currency, traffic to JMB's website and its revenues would suffer.

# Certain of JMB's websites publish data concerning the precious metal markets obtained from third parties, which could be inaccurate.

JMB's silverprice.org and goldprice.org publish data on precious metal and cryptocurrency pricing which is obtained from third parties. While we believe that the sources of the published data are reliable, the data is not independently verified by JMB or us. If the data that JMB receives and publishes were inaccurate, and were relied upon by consumers visiting these websites, JMB could be exposed to liability and may suffer damage to its reputation.

## JMB expects to profit on precious metals acquired from its customers, but that might not be the case.

One of the services that JMB provides to its customers is its program of offering to repurchase precious coins and bullion owned by its customers. We believe that this program encourages the purchase of coins and bullion as an investment because it assures JMB's customers that their investment in the products offered by JMB will be liquid and can be monetized if the customers have a need for cash. JMB offers to repurchase coins and bullion from its customers at prices designed to reflect current market valuations, but also allows JMB to profit on the resale of the products. There can be no assurance, however, that JMB will in fact be able to resell product that it repurchases at a price that will justify the cost of repurchase. In a declining market for precious metal products, JMB could be burdened with substantial amounts of repurchased inventory that it is unable to resell at an economic price, or at all. If JMB were to suspend or discontinue its offer to repurchase coin and bullion from its customers because of adverse market conditions, it could antagonize its customers and impair the perception among its customers that precious coin and bullion is a safe and attractive investment.

# The Company's joint venture, Precious Metals Purchasing Partners, LLC, is subject to risks which may affect our ability to successfully operate the joint venture.

The Company owns 50% of Precious Metals Purchasing Partners, LLC, ("PMPP"), a joint venture which commenced operations in the first quarter of fiscal year 2020. PMPP purchases products primarily from end-user retail customers, which are then sold to the Company, related parties of the Company or third parties.

The Company's interest in PMPP is subject to the risks customarily associated with the conduct of joint ventures, including the risk of (i) failure to agree on strategic decisions requiring the approval of both parties, (ii) failure of the joint venture partner to meet its obligations, and (iii) disputes between the joint venturers or litigation regarding joint venture matters. Each of these risks could have a material adverse impact on the viability of PMPP, and its potential contributions to the Company's future cash flows and earnings.

In addition, PMPP is subject to the risks that it will be unable to sell the product that it acquires at economic prices or at all, similar to the risks described above with respect to JMB's repurchase program.

## Risks Related to our Secured Lending Segment

#### CFC may in certain circumstances be required to repurchase loans that it has securitized.

CFC has entered into a securitization financing whereby it has transferred, and may continue from time to time to transfer, to its subsidiary AMCF loans secured by precious metal coins or bullion. AMCF has issued 4.98% Class A Notes due 2023 and 5.98% Class B Notes due 2023 which are secured by these loans and related assets. While the notes are non-recourse to the Company or CFC, CFC is required to provide certain warranties concerning the loans and the security interest in the metals collateral securing the loans. In the event the warranties made with respect to any loan are breached and the breach materially and adversely affects the interests of the noteholders, CFC is required to either cure the breach or repurchase the loan within specified a timeframe. If CFC were to default on its repurchase obligations, this could materially adversely affect the business of CFC, and could adversely affect the Company's future ability to access the credit markets.

# CFC and the Company have exposure to the performance of AMCF.

Regulation RR of the SEC requires the sponsor of an asset-backed securitization transaction, or certain of its affiliates, to retain an economic interest in the transaction. In compliance with this rule, CFC retained the equity interest in AMCF, and the Company currently holds \$5.0 million of Class B Notes, which are subordinated to the Class A Notes. In addition, CFC and the Company may, from time to time, also contribute cash or sell precious metals to AMCF in exchange for subordinated, deferred payment obligations from AMCF. If the performance of AMCF were to suffer such that AMCF were unable to service its notes, CFC and the Company could lose part or all of their investments in AMCF.

Under the terms of the servicing arrangements for the precious metals loan securitization, CFC may be required to liquidate the collateral securing securitized loans, even if this would impair relationships with its customers.

CFC is the servicer for the loans transferred to AMCF in the securitization transaction. If, under certain circumstances, the equity levels of the obligors on particular loans falls below a specified level and those obligors fail to pay in additional equity, CFC is required to liquidate the metals collateral securing those loans within a specified time period. CFC does not have the flexibility to defer or refrain from the liquidation, even if CFC were to determine that it would be in its best interests to do so. This requirement could impair valuable relationships that the Company may otherwise have with its customers whose loans have been securitized.

## **Risks Relating to Commodities**

# A-Mark's business is heavily influenced by volatility in commodities prices.

A primary driver of A-Mark's profitability is volatility in commodities prices, which leads to wider bid and ask spreads. Among the factors that can impact the price of precious metals are supply and demand of precious metals; political, economic, and global financial events; movement of the U.S. dollar versus other currencies; and the activity of large speculators such as hedge funds. If commodity prices were to stagnate, there would likely be a reduction in trading activity, resulting in less demand for the services A-Mark provides, and spreads would likely decrease, which could materially adversely affect our profitability.

The period to period changes in volatility may cause our revenues to fluctuate, as a consequence of which our results for any one period may not be indicative of the results to be expected for any future period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

# Our business is exposed to commodity price risks, and our hedging activity to protect our inventory is subject to risks of default by our counterparties.

A-Mark's precious metals inventory is subject to market value changes created by changes in the underlying commodity price, as well as supply and demand of the individual products the Company trades. In addition, open sale and purchase commitments are subject to changes in value between the date the purchase or sale is fixed (the trade date) and the date metal is delivered or received (the settlement date). A-Mark seeks to minimize the effect of price changes of the underlying commodity through the use of financial derivative instruments, such as forward and futures contracts. A-Mark's policy is to remain substantially hedged as to its inventory position and its individual sale and purchase commitments. A-Mark's management monitors its hedged exposure daily. However, there can be no assurance that these hedging activities will be adequate to protect the Company against commodity price risks associated with A-Mark's business activities.

Furthermore, even if we are fully hedged as to any given position, there is the risk of default by our counterparties to the hedge. A default by a counterparty on a substantial hedge could have a material adverse effect on our business.

## Increased commodity pricing could limit the inventory that we are able to carry.

We maintain a large and varied inventory of precious metal products, including bullion and coins, in order to support our trading activities and provide our customers with superior service. The amount of inventory that we are able to carry is constrained by the borrowing limitations and working capital covenants under the Trading Credit Facility. If commodity prices were to rise substantially, and we were unable to modify the terms of the Trading Credit Facility to compensate for the increase, the quantity of product that we could finance, and hence maintain in our inventory, would fall. This would likely have a material adverse effect on our operations.

# We rely on the efficient functioning of commodity exchanges around the world, and disruptions on these exchanges could adversely affect our business.

The Company buys and sells precious metals contracts on commodity exchanges around the world, both in support of its customer operations and to hedge its inventory and transactional exposure against fluctuations in commodity prices. The Company's ability to engage in these activities would be compromised if the exchanges on which the Company trades or any of their clearinghouses were to discontinue operations or to experience disruptions in trading, due to computer problems, unsettled markets, sanctions against commodity exporting countries or other factors. For example, if there were to be disruptions in the supply chain for gold, silver, platinum or palladium, similar to what the market for nickel is currently experiencing as a consequence of the war in Ukraine and the Russian sanctions, our ability to buy and sell these metals on the commodity exchanges would be materially and adversely affected.

The Company may also experience disruption and risk of loss if futures commission merchants or commodity brokers with whom the Company deals were to become insolvent or bankrupt.

## Our business is subject to the risk of fraud and counterfeiting.

The precious metals (particularly bullion) business is exposed to the risk of loss as a result of "materials fraud" in its various forms. We seek to minimize our exposure to this type of fraud through a number of means, including third-party authentication and verification, reliance on our internal experts and the establishment of procedures designed to detect fraud. However, there can be no assurance that we will be successful in preventing or identifying this type of fraud, or in obtaining redress in the event such fraud is detected.

# Risk Related to our Regulatory Environment

## We are subject to laws and regulations.

There are various federal, state, local and foreign laws, ordinances and regulations that affect our trading business. For example, because of the nature and value of the products in which deal, we are required to comply with the Foreign Corrupt Practices Act and a variety of anti-money laundering and know-your-customer rules in response to the USA Patriot Act

The SEC has promulgated rules mandated by the Dodd-Frank Act regarding disclosure, on an annual basis, of the use of tin, tantalum, tungsten and gold, known as conflict minerals, in products manufactured by public companies. These rules require due diligence to determine whether such minerals originated from the Democratic Republic of Congo ("DRC") or an adjoining country and whether such minerals helped finance the armed conflict in the DRC.

The Company has concluded that it is not currently subject to the conflict minerals rules because it is not a manufacturer of conflict minerals under the definitions set forth in the rules. Depending on developments in the Company's business, it could become subject to the rules at some point in the future. In that event, there will be costs associated with complying with these disclosure requirements, including costs to determine the origin of gold used in our products. In addition, the implementation of these rules could adversely affect the sourcing, supply and pricing of gold used in our products. Also, we may face disqualification as a supplier for customers and reputational challenges if the due diligence procedures we implement do not enable us to verify the origins for the gold used in our products or to determine that the gold is conflict free.

CFC operates under a California Finance Lenders License issued by the California Department of Financial Protection and Innovation. CFC is required to submit a finance lender law annual report to the state which summarizes certain loan portfolio and financial information regarding CFC. The Department of Financial Protection and Innovation may audit the books and records of CFC to determine whether CFC is in compliance with the terms of its lending license. In addition, although we do not believe that our activities fall within the jurisdiction of the Commodity Futures Trading Commission, we have been subject to an ongoing investigation by this agency, which may in the future, along with other federal and state agencies, seek to assert oversight over aspects of our operations.

There can be no assurance that the regulation of our trading and lending businesses will not increase or that compliance with the applicable regulations will not become more costly or require us to modify our business practices.

For other risks related to government regulation, see "Risk Factors of General Applicability — We are subject to other laws and regulations," below.

# Compliance with new data protection/privacy statutes could increase our costs and expose the Company to possible sanctions for violation.

By reason of our Direct-to-Consumer business in particular, we collect personal data.

In 2016, the European Union ("EU") adopted a comprehensive overhaul of its data protection regime from the current national legislative approach to a single European Economic Area Privacy Regulation, the General Data Protection Regulation ("GDPR"), which went into effect in May 2018. The EU data protection regime expands the scope of the EU data protection law to all foreign companies processing personal data of EU residents, imposes a strict data protection compliance regime with severe penalties of up to the greater of 4% of worldwide turnover or €20 million, and includes new rights such as the "portability" of personal data. Although the GDPR applies across the EU without a need for local implementing legislation, EU member states have the ability to interpret the GDPR opening clauses, which permit region-specific data protection legislation and have the potential to create inconsistencies on a country-by-country basis.

Our Direct-to-Consumer business currently has limited international operations which would subject it to the GDPR. Our Wholesale Sales and Ancillary Services segment maintains an office in Vienna, Austria that provides marketing support services for its international (including EU) customers. We have evaluated the new regulation and its requirements, and believe we are currently in compliance with the GDPR in all material respects. Going forward, however, the expansion of our international operations could require us to change our business practices and may increase the costs and complexity of compliance. Also, a violation by the Company of this regulation could expose us to penalties and sanctions under the regulation.

In 2018, California passed the California Consumer Privacy Act of 2018 ("CCPA"), effective on January 1, 2020. This law provides California consumers with a greater level of transparency and broader rights and choices with respect to their personal information than those contained in any existing state and federal laws in the U.S. The "personal information" regulated by CCPA is broadly defined to include identification or association with a California consumer or household, including demographics, usage, transactions and inquiries, preferences, inferences drawn to create a profile about a consumer, and education information. Compliance with CCPA requires the implementation of a series of operational measures such as preparing data maps, inventory, or other records of all personal information pertaining to California residents, households and devices, as well as information sources, usage, storage, and sharing, maintaining and updating detailed disclosures in privacy policies, establishing mechanisms (including, at a minimum, a toll-free telephone number and an online channel) to respond to consumers' data access, deletion, portability, and opt-out requests, providing

a clear and conspicuous "Do Not Sell My Personal Information" link on the home page of the business' website, etc. CCPA prohibits businesses from discriminating against consumers who have opted out of the sale of their personal information, subject to a narrow exception. Violations of CCPA will result in civil penalties up to \$7,500 per violation. CCPA further allows consumers to file lawsuits against a business if a data breach has occurred and the California Attorney General does not prosecute the business.

In addition, effective on October 1, 2019, existing Nevada law was amended by a bill that requires operators of websites and online services to post a notice on their websites regarding their privacy practices. The bill requires operators of internet websites or online services to establish a designated request address through which a consumer may submit a verified request directing such operators not to make any sale of covered information collected about the consumer. The "covered information" regulated by the bill is defined to include an enumerated list of items of personally identifiable information (including names, addresses, email addresses, phone numbers, social security numbers and identifiers that allow a specific person to be contacted). Virginia, Colorado, and Utah have recently passed similar data privacy laws, which come into effect in 2023

The changes introduced by these statutes, and other similar regulations enacted by other jurisdictions, will subject the Company to additional costs and complexity of compliance, by requiring, among other things, changes to the Company's security systems, policies, procedures and practices. In addition, a violation by the Company of the new regulations could expose us to penalties and sanctions.

# One or more states or municipalities could assert that the Company is liable for sales and use, commerce, or similar type of taxes, which could adversely affect our business.

We ship product to retail customers throughout the United States. In South Dakota v. Wayfair, Inc. et al ("Wayfair"), the U.S. Supreme Court ruled that states may charge tax on purchases made from out-of-state sellers, even if the seller does not have a physical presence in the taxing state. The effect of Wayfair was to uphold economic nexus principles in determining sales and use tax nexus. As a result of the decision, most states have adopted laws that require an out-of-state retailer to register and collect sales and use or other non-income type taxes upon meeting certain economic nexus standards regardless of whether the company has physical presence in the state. Although the Company believes it is complying with these requirements, our interpretation and application of the newly enacted legislation may differ from the states, which could result in the states' attempt to impose additional tax liabilities, including potential penalties and interest. Furthermore, the requirements by state or local governments on out-of-state sellers to collect sales and use taxes could deter futures sales, which could have an adverse impact on our business.

For other risks related to taxation, see "Risk Factors of General Applicability — We are subject to other laws and regulations— Changes in U.S. tax law could adversely affect our business," below.

# We use lead providers and marketing affiliates to assist us in obtaining new customers and, and if lead providers or marketing affiliates do not comply with an increasing number of applicable laws and regulations, or if our ability to use such lead providers or marketing affiliates is otherwise impaired, it could adversely affect our business.

We are dependent on third parties, referred to as lead providers (or lead generators) and marketing affiliates, as a source of new customers for our Direct-to-Consumer segment and new borrowers for our Secured Lending segment. Our marketing affiliates place our advertisements on their websites that direct potential customers to our websites. Generally, lead providers operate, and also work with their own marketing affiliates who operate, separate websites to attract prospective customers and then sell those "leads" to online traders and lenders. As a result, the success of our Direct-to-Consumer and Secured Lending businesses depends substantially on the willingness and ability of lead providers or marketing affiliates to provide us customer leads at acceptable prices.

If regulatory oversight of lead providers or marketing affiliates is increased, through the implementation of new laws or regulations or the interpretation of existing laws or regulations, our ability to use lead providers or marketing affiliates could be restricted or eliminated. For example, the Consumer Financial Protection Bureau ("CFPB") has indicated its intention to examine compliance with federal laws and regulations by lead providers and to scrutinize the flow of non-public, private borrower information between lead providers and lead buyers, such as us. Over the past few years, several states have taken actions that have caused us to discontinue the use of lead providers in those states. While these discontinuations did not have a material adverse effect on us, other states may propose or enact similar restrictions on lead providers and potentially on marketing affiliates in the future, and if other states adopt similar restrictions, our ability to use lead providers or marketing affiliates in those states would also be interrupted.

The failure by lead providers or marketing affiliates to comply with applicable laws or regulations, or any changes in laws or regulations applicable to lead providers or marketing affiliates or changes in the interpretation or implementation of such laws or regulations, could have an adverse effect on our business and could increase negative perceptions of our business and industry. Additionally, the use of lead providers and marketing affiliates could subject us to additional regulatory cost and expense. If our ability to use lead providers or marketing affiliates were to be impaired, our business could be materially adversely affected.

# Judicial decisions, CFPB rulemaking or amendments to the Federal Arbitration Act could render the arbitration agreements we use illegal or unenforceable.

We include arbitration provisions in our loan and financing agreements. These provisions are designed to allow us to resolve any customer disputes through individual arbitration rather than in court and explicitly provide that all arbitrations will be conducted on an individual and not on a class basis. Thus, our arbitration agreements, if enforced, have the effect of shielding us from class action

liability. Our arbitration agreements do not generally have any impact on regulatory enforcement proceedings. We take the position that the arbitration provisions in loan and financing agreements, including class action waivers, are valid and enforceable; however, the enforceability of arbitration provisions is often challenged in court. If those challenges are successful, our arbitration and class action waiver provisions could be unenforceable, which could subject us to additional litigation, including additional class action litigation.

In addition, the U.S. Congress has considered legislation that would generally limit or prohibit mandatory arbitration agreements in consumer contracts and has enacted legislation with such a prohibition with respect to certain mortgage loan agreements and also certain consumer loan agreements to members of the military on active duty and their dependents. Further, the Dodd-Frank Act directed the CFPB to study consumer arbitration and authorized the CFPB to adopt rules limiting or prohibiting consumer arbitration, consistent with the results of its study. In July 2017, the CFPB issued a new rule on arbitration, which would have prohibited class action waivers in certain consumer financial services contracts. However, in November 2017, a joint resolution passed by Congress was signed disapproving the rule under the Congressional Review Act. Because the rule was disapproved, it cannot be reissued in substantially the same form, and the CFPB cannot issue a substantially similar rule unless the new rule is specifically authorized by a law enacted after the date of the joint resolution disapproving the original rule.

Any judicial decisions, legislation or other rules or regulations that impair our ability to enter into and enforce consumer arbitration agreements and class action waivers will increase our exposure to class action litigation as well as litigation in plaintiff-friendly jurisdictions, which would be costly and could have a material adverse effect on our business

# Our advertising and marketing materials and disclosures related to our Direct-to-Consumer and Secured Lending segments have been and continue to be subject to regulatory scrutiny.

In the jurisdictions where our Direct-to-Consumer business operates, our advertising and marketing activities and disclosures are subject to regulation under various industry standards, borrower protection laws, and other applicable laws and regulations. Consistent with the lending industry as a whole, our advertising and marketing materials have come under increased scrutiny.

Going forward, there can be no guarantee that we will be able to advertise and market our business units in a manner we consider effective. Any inability to do so could have a material adverse effect on our business.

#### Risks Relating to Our Common Stock

# We are not currently paying regular dividends and may not pay any dividends in the future.

The Company suspended its regular dividend policy in the third quarter of fiscal 2019. The declaration of cash dividends is subject to the determination each quarter by the Board of Directors, based on its assessment of a number of factors, including the Company's financial performance, available cash resources, cash requirements, bank covenants, and alternative uses of cash that the Board of Directors may conclude would represent an opportunity to generate a greater return on investment for the Company.

There can be no assurance that the Company will resume paying dividends on a regular basis. If the Board of Directors were to determine not to pay dividends in the future, stockholders would not receive any further return on an investment in our capital stock in the form of dividends and may obtain an economic benefit from the common stock only after an increase in its trading price and only by selling the common stock.

In August 2021, the Company paid a special cash dividend to our stockholders, as a consequence in part of the Company's favorable performance during the preceding periods. There is no assurance that any such special dividend will be paid in the future, and if made, the timing and amount of any such dividend.

## Your percentage ownership in the Company could be diluted in the future.

Your percentage ownership in A-Mark potentially could be diluted in the future because of additional equity awards that we expect will be granted to our directors, officers and employees. We have established an equity incentive plan that provides for the grant of common stock-based equity awards to our directors, officers and other employees. In addition, we may issue equity in order to raise capital or in connection with future acquisitions and strategic investments, which could dilute your percentage ownership. For example, in the acquisition of JMB, we issued stock to the former owners of the company in partial consideration for their interests.

# Provisions in our Certificate of Incorporation and Bylaws and of Delaware law may prevent or delay an acquisition of the Company, which could decrease the trading price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws and Delaware law contain certain anti-takeover provisions that could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company without negotiating with our board of directors. Such provisions could limit the price that certain investors might be willing to pay in the future for the Company's securities. Certain of such provisions allow the Company to issue preferred stock with rights senior to those of the common stock, impose various procedural and other requirements which could make it more difficult for stockholders to effect certain corporate actions and set forth rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings.

We believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirors to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal. However, these provisions apply even if an acquisition offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is not in the best interests of our Company and our stockholders. Accordingly, in the event that our board determines that a potential business combination transaction is not in the best interests of our Company and our stockholders, but certain stockholders believe that such a transaction would be beneficial to the Company and its stockholders, such stockholders may elect to sell their shares in the Company and the trading price of our common stock could decrease.

#### Our board and management beneficially own a sizeable percentage of our common stock and therefore have the ability to exert substantial influence as stockholders.

Members of our board and management beneficially own approximately 25% of our outstanding common stock. Acting together in their capacity as stockholders, the board members and management could exert substantial influence over matters on which a stockholder vote is required, such as the approval of business combination transactions. Also because of the size of their beneficial ownership, the board members and management may be in a position effectively to determine the outcome of the election of directors and the vote on stockholder proposals. The concentration of beneficial ownership in the hands of our board and management may therefore limit the ability of our public stockholders to influence the affairs of the Company.

### **Risk Factors of General Applicability**

#### If our customer data were breached, we could suffer damages and loss of reputation.

We maintain significant amounts of customer data on our systems, and certain third party providers have access to confidential data concerning the Company. A breach of customer data maintained by the Company or third party providers could damage our reputation and result in costs, fines and lawsuits. Our procedures to protect against unauthorized access to secured data may be inadequate to safeguard against all data security breaches.

#### The Company's failure or inability to protect its intellectual property could harm its competitive position.

The Company relies on a combination of patent, trade secret, copyright and trademark laws and contractual restrictions, such as confidentiality agreements and licenses, to protect its business, services, know-how and information. The Company's patent, trademarks or service marks may be challenged or found to be unenforceable, and contractual arrangements to protect our intellectual property may be insufficient to prevent its misappropriation. If that were the case, the Company's competitive position would suffer.

#### Third parties may assert violations of their intellectual property rights against the Company.

Third parties may currently have, or may be issued, patents upon which the technologies used by the Company infringe. The Company could incur significant costs to defend infringements claims, regardless of their validity, or could be required to develop non-infringing technology at considerable expense or be compelled to enter into expensive royalty or license agreements. For example, JMB was compelled to expend significant resources as a consequence of litigation in which it was accused of infringement prior to its acquisition by the Company.

#### We are subject to other laws and regulations.

In addition to matters discussed above, we are subject to various laws, and regulations, both domestic and foreign, as well as responsible business, social and environmental practices, which may change from time to time. Failure to comply with applicable laws and regulations or implement responsible business practices could subject us to damage to our reputation, lawsuits, criminal exposure, or increased cost of regulatory compliance.

## Changes in U.S. tax law could adversely affect our business.

Changes to tax laws (which changes may have retroactive application) could adversely affect us or holders of our common stock. It cannot be predicted whether, when, in what form, or with what effective dates, new tax laws or regulations may be enacted under existing or new tax laws. This could result in an increase in our tax liability or require changes in our business in order to mitigate any adverse effects of changes in tax laws.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## **Share Repurchase Program**

In April 2018, the Company's Board of Directors approved a share repurchase program which authorized the Company to purchase up to 500,000 shares of its common stock from time to time, either in the open market or in block purchase transactions. The amount and timing of specific repurchases are subject to market conditions, applicable legal requirements and other factors. As of March 31, 2022, no shares had been repurchased under the program.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

## ITEM 4. MINE SAFETY DISCLOSURES

None.

### **ITEM 5. OTHER INFORMATION**

None.

## ITEM 6. EXHIBITS

Regulation S-K	
Exhibit Table Item No.	Description of Erwihit
10.1 *	Pirst Amendment to Credit Agreement (the "Credit Agreement"), dated December 21, 2021, among the Company, the other loan parties party thereto, CIBC Bank USA, as agent and joint lead arranger, Coöperatieve Rabobank U.A., Axos Bank, Brown Brothers Harriman, California Bank & Trust and First Foundation Bank as joint lead arrangers, and the various financial institutions party thereto as lenders.
10.2 *	Amended and Restated 2014 Stock Award And Incentive Plan.
31.1 *	Certification Under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Certification Under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 *	Certification Under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification Under Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS *	Inline XBRL Instance Document.
101.SCH *	Inline XBRL Taxonomy Extension Calculation Schema Document.
101.CAL *	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF *	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB *	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE *	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104 *	Cover Page interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
* Filed herewith ** Previously filed	

## **SIGNATURES**

May 6, 2022

May 6, 2022

Date:

Date:

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.

A-MARK PRECIOUS METALS, INC.

By: /s/ Gregory N. Roberts

Name: Gregory N. Roberts
Title: Chief Executive Officer
(Principal Executive Officer)

A-MARK PRECIOUS METALS, INC.

By: /s/ Kathleen Simpson-Taylor

Name: Kathleen Simpson-Taylor
Title: Chief Financial Officer
(Principal 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 dates indicated.

Signatures	Title(s)	Date
/s/ Gregory N. Roberts Gregory N. Roberts	Chief Executive Officer and Director (Principal Executive Officer)	May 6, 2022
/s/ Kathleen Simpson-Taylor Kathleen Simpson-Taylor	Chief Financial Officer (Principal Financial Officer)	May 6, 2022
	112	
	112	

## FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), effective as of April 22, 2022, is by and among A-MARK PRECIOUS METALS, INC., a Delaware corporation (the "Borrower"), the other Loan Parties party hereto, the Lenders party hereto, and CIBC BANK USA, as administrative agent for the Lenders (in such capacity, the "Agent").

#### RECITALS

- A. The Borrower, the other Loan Parties from time to time party thereto, the Lenders from time to time party thereto, and Agent are party to a Credit Agreement, dated as of December 21, 2021 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement");
- B. The Borrower desires to modify certain terms and conditions of the Credit Agreement on the terms and conditions set forth herein; and
- C. The Agent and the Lenders are willing to agree to the requested modifications contained in this Amendment, on the terms and conditions set forth herein.
- NOW, THEREFORE, in consideration of the foregoing promises and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:
- 1. Defined Terms. Capitalized terms used in this Amendment and not defined herein shall have the meaning given in the Credit Agreement.
- 2. Amendments to Credit Agreement.
  - (a) The following defined terms are hereby added to <u>Section 1.1</u> of the Credit Agreement in proper alphabetical order:
    - ""<u>First Amendment</u>" means the First Amendment to Credit Agreement, dated as of the First Amendment Effective Date, by and among the Borrower, the other Loan Parties party thereto, the Lenders party thereto, and Agent."
      - ""First Amendment Effective Date" means April 22, 2022."
- (b) The following defined term set forth in <u>Section 1.1</u> of the Credit Agreement is hereby amended and restated in its entirety as follows:
  - ""Permitted Ownership Based Financing" means an Ownership Based Financing (other than Liabilities for Borrowed Metals) between the Borrower and an Ownership Based Financing Counterparty which satisfies the following conditions precedent: (a) both before and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing and no mandatory prepayment under Section 6.2(b) shall then be required; (b) after giving effect to such Ownership Based Financing, the aggregate purchase price paid by all Ownership Based Financing Counterparties for all Ownership

Based Financing Property under all such Ownership Based Financings does not exceed (i) from the First Amendment Effective Date through and including December 31, 2022, \$500,000,000 outstanding at any time during such period (provided that the aggregate purchase price thereof outstanding at any time may exceed such limit by not more than 10% for a period of up to five (5) consecutive Business Days on not more than five (5) separate occasions during such period (which shall not be consecutive)), and (ii) at any other time, \$375,000,000 outstanding at any time (provided that the aggregate purchase price thereof outstanding at any time may exceed such limit by not more than 10% for a period of up to five (5) consecutive Business Days on not more than five (5) separate occasions in any Fiscal Year (which shall not be consecutive)), or such greater amount as approved by the Required Lenders (in their sole discretion)); and (c) after giving effect to the SCMI Ownership Based Financing, the aggregate purchase price paid by SCMI (or any of its affiliates) for all Ownership Based Financing Property thereunder does not exceed \$75,000,000 outstanding at any time, or such greater amount as approved by the Required Lenders (in their sole discretion)."

- (c) Section 9.22(b)(ii) of the Credit Agreement is hereby amended and restated in its entirety as follows:
  - "(ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions (including, as of the First Amendment Effective Date, the Crimea, Donetsk and Luhansk regions of Ukraine, Cuba, Iran, North Korea, Syria and Venezuela)."
- (d) Section 11.10(c) of the Credit Agreement is hereby amended and restated in its entirety as follows:
  - "(c) in connection with a Permitted Acquisition or any Investment permitted under Section 11.11."
- (e) <u>Section 11.14(d)</u> of the Credit Agreement is hereby amended and restated in its entirety as follows:
  - "(d) Maximum Ownership Based Financings. Not permit the aggregate purchase price paid by all Ownership Based Financing Counterparties for all Ownership Based Financing Property under all Ownership Based Financings to exceed (i) from the First Amendment Effective Date through and including December 31, 2022, \$500,000,000 outstanding at any time during such period, and (ii) at any other time, \$375,000,000 outstanding at any time."
- (f) <u>Exhibit B</u> (Form of Compliance Certificate) to the Credit Agreement is hereby replaced with the form of <u>Attachment A</u> to this Amendment.
- 3. <u>Loan Document Amendments</u>. Each of the other Loan Documents is hereby amended to conform to the amendments to the Credit Agreement as set forth in <u>Paragraph 2</u> above.
- 4. <u>Ratification of Loan Documents and Collateral</u>. The Loan Documents are ratified and affirmed by the Borrower, and shall remain in full force and effect, as modified by this

Amendment. Any property or rights to or interests in property granted as security in the Loan Documents shall remain as security for the Loans and the Obligations of Borrower and the other Loan Parties in the Loan Documents.

- 5. <u>Payment of Costs and Fees</u>. Borrower shall reimburse Agent for all attorney costs, search fees and other expenses incurred in connection with the negotiation, drafting, execution, filing and recording of this Amendment and any related Loan Documents.
- 6. <u>Conditions Precedent</u>. Notwithstanding anything to the contrary set forth herein, the terms and provisions of this Amendment shall not be effective unless and until all of the following shall have occurred or been waived by Agent and the Lenders:
- (a) Borrower, the Loan Parties party hereto, the Lenders party hereto, and Agent shall have executed and delivered this Amendment to Agent.
- (b) No Event of Default or Default shall have occurred and be continuing on the date hereof or would exist after giving effect to this Amendment.
  - (c) Borrower shall have paid all fees required to be paid pursuant to <u>Paragraph 5</u> hereof.
- (d) Borrower shall have provided to Lender such other items and shall have satisfied such other conditions as may be reasonably required by Lender.
- 7. Representations, Warranties and Covenants. Each Loan Party represents, warrants and covenants to Lender that:
- (a) No Default or Event of Default under any of the Loan Documents, after giving effect to this Amendment, has occurred and is continuing.
- (b) After giving effect to the amendments provided for in this Amendment, each and all representations and warranties of the Loan Parties in the Loan Documents are true and correct in all material respects (without duplication as to any materiality modifiers, qualifications or limitations set forth therein) on the date hereof (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties were true and correct in all material respects as of such earlier date, without duplication as to any materiality modifiers, qualifications or limitations set forth therein).
- (c) No Loan Party has any claims, counterclaims, defenses or set-offs with respect to the Loans or the Loan Documents as modified herein.
- (d) The Loan Documents as modified herein are the legal, valid, and binding obligation of each Loan Party, enforceable against each such Loan Party in accordance with their terms.
- (e) Each Loan Party validly exists under the laws of the State of Delaware, and has the requisite power and authority to execute and deliver this Amendment and to perform the Loan Documents as modified herein. The execution and delivery of this Amendment and the performance of the Loan Documents as modified herein have been duly authorized by all requisite

action by or on behalf of the Borrower and each other Loan Party that is a party hereto. This Amendment has been duly executed and delivered by the Borrower and each other Loan Party that is a party hereto.

- 8. <u>Miscellaneous</u>. <u>Section 15.8</u> (Governing Law), <u>Section 15.20</u> (Forum Selection and Consent to Jurisdiction) and <u>Section 15.21</u> (Waiver of Jury Trial) of the Credit Agreement are incorporated mutatis mutandis.
- 9. No Novation. Nothing in this Amendment shall be construed to be or constitute any novation of Borrower's obligations to the Lenders or the Agent.
- 10. Claims Release. Each Loan Party hereby fully, finally and forever releases, waives, and discharges Agent and each Lender and its successors, assigns, directors, officers, employees, agents and representatives (each a "Releasee") from any and all actions, causes of action, claims, debts, demands, liabilities, obligations and suits ("Claims") of whatever kind or nature, in law or in equity, that such Loan Party has or in the future may have, whether known or unknown, arising from events prior to the date hereof in respect to the Loan and the Loan Documents; provided, that with respect to any Releasee, the foregoing release shall not apply to (x) any Claims arising as a result of material breach by such Releasee of this Amendment, or (y) any Claims resulting from such Releasee's gross negligence or willful misconduct as determined by a final, non-appealable judgment of a court of competent jurisdiction.
- 11. <u>Headings of Subdivisions</u>. The headings of subdivisions in this Amendment are for convenience of reference only, and shall not govern the interpretation of any of the provisions of this Amendment.
- 12. Counterpart Execution. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same instrument. Delivery of an executed counterpart of this Amendment by pdf or facsimile shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by pdf or facsimile also shall deliver an original executed counterpart of this Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

## [REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written. This Amendment shall constitute a Loan Document.

# BORROWER: A-MARK PRECIOUS METALS, INC

By: Kathleen Simpson Taylor Chief Financial Officer Name: Title: SUBSIDIARY GUARANTORS: JM BULLION, INC. By: Name: Title: Michael Wittmeyer President COLLATERAL FINANCE CORPORATION By: Gregory N. Roberts Chief Executive Officer Name: Title: TRANSCONTINENTAL DEPOSITORY SERVICES, LLC By: Gregory N. Roberts Chief Executive Officer Name: Title: A-M GLOBAL LOGISTICS, LLC By: Name: Kathleen Simpson Taylor Chief Financial Officer Title: AM&ST ASSOCIATES, LLC By: Name: Gregory N. Roberts Chief Executive Officer Title: GOLDLINE, INC. By:

Chief Executive Officer

Gregory N. Roberts

Name:

Title:

## AM IP ASSETS, LLC

By:	
Name:	Kathleen Simpson Taylor
Title:	Chief Financial Officer
AM SERVIC	ES II C
ANI SLICVIC	LS, LLC
By:	
Name:	Gregory N. Roberts
Title:	Chief Executive Officer
THIC.	Chief Executive Officer
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CFC ALTER	NATIVE INVESTMENTS, LLC
D 1. 1	1 1 1 1 2 1 2 1 1 1 1
By: its sole m	nember, A-Mark Precious Metals, Inc.
D	
By:	W 41 0' T 1
Name:	Kathleen Simpson Taylor
Title:	Chief Financial Officer
GOLD PRICE	E GROUP
By:	
Name:	Michael Wittmeyer
Title:	President
SILVER.CON	M INC
SIEVER.COI	11, 11 (C.
By:	
Name:	Michael Wittmeyer
Title:	President
THIC.	Tesident
PROVIDENT	Γ METALS CORP
110,1221	
By:	
Name:	Michael Wittmeyer
Title:	President

AGENT:

CIBC BANK USA

By: Name: Title:

Cole Anderson Associate Managing Director

## PREMIER VALLEY BANK, as a Lender

AXOS BANK, as a Lender

## BOKF, NA DBA BANK OF OKLAHOMA, as a Lender

By:		
Name:		
Title:		

ZIONS BANCORPORATION, N.A., dba CALIFORNIA BANK & TRUST, as a Lender			
By: Name: Title:			
	11		

## FIRST FOUNDATION BANK, as a Lender

By: Name: Fitle:			

## HSBC BANK USA, N.A., as a Lender

By:		
By: Name:		
Title:		

## TEXAS CAPITAL BANK, as a Lender

By:			
Name:	·		
Title:			

## BROWN BROTHERS HARRIMAN & CO., as a Lender

By:			
Name:			
Title:	•		
	-		

## COÖPERATIVE RABOBANK U.A., NEW YORK BRANCH, as a Lender

By:		
By: Name: Title:		
Title:		

## Attachment A

### **EXHIBIT B**

### FORM OF COMPLIANCE CERTIFICATE

To: CIBC Bank USA, as Agent

Please refer to the Credit Agreement dated as of December 21, 2021 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among A-MARK PRECIOUS METALS, INC. (the "Borrower"), the various financial institutions party thereto, and CIBC Bank USA, as Agent. Terms used but not otherwise defined herein are used herein as defined in the Credit Agreement.

- II. <u>Financial Tests</u>. Borrower hereby certifies and warrants to you that the following is a true and correct computation as at the Computation Date of the following ratios and/or financial restrictions contained in the Credit Agreement:

A.	Section 11.14(a) - Minimum Consolidated Working Capital			
	1.	Consolidated Current Assets of the Consolidated Group	\$	
	2.	<u>Less</u> : Consolidated Current Liabilities of the Consolidated Group	\$	
	3.	Total (Consolidated Working Capital)	\$	
	4.	Minimum required	\$150,000,000	
В.	Section 1	11.14(b) - Minimum Fixed Charge Coverage Ratio		
	1.	Consolidated Net Income	\$	
	2.	Plus: Interest Expense	\$	
		income tax expense	\$	
		depreciation	\$	
		amortization	\$	
		transaction expenses incurred in connection with the Loan Documents and incurred up to \$500,000 whether paid concurrently or within thirty (30) of the Closing Date	\$	

	non-cash expenses and losses incurred in the ordinary course of business and reasonably acceptable to Agent	\$
	non-recurring expenses (including restructuring expenses) reasonably acceptable to Agent	\$
	interest payments received in cash from CFC Borrowers net of operating costs of Collateral Finance Corporation in connection with all CFC Loans	\$
	interest payments received in cash from Stacks-Bowers net of operating costs of Borrower in connection with the Spectrum Ownership Based Financing	\$
<u>Less</u> :	non-cash income tax benefits or gains	\$
	any cancellation of Debt income	\$
	additions attributable to minority interests, except to the extent of cash dividends or distributions actually received by the Borrower	\$
	any non-cash charges previously added back pursuant to the relevant clause above to the extent that, during such period, such non-cash charges have become cash charges	\$
	any gains from non-ordinary course asset dispositions	\$
	any extraordinary gains including interest income	\$
	any gains from discontinued operations	\$
	the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of Borrower or any of its Subsidiaries or is merged into or consolidated with Borrower or any of its Subsidiaries	\$
	the income (or deficit) of any Person (other than a Subsidiary of Borrower) in which Borrower or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by Borrower or such Subsidiary in the form of dividends or similar distributions	\$
	the undistributed earnings of any Subsidiary of Borrower to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation (other than under any Loan Documents) or requirement of law applicable to such Subsidiary	\$
		1

	3.	Total (EBITDA)	\$			
	4.	Less: Income taxes paid or payable in cash by the Loan Parties net of any income tax refunds to the extent paid in cash	\$			
	5.	dividends or distributions of cash paid to the holders of Capital Securities in any Loan Party	\$			
	6.	unfinanced Capital Expenditures	\$			
	7.	Sum of (4) through (6)	\$			
	8.	Remainder of (3) minus (7)	\$			
	9.	cash Interest Expense	\$			
	10.	required payments of principal of Funded Debt (excluding the Revolving Loans)	\$			
	11.	fees paid in connection with any Repo arrangement including the CIBC Permitted Metals Loan Agreement	\$			
	12.	fees paid in connection with any Unsecured Metals Leases	\$			
	13.	fees paid in connection with any Ownership Based Financing	\$			
	14.	Sum of (9) through (13)	\$			
	15.	Ratio of (8) to (14)	to 1			
	16.	Minimum Required	1.20 to 1			
C.	Section	Section 11.14(c) - Maximum Total Recourse Debt to Consolidated Tangible Net Worth				
	1.	Total Recourse Debt	\$			
	2.	Consolidated Tangible Assets	\$			
	3.	Less: Consolidated Liabilities	\$			
	4.	Remainder of (2) minus (3)	\$			
	5.	Ratio of (1) to (4)	to 1			
	6.	Maximum allowed	4.50 to 1			
D.	Section	Section 11.14(d) - Maximum Ownership Based Financings				
	1.	Total Ownership Based Financings	\$			
	2.	Maximum allowed	\$[¹]			
E.	Section	11.14(e) – Maximum SCMI Ownership Based Financings	<u> </u>			

	1.	Total SCMI Ownership Based Financings	\$	
	2.	Maximum allowed	\$75,000,000	
Borrower further certifies to you that no Default or Event of Default has occurred and is continuing.				
Borrower has caused this Certificate to be executed and delivered by its duly authorized officer on,				

A-MARK PI	RECIOUS	METALS,	INC.,	as Borrower
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By:	
Name:	
Title:	

 $<sup>\</sup>overline{\mbox{$^{[1]}$ NTD: From the}} \ \mbox{First Amendment Effective Date through and including December 31, 2022, $500,000,000, and at any other time, $375,000,000.} \\ 20$ 

### A-MARK PRECIOUS METALS, INC.

### 2014 Stock Award And Incentive Plan As Amended and Restated February 23, 2022

#### 1. Purpose of the Plan.

The purpose of this 2014 Stock Award and Incentive Plan (the "Plan") is to aid A-Mark Precious Metals, Inc., a Delaware corporation (the "Company"), in attracting, retaining, motivating and rewarding employees, non-employee directors and other persons who provide substantial services to the Company or its subsidiaries or affiliates, to provide for equitable and competitive compensation opportunities, to authorize incentive awards that appropriately reward achievement of Company and business-unit goals and recognize individual contributions without promoting excessive risk, and to promote the creation of long-term value for stockholders by closely aligning the interests of Participants with those of stockholders. The Plan authorizes stock-based and cash-based incentives for Participants.

### 2. Definitions.

In addition to the terms defined in Section 1 above and elsewhere in the Plan, the following capitalized terms used in the Plan have the respective meanings set forth in this Section:

- (a) "Annual Incentive Award" means a Performance Award granted under Section 7(c).
- (b) "Annual Limit" has the meaning as defined in Section 5(b).
- (c) "Award" means any Option, SAR, Restricted Stock, Deferred Stock, Stock granted as a bonus or in lieu of another award, Dividend Equivalent, Other Stock-Based Award, or Performance Award, together with any related right or interest, granted to a Participant under the Plan.
- (d) "Beneficiary" shall mean any person or trust which has been designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under this Plan upon such Participant's death or, if there is no designated Beneficiary or surviving designated Beneficiary, then any person or trust entitled by will or the laws of descent and distribution to receive such benefits in the event of a Participant's death.
  - (e) "Board" means the Company's Board of Directors.
- (f) "Code" means the Internal Revenue Code of 1986, as amended. References to any provision of the Code or regulation (including a proposed regulation) thereunder shall include any successor provisions and regulations.
- (g) "Committee" means the Compensation Committee of the Board, the composition and governance of which is established in the Committee's Charter as approved from time to time by the Board and other corporate governance documents of the Company. No action of the Committee shall be void or deemed to be without authority due to the failure of any member, at the time the action was taken, to meet any qualification standard set forth in the Committee Charter or this Plan. The full Board may perform any function of the Committee hereunder, in which case the term "Committee" shall refer to the Board.

- (h) "Covered Employee" means an Eligible Person who is a Covered Employee as specified in Section 10(i).
- (i) "Deferred Stock" means a right, granted to a Participant under Section 6(e), to receive Stock or other Awards or a combination thereof at the end of a specified deferral period. Deferred Stock may be denominated as "stock units," "restricted stock units," "phantom shares," "performance shares," or other appellations.
- (j) "Dividend Equivalent" means a right, granted to a Participant under Section 6(g), to receive cash, Stock, other Awards or other property equal in value to all or a specified portion of the dividends paid with respect to a specified number of shares of Stock.
  - (k) "Effective Date" means the effective date specified in Section 10(p).
  - (I) "Eligible Person" has the meaning specified in Section 5.
- (m) "Exchange Act" means the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act or rule (including a proposed rule) thereunder shall include any successor provisions and rules.
- (n) "Fair Market Value" means the fair market value of Stock, Awards or other property as determined in good faith by the Committee or under the following procedure or a substitute procedure as may be approved from time to time by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Stock as of any given date means the closing sale price of a share reported on the principal trading market for Stock (or, if shares are then principally traded on a national securities exchange, in the reported "composite transactions" for such exchange) for such date, or, if no shares were traded on that date, on the next preceding day on which there was such a trade. Fair Market Value relating to the exercise price of any Non-409A Option or Stock Appreciation Right shall conform to requirements under Code Section 409A.
- (o) "409A Award" means an Award that constitutes a deferral of compensation subject to Code Section 409A and regulations thereunder. "Non-409A Award" means an Award other than a 409A Award (including an Award exempt under Treasury Regulation § 1.409A-1(b)(4) and any successor regulation). Although the Committee retains authority under the Plan to grant Options and Stock Appreciation Rights and Restricted Stock on terms that will qualify those Awards as 409A Awards, Options and Stock Appreciation Rights and Restricted Stock are intended to be Non-409A Awards (referred to herein as "Non-409A Options" and "Non-409A Stock Appreciation Rights") unless otherwise expressly specified by the Committee.
- (p) "Incentive Stock Option" or "ISO" means any Option designated as an incentive stock option within the meaning of Code Section 422 or any successor provision thereto and qualifying thereunder.
- (q) "Option" means a right, granted to a Participant under Section 6(b), to purchase Stock or other Awards at a specified price during specified time periods.
  - (r) "Other Stock-Based Awards" means Awards granted to a Participant under Section 6(h).
- (s) "Participant" means a person who has been granted an Award under the Plan which remains outstanding, including a person who is no longer an Eligible Person.
- (t) "Performance Award" means a conditional right, granted to a Participant under Sections 6(i) and 7, to receive cash, Stock or other Awards or payments, as determined by the Committee, based upon performance criteria specified by the Committee.

- (u) "Qualified Member" means a member of the Committee who is a "Non-Employee Director" within the meaning of Rule 16b-3(b)(3), an "outside director" within the meaning of Regulation § 1.162-27 under Code Section 162(m), and "independent" within the meaning of applicable rules of any stock exchange or other trading market on which Stock is then listed or quoted and applicable corporate governance documents of the Company.
  - (v) "Restricted Stock" means Stock granted to a Participant under Section 6(d) which is subject to certain restrictions and to a risk of forfeiture.
- (w) "Rule 16b-3" means Rule 16b-3, as from time to time in effect and applicable to Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.
- (x) "Stock" means the Company's Common Stock, par value \$0.01 per share, and any other equity securities of the Company that may be substituted or resubstituted for Stock pursuant to Section 10(c).
  - (y) "Stock Appreciation Rights" or "SAR" means a right granted to a Participant under Section 6(c).

#### Administration.

- (a) Authority of the Committee. The Plan shall be administered by the Committee, which shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants; to grant Awards; to determine the type and number of Awards, the dates on which Awards may be granted or exercised and on which the risk of forfeiture or deferral period relating to Awards shall lapse or terminate, the acceleration of any such dates, the expiration date of any Award, whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock (including Stock deliverable in connection with the Award), other Awards, or other property, and other terms and conditions of, and all other matters relating to, Awards (including authority to specify terms of Awards applicable in the event of a change in control); to prescribe documents evidencing or setting terms of Award documents need not be identical for each Participant), amendments thereto, and rules and regulations for the administration of the Plan and amendments thereto; to construe and interpret the Plan and Award documents and correct defects, supply omissions or reconcile inconsistencies therein; and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. Decisions of the Committee with respect to the administration and interpretation of the Plan shall be final, conclusive, and binding upon all persons interested in the Plan, including Participants, Beneficiaries, transferees under Section 10(b) and other persons claiming rights from or through a Participant, and stockholders.
- (b) Manner of Exercise of Committee Authority. At any time that a member of the Committee is not a Qualified Member, any action of the Committee relating to an Award intended by the Committee to qualify as "performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder or intended to be covered by an exemption under Rule 16b-3 under the Exchange Act may be taken by a subcommittee, designated by the Committee or the Board, composed solely of two or more Qualified Members or may be taken by the Committee but with each such member who is not a Qualified Member abstaining or recusing himself or herself from such action, provided that, upon such abstention or recusal, the Committee remains composed of two or more Qualified Members. The Committee otherwise may act through a subcommittee or with members of the Committee abstaining or recusing themselves to ensure compliance with regulatory requirements or to promote effective governance as determined by the Committee. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of any Member(s), shall be the action of the Committee for purposes of the Plan. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. To the fullest extent authorized under applicable provisions of the Delaware General

Corporation Law, the Committee may delegate to officers or managers of the Company or any subsidiary or affiliate, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent that such delegation (i) will not result in the loss of an exemption under Rule 16b-3(d) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company, (ii) will not cause Awards intended to qualify as "performance-based compensation" under Code Section 162(m) to fail to so qualify, (iii) will not result in a related-person transaction with an executive officer required to be disclosed under Item 404(a) of Regulation S-K (in accordance with Instruction 5.a.ii thereunder) under the Exchange Act, and (iv) is permitted under applicable provisions of the Delaware General Corporation Law and other applicable laws and regulations.

(c) Limitation of Liability. The Committee and each member thereof, and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company or any subsidiary, the Company's independent certified public accountants, or any executive compensation consultant, legal counsel, or other professional retained by the Company to assist in the administration of the Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or employee of the Company or a subsidiary or affiliate acting at the direction or on behalf of the Committee or a delegee shall not be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and any such person shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination, or interpretation.

#### 4. Stock Subject to Plan and Related Limitations.

- (a) Overall Number of Shares Available for Delivery. Subject to adjustment as provided in Section 10(c), the total number of shares of Stock reserved and available for delivery in connection with Awards under the Plan shall be 1,350,000 for all types of Awards (the "General Reserve") plus 210,000 available only for "inducement awards" granted to a newly hired employee in accordance with Nasdaq Listing Rule 5635(c)(4) (the "Inducement Reserve"). Any shares of Stock delivered under the Plan shall consist of authorized and unissued shares or treasury shares.
- (b) Share Counting Rules. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments in accordance with this Section 4(b). Shares shall be counted against those reserved to the extent such shares have been delivered and are no longer subject to a risk of forfeiture. Accordingly, to the extent that an Award under the Plan, in whole or in part, is canceled, expired, forfeited, settled in cash, or otherwise terminated without delivery of shares to the Participant, the shares retained by or returned to the Company will not be deemed to have been delivered under the Plan and will be deemed to remain or to become available under this Plan. However, from and after November 2, 2017, shares that are withheld from an Award or separately surrendered by the Participant in payment of the exercise price or taxes relating to such an Award, and the full number of shares as to which a stock appreciation right is exercised, shall be deemed to constitute shares delivered and will not be deemed to remain or to become available again under the Plan. Any shares recaptured under this Section 4(b) that were General Reserve shares will be deemed to be available as Inducement Reserve shares. The Committee may determine that Awards may be outstanding that relate to more shares than the aggregate remaining available under the Plan so long as Awards will not in fact result in delivery and vesting of shares in excess of the number then available under the Plan. In addition, in the case of any Award granted in assumption of or substitution for an award of a company or business acquired by the Company or a subsidiary or affiliate, shares delivered or deliverable in connection with such assumed or substitute Award shall not be counted against the number of shares reserved under the Plan (such assumed or substitute Awards may be administered under the Plan, however). This Section 4(b) shall apply to the share limi

### 5. Eligibility and Certain Award Limitations.

- (a) Eligibility. Awards may be granted under the Plan only to Eligible Persons. For purposes of the Plan, an "Eligible Person" means an employee of the Company or any subsidiary or affiliate, including any executive officer, non-employee director of the Company, or consultant or other person who provides substantial services to the Company or a subsidiary or affiliate, and any person who has been offered employment by the Company or a subsidiary or affiliate, provided that such prospective employee may not receive any payment or exercise any right relating to an Award until such person has commenced employment with the Company or a subsidiary or affiliate. An employee on leave of absence may be considered as still in the employ of the Company or a subsidiary or affiliate for purposes of eligibility for participation in the Plan. For purposes of the Plan, a joint venture in which the Company or a subsidiary has a substantial direct or indirect equity investment shall be deemed an affiliate, if so determined by the Committee. Holders of awards granted by a company or business acquired by the Company or a subsidiary or affiliate (including a business combination) are eligible for Awards granted in assumption of or in substitution for such outstanding awards.
- (b) Per-Person Award Limitations. In each fiscal year during any part of which the Plan is in effect, an Eligible Person may be granted Awards in the aggregate relating to up to his or her Annual Limit. A Participant's Annual Limit, in any fiscal year during any part of which the Participant is then eligible under the Plan, shall equal 250,000 shares plus the amount of the Participant's unused Annual Limit relating to Stock-denominated Awards as of the close of the previous fiscal year, subject to adjustment as provided in Section 10(c). In the case of a cash-denominated Award for which the limitation set forth in the preceding sentence would not operate as an effective limitation satisfying Treasury Regulation § 1.162-27(e)(4) (including a cash Performance Award under Section 7), an Eligible Person may not be granted Awards authorizing the earning during any fiscal year of an amount that exceeds the Participant's Annual Limit, which for this purpose shall equal the greater of 20% of the Company's GAAP pre-tax income for that fiscal year or \$4 million plus the amount of the Participant's unused cash Annual Limit as of the close of the previous year (this limitation is separate and not affected by the number of Awards granted during such calendar year subject to the limitation in the preceding sentence). For this purpose, (i) "earning" means satisfying performance conditions so that an amount becomes payable, without regard to whether it is to be paid currently or on a deferred basis or continues to be subject to any service requirement or other non-performance condition, (ii) a Participant's Annual Limit is used to the extent a number of shares or cash amount may be potentially earned or paid under an Award, regardless of whether such shares or amount in fact are earned or paid, and (iii) the Annual Limit applies to Dividend Equivalents under Section 6(g) only if such Dividend Equivalents are granted separately from and not as a feature of another Award. In the case of a non-employee director of the Company, additional limits shall apply such that the maximum grant-date fair value of Stock-denominated Awards granted in any fiscal year during any part of which the director is then eligible under the Plan shall be \$300,000, except that such limit for a non-employee Chairman of the Board shall be \$600,000.

## 6. Specific Terms of Awards.

(a) General. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 10(e)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment or service by the Participant and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion with respect to any term or condition of an Award that is not mandatory under the Plan. The Committee may require payment of consideration for an Award except as limited by the Plan.

- (b) Options. The Committee is authorized to grant Options to Participants on the following terms and conditions:
- (i) Exercise Price. The exercise price per share of Stock purchasable under an Option (including both ISOs and non-qualified Options) shall be determined by the Committee, provided that such exercise price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such Option, subject to Sections 6(f), 6(h) and 8(a). Notwithstanding the foregoing, any Award resulting from an assumption or granted in substitution for an outstanding award granted by a company or business acquired by the Company or a subsidiary or affiliate (including a business combination) shall satisfy this Section 6(b)(i) if the assumption or substitution preserves without enlarging the in-the-money value of the original award at the date of the acquisition. No adjustment will be made for a dividend or other right for which the record date is prior to the date on which the stock is issued, except as provided in Section 10(c) of the Plan.
- (ii) Option Term; Time and Method of Exercise. The Committee shall determine the term of each Option, provided that in no event shall the term of any Option exceed a period of ten years from the date of grant. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such exercise price may be paid or deemed to be paid and the form of such payment (subject to Section 10(k)), including, without limitation, cash, Stock (including through withholding of Stock deliverable upon exercise, except that any such withholding transaction that will result in additional accounting expense to the Company must be expressly authorized by the Committee), other Awards or awards granted under other plans of the Company or any subsidiary or affiliate, or other property (including through "cashless exercise" arrangements, to the extent permitted by applicable law), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Options to Participants.
- (iii) ISOs. The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Code Section 422, including but not limited to the requirement that no ISO shall be granted more than ten years after the Effective Date.
- (c) Stock Appreciation Rights. The Committee is authorized to grant SARs to Participants on the following terms and conditions:
- (i) Right to Payment. A SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise over (B) the grant price of the SAR as determined by the Committee, which grant price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such SAR.
- (ii) Other Terms. The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, whether or not a SAR shall be free-standing or in tandem or combination with any other Award, and the maximum term of an SAR, which in no event shall exceed a period of ten years from the date of grant.
- (d) Restricted Stock. The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:
- (i) Grant and Restrictions. Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose,

which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise and under such other circumstances as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Plan and any Award document relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder, including the right to vote the Restricted Stock and the right to receive dividends thereon (subject to Section 6(d)(iv) below).

- (ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment or service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.
- (iii) Certificates for Stock. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.
- (iv) Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may require that any dividends paid on a share of Restricted Stock shall be either (A) paid with respect to such Restricted Stock at the dividend payment date in cash, in kind, or in a number of shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) automatically reinvested in additional Restricted Stock or held in kind, which shall be subject to the same terms (including any restrictions and risk of forfeiture) as applied to the original Restricted Stock to which it relates, or (C) deferred as to payment, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in shares of Deferred Stock, other Awards or other investment vehicles, subject to such terms as the Committee shall determine or permit a Participant to elect; provided, however, that dividends on Restricted Stock subject to a risk of forfeiture based on performance conditions. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.
- (e) Deferred Stock (Including Restricted Stock Units). The Committee is authorized to grant Deferred Stock to Participants, which are rights to receive Stock, other Awards, or a combination thereof at the end of a specified period of time, subject to the following terms and conditions:
  - (i) Award and Restrictions. Issuance of Stock will occur upon expiration of the period of time specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, and under such other circumstances as the Committee may determine at the date of grant or thereafter. Forfeitable Deferred Stock may be designated as "Restricted Stock Units" or otherwise designated by the Committee. Deferred Stock may be settled by delivery of Stock, other Awards, or a combination

thereof (subject to Section 10(k)), as determined by the Committee at the date of grant or thereafter.

- (ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment or service during the applicable period or portion thereof to which forfeiture conditions apply (as provided in the Award document evidencing the Deferred Stock), all Deferred Stock that is at that time subject to such forfeiture conditions shall be forfeited; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.
- (iii) *Dividend Equivalents*. Unless otherwise determined by the Committee, Dividend Equivalents on the specified number of shares of Stock covered by an Award of Deferred Stock shall be either (A) paid with respect to such Deferred Stock at the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Deferred Stock, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in additional Deferred Stock, other Awards or other investment vehicles having a Fair Market Value equal to the amount of such dividends, as the Committee shall determine or permit a Participant to elect. Such Dividend Equivalents shall be subject to Section 6(g), including restrictions applicable in the case of performance-based awards.
- (f) Bonus Stock and Awards in Lieu of Obligations. The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations of the Company or a subsidiary or affiliate to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee.
- (g) Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to receive cash, Stock, other Awards, or other property equivalent to all or a portion of the dividends paid with respect to a specified number of shares of Stock. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to restrictions on transferability, risks of forfeiture and such other terms as the Committee may specify; provided, however, that dividend equivalents relating to a performance-based award shall be earnable only upon the achievement of the specified performance goals applicable to the performance-based award.
- (h) Other Stock-Based Awards. The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock or factors that may influence the value of Stock, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified subsidiaries or other business units. The Committee shall determine the terms and conditions of such Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may also be granted pursuant to this Section 6(h).
- (i) Performance Awards. Performance Awards, denominated in cash or in Stock or other Awards, may be granted by the Committee in accordance with Section 7.

#### 7. Performance Awards.

- (a) Performance Awards Generally. The Committee is authorized to grant Performance Awards on the terms and conditions specified in this Section 7. Performance Awards may be denominated as a cash amount, number of shares of Stock, or specified number of other Awards (or a combination) which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and/or the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may reserve the right to exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions; provided, however, that (i) the reservation of discretion shall be limited as specified under Sections 7(b) and 7(c) in the case of a Performance Award intended to qualify as "performance-based compensation" under Code Section 162(m); and (ii), in the case of any Performance Award denominated in shares at the grant date (i.e., an Award which constitutes share-based equity under Financial Accounting Standards Board (FASB) Accounting Standards Codification 718 ("FASB ASC Topic 718")), no discretion to reduce or increase the amounts payable (except as provided under Section 10(c)) shall be reserved unless such reservation of discretion is expressly stated by the Committee at the time it acts to authorize or approve the grant of such Performance Award.
- (b) Performance Awards Granted to Covered Employees. If the Committee determines that a Performance Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee should qualify as "performance-based compensation" for purposes of Code Section 162(m), the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of a pre-established performance goal and other terms set forth in this Section 7(b).
  - (i) Performance Goal Generally. The performance goal for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 7(b). The performance goal shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder (including Treasury Regulation § 1.162-27 and successor regulations thereto), including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being "substantially uncertain." The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.
  - (ii) Business Criteria. One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified subsidiaries or affiliates or other business units of the Company, shall he used by the Committee in establishing performance goals for such Performance Awards: (1) net sales or revenues; (2) earnings measures, including earnings from operations, earnings before or after taxes, earnings before or after interest, depreciation, amortization, or extraordinary or special items; (3) pre-tax income, net income or net income per common share (basic or diluted); (4) return measures, including return on assets (gross or net), return on investment, return on capital, or return on equity; (5) cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; (6) interest expense after taxes; (7) net economic profit (operating earnings minus a charge for capital) or economic value created; (8) operating margin or profit margin; (9) stockholder value creation measures, including stock price or total stockholder return; (10) dividend payout levels, including as a percentage of net income; (11) expense targets, working capital targets, or operating efficiency; and (12) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion goals, cost targets, total market capitalization, agency ratings of

financial strength, completion of capital and borrowing transactions, business retention, new product development, customer satisfaction, employee satisfaction, management of employment practices and employee benefits, supervision of information technology, litigation-related milestones, goals related to capital structure, goals relating to relisting of our stock on a specified stock exchange or trading market, and goals relating to acquisitions or divestitures of subsidiaries, affiliates or joint ventures. The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies. The Committee may specify that performance will be determined before payment of bonuses, capital charges, non-recurring or extraordinary income or expense, or other financial and general and administrative expenses for the performance period. Provided that the Committee has specified at least one performance goal under this Section 7(b)(ii) qualifying the Award as performance-based under Section 162(m), the Committee may specify other performance goals or criteria (whether or not listed in this Section 7(b)(ii)) as a basis for its exercise of negative discretion with respect to the Award.

- (iii) Performance Period; Timing for Establishing Performance Goals. Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to one year or more than one year, as specified by the Committee. A performance goal under Section 7(b)(ii) shall be established not later than the earlier of (A) 90 days after the beginning of any performance period applicable to such Performance Award or (B) the time 25% of such performance period has elapsed.
- (iv) Performance Award Pool. The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 7(b)(ii) during the given performance period, as specified by the Committee in accordance with Section 7(b)(iv). The Committee may specify the amount of the Performance Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria.
- (v) Settlement of Performance Awards; Other Terms. Settlement of such Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. Subject to Section 7(a), the Committee may, in its discretion, increase or reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 7(b) to the extent that such discretion would increase the amount payable above that amount designated as potentially payable upon achievement of the performance goal intended to qualify the Award as "performance-based compensation" under Code Section 162(m). Any settlement which changes the form of payment from that originally specified shall be implemented in a manner such that the Performance Award and other related Awards do not, solely for that reason, fail to qualify as "performance-based compensation" for purposes of Code Section 162(m). The Committee shall specify the circumstances (if any) in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant or other event (including a change in control) prior to the end of a performance period or settlement of such Performance Awards.
- (c) Annual Incentive Awards Granted to Covered Employees. The Committee may grant an Annual Incentive Award to an Eligible Person who is designated by the Committee as likely to be a Covered Employee. Such Annual Incentive Award will be intended to qualify as "performance-based compensation" for purposes of Code Section 162(m), and therefore its grant, exercise and/or settlement shall be contingent upon achievement of a preestablished performance goal or goals and other terms set forth in Section 7(b) and this Section 7(c). Not later than the applicable deadline specified in Section

7(b)(iii), the Committee shall determine the Covered Employees who will potentially receive Annual Incentive Awards, the amount(s) potentially payable thereunder, and the performance period in which such amount(s) may be earned. The amount(s) potentially payable as Annual Incentive Awards shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 7(b)(ii) in the given performance period, as specified by the Committee. The Committee may designate an Annual Incentive Award pool as the means by which Annual Incentive Awards will be measured, which pool shall conform to the provisions of Section 7(b)(iv). In such case, the portion of the Annual Incentive Award pool potentially payable to each Covered Employee shall be pre-established by the Committee. The foregoing notwithstanding, if any portion of the Annual Incentive pool for a given fiscal year is not allocated and paid out for that year, the Committee, at any time after such fiscal year, may allocate and pay out from such then-unallocated amounts of hypothetical funding remaining an Award to any Eligible Person other than a Covered Employee, but such allocations may not affect the allocations or payouts to any Covered Employee. In all cases, the maximum Annual Incentive Award of any Participant shall be subject to the limitation set forth in Section 5(b). After the end of the performance period, the Committee shall determine the amount, if any, of the Annual Incentive Award for that performance period payable to each Participant. Other provisions of Section 7(b) shall apply to an Annual Incentive Award under this Section 7(c).

(d) Written Determinations. Determinations by the Committee as to the establishment of performance goals, the amount potentially payable in respect of Performance Awards, the level of actual achievement of the specified performance goals relating to Performance Awards, and the amount of any final Performance Award shall be recorded in writing in the case of Performance Awards intended to qualify under Section 162(m). Specifically, the Committee shall certify in writing, in a manner conforming to applicable regulations under Section 162(m), prior to settlement of each such Award granted to a Covered Employee, that the performance objective relating to the Performance Award and other material terms of the Award upon which settlement of the Award was conditioned have been satisfied.

## 8. Certain Provisions Applicable to Awards.

- (a) Stand-Alone, Additional, Tandem, and Substitute Awards. Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any subsidiary or affiliate, or any business entity to be acquired by the Company or a subsidiary or affiliate, or any other right of a Participant to receive payment from the Company or any subsidiary or affiliate. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards. Subject to Sections 10(e) and 10(k), the Committee may determine that, in granting a new Award, the in-the-money value or fair value of any surrendered Award or award may be applied to reduce the exercise price of any Option, grant price of any SAR, or purchase price of any other Award, and, subject to Sections 10(e) and 10(k), that the fair value of any surrendered Award or award may be used to reduce the fair-value purchase price of any other Award.
- (b) Term of Awards. The term of each Award shall be for such period as may be determined by the Committee, subject to the express limitations set forth in Section 6(b)(ii) and 6(c)(ii) (ten-year limit on Option and SAR terms, which limit will apply to any other Award in the nature of a stock right that provides the Participant with a right to exercise over a period of more than one year).
- (c) Form and Timing of Payment under Awards; Deferrals. Subject to the terms of the Plan (including Section 10(k) and Appendix A)) and any applicable Award document, payments to be made by the Company or a subsidiary or affiliate upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property and may be made in it single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (subject to Section 10(k) and Appendix A)). Installment or deferred payments may be required by the Committee (subject to Section 10(e) and Appendix A) or permitted at

the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock. In the case of any 409A Award that is vested and no longer subject to a substantial risk of forfeiture (within the meaning of Code Section 409A), such Award will be distributed to the Participant, upon application of the Participant, if the Participant has had an unforeseeable emergency within the meaning of Code Sections 409A(a)(2)(A)(vi) and 409A(a)(2)(B)(ii), in accordance with Section 409A(a)(2)(B)(iii) and subject to Appendix A.

- (d) No Personal Loans or Reloads. No term of an Award shall provide for a personal loan to a Participant, including for payment of the exercise price of an Option or withholding taxes relating to any Award. No term of an Award shall provide for automatic "reload" grants of additional Awards upon exercise of an Option or SAR or otherwise as a term of an Award.
- (e) Exemptions from Section 16(b) Liability. With respect to a Participant who is then subject to the reporting requirements of Section 16(a) of the Exchange Act in respect of the Company, the Committee shall implement transactions under the Plan and administer the Plan in a manner that will ensure that each transaction with respect to such a Participant is exempt from liability under Rule 16b-3 or otherwise not subject to liability under Section 16(b)), except that this provision shall not apply to sales by such a Participant, and such a Participant may engage in other non-exempt transactions under the Plan. The Committee may authorize the Company to repurchase any Award or shares of Stock deliverable or delivered in connection with any Award (subject to Sections 10(k) and 10(l)) in order that a Participant who is subject to Section 16 of the Exchange Act will avoid incurring liability under Section 16(b). Unless otherwise specified by the Participant, equity securities or derivative securities acquired under the Plan which are disposed of by a Participant shall be deemed to be disposed of in the order acquired by the Participant.
- (f) Change in Control. The Committee may specify that an Award will become automatically earned, vested and/or payable, in whole or part, upon a Change in Control, in its discretion, by so specifying in an Award Agreement or other governing document (in the absence of such a specification, the Plan does not confer the right to such acceleration). For purposes of the Plan, unless otherwise specified by the Committee in an Award Agreement or other governing document, a "Change in Control" shall be deemed to have occurred if, after the grant date of an Award, there shall have occurred any of the following:
  - (i) Any "person," as such term is used in Section 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), acquires voting securities of the Company and immediately thereafter is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then-outstanding voting securities;
  - (ii) Individuals who on the grant date of the Award constitute the Board of Directors, and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the Grant Date or whose election or nomination for election was previously so approved or recommended, cease for any reason to constitute at least a majority thereof;
  - (iii) There is consummated a merger, consolidation, recapitalization, or reorganization of the Company, or a reverse stock split of any class of voting securities of the Company, if, immediately following consummation of any of the foregoing, either (A) individuals who,

immediately prior to such consummation, constitute the Board do not constitute at least a majority of the members of the board of directors of the Company or the surviving or parent entity, as the case may be, or (B) the voting securities of the Company outstanding immediately prior to such event do not represent (either by remaining outstanding or by being converted into voting securities of a surviving or parent entity) at least 50% or more of the combined voting power of the outstanding voting securities of the Company or such surviving or parent entity; or

(iv) The stockholders of the Company have approved a plan of complete liquidation of the Company and there occurs a distribution or other substantive step pursuant to such plan of complete liquidation, or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction have a similar effect), and in each case all material contingencies to the completion of the transaction have been satisfied or waived.

## 9. Additional Award Forfeiture Provisions.

The Committee may condition a Participant's right to receive a grant of an Award, to exercise the Award, to retain cash, Stock, other Awards or other property acquired in connection with an Award, or to retain the profit or gain realized by a Participant in connection with an Award, including cash or other proceeds received upon sale of Stock acquired in connection with an Award, upon (i) compliance by the Participant with specified conditions relating to adherence to standards of conduct in the preparation of financial statements and reports filed with the Securities and Exchange Commission, non-competition, confidentiality of information relating to or possessed by the Company, non-solicitation of customers, suppliers, and employees of the Company, cooperation in litigation, non-disparagement of the Company and its officers, directors and affiliates, and other restrictions upon or covenants of the Participant, including during specified periods following termination of employment or service to the Company; and (ii), in the case of performance-based compensation, the absence of material inaccuracies in the financial or other information upon which achievement of performance goals was assessed.

## 10. General Provisions.

- (a) Compliance with Legal and Other Requirements. The Company may, to the extent deemed necessary or advisable by the Committee and subject to Appendix A, postpone the issuance or delivery of Stock or payment of other benefits under any Award until completion of such registration or qualification of such Stock or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the Stock or other securities of the Company are listed or quoted, or compliance with any other obligation of the Company, as the Committee may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations.
- (b) Limits on Transferability; Beneficiaries. No Award or other right or interest of a Participant under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party (other than the Company or a subsidiary or affiliate thereof), or assigned or transferred by such Participant, and such Awards or rights that may be exercisable shall be exercised during the lifetime of the Participant only by the Participant or his or her guardian or legal representative, except that (i) Awards and related rights shall be transferred to a Participant's Beneficiary or Beneficiaries upon the death of the Participant, and (ii), subject to Section 1(a)(viii) of Appendix A, Awards and other rights (other than ISOs and SARs in tandem therewith) may be transferred to one or more transferees during the lifetime of the Participant, and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transferrs

are permitted by the Committee and the Committee has determined that there will be no transfer of the Award to a third party for value, and subject to any terms and conditions which the Committee may impose thereon (including limitations the Committee may deem appropriate in order that offers and sales under the Plan will meet applicable requirements of registration forms under the Securities Act of 1933 specified by the Securities and Exchange Commission). A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award document applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) Adjustments. In the event that any large, special and non-recurring dividend or other distribution (whether in the form of cash or property other than Stock), recapitalization, forward or reverse split, Stock dividend, reorganization, merger, consolidation, spin-off, combination. repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the Stock such that an adjustment is determined by the Committee to be appropriate under the Plan, then the Committee may, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Stock which may be delivered in connection with Awards granted thereafter, including the aggregate share limitation and full-value share limitation then applicable under the Plan, (ii) the number and kind of shares of Stock by which annual per-person Award limitations are measured under Section 5(b), (iii) the number and kind of shares of Stock subject to or deliverable in respect of outstanding Awards and (iv) the exercise price, grant price or purchase price relating to any Award or, if deemed appropriate, the Committee may make provision for a payment of cash or property to the holder of an outstanding Award in settlement of such Award (subject to Section 10(k)). The Committee shall provide for such equitable adjustments of outstanding awards in order to preserve the positive intrinsic value of such awards, unless in the circumstances the Participant would be able to realize such intrinsic value in the absence of an adjustment. In furtherance of the foregoing, a Participant shall have a legal right to an adjustment to an outstanding Award which constitutes "share-based payment arrangement" in the event of an "equity restructuring," as such terms are defined under FASB ASC Topic 718, which adjustment shall preserve without enlarging the value of the Award to the Participant. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including Performance Awards and performance goals and any hypothetical funding pool relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets) affecting the Company, any subsidiary or affiliate or other business unit, or the financial statements of the Company or any subsidiary or affiliate, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any subsidiary or affiliate or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided that no such adjustment shall be authorized or made if and to the extent that the existence of such authority or the making of a particular adjustment would cause Options, SARs, or Performance Awards granted under Section 8 to Participants designated by the Committee as Covered Employees and intended to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder to otherwise fail to so qualify.

## (d) Tax Provisions.

(i) Withholding. The Company and any subsidiary or affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's withholding obligations, either on a mandatory or elective basis in the discretion of the Committee. Other provisions of the Plan notwithstanding, only the minimum amount of Stock

deliverable in connection with an Award necessary to satisfy statutory withholding requirements will be withheld, except a greater amount of Stock may be withheld provided that any such withholding transaction that will result in additional accounting expense to the Company must be expressly authorized by the Committee.

- (ii) Required Consent to and Notification of Code Section 83(b) Election. No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award document or by action of the Committee in writing prior to the effectiveness of such election. In any case in which a Participant is permitted to make such an election in connection with an Award, the Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.
- (iii) Requirement of Notification Upon Disqualifying Disposition Under Code Section 421(b). If any Participant shall make any disposition of shares of Stock delivered pursuant to the exercise of ISOs under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten days thereof.
- (e) Changes to the Plan and Awards. The Board may amend, suspend or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of stockholders or Participants; provided, however, that any amendment to the Plan shall be submitted to the Company's stockholders for approval not later than the earliest annual meeting for which the record date is after the date of such Board action if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or trading system on which the Stock may then be listed or quoted, and the Board may otherwise, in its discretion, determine to submit other amendments to the Plan to stockholders for approval. The Committee is authorized to amend the Plan if its actions are within the scope of the Committee's authority under its charter, and subject to all other requirements that would apply if the amendment were approved by the Board. The Committee is authorized to amend outstanding Awards, except as limited by the Plan. The Board and Committee may not, however, amend outstanding Awards (including by means of an amendment to the Plan), without the consent of an affected Participant, if such amendment would materially and adversely affect the legal rights of such Participant under any outstanding Award (for this purpose, actions that alter the timing of federal income taxation of a Participant will not be deemed material unless such action results in an income tax penalty materially adverse to the Participant, and any discretion reserved by the Board or Committee with respect to an Award is not limited by this provision). Without the approval of stockholders, the Committee will not amend or replace previously granted Options or SARs in a transaction that constitutes a "repricing." For this purpose, a "repricing" means: (1) amending the terms of an Option or SAR after it is granted to lower its exercise price or base price; (2) any other action that is treated as a repricing under generally accepted accounting principles; and (3) canceling an Option or SAR at a time when its strike price is equal to or greater than the fair market value of the underlying Stock, in exchange or substitution for another Option, SAR, Restricted Stock, other equity, or cash or other property, unless the cancellation and exchange or substitution occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction. A cancellation and exchange or substitution described in clause (3) of the preceding sentence will be considered a repricing regardless of whether the Option, Restricted Stock or other equity is delivered simultaneously with the cancellation, regardless of whether it is treated as a repricing under generally accepted accounting principles, and regardless of whether it is voluntary on the part of the Participant. Adjustments to awards under Section 10(c) will not be deemed "repricings," however. The Committee shall have no authority to waive or modify any Award term after the Award has been granted to the extent that the waived or modified term would be then mandatory for a new Award of the same type under the Plan.

- (f) Right of Setoff. The Company or any subsidiary or affiliate may, to the extent permitted by applicable law and subject to Appendix A, deduct from and set off against any amounts the Company or it subsidiary or affiliate may owe to the Participant from time to time, including amounts payable in connection with any Award, owed as wages, fringe benefits, or other compensation owed to the Participant. Such amounts as may be owed by the Participant to the Company, although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff under this Section 10(f).
- (g) Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation (excluding awards of Restricted Stock). With respect to any payments not yet made to a Participant or obligation to deliver Stock pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, Stock, other Awards or other property, or make other arrangements to meet the Company's obligations under the Plan. Such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.
- (h) Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable, including incentive arrangements and awards which do not qualify under Code Section 162(m), and such other arrangements may be either applicable generally or only in specific cases.
- (i) Payments in the Event of Forfeitures; Fractional Shares. Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration, the Participant shall be repaid the amount of such cash consideration. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether and when cash, other Awards or other property shall be issued or paid in lieu of such fractional shares, or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.
- (j) Compliance with Code Section 162(m). It is the intent of the Company that Options and SARs granted to Covered Employees and other Awards designated as Awards to Covered Employees subject to Section 7 shall constitute qualified "performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder, unless otherwise determined by the Committee at the time of authorization or grant of an Award. Accordingly, the terms of Sections 7(b), (c), and (d), including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Participant will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by the Committee as likely to be a Covered Employee with respect to a specified fiscal year. If any provision of the Plan or any Award document relating to a Performance Award that is designated as intended to comply with Code Section 162(m) does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee or any other person discretion to increase the amount of compensation otherwise payable in connection with any such Award upon attainment of the applicable performance objectives.
- (k) Certain Limitations Relating to Accounting Treatment of Awards. Other provisions of the Plan notwithstanding, the Committee's authority under the Plan (including under Sections 8, 10(c) and 10(e)) is limited to the extent necessary to ensure that any Award of a type that the Committee has intended to be "share-based equity" (and not a "share-based liability") subject to fixed accounting with a

measurement date at the date of grant under FASB ASC Topic 718 shall not be deemed a share-based liability (subject to "variable" accounting) solely due to the existence of such authority, unless the Committee specifically determines that the Award shall remain outstanding as a share-based liability (i.e., subject to such "variable" accounting).

- (I) Governing Law. The validity, construction, and effect of the Plan, any rules and regulations under the Plan, and any agreement under the Plan shall be determined in accordance with the Delaware General Corporation Law, to the extent applicable, other laws (including those governing contracts) of the State of Delaware, without giving effect to principles of conflicts of laws, and applicable federal law.
- (m) Awards to Participants Outside the United States. The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then resident or primarily employed outside of the United States or is subject to taxation by a non-U.S. jurisdiction in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, sound business practices and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. An Award may be modified under this Section 10(m) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) for the Participant whose Award is modified.
- (n) Limitation on Rights Conferred under Plan. No Participant shall have any of the rights or privileges of a stockholder of the Company under the Plan, including as a result of the grant of an Award or the creation of any trust and deposit of shares therein, except at such time as an Option or SAR may have been duly exercised or shares may be actually delivered in settlement of an Award; provided, however, that a Participant granted Restricted Stock shall have rights of a stockholder except to the extent that those rights are limited by the terms of the Plan and the agreement relating to the Restricted Stock. Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a subsidiary or affiliate to terminate any Eligible Person's or Participant's employment or service at any time, or (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and employees. Except as expressly provided in the Plan and an Award document, neither the Plan nor any Award document shall confer on any person other than the Company and the Participant any rights or remedies thereunder. An Award shall not be deemed compensation for purposes of computing benefits under any retirement plan of the Company or any subsidiary or affiliate and shall not affect any benefits under any other benefit plan at any time in effect under which the availability or amount of benefits is related to the level of compensation (unless required by such other plan or arrangement with specific reference to Awards under this Plan, provided that cash Annual Incentive Awards will generally be deemed to be annual bonuses or annual incentives under such other plans or arrangements).
- (o) Severability. If any of the provisions of this Plan or any Award document is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder.
- (p) Plan Effective Date and Termination. The Plan shall became effective on March 14, 2014, at the time that Spectrum Group International, Inc. ("SGI") completed the distribution of all of the outstanding Stock to SGI's stockholders. Unless earlier terminated by action of the Board of Directors, the authority to make new grants under this Plan shall terminate on November 2, 2027 or, if later, the

date that is ten years after the latest date upon which stockholders of the Company have approved the Plan (after the SGI distribution), with the Plan otherwise to remain in effect until such time as no Stock remains available for delivery under the Plan and the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan.

Appendix A – Compliance Rules Under Code Section 409A

## **Compliance Rules Under Code Section 409A**

## 1. General Rules for Section 409A Compliance.

The following rules will apply to the 2014 Stock Award and Incentive Plan (the "Plan"). Capitalized terms used herein have the definitions as set forth in the Plan.

- (a) 409A Awards and Deferrals. Other provisions of the Plan notwithstanding, the terms of any 409A Award, including any authority of the Company and rights of the Participant with respect to the 409A Award, shall be limited to those terms permitted under Section 409A, and any terms not permitted under Section 409A shall be automatically modified and limited to the extent necessary to conform with Section 409A but only to the extent that such modification or limitation is permitted under Code Section 409A and the regulations and guidance issued thereunder. The following rules will apply to 409A
  - (i) Elections. If a Participant is permitted to elect to defer compensation and in lieu thereof receive an Award, or is permitted to elect to defer any payment under an Award, such election will be permitted only at times and otherwise in compliance with Section 409A. Such election shall be made in accordance with Exhibit A to the 2004 Stock Award and Incentive Plan;
  - (ii) Changes in Distribution Terms. The Committee may, in its discretion, require or permit on an elective basis a change in the distribution terms applicable to 409A Awards (and Non-409A Awards that qualify for the short-term deferral exemption under Section 409A) in accordance with, and to the fullest extent permitted by, applicable guidance of the Internal Revenue Service under Code Section 409A.
  - (iii) Exercise and Distribution. Except as provided in Section 1(a)(iv) hereof, no 409A Award shall be exercisable (if the exercise would result in a distribution) or otherwise distributable to a Participant (or his or her beneficiary) except upon the occurrence of one of the following (or a date related to the occurrence of one of the following), which must be specified in a written document governing such 409A Award and otherwise meet the requirements of Treasury Regulation § 1.409A-3:
    - (A) Specified Time. A specified time or a fixed schedule;
    - (B) Separation from Service. The Participant's separation from service (within the meaning of Treasury Regulation § 1.409A-1(h) and other applicable rules under Code Section 409A); provided, however, that if the Participant is a "specified employee" under Treasury Regulation § 1.409A-1(i), settlement under this Section 1(a)(iii)(B) shall instead occur at the expiration of the six-month period following separation from service under Section 409A(a)(2)(B)(i). During such six-month delay period, no acceleration of settlement may occur, except (1) acceleration shall occur in the event of death of the Participant, (2), if the distribution date was specified as the earlier of separation from service or a fixed date and the fixed date falls within the delay period, the distribution shall be triggered by the fixed date, and (3) acceleration may be permitted otherwise if and to the extent permitted under Section 409A. In the case of installments, this delay shall not affect the timing of any installment otherwise payable after the six-month delay period. With respect to any 409A Award, a reference in any agreement or other governing document to a "termination of employment" which triggers a distribution shall be deemed to mean a "separation from service" within the meaning of Treasury Regulation § 1.409A-1(h);
    - (C) Death. The death of the Participant. Unless a specific time otherwise is stated for payment of a 409A Award upon death, such payment shall occur in the calendar year in which falls the 30th day after death;
    - (D) Disability. The date the Participant has experienced a 409A Disability (as defined below); and

- (E) 409A Change in Control. The occurrence of a 409A Change in Control (as defined below).
- (iv) No Acceleration. The exercise or distribution of a 409A Award may not be accelerated prior to the time specified in accordance with Section 1(a)(iii) hereof, except in the case of one of the following events:
  - (A) Unforeseeable Emergency. The occurrence of an Unforeseeable Emergency, as defined below, but only if the net amount payable upon such settlement does not exceed the amounts necessary to relieve such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the settlement, after taking into account the extent to which the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise or by liquidation of the Participant's other assets (to the extent such liquidation would not itself cause severe financial hardship), or by cessation of deferrals under the Plan. Upon a finding that an Unforeseeable Emergency has occurred with respect to a Participant, any election of the Participant to defer compensation that will be earned in whole or part by services in the year in which the emergency occurred or is found to continue will be immediately cancelled.
  - (B) Domestic Relations Order. The 409A Award may permit the acceleration of the exercise or distribution time or schedule to an individual other than the Participant as may be necessary to comply with the terms of a domestic relations order (as defined in Section 414(p)(1)(B) of the Code).
  - (C) Conflicts of Interest. Such 409A Award may permit the acceleration of the settlement time or schedule as may be necessary to comply with an ethics agreement with the Federal government or to comply with a Federal, state, local or foreign ethics law or conflict of interest law in compliance with Treasury Regulation § 1.409A-3(j)(4)(iii).
  - (D) Change. The Committee may exercise the discretionary right to accelerate the lapse of the substantial risk of forfeiture of any unvested compensation deemed to be a 409A Award upon a 409A Change in Control or to terminate the Plan upon or within 12 months after a 409A Change in Control, or otherwise to the extent permitted under Treasury Regulation § 1.409A-3(j)(4)(ix), or accelerate settlement of such 409A Award in any other circumstance permitted under Treasury Regulation § 1.409A-3(j)(4).
- (v) Definitions. For purposes of this Section 1, the following terms shall be defined as set forth below:
  - (A) "409A Change in Control" shall be deemed to have occurred if, in connection with any event defined as a change in control relating to a 409A Award under any applicable Company document, there occurs a change in the ownership of the Company, a change in effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company, as defined in Treasury Regulation § 1.409A-3(i)(5).
  - (B) "409A Disability" means an event which results in the Participant being (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii), by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or its subsidiaries.

- (C) "Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant, loss of the Participant's property due to casualty, or similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, and otherwise meeting the definition set forth in Treasury Regulation § 1.409A-3(i)(3).
- (vi) Time of Distribution. In the case of any distribution of a 409A Award, if the timing of such distribution is not otherwise specified in the Plan or an Award agreement or other governing document, the distribution shall be made within 60 days after the date at which the settlement of the Award is specified to occur. In the case of any distribution of a 409A Award during a specified period following a settlement date, the maximum period shall be 90 days, and the Participant shall have no influence (other than permitted deferral elections) on any determination as to the tax year in which the distribution will be made during any period in which a distribution may be made:
- which a distribution may be made;

  (vii) Determination of "Specified Employee." For purposes of a distributions under Section 1(a)(iii)(B), status of a Participant as a "specified employee" shall be determined annually under the Company's administrative procedure for such determination for purposes of all plans subject to Code Section 409A.
- (viii) Non-Transferability. The provisions of the Plan notwithstanding, no 409A Award or right relating thereto shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's Beneficiary.
- (ix) Limitation on Setoffs. If the Company has a right of setoff that could apply to a 409A Award, such right may only be exercised at the time the 409A Award would have been distributed to the Participant or his or her Beneficiary, and may be exercised only as a setoff against an obligation that arose not more than 30 days before and within the same year as the distribution date if application of such setoff right against an earlier obligation would not be permitted under Code Section 409A.
- (x) 409A Rules Do Not Constitute Waiver of Other Restrictions. The rules applicable to 409A Awards under this Section 1(a) constitute further restrictions on terms of Awards set forth elsewhere in this Plan.
- (b) Separate Payments. Unless otherwise specified in the applicable Award agreement, each vesting tranche of an Award shall be deemed to be a separate payment for purposes of Code Section 409A, and any portion of a vesting tranche that would vest on a pro rata basis in the event of a separation from service on December 31 of a given year and the portion that would or would not vest pro rata for the period from the beginning of a calendar year to the end of the Company's fiscal year, and the remaining portion of such vesting tranche that would not so vest, each shall be deemed to be a separate payment for purposes of Code Section 409A.
- (c) Distributions Upon Vesting. In the case of any Non-409A Award providing for a distribution upon the lapse of a substantial risk of forfeiture, if the timing of such distribution is not otherwise specified in the Plan or an Award agreement or other governing document, the distribution shall be made not later than the 15th day of the third month after the end of the fiscal year in which the substantial risk of forfeiture lapsed, and if a determination is to be made promptly following the end of a performance year (as in the case of performance shares) then the determination of the level of achievement of performance and the distribution shall be made between the start of the subsequent fiscal year and the 15th day of the third month of such subsequent fiscal year. In all cases, the Participant shall have no influence (aside from any permitted deferral election) on any determination as to the tax year in which the distribution will be made.

- (d) Limitation on Adjustments. Any adjustment under the Plan shall be implemented in a way that complies with applicable requirements under Section 409A so that Non-409A Option/SARs do not, due to the adjustment, become 409A Awards, and otherwise so that no adverse consequences under Section 409A result to Participants.
- (e) Release or Other Termination Agreement. If the Company requires a Participant to execute a release, non-competition, or other agreement as a condition to receipt of a payment upon or following a termination of employment, the Company will supply to the Participant a form of such release or other document not later than the date of the Participant's termination of employment, which must be returned within the minimum time period required by law (or 21 days if no minimum period is so prescribed) and must not be revoked by the Participant within the applicable time period for revocation (if any) in order for the Participant to satisfy any such condition. If any amount constituting a deferral of compensation under Section 409A payable during a fixed period following termination of employment is subject to such a requirement and the fixed period would begin in one Participant tax year and end in the next tax year, the Company, in determining the time of payment of any such amount, will not be influenced by the timing of any action of the Participant including execution of such a release or other document and expiration of any revocation period. In such cases, the Company will pay any such amount in the subsequent tax year within the fixed period.
- (f) Special Disability Provision. Unless otherwise provided in an applicable Award agreement or other governing document, in case of a disability of a Participant, (i) for any Award or portion thereof that constitutes a short-term deferral for purposes of Section 409A, the Company shall determine whether the Participant's circumstances are such that the Participant will not return to service, in which case such disability will be treated as a termination of employment for purposes of determining the time of payment of such Award or portion thereof then subject only to service-based vesting, and (ii) for any Award or portion thereof that constitutes a 409A Award, the Company shall determine whether there has occurred a "separation from service" as defined under Treasury Regulation § 1.409A-1(h) based on Participant's circumstances, in which case such disability will be treated as a separation from service for purposes of determining the time of payment of such Award or portion thereof then subject only to service-based vesting. In each case, the Participant shall be accorded the benefit of vesting that would result in the case of disability in the absence of this provision, so that the operation of this provision, intended to comply with Section 409A, will not disadvantage the Participant. The Company's determinations hereunder will be made within 30 days after the disability arises or there occurs a material change in the Participant's condition that constitutes the disability. In the case of any short-term deferral, if (i) circumstances arise constituting a disability but not constituting a termination of employment, (ii) the Award would provide for vesting upon a termination due to disability, and (iii) the Award would not qualify as a short-term deferral if the Participant were then permitted to elect the time at which to terminate employment due to the disability, then only the Company will be entitled to act to terminate Participant's employment due to disability.
- (g) Limit on Authority to Amend. The authority to adopt amendments under Section 10(e) does not include authority to take action by amendment that would have the effect of causing Awards to fail to meet applicable requirements of Section 409A.
- (h) Scope and Application of this Provision. For purposes of this Section 1, references to a term or event (including any authority or right of the Company or a Participant) being "permitted" under Section 409A mean that the term or event will not cause the Participant to be deemed to be in constructive receipt of compensation relating to the 409A Award prior to the distribution of cash, shares or other property or to be liable for payment of interest or a tax penalty under Section 409A.

## 2. Deferral Election Rules.

If a participant in the Plan or any other plan, program or other compensatory arrangement (a "plan") of the Company" is permitted to elect to defer awards or other compensation, any such election relating to compensation deferred under the applicable plan must be received by the Company prior to

the date specified by or at the direction of the administrator of such plan (the "Administrator," which in most instances will be the head of Human Resources for the Company). For purposes of compliance with Section 409A of the Internal Revenue Code (the "Code"), any such election to defer shall be subject to the rules set forth below, subject to any additional restrictions as may be specified by the Administrator. Under no circumstances may a participant elect to defer compensation to which he or she has attained, at the time of deferral, a legally enforceable right to current receipt of such compensation.

- (a) <u>Initial Deferral Elections</u>. Any initial election to defer compensation (including the election as to the type and amount of compensation to be deferred and the time and manner of settlement of the deferral) must be made (and shall be irrevocable) no later than December 31 of the year before the participant's services are performed which will result in the earning of the compensation, except as follows:
  - Initial deferral elections with respect to compensation that, absent the election, constitutes a short-term deferral may be made in accordance with Treasury Regulation § 1.409A-2(a)(4) and (b);
  - Initial deferral elections with respect to compensation that remains subject to a requirement that the participant provide services for at least 12 months (a "forfeitable right" under Treasury Regulation § 1.409A-2(a)(5)) may be made on or before the 30<sup>th</sup> day after the participant obtains the legally binding right to the compensation, provided that the election is made at least 12 months before the earliest date at which the forfeiture condition could lapse and otherwise in compliance with Treasury Regulation § 1.409A-2(a)(5);
  - Initial deferral elections by a participant in his or her first year of eligibility may be made within 30 days after the date the participant becomes eligible to participate in the applicable plan, with respect to compensation paid for services to be performed after the election and in compliance with Treasury Regulation § 1.409A-2(a)((7);
  - Initial deferral elections by a participant with respect to performance-based compensation (as defined under Treasury Regulation § 1.409A-1(e)) may be made on or before the date that is six months before the end of the performance period, provided that (i) the participant was employed continuously from either the beginning of the performance period or the later date on which the performance goal was established, (ii) the election to defer is made before such compensation has become readily ascertainable (i.e., substantially certain to be paid), (iii) the performance period is at least 12 months in length and the performance goal was established no later than 90 days after the commencement of the service period to which the performance goal relates, (iv) the performance-based compensation is not payable in the absence of performance except due to death, disability, a 409A Ownership/Control Change (as defined in Section 10(d) of the Plan) or as otherwise permitted under Treasury Regulation § 1.409A-1(e), and (v) this initial deferral election must in any event comply with Treasury Regulation § 1.409A-2(a)(8);
  - Initial deferral elections resulting in Company matching contributions may be made in compliance with Treasury Regulation § 1.409A-2(a) (9); and
  - Initial deferral elections may be made to the fullest permitted under other applicable provisions of Treasury Regulation § 1.409A-2(a).
- (b) Further Deferral Elections. The foregoing notwithstanding, for any election to further defer an amount that is deemed to be a deferral of compensation subject to Code Section 409A (to the extent permitted under Company plans, programs and arrangements), any further deferral election made under the Plan shall be subject to the following, provided that deferral elections in 2007 and 2008 may be made under applicable transition rules under Section 409A:
  - The further deferral election will not take effect until at least 12 months after the date on which the election is made;
  - If the election relates to a distribution event other than a Disability (as defined in Treasury Regulation § 1.409A-3(i)(4)), death, or Unforeseeable Emergency (as defined in Treasury Regulation § 1.409A-3(i)(3)), the payment with respect to which such election is made must be deferred for a period of not less than five years from the date such payment would otherwise have been paid (or in the case of a life annuity or

installment payments treated as a single payment, five years from the date the first amount was scheduled to be paid), to the extent required under Treasury Regulation § 1.409A-2(b);

- The requirement that the further deferral election be made at least 12 months before the original deferral amount would be first payable may not be waived by the Administrator, and shall apply to a payment at a specified time or pursuant to a fixed schedule (and in the case of a life annuity or installment payments treated as a single payment, 12 months before the date that the first amount was scheduled to be paid);
- The further deferral election shall be irrevocable when filed with the Company; and
- The further deferral election otherwise shall comply with the applicable requirements of Treasury Regulation § 1.409A-2(b).

## CERTIFICATION

## I, Gregory N. Roberts, certify that:

- 1. I have reviewed this Quarterly Report on Form 10-Q of A-Mark Precious Metals, 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: May 6, 2022 /s/ Gregory N. Roberts

Name: Gregory N. Roberts
Title: Chief Executive Officer

## CERTIFICATION

## I, Kathleen Simpson-Taylor, certify that:

- 1. I have reviewed this Quarterly Report on Form 10-Q of A-Mark Precious Metals, 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: May 6, 2022 /s/ Kathleen Simpson-Taylor

Name: Kathleen Simpson-Taylor Title: Chief Financial Officer

# CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with A-Mark Precious Metals, Inc.'s (the "Company") Quarterly Report on Form 10-Q for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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 result of operations of the Company.

Date: May 6, 2022 /s/ Gregory N. Roberts

Name: Gregory N. Roberts
Title: Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

# CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with A-Mark Precious Metals, Inc.'s (the "Company") Quarterly Report on Form 10-Q for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Accounting Officer of the Company, hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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 result of operations of the Company.

Date: May 6, 2022 /s/ Kathleen Simpson-Taylor

Name: Kathleen Simpson-Taylor Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.