

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2021

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)

Delaware

(State of Incorporation)

11-2464169

(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 Act:**

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	AMRK	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  No

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  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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

As of May 6, 2021, the registrant had 11,136,233 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, 2021

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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**A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(amounts in thousands, except for share data) (unaudited)

	March 31, 2021	June 30, 2020
<b>ASSETS</b>		
Current assets:		
Cash <sup>(1)</sup>	\$ 38,766	\$ 52,325
Receivables, net <sup>(1)</sup>	64,713	49,142
Derivative assets <sup>(1)</sup>	70,325	46,325
Secured loans receivable <sup>(1)</sup>	100,728	63,710
Precious metals held under financing arrangements <sup>(1)</sup>	160,988	178,577
Inventories:		
Inventories <sup>(1)</sup>	310,854	246,603
Restricted inventories	250,067	74,678
	560,921	321,281
Prepaid expenses and other assets <sup>(1)</sup>	4,464	2,659
<b>Total current assets</b>	<b>1,000,905</b>	<b>714,019</b>
Operating lease right of use assets	6,066	4,223
Property, plant, and equipment, net	8,264	5,675
Goodwill	101,673	8,881
Intangibles, net	101,516	4,974
Long-term investments	12,429	16,763
Other long-term assets	2,500	3,500
<b>Total assets</b>	<b>\$ 1,233,353</b>	<b>\$ 758,035</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Lines of credit	\$ 165,000	\$ 135,000
Liabilities on borrowed metals	109,735	168,206
Product financing arrangements	250,067	74,678
Accounts payable and other current liabilities	228,254	140,930
Derivative liabilities <sup>(1)</sup>	14,620	25,414
Accrued liabilities <sup>(1)</sup>	17,098	10,397
Income tax payable	15,929	2,135
<b>Total current liabilities</b>	<b>800,703</b>	<b>556,760</b>
Notes payable <sup>(1)</sup>	93,060	92,517
Deferred tax liabilities	20,382	62
Other liabilities	5,530	3,802
<b>Total liabilities</b>	<b>919,675</b>	<b>653,141</b>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of March 31, 2021 and June 30, 2020	—	—
Common stock, par value \$0.01; 40,000,000 shares authorized; 11,136,233 and 7,031,500 shares issued and outstanding as of March 31, 2021 and June 30, 2020, respectively	112	71
Additional paid-in capital	147,370	27,289
Retained earnings	161,086	73,644
<b>Total A-Mark Precious Metals, Inc. stockholders' equity</b>	<b>308,568</b>	<b>101,004</b>
Non-controlling interests	5,110	3,890
<b>Total stockholders' equity</b>	<b>313,678</b>	<b>104,894</b>
<b>Total liabilities, non-controlling interests and stockholders' equity</b>	<b>\$ 1,233,353</b>	<b>\$ 758,035</b>

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

See accompanying

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

In September 2018, AM Capital Funding, LLC ("AMCF"), a wholly-owned subsidiary of Collateral Finance Corporation, 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 14](#).)

	<b>March 31, 2021</b>	<b>June 30, 2020</b>
<b>ASSETS OF THE CONSOLIDATED VIE</b>		
Cash	\$ 3,309	\$ 26,697
Receivables, net	—	3,005
Secured loans receivable	74,822	34,739
Precious metals held under financing arrangements	24,699	20,968
Inventories	5,838	24,057
Prepaid expenses and other assets	28	16
Total assets of the consolidated variable interest entity	<u>\$ 108,696</u>	<u>\$ 109,482</u>
<b>LIABILITIES OF THE CONSOLIDATED VIE</b>		
Deferred payment obligations <sup>(1)</sup>	\$ 14,620	\$ 13,275
Derivative liabilities	—	541
Accrued liabilities	773	387
Notes payable <sup>(2)</sup>	98,060	97,517
Total liabilities of the consolidated variable interest entity	<u>\$ 113,453</u>	<u>\$ 111,720</u>

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

(2) \$5.0 million of the Notes are held by the Company, which is eliminated in consolidation and hence is not shown on the condensed consolidated balance sheets.

See accompanying [Notes to Condensed Consolidated Financial Statements](#)

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

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Revenues	\$ 2,049,489	\$ 1,258,722	\$ 5,434,349	\$ 3,795,326
Cost of sales	1,981,318	1,236,247	5,311,282	3,756,380
Gross profit	68,171	22,475	123,067	38,946
Selling, general, and administrative expenses	(14,783)	(10,388)	(33,822)	(26,528)
Interest income	4,724	5,968	13,240	17,968
Interest expense	(5,335)	(5,051)	(14,665)	(15,274)
Other income, net	7,750	463	14,802	447
Remeasurement gain on pre-existing equity interest	26,306	—	26,306	—
Unrealized losses on foreign exchange	(53)	(45)	(131)	(42)
Net income before provision for income taxes	86,780	13,422	128,797	15,517
Income tax expense	(9,847)	(1,814)	(18,944)	(2,351)
Net income	76,933	11,608	109,853	13,166
Net income attributable to non-controlling interests	308	287	1,221	483
Net income attributable to the Company	\$ 76,625	\$ 11,321	\$ 108,632	\$ 12,683
<b>Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:</b>				
Basic	\$ 9.54	\$ 1.61	\$ 14.67	\$ 1.80
Diluted	\$ 8.84	\$ 1.61	\$ 13.61	\$ 1.80
<b>Weighted average shares outstanding:</b>				
Basic	8,028,900	7,031,400	7,403,900	7,031,400
Diluted	8,668,300	7,042,800	7,980,700	7,063,100

See accompanying [Notes to Condensed Consolidated Financial Statements](#)

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

	Common Stock (Shares)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total A-Mark Precious Metals, Inc. Stockholders' Equity	Non- Controlling Interests	Total Stockholders' Equity
<b>Balance, June 30, 2019</b>	7,031,450	\$ 71	\$ 26,452	\$ 43,135	\$ 69,658	\$ 2,908	\$ 72,566
Net income	—	—	—	128	128	175	303
Share-based compensation	—	—	166	—	166	—	166
<b>Balance, September 30, 2019</b>	7,031,450	71	26,618	43,263	69,952	3,083	73,035
Net income	—	—	-	1,234	1,234	21	1,255
Share-based compensation	—	—	244	—	244	—	244
<b>Balance, December 31, 2019</b>	7,031,450	71	26,862	44,497	71,430	3,104	74,534
Net income	—	—	-	11,321	11,321	287	11,608
Share-based compensation	—	—	225	—	225	—	225
<b>Balance, March 31, 2020</b>	7,031,450	\$ 71	\$ 27,087	\$ 55,818	\$ 82,976	\$ 3,391	\$ 86,367

See accompanying [Notes to Condensed Consolidated Financial Statements](#)

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

	Common Stock (Shares)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total A-Mark Precious Metals, Inc. Stockholders' Equity	Non- Controlling Interests	Total Stockholders' Equity
<b>Balance, June 30, 2020</b>	7,031,500	\$ 71	\$ 27,289	\$ 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)
<b>Balance, September 30, 2020</b>	7,066,530	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)
<b>Balance, December 31, 2020</b>	7,131,462	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	29	75,315	—	75,344	—	75,344
Common stock issued for acquisition of JMB	1,047,007	10	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
<b>Balance, March 31, 2021</b>	11,136,233	\$ 112	\$ 147,370	\$ 161,086	\$ 308,568	\$ 5,110	\$ 313,678

See accompanying [Notes to Condensed Consolidated Financial Statements](#)

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

Nine Months Ended March 31,	2021	2020
<b>Cash flows from operating activities:</b>		
Net income	\$ 109,853	\$ 13,166
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</i>		
Depreciation and amortization	2,494	2,217
Amortization of loan cost	1,661	1,139
Deferred income taxes	(1,561)	2,238
Interest added to principal of secured loans	(9)	(15)
Share-based compensation	659	635
Remeasurement gain on pre-existing equity method investment	(26,306)	—
Earnings from equity method investments	(13,897)	(392)
<i>Changes in assets and liabilities:</i>		
Receivables	3,507	(69,858)
Secured loans receivable	3,303	3,007
Secured loans made to affiliates	8,646	2,315
Derivative assets	(18,342)	(50,653)
Income tax receivable	—	35
Precious metals held under financing arrangements	17,589	21,787
Inventories	(181,933)	(120,268)
Prepaid expenses and other assets	(634)	(319)
Accounts payable and other current liabilities	525	169,740
Derivative liabilities	(13,113)	29,560
Liabilities on borrowed metals	(58,471)	(22,540)
Accrued liabilities	4,257	4,431
Income tax payable	6,324	—
<b>Net cash used in operating activities</b>	<b>(155,448)</b>	<b>(13,775)</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures for property, plant, and equipment	(1,351)	(686)
Purchase of long-term investments	(6,763)	—
Purchase of intangible assets	—	(150)
Secured loans receivable, net	(48,958)	70,370
Other secured loans, net	1,000	(3,500)
Incremental acquisition of pre-existing equity method investment, net of cash	(62,232)	—
<b>Net cash (used in) provided by investing activities</b>	<b>(118,304)</b>	<b>66,034</b>
<b>Cash flows from financing activities:</b>		
Product financing arrangements, net	175,389	27,621
Dividends paid	(21,191)	—
Borrowings and repayments under lines of credit, net	30,000	8,000
Net proceeds from the issuance of common stock	75,315	—
Debt funding issuance costs	(1,831)	(697)
Net settlement on issuance of common shares on exercise of options	2,511	—
<b>Net cash provided by financing activities</b>	<b>260,193</b>	<b>34,924</b>
<b>Net (decrease) increase in cash, cash equivalents, and restricted cash</b>	<b>(13,559)</b>	<b>87,183</b>
<b>Cash, cash equivalents, and restricted cash, beginning of period</b>	<b>52,325</b>	<b>8,320</b>
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b>\$ 38,766</b>	<b>\$ 95,503</b>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$ 12,655	\$ 14,077
Income taxes paid	\$ 18,086	\$ 71
Income taxes refunded	\$ (3,887)	\$ —
<b>Non-cash investing and financing activities:</b>		
Interest added to principal of secured loans	\$ 9	\$ 15
Fair value of shares exchanged in acquisitions	\$ 41,608	\$ —

See accompanying



**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, and its joint ventures in which the Company has a controlling interest.

**Business Segments**

The Company conducts its operations in three reportable segments: (i) Wholesale Sales & Ancillary Services (formerly known as Wholesale Trading & Ancillary Services), (ii) Secured Lending, and (iii) Direct-to-Consumer (formerly known as Direct Sales). 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 Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC"). (See [Note 18](#).)

The Wholesale Sales & Ancillary Services and Direct-to-Consumer segment name changes had no impact on the Company's historical financial position, results of operations, cash flow or segment level results previously reported.

***Wholesale Sales & Ancillary Services***

The Wholesale Sales & Ancillary Services segment operates as a full-service precious metals company. The products sold within this segment include: gold, silver, platinum, and palladium primarily in the form of coins, rounds, bars, wafers, and grain. This segment's services include: consignment, storage, logistics, hedging, and various customized financial programs.

Through its wholly-owned subsidiary, A-Mark Trading AG ("AMTAG"), the Company promotes A-Mark's goods and services to the international market. Transcontinental Depository Services, LLC ("TDS"), also a wholly-owned subsidiary of the Company, offers worldwide storage solutions to institutions, dealers, and consumers.

The Company's wholly-owned subsidiary, A-M Global Logistics, LLC ("Logistics" or "AMGL"), operates the Company's logistics fulfillment center. Logistics provides customers an array of complementary services, including packaging, shipping, handling, receiving, processing, and inventorying of precious metals and custom coins on a secure basis.

Through AM&ST Associates, LLC ("AMST", "Silver Towne" or the "Mint"), the Company designs and produces minted silver products. The Company initially operated the Mint pursuant to a joint venture agreement with Silver Towne, L.P. As of March 31, 2021, the Company and Silver Towne L.P. owned 69% and 31%, respectively, of AMST. On April 1, 2021, the Company acquired the remaining 31% interest in AMST, which increased the Company's ownership to 100%. (See [Note 19](#).)

***Secured Lending***

The Company operates its Secured Lending segment through its wholly-owned subsidiary, Collateral Finance Corporation ("CFC"). 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.

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 14](#).)

***Direct-to-Consumer***

The Company's wholly-owned subsidiary Goldline, Inc. ("Goldline"), is a direct retailer of precious metals to the investor community. Goldline markets its precious metal products primarily on radio, television, and the internet. Goldline sells gold and silver bullion in the form of coins, rounds, and bars.

AM IP, LLC ("AMIP"), a wholly-owned subsidiary of Goldline, manages its intellectual property.

Precious Metals Purchasing Partners, LLC ("PMPP"), is a 50% owned subsidiary of Goldline. PMPP acquires precious metals from retail customers and resells the metals to partners or affiliates of the joint venture.

#### Direct-to-Consumer – Incremental Acquisition of a Pre-existing Equity Method Investment

Effective March 19, 2021, JM Bullion, Inc. ("JMB") became a wholly-owned subsidiary of the Company. JMB is an e-commerce retailer providing access to an array of gold, silver, platinum, palladium, and copper products through its websites and marketplaces. Currently, JMB operates five separately branded, company-owned websites targeting specific niches within the precious metals retail market.

Management's reasons for acquiring JMB were to: (i) expand our e-commerce channel for precious coin and metals sales; (ii) assist in leveraging proven and internally developed online marketing strategies; (iii) allow us to more effectively tailor our merchandising and pricing strategies to target multiple customer demographics across our combined six unique consumer-facing brands; (iv) enhance our ability to repurchase product from new and existing customers; (v) expand our logistics footprint by adding a centrally located distribution hub in Dallas, Texas; (vi) further diversify our business between wholesale and retail distribution; (vii) allow us to offer JMB's customers proprietary precious metal products as well as additional services, such as distribution, storage, and logistics; (viii) enable us to leverage the increased size of our combined business to achieve more favorable pricing and financing terms; (ix) provide JMB with opportunities for geographic expansion through our international presence; and (x) and facilitate JMB's introduction of new bullion offerings to the retail market.

#### Transaction Summary

On March 19, 2021 (the "Acquisition Date"), pursuant to a stock purchase agreement with the selling stockholders of JMB, the Company acquired the remaining 79.5% interest in JMB that we did not previously own for total consideration of \$141.7 million. The consideration paid consisted of \$100.1 million in cash and the remainder in the form of 1,047,004 shares of the Company's common stock with a fair value of \$41.6 million. The Company incurred transaction costs of \$2.6 million related to this acquisition, which is shown as a component of selling, general, and administrative expenses in the condensed consolidated statements of income.

#### Business Combination

The acquisition of JMB was accounted for as a business combination that was achieved in stages. As a result of the change of control, the Company was required to remeasure its pre-existing equity investment in JMB at fair value prior to consolidation. The Company estimated the fair value of its 20.5% pre-existing investment in JMB to be approximately \$34.1 million. The remeasurement resulted in the recognition of a pretax gain of \$26.3 million, which is presented on the face of the condensed consolidated statements of income.

#### Purchase Price Allocation

The total purchase consideration was \$175.8 million, consisting of \$100.1 million in cash, \$41.6 million of A-Mark's common stock, and \$34.1 million in pre-existing equity method investment. This amount was allocated to the fair value of assets acquired and liabilities assumed as of the Acquisition Date, with the excess purchase price recorded as goodwill.

A third-party valuation specialist assisted the Company with our fair value estimates for the net tangible and identifiable intangible assets. Management estimated that the tangible assets acquired and liabilities assumed were recorded at fair value as of the Acquisition Date. The trade name intangible was valued using the relief-from-royalty methodology which considers estimated future discounted cash flows derived from JMB's website domain names that existed at the Acquisition Date. The developed technology intangible was valued using developer's profit methodology, which estimates the costs and risks associated with developing technology applications (identified as JMB's front end platform, customer relationship management, and back-office platform software used to fulfill orders) that was discounted to the Acquisition Date. The customer relationships intangible was valued using attrition methodology which considers estimated future discounted cash flows to be derived from the existing number of customers that existed at the Acquisition Date.

The Company has preliminarily allocated the purchase price as of the Acquisition Date as follows:

*in thousands*

<b>Total Purchase Consideration</b>		<b>\$ 175,800</b>
<b>Assets acquired</b>		
Current assets	\$ 103,600	
Operating lease right of use assets	2,700	
Property and equipment, net	2,300	
Intangibles:		
Trade names	43,000	
Developed Technology	10,500	
Customer Relationships	44,500	
<b>Liabilities assumed</b>		
Current Liabilities (1)	(99,000)	
Deferred tax liabilities(2)	(21,900)	
Other liabilities (1)	(2,700)	
		<b>83,000</b>
<b>Goodwill</b>		<b>\$ 92,800</b>

(1) In aggregate includes \$3.0 million of operating lease liabilities.

(2) Includes \$21.4 million relating to the excess fair value of intangibles other than goodwill over their historical cost basis.

The purchase price allocation is subject to completion of the Company's analysis of the fair value of the assets acquired. The final valuation is expected to be completed as soon as practicable, but no later than one year from the closing date of the transaction. The allocation of the tangible and identifiable intangible assets requires extensive use of accounting estimates and management judgment. Certain of these estimates are material. The fair values assigned to the assets acquired and liabilities assumed are based on estimates and assumptions from data currently available. Of the goodwill, \$3.9 million is expected to be deductible for tax purposes. Refer to Note 8 to the condensed consolidated financial statements for additional information regarding goodwill and intangible assets.

#### Related Agreements

At the closing of the acquisition, the Company entered into the following agreements, among others: (i) a new employment agreement with Mr. Michael Wittmeyer, pursuant to which he will continue to serve as the chief executive of JMB through June 30, 2024; (ii) a lock-up agreement between us and each JMB selling stockholder that restricts the sale or transfer of shares for 270 days after the Acquisition Date; and (iii) a registration rights agreement with certain JMB selling stockholders.

#### Selected Financial Information

Our condensed consolidated financial statements include the financial results of JMB's operations for the post-acquisition period from March 20, 2021 through March 31, 2021. For the three and nine months ended March 31, 2021, our condensed consolidated statements of income include \$68.4 million of revenue and \$6.8 million of pre-tax income that is attributable to JMB's operations.

#### Pro Forma Information

The following pro forma consolidated results of operations for the three and nine months ended March 31, 2021 and 2020, assumes that the acquisition of JMB occurred as of July 1, 2019.

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

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Revenue	\$ 2,339,148	\$ 1,281,639	\$ 5,974,317	\$ 3,932,344
Net income	\$ 80,673	\$ 14,130	\$ 131,717	\$ 22,842

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, acquisition costs, the estimated rereasurement gain,

the amortization expense resulting from the estimated fair value of the acquired finite-lived intangible assets, and to interest expense related to the borrowings against A-Mark's Trading Credit Facility.

## 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 wholly-owned and majority owned, and entities that are variable interest entities where the Company is determined to be the primary beneficiary. Our condensed consolidated financial statements include the accounts of A-Mark, AMTAG, TDS, AMGL, AMST, CFC, AMCF, Goldline, AMIP, PMPP and JMB (collectively the "Company"). Intercompany accounts and transactions are eliminated.

### Comprehensive Income

For the nine months ended March 31, 2021 and 2020, 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 and precious metals inventory. Actual results could materially differ from these estimates.

### Unaudited Interim Financial Information

The accompanying interim 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, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2021 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 2020 (the "2020 Annual Report"), as filed with the SEC. Amounts related to disclosure of June 30, 2020 balances within these interim condensed consolidated financial statements were derived from the audited consolidated financial statements and notes thereto included in the 2020 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. Concentration of credit risk with respect to receivables is limited due to the large

number of customers composing the Company's customer base, the geographic dispersion of the customers, and the collateralization of substantially all receivable balances. 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 condensed 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 non-controlling 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 non-controlling 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 flow.

For a given acquisition, the Company may identify certain pre-acquisition contingencies as of the acquisition date and may extend our review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess whether we include these contingencies 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 a contingency as a part of the preliminary purchase price allocation. We often continue to gather information and evaluate our pre-acquisition contingencies throughout the measurement period and if we make changes to the amounts recorded or if we identify additional pre-acquisition contingencies 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 our 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 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, 2021 and June 30, 2020, 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 14](#).)

#### **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 does not have any cash equivalents as of March 31, 2021 and June 30, 2020.

As of March 31, 2021 and June 30, 2020, the Company had \$0.0 million and \$0.2 million, respectively, in a bank account that is restricted and serves as collateral against a standby letter of credit issued by the bank in favor of the landlord for our office space in Los Angeles, California.

#### **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 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, 2021 and June 30, 2020, precious metals held under financing arrangements totaled \$161.0 million and \$178.6 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 condensed consolidated balance sheets. Our finance leases (previously considered by the Company as capital leases prior to our adoption of ASC 842) are another type of ROU asset, but are classified in the condensed consolidated balance sheets as a component of property, plant, and equipment at the present value of the lease payments.

For leases that contain termination options, where the rights to terminate are held by either us, the lessor, or both parties and it is reasonably certain that we or the lessor will exercise that option, we factor these extended or shortened lease terms into the minimum lease payments. The ROU assets also 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. Our lease agreements do not contain any significant residual value guarantees or material restrictive covenants. Components of operating lease expense for the three and nine months ended March 31, 2021 and 2020 were as follows:

### *in thousands*

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Operating lease costs	\$ 361	\$ 349	\$ 1,060	\$ 1,050
Variable lease costs	67	62	217	180
Short term lease costs	21	38	73	100
Finance lease costs	5	6	16	17
Sublease income	—	(27)	—	(81)
Total lease costs, net	\$ 454	\$ 428	\$ 1,366	\$ 1,266

For the nine months ended March 31, 2021 and 2020, we made cash payments for operating lease obligations of \$1.1 million and \$1.1 million, respectively. These payments are included in operating cash flows. At March 31, 2021, the weighted-average remaining lease term under our capitalized operating leases was 6.0 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, 2021:

Years ending June 30,	Operating Leases
2021 (3 months remaining)	\$ 475
2022	1,710
2023	1,240
2024	1,275
2025	1,239
Thereafter	2,320
Total lease payments	8,259
Imputed interest	(1,164)
	\$ 7,095 (1)
Operating lease liability - current	\$ 1,565 (2)
Operating lease liability - long-term	5,530 (3)
	\$ 7,095 (1)

(1) Represents the present value of the capitalized operating lease liabilities as of March 31, 2021.

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

(3) Long-term operating lease liabilities are presented within other liabilities on our condensed consolidated balance sheets.

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.

### **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 commences 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 three years 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.

### **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 the *Intangibles - Goodwill and Other Topic 350* of the ASC. 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 8](#).)



### ***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 considered not to be impaired. If the Company concludes that the fair value of an 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 8](#).)

### **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. 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.

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 its equity method 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 VIEs as of March 31, 2021 and June 30, 2020.

### **Other Long-Term Assets**

Notes and other receivables, with terms greater than one year, are carried at amortized cost, net of any unamortized origination fees, which are recognized over the life of the note. The determination of an allowance is based on historical experience and, as a result, can differ from actual losses incurred in the future. We charge off receivables at such time as it is determined collection will not occur.

On September 19, 2019, the Company, as lender, entered into a convertible revolving credit facility with a privately-held supplier and counterparty (the borrower) that provides the borrower an aggregate principal amount of up to \$4.0 million, bearing interest at 12.0% per annum. The facility expires on September 18, 2022. The borrower has the right to prepay the credit facility at any time without premium or penalty. Outstanding principal amounts under the credit facility may, at the lender's discretion, be converted into up to 22.0% of the borrower's issued and outstanding common stock. The credit facility also grants the lender the right to repay the borrower's outstanding unrelated third-party debt, at any time, in exchange for up to 27.5% of the borrower's issued and outstanding common stock. In the event the borrower sells all or substantially all of its assets or has a change of control during the term of the facility, the lender is entitled to additional interest equal to 10.0% of the gross sales price in excess of \$9.9 million. The credit facility collateral includes all: (i) account receivables; (ii) inventory; (iii) fixed assets; (iv) intellectual property; (v) contract rights; and (vi) deposit accounts, in each case subordinated to an unrelated third-party lender's security interest.

Effective October 1, 2020, A-Mark exercised its right to convert \$1.0 million of the \$3.5 million outstanding convertible revolving credit facility balance and exercised our right to repay in full borrower's third-party loan, which totaled \$5.8 million at the exercise date. As a result, the Company currently owns 31.2% of borrower's outstanding common stock. As of March 31, 2021 and June 30, 2020, the carrying value of the convertible revolving credit facility was \$2.5 million and \$3.5 million, respectively.

### **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 components of accounts payable and other current liabilities in the condensed consolidated balance sheets.

#### ***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 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 (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 11.](#))

#### **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 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 is received by the customer. In aggregate, these types of service revenues account for less than 1% of the Company's combined revenue from all revenue streams.

#### **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 14.](#)) 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.

#### **Other Income and Expense, Net**

The Company's other income and expense is derived from the Company's proportional interest in the reported net income or loss of our investees that are accounted for under the equity method of accounting (see [Note 9](#)), royalty income, and costs associated with the purchase of Goldline.

#### **Advertising**

Advertising expense is recorded as incurred and was \$1.0 million and \$0.8 million, respectively, for the three months ended March 31, 2021 and 2020. Advertising expense was \$2.3 million and \$1.6 million, respectively, for the nine months ended March 31, 2021 and 2020.

#### **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 \$5.3 million and \$3.7 million, respectively, for the three months ended March 31, 2021 and 2020. Shipping and handling costs incurred totaled \$10.3 million and \$6.5 million, respectively, for the nine months ended March 31, 2021 and 2020.

#### **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 16](#).)

#### **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 12](#) 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 (losses) by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings (losses) 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, 2021 and 2020, is presented below.

#### in thousands

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Basic weighted average shares outstanding	8,029	7,031	7,404	7,031
Effect of common stock equivalents — stock issuable under outstanding equity awards	639	12	577	32
Diluted weighted average shares outstanding	<u>8,668</u>	<u>7,043</u>	<u>7,981</u>	<u>7,063</u>

### Dividends

Dividends are recorded if and when they are declared by the Board of Directors.

On September 3, 2020, the Company's Board of Directors declared a non-recurring special dividend of \$1.50 per share to common stock shareholders of record at the close of business on September 21, 2020. On October 29, 2020, the Company's Board of Directors declared a non-recurring special dividend of \$1.50 per share to common stock shareholders of record at the close of business on November 23, 2020. In the aggregate, the Company paid \$21.2 million in dividends during the nine months ended March 31, 2021.

### Recently Adopted Accounting Pronouncements

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").

We adopted ASU No. 2018-15, *Intangibles—Goodwill and Other: Internal-Use Software* (Subtopic 350-40), which provides additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement. The adoption of this guidance did not have a material impact on our consolidated financial statements.

### 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*. 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 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 an 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 will continue to evaluate the standard as well as additional changes, modifications, or interpretations which may impact the Company.

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 standard will be effective for us beginning July 1, 2021, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

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, 2023 (for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years). We are currently evaluating the potential impact of this standard on our 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 carrying amounts of the Company’s other long-term assets, which include a note receivable due from a customer, approximate fair value as of March 31, 2021.

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 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 of March 31, 2021 and June 30, 2020:

*in thousands*

	March 31, 2021		June 30, 2020	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Notes payable	\$ 93,060	\$ 101,391	\$ 92,517	\$ 101,017

#### 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. Topic 820 of the ASC 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.

***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 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.

***Derivatives.*** Futures contracts, forward 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.

***Margin and Borrowed Metals Liabilities.*** 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.

***Product Financing Arrangements.*** 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, 2021 and June 30, 2020, aggregated by the level in the fair value hierarchy within which the measurements fall:

*in thousands*

	March 31, 2021			
	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets:</b>				
Inventories <sup>(1)</sup>	\$ 560,793	\$ —	\$ —	\$ 560,793
Precious metals held under financing arrangements	160,988	—	—	160,988
Derivative assets — open sale and purchase commitments, net	28,394	—	—	28,394
Derivative assets — option contracts	67	—	—	67
Derivative assets — futures contracts	36,717	—	—	36,717
Derivative assets — forward contracts	5,147	—	—	5,147
Total assets, valued at fair value	<u>\$ 792,106</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 792,106</u>
<b>Liabilities:</b>				
Liabilities on borrowed metals	\$ 109,735	\$ —	\$ —	\$ 109,735
Product financing arrangements	250,067	—	—	250,067
Derivative liabilities — open sale and purchase commitments, net	12,398	—	—	12,398
Derivative liabilities — margin accounts	2,192	—	—	2,192
Derivative liabilities — forward contracts	30	—	—	30
Total liabilities, valued at fair value	<u>\$ 374,422</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 374,422</u>

(1) Commemorative coin inventory totaling \$128 thousand is held at lower of cost or net realizable value, and thus is excluded from the inventories balance shown in this table.

*in thousands*

	June 30, 2020			
	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets:</b>				
Inventories <sup>(1)</sup>	\$ 321,264	\$ —	\$ —	\$ 321,264
Precious metals held under financing arrangements	178,577	—	—	178,577
Derivative assets — open sale and purchase commitments, net	46,224	—	—	46,224
Derivative assets — forward contracts	101	—	—	101
Total assets, valued at fair value	<u>\$ 546,166</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 546,166</u>
<b>Liabilities:</b>				
Liabilities on borrowed metals	\$ 168,206	\$ —	\$ —	\$ 168,206
Product financing arrangements	74,678	—	—	74,678
Derivative liabilities — open sale and purchase commitments, net	4,349	—	—	4,349
Derivative liabilities — margin accounts	5,380	—	—	5,380
Derivative liabilities — futures contracts	12,477	—	—	12,477
Derivative liabilities — forward contracts	3,208	—	—	3,208
Total liabilities, valued at fair value	<u>\$ 268,298</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 268,298</u>

(1) Commemorative coin inventory totaling \$17 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) equity method investments that are written down to fair value when a decline in the fair value is determined to be other-than-temporary, (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, or (iv) goodwill and indefinite-lived intangibles, all of which are written down to fair value when they are held for sale or determined to be impaired. The resulting fair value measurements of the assets are considered to be Level 3 measurements. Determining fair value requires the exercise of significant judgments, including judgments about 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.

#### 4. RECEIVABLES

Receivables consist of the following as of March 31, 2021 and June 30, 2020:

in thousands

	March 31, 2021	June 30, 2020
Customer trade receivables	\$ 32,392	\$ 6,047
Wholesale trade advances	24,267	10,167
Due from brokers	8,054	32,928
	<u>\$ 64,713</u>	<u>\$ 49,142</u>

Customer Trade Receivables. 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 11.)

#### 5. SECURED LOANS RECEIVABLE

Below is a summary of the carrying value of our secured loans as of March 31, 2021 and June 30, 2020:

in thousands

	March 31, 2021	June 30, 2020
Secured loans originated	\$ 33,659	\$ 30,019
Secured loans originated - with a related party	151	8,797
	<u>33,810</u>	<u>38,816</u>
Secured loans acquired	66,918 <sup>(1)</sup>	24,894 <sup>(2)</sup>
	<u>\$ 100,728</u>	<u>\$ 63,710</u>

(1) Includes \$5 thousand of loan premium as of March 31, 2021.

(2) Includes \$6 thousand of loan premium as of June 30, 2020.

Secured Loans - Originated: Secured loans include short-term loans, which include a combination of on-demand lines and short-term facilities that are made to our customers. These loans are fully secured by the customers' assets, which include bullion and numismatic and semi-numismatic material, and which are typically held in safekeeping by the Company. (See Note 13 for further information regarding our secured loans made to related parties.)

Secured Loans - Acquired: 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, 2021 and June 30, 2020, our secured loans carried weighted-average effective interest rates of 8.4% 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

##### General

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 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 or numismatic and semi-numismatic collateral, 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.

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 two classes of secured loan receivables are defined by collateral type: (i) bullion items, and (ii) numismatic and semi-numismatic coins. The required loan-to-value ratio varies with the class of loans. Typically, the Company requires a loan-to-value ratio of approximately 75% for bullion and 65% for numismatic and semi-numismatic collateral. The reason for the lower loan-to-value ratio for numismatic loans is that, on a percentage basis, more of the value of the numismatic coin relates to its premium value rather than its underlying commodity value.

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

##### *in thousands*

	March 31, 2021		June 30, 2020	
Bullion	\$ 77,734	77.2%	\$ 36,445	57.2%
Numismatic and semi-numismatic	22,994	22.8%	27,265	42.8%
	<u>\$ 100,728</u>	<u>100.0%</u>	<u>\$ 63,710</u>	<u>100.0%</u>

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 collateral values are updated by numismatic specialists when loan terms are renewed (typically in 180 days).

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 loan-to-value ratio, the loan is considered in default. The collateral material (either bullion or numismatic) underlying such loans is then sold by the Company to satisfy all amounts due under the loan.

Loans with loan-to-value 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 loan-to-value ratio of less than 75% and (ii) loans with a loan-to-value ratio of 75% or more:

*in thousands*

	March 31, 2021		June 30, 2020	
Loan-to-value of less than 75%	\$ 67,076	66.6%	\$ 58,296	91.5%
Loan-to-value of 75% or more	33,652	33.4%	5,414	8.5%
	<u>\$ 100,728</u>	<u>100.0%</u>	<u>\$ 63,710</u>	<u>100.0%</u>

The Company had no loans with a loan-to-value ratio in excess of 100% as of March 31, 2021 and June 30, 2020.

**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 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, 2021 and June 30, 2020, the Company had no allowance for secured loan losses.

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, non-performing, or 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, 2021 and 2020, the Company incurred no loan impairment costs.

**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, 2021 and June 30, 2020:

*in thousands*

	March 31, 2021	June 30, 2020
Inventory held for sale	\$ 207,104	\$ 153,412
Repurchase arrangements with customers	76,008	70,988
Consignment arrangements with customers	2,852	2,842
Commemorative coins, held at lower of cost or net realizable value	128	17
Borrowed precious metals	24,762	19,344
Product financing arrangements, restricted	250,067	74,678
	<u>\$ 560,921</u>	<u>\$ 321,281</u>

**Inventory Held for Sale.** 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, 2021 and June 30, 2020, the inventory held for sale totaled \$207.1 million and \$153.4 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, 2021 and June 30, 2020, included within inventories was \$76.0 million and \$71.0 million, respectively, of precious metals products subject to repurchase arrangements with customers.

Consignment Arrangements with Customers. The Company periodically loans metals to customers on a short-term consignment basis. Inventory loaned under consignment arrangements to customers as of March 31, 2021 and June 30, 2020 totaled \$2.9 million and \$2.8 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.

Commemorative Coins. 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. Our commemorative coins are not hedged, and are included in inventories at the lower of cost or net realizable value and totaled \$128,000 and \$17,000 as of March 31, 2021 and June 30, 2020, 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 \$24.8 million and \$19.3 million as of March 31, 2021 and June 30, 2020, respectively, with a corresponding offsetting obligation reflected as liabilities on borrowed metals on the condensed consolidated balance sheets.

Product Financing Arrangements. 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 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 \$250.1 million and \$74.7 million as of March 31, 2021 and June 30, 2020, respectively.

The Company mitigates market risk of its physical inventory and open commitments through commodity hedge transactions. (See [Note 11](#).) As of March 31, 2021 and June 30, 2020, the unrealized (losses) gains resulting from the difference between market value and cost of physical inventory were \$(7.8) million and \$6.5 million, respectively.

#### **Premium component of inventory**

The premium component, at market value, included in the inventory as of March 31, 2021 and June 30, 2020 totaled \$14.8 million and \$3.7 million, respectively.

## 7. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consists of the following at March 31, 2021 and June 30, 2020:

*in thousands*

	March 31, 2021	June 30, 2020
Office furniture, and fixtures	\$ 2,457	\$ 2,142
Computer equipment	1,023	900
Computer software	5,321	5,288
Plant equipment	4,569	3,450
Building	452	322
Leasehold improvements	3,010	2,804
Total depreciable assets	16,832	14,906
Less: Accumulated depreciation and amortization	(10,302 )	(9,267 )
Property and equipment not placed in service	1,698	—
Land	36	36
Property, plant, and equipment, net	\$ 8,264	\$ 5,675

Depreciation expense for the three months ended March 31, 2021 and 2020 was \$347,000 and \$622,000, respectively. Depreciation expense for the nine months ended March 31, 2021 and 2020 was \$1,036,000 and \$1,449,000, respectively. For the periods presented, no depreciation or amortization expense was allocated to cost of sales.

## 8. 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 SGI 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 \$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 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-control of JMB, in which we previously held a 20.5% equity interest. As required, we remeasured our previously held equity interest in JMB at the acquisition-date fair value and measured our identifiable intangible assets and goodwill as if we had sold the previously held interest, recognizing an estimated remeasurement gain in earnings. We recognized a \$26.3 million gain and measured the value of identifiable intangible assets and goodwill at \$98.0 million and \$92.8 million, respectively.

## Carrying Value

The carrying value of goodwill and other purchased intangibles as of March 31, 2021 and June 30, 2020 is as described below:

dollar amounts in thousands

	Estimated Useful Lives (Years)	Remaining Weighted Average Amortization Period (Years)	March 31, 2021			June 30, 2020				
			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	4.0	\$ 53,498	\$ (8,622)	\$ —	\$ 44,876	\$ 8,998	\$ (7,307)	\$ —	\$ 1,691
Developed technology	4	4.0	10,500	(85)	—	10,415	—	—	—	—
Non-compete and other	3 - 5	0.9	2,300	(2,239)	—	61	2,300	(2,187)	—	113
Employment agreement	1 - 3	0.0	295	(295)	—	—	295	(288)	—	7
Intangibles subject to amortization			66,593	(11,241)	—	55,352	11,593	(9,782)	—	1,811
Trade names and trademarks	Indefinite	Indefinite	47,454	—	(1,290)	46,164	4,454	—	(1,291)	3,163
Identifiable intangible assets			\$ 114,047	\$ (11,241)	\$ (1,290)	\$ 101,516	\$ 16,047	\$ (9,782)	\$ (1,291)	\$ 4,974
Goodwill	Indefinite	Indefinite	\$ 103,037	\$ —	\$ (1,364)	\$ 101,673	\$ 10,245	\$ —	\$ (1,364)	\$ 8,881

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, 2021 and 2020 was \$1.1 million and \$0.3 million, respectively. Amortization expense related to the Company's intangible assets for the nine months ended March 31, 2021 and 2020 was \$1.5 million and \$0.8 million, respectively. For the presented periods, no amortization expense was allocated to cost of sales.

## 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 the Direct-to-Consumer segment. 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
2021 (3 months remaining)	7,881
2022	25,669
2023	9,894
2024	7,382
2025	4,240
Thereafter	286
<b>Total</b>	<b>\$ 55,352</b>

## 9. LONG-TERM INVESTMENTS

As of March 31, 2021 the Company had three investments in privately-held entities, each of which is a customer of the Company. Two of the investees are precious metals retailers and the other a supplier of the Company. Depending on the entity, the Company may have one or more of the following in place: (i) an exclusive supplier agreement, subject to certain limitations; (ii) a product fulfillment services and storage agreement; and (iii) the right to appoint a director to the entity's board of directors. The Company has determined that it is appropriate to account for each of these investments under the equity method of accounting.

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

Entity	March 31, 2021		June 30, 2020	
	Carrying Value (in thousands)	Ownership Percentage	Carrying Value (in thousands)	Ownership Percentage
Company A	\$ 3,585	7.4 %	\$ 2,529	7.4 %
JMB (formerly company B)	— (1)	0.0 %	13,296	20.6 %
Company C	1,491	10.0 %	938	10.0 %
Company D	7,353	31.2 %	—	0.0 %
	<u>\$ 12,429</u>		<u>\$ 16,763</u>	

(1) On March 19, 2021, JMB became a consolidating entity of the Company, when we acquired 100% of JMB (See [Note 1](#)). Previously, we held a non-controlling equity interest in JMB.

The Company considers the equity method investees to be related parties. See [Note 13](#) for a summary of the Company's aggregate balances and activity with these related party entities.

## 10. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities consist of the following:

*in thousands*

	March 31, 2021	June 30, 2020
Trade payables to customers	\$ 21,167	\$ 2,316
Other accounts payable	7,103	2,849
Deferred revenue	50,431	6,141
Advances from customers	149,553	129,624
	<u>\$ 228,254</u>	<u>\$ 140,930</u>

## 11. 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 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 Topic 815 of the ASC, 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 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, 2021 and June 30, 2020.

*in thousands*

	March 31, 2021				June 30, 2020			
	Gross Derivative	Amounts Netted	Cash Collateral Pledge	Net Derivative	Gross Derivative	Amounts Netted	Cash Collateral Pledge	Net Derivative
<b>Nettable derivative assets:</b>								
Open sale and purchase commitments	\$ 33,849	\$ (5,455)	\$ —	\$ 28,394	\$ 48,896	\$ (2,672)	\$ —	\$ 46,224
Option contracts	67	—	—	67	—	—	—	—
Future contracts	36,717	—	—	36,717	—	—	—	—
Forward contracts	5,147	—	—	5,147	101	—	—	101
	<u>\$ 75,780</u>	<u>\$ (5,455)</u>	<u>\$ —</u>	<u>\$ 70,325</u>	<u>\$ 48,997</u>	<u>\$ (2,672)</u>	<u>\$ —</u>	<u>\$ 46,325</u>
<b>Nettable derivative liabilities:</b>								
Open sale and purchase commitments	\$ 23,594	\$ (11,196)	\$ —	\$ 12,398	5,653	\$ (1,304)	\$ —	\$ 4,349
Margin accounts	7,489	—	(5,297)	2,192	14,616	—	(9,236)	5,380
Future contracts	—	—	—	—	12,477	—	—	12,477
Forward contracts	30	—	—	30	3,208	—	—	3,208
	<u>\$ 31,113</u>	<u>\$ (11,196)</u>	<u>\$ (5,297)</u>	<u>\$ 14,620</u>	<u>\$ 35,954</u>	<u>\$ (1,304)</u>	<u>\$ (9,236)</u>	<u>\$ 25,414</u>



## Gains or Losses on Derivative Instruments

The Company records the derivative at the trade date with a corresponding unrealized gains (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 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, 2021 and 2020.

### in thousands

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>Gains (losses) on derivative instruments:</b>				
Unrealized gains on open future commodity and forward contracts and open sale and purchase commitments, net	\$ 42,390	\$ 16,868	\$ 28,115	\$ 26,623
Realized losses on future commodity contracts, net	(38,271)	(3,704)	(145,693)	(15,815)
	<u>\$ 4,119</u>	<u>\$ 13,164</u>	<u>\$ (117,578)</u>	<u>\$ 10,808</u>

The Company's net gains (losses) on derivative instruments, as shown in the table above, were substantially offset by the changes in 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, 2021 and June 30, 2020.

### in thousands

	March 31, 2021	June 30, 2020
Inventories	\$ 560,921	\$ 321,281
Precious metals held under financing arrangements	160,988	178,577
	<u>721,909</u>	<u>499,858</u>
Less unhedgeable inventories:		
Commemorative coin inventory, held at lower of cost or net realizable value	(128)	(17)
Premium on metals position	(14,760)	(3,684)
Precious metal value not hedged	<u>(14,888)</u>	<u>(3,701)</u>
	707,021	496,157
Commitments at market:		
Open inventory purchase commitments	797,094	514,553
Open inventory sales commitments	(571,830)	(309,134)
Margin sale commitments	(7,490)	(14,652)
In-transit inventory no longer subject to market risk	(43,167)	(3,605)
Unhedgeable premiums on open commitment positions	6,375	2,779
Borrowed precious metals	(109,735)	(168,206)
Product financing arrangements	(250,067)	(74,678)
Advances on industrial metals	196	318
	<u>(178,624)</u>	<u>(52,625)</u>
Precious metal subject to price risk	528,397	443,532
Precious metal subject to derivative financial instruments:		
Precious metals forward contracts at market values	129,423	73,948
Precious metals futures contracts at market values	398,666	369,842
Total market value of derivative financial instruments	<u>528,089</u>	<u>443,790</u>
Net precious metals subject to commodity price risk	<u>\$ 308</u>	<u>\$ (258)</u>

## 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, 2021 and June 30, 2020, the Company had the following outstanding commitments and open forward and future contracts:

### in thousands

	March 31, 2021	June 30, 2020
Purchase commitments	\$ 797,094	\$ 514,553
Sales commitments	\$ (571,830 )	\$ (309,134 )
Margin sales commitments	\$ (7,490 )	\$ (14,652 )
Open forward contracts	\$ 129,423	\$ 73,948
Open futures contracts	\$ 398,666	\$ 369,842

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, 2021, 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. The accounting treatment of our foreign currency exchange derivative instruments is similar to the accounting treatment of our commodity derivative instruments, that is, the change in the value in the financial instrument is immediately recognized as a component of cost of sales.

Unrealized losses on foreign exchange derivative instruments related to our open trades are shown on the face of the condensed consolidated statements of income totaled \$53,000 and \$45,000 for the three months ended March 31, 2021 and 2020, respectively. Unrealized losses on foreign exchange derivative instruments shown on the face of the condensed consolidated statements of income totaled \$131,000 and \$42,000 for the nine months ended March 31, 2021 and 2020, 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

	March 31, 2021	June 30, 2020
Foreign exchange forward contracts	\$ 6,609	\$ 4,599
Open sale and purchase commitment transactions, net	\$ 4,755	\$ 3,475

## 12. INCOME TAXES

Net income from operations before provision for income taxes is shown below:

### in thousands

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
U.S.	\$ 86,774	\$ 13,415	\$ 128,779	\$ 15,497
Foreign	6	7	18	20
	<u>\$ 86,780</u>	<u>\$ 13,422</u>	<u>\$ 128,797</u>	<u>\$ 15,517</u>

The provision for income tax expense by jurisdiction and the effective tax rate for the three and nine months ended March 31, 2021 and 2020 are shown below:

*in thousands*

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Federal	\$ 9,643	\$ 1,534	\$ 17,836	\$ 1,972
State and local	199	279	1,041	376
Foreign	5	1	67	3
Income tax expense	\$ 9,847	\$ 1,814	\$ 18,944	\$ 2,351
Effective tax rate	11.3%	13.5%	14.7%	15.2%

**Tax Balances and Activity**

**Income Taxes Payable**

As of March 31, 2021 and June 30, 2020, income taxes payable totaled \$15.9 million and \$2.1 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, 2021 and June 30, 2020, 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 of March 31, 2021 and June 30, 2020.

As of March 31, 2021, the condensed consolidated balance sheets reflects the deferred tax items for each tax-paying component (i.e., federal and state), resulting in a federal and state deferred tax liability of \$20.2 million and \$0.2 million, respectively. As of June 30, 2020, the condensed consolidated balance sheets reflect a state deferred tax asset of \$1.0 million and a federal deferred tax liability of \$1.1 million, respectively.

During the quarter, JMB became a wholly owned subsidiary of the Company as a result of our acquisition of the remaining interest that we did not previously own. On the Acquisition Date, the Company has considered the deferred tax impact of the excess fair value of the assets and liabilities accounted for in the business combination over their historical cost basis. Included in the March 31, 2021 balance is \$21.4 million relating to the excess fair value of intangibles other than goodwill over their historical cost basis and \$0.4 million of JMB's historical carryover deferred taxes that we assumed. The finalization of the purchase price allocation is pending the finalization of the valuation of fair value for the assets acquired and liabilities assumed, including intangible assets and taxation-related balances as well as for potential unrecorded liabilities. We expect to finalize this determination on or before our quarter ending June 30, 2021 and our deferred taxes may change as a result.

**Net Operating Loss Carryforwards and Tax Credits**

As of March 31, 2021 and June 30, 2020, the Company has approximately \$12.6 million and \$12.6 million of state net operating loss carryforwards, respectively. As of March 31, 2021 and June 30, 2020, the Company's tax-effected net operating loss carryforwards were \$0.9 million and \$0.9 million respectively. The state net operating loss carryforwards start to expire in the fiscal 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 a tax benefit (i.e., an unrecognized tax benefit) on its 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, 2021, there was no material movement in unrecognized tax benefits including interest and penalties.

During the quarter, JMB became a wholly owned subsidiary of the Company as a result of our taxable stock purchase of the remaining interest in JMB. The finalization of the purchase price allocation is pending the finalization of the valuation of fair value for the assets acquired and liabilities assumed, including intangible assets and taxation-related balances as well as for potential unrecorded liabilities and unrecognized tax benefits. We expect to finalize this determination on or before our quarter ending June 30, 2021.

#### Tax Examinations

In November 2020, the Internal Revenue Service notified JMB that its tax return for the period ended December 31, 2018 has been selected for examination. The audit is in the early stage of information exchange. We are unable to determine the outcome of the audit at this time.

### 13. 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 comparable periods:

- 1) 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) Silver Towne, L.P. Through March 31, 2021, Silver Towne L.P. was non-controlling owner of AMST (i.e., the Company's minting operations).
- 3) Equity method investees. As of March 31, 2021, the Company had three investments in privately held entities, each of which is customer of the Company. Two of the investees are precious metals retailers and the other a supplier of the Company. Depending on the entity, the Company may have one or more of the following in place: (i) an exclusive supplier agreement, subject to certain limitations; (ii) a product fulfillment services and storage agreement; and (iii) the right to appoint a director to the entity's board of directors.

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. Reported transactions from the comparable prior period have been updated, as needed, to include the balances and activity attributable to the related parties identified at March 31, 2021.

#### Balances with Related Parties

##### Receivables and Payables, Net

As of March 31, 2021 and June 30, 2020, the Company had related party receivables and payables balances as set forth below:

##### in thousands

	March 31, 2021		June 30, 2020	
	Receivables	Payables	Receivables	Payables
Stack's Bowers Galleries	\$ 246	\$ —	\$ 7,981	\$ —
Equity method investees <sup>(2)</sup>	6,702 <sup>(1)</sup>	1 <sup>(1)</sup>	5,301	3,421
SilverTowne	144 <sup>(1)</sup>	—	77	—
	<u>\$ 7,092</u>	<u>\$ 1</u>	<u>\$ 13,359</u>	<u>\$ 3,421</u>

(1) Balance primarily represents receivables, net (shown as components of receivables, derivative assets and other long term assets). See "Other Long-term Assets" below.

(2) As of March 31, 2021, the balance excludes the net receivables or payables of JMB, as a result of its becoming a consolidated entity of the Company as of March 19, 2021. (See [Note 1](#).)

##### Long-term Investments

As of March 31, 2021 and June 30, 2020, the aggregate carrying balance of the equity method investments was \$12.4 million and \$16.8 million, respectively (See [Note 9](#)).

### Secured Loans Receivable

On September 19, 2017, CFC entered into a loan agreement with Stack's Bowers Galleries providing a secured line of credit, bearing interest at a competitive rate per annum, with a maximum borrowing line (subject to temporary increases) of \$5.3 million. The loan is secured by precious metals and numismatic products. As of March 31, 2021 and June 30, 2020, the outstanding principal balance of this loan was \$0.1 million and \$0.7 million, respectively.

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. As of March 31, 2021 and June 30, 2020, the outstanding principal balance of this loan was \$0.0 million and \$8.0 million, respectively.

### Other Long-term Assets

On September 19, 2019, the Company, as lender, entered into a convertible revolving credit facility with one of its privately-held customers (the borrower) that provides the borrower an aggregate principal amount of up to \$4.0 million, bearing interest at 12.0% per annum. The convertible revolving credit facility collateral includes all: (i) account receivables; (ii) inventory; (iii) fixed assets; (iv) intellectual property; (v) contract rights; and (vi) deposit accounts, in each case subordinated to an unrelated third-party lender's security interest. As of March 31, 2021 and June 30, 2020, the carrying value of the convertible revolving credit facility was \$2.5 million and \$3.5 million, respectively. (See [Note 2](#).)

### Activity with Related Parties

#### Sales and Purchases

During the three and nine months ended March 31, 2021 and 2020, the Company made sales and purchases to various companies, which have been deemed to be related parties, as follows:

#### *in thousands*

	Three Months Ended				Nine Months Ended			
	March 31, 2021		March 31, 2020		March 31, 2021		March 31, 2020	
	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases
Stack's Bowers Galleries	\$ 17,127	\$ 11,731	\$ 26,169	\$ 15,151	\$ 53,958	\$ 48,066	\$ 44,934	\$ 36,317
Equity method investees	591,740 (1)	4,829 (1)	331,405	7,325	1,463,857 (1)	12,701 (1)	684,955	28,651
SilverTowne L.P.	5,858	—	1,452	93	12,695	4,769	5,171	748
	<u>\$ 614,725</u>	<u>\$ 16,560</u>	<u>\$ 359,026</u>	<u>\$ 22,569</u>	<u>\$ 1,530,510</u>	<u>\$ 65,536</u>	<u>\$ 735,060</u>	<u>\$ 65,716</u>

(1) Includes sales made to or purchases bought from JMB from the beginning of the period through the Acquisition Date.

### Interest Income

During the three and nine months ended March 31, 2021 and 2020, the Company earned interest income related to loans made to Stack's Bowers Galleries and to financing arrangements (including repurchase agreements) with affiliated companies, as set forth below:

#### *in thousands*

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Interest income from secured loans receivables	\$ 44	\$ 238	\$ 197	\$ 779
Interest income from finance products and repurchase arrangements	2,173 (1)	1,663	5,980 (1)	4,803
	<u>\$ 2,217</u>	<u>\$ 1,901</u>	<u>\$ 6,177</u>	<u>\$ 5,582</u>

(1) Includes JMB's interest income earned starting from the beginning of the period through the Acquisition Date.

### Other Income

During the three months ended March 31, 2021 and 2020, the Company recorded its proportional share of its equity method investees' net income as other income that totaled \$7.1 million and \$0.3 million, respectively. During the nine months ended March 31, 2021 and 2020, the Company recorded its proportional share of its equity method investees' net income as other income that totaled

\$13.9 million and \$0.4 million, respectively. Note that due our acquisition of JMB, the Company recorded its proportional share of JMB's net income through to the Acquisition Date. Beginning on March 20, 2021, JMB's results of operations were included in the Company's consolidated results

During the three months ended March 31, 2021 and 2020, the Company earned royalty income related to one of CFC's secured lending agreements with Stack's Bowers Galleries that totaled \$340,000 and \$186,000, respectively. During the nine months ended March 31, 2021 and 2020, the Company earned royalty income related to one of CFC's secured lending agreements with Stack's Bowers Galleries that totaled \$904,000 and \$275,000, respectively.

#### 14. FINANCING AGREEMENTS

##### Lines of Credit

Effective March 26, 2021, through an amendment and restatement of the applicable credit documents, A-Mark renewed its uncommitted demand borrowing facility ("Trading Credit Facility") with a syndicate of banks. Under the agreements, Coöperatieve Rabobank U.A. acts as lead lender and administrative agent, and Macquarie Bank Limited acts as syndication agent. The Trading Credit Facility is secured by substantially all of the Company's assets on a first priority basis.

As of March 31, 2021, and as a result of various amendments, the Trading Credit Facility provided the Company with access up to \$270.0 million, featuring a \$220.0 million base, with a \$50.0 million accordion option. The Trading Credit Facility is scheduled to mature on March 25, 2022. Loan costs have been capitalized when incurred and are amortized over the term of the Trading Credit Facility. As of March 31, 2021 and June 30, 2020, the remaining unamortized balance of loan costs was approximately \$1.2 million and \$0.5 million, respectively.

The Company routinely uses the Trading Credit Facility to purchase and finance precious metals and for operating cash flow purposes. Amounts under the Trading Credit Facility bear interest based on London Interbank Offered Rate ("LIBOR") plus a 2.50% margin for revolving credit line loans. The one-month LIBOR rate was approximately 0.11% and 0.16% as of March 31, 2021 and June 30, 2020, respectively. Borrowings are due on demand and totaled \$165.0 million and \$135.0 million at March 31, 2021 and June 30, 2020, respectively. The amounts available under the respective borrowing facility 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 \$94.0 million and \$76.3 million as determined on March 31, 2021 and June 30, 2020, respectively.

The Trading Credit Facility has certain restrictive financial covenants, including one requiring the Company to maintain a minimum tangible net worth. As of March 31, 2021 the minimum tangible net worth financial covenant under the Trading Credit Facility was \$55.7 million. The Company is in compliance with all restrictive financial covenants as of March 31, 2021.

For the three months ended March 31, 2021 and 2020, interest expense related to the Company's lines of credit totaled \$1.5 million and \$1.9 million, which represents 28.7% and 38.3%, respectively, of the total interest expense recognized. Our lines of credit carried a daily weighted average effective interest rate of 3.82% and 4.15%, respectively, for the three months ended March 31, 2021 and 2020.

For the nine months ended March 31, 2021 and 2020, interest expense related to the Company's lines of credit totaled \$4.5 million and \$6.0 million, which represents 30.6% and 39.2%, respectively, of the total interest expense recognized. Our lines of credit carried a daily weighted average effective interest rate of 3.66% and 4.37%, respectively, for the nine months ended March 31, 2021 and 2020.

##### 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 of the Notes to 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, 2021, the consolidated carrying balance of the Notes was \$93.1 million (which excludes the \$5.0 million note that the Company retained), and the remaining unamortized loan cost balance was approximately \$1.9 million, which is amortized using the effective interest method through the maturity date. As of March 31, 2021, 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, 2021 and 2020, the interest expense related to the Notes (including loan amortization costs) totaled \$1.4 million and \$1.4 million, which represents 26.7% and 27.9% of the total interest expense recognized by the Company. For the three months ended March 31, 2021 and 2020, the Notes' weighted average effective interest rate was 5.88% and 5.88%, respectively.

For the nine months ended March 31, 2021 and 2020, the interest expense related to the Notes (including loan amortization costs) totaled \$4.3 million and \$4.2 million, which represents 29.1% and 27.6% of the total interest expense recognized by the Company, respectively. For the nine months ended March 31, 2021 and 2020, 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 \$109.7 million as of March 31, 2021, with corresponding metals totaling \$84.9 million and \$24.8 million included in precious metals held under financing arrangements and inventories, respectively, on the condensed consolidated March 31, 2021 balance sheet. The Company recorded liabilities on borrowed metals with market values totaling \$168.2 million as of June 30, 2020 with corresponding metals totaling \$148.9 million and \$19.3 million included in precious metals held under financing arrangements and inventories, respectively, on the condensed consolidated June 30, 2020 balance sheet.

#### ***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 obligation totaled \$250.1 million and \$74.7 million as of March 31, 2021 and June 30, 2020, respectively.

## 15. COMMITMENTS AND CONTINGENCIES

Refer to [Note 2](#) 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 2020 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 2020 Annual Report.

## COVID-19

The Company is exposed to the effects of the COVID-19 pandemic. The extent to which this outbreak impacts our results of operations, cash flows and financial condition will depend on future developments, which are highly uncertain and unpredictable, including new information which may emerge concerning the severity and duration of this outbreak and the actions taken by governmental authorities and us to contain it or treat its impact.

## 16. STOCKHOLDERS' EQUITY

### Stock Issuances

On March 4, 2021, we entered into an underwriting agreement with D.A. Davidson & Co., as representative of the several underwriters identified therein, relating to the sale of 2,500,000 shares of its common stock, par value \$0.01 per share, at a price to the public of \$28.00 per share and granted the underwriters a 30-day option to purchase from the Company up to an additional 375,000 shares of our common stock, par value \$0.01 per share, at a price to the public of \$28.00 per share to cover over-allotments (the "Offering").

On March 8, 2021 and March 10, 2021, the Company issued 2,500,000 shares and 375,000 shares, respectively, related to the Offering. The Offering generated \$80.5 million in gross proceeds from the sale of the shares. The Company received approximately \$75.3 million of net proceeds, after offering costs of approximately \$5.2 million, which included underwriter discounts and fees, legal and professional fees, and commissions that were directly related to the Offering. The Offering costs were charged to stockholder's equity upon completion of the Offering. The Company used the net proceeds from the Offering primarily to fund a portion of the consideration payable in connection with our acquisition of stock of JMB not previously owned by us. (See [Note 1](#).)

On March 19, 2021, the Company issued 1,047,004 shares of the Company's common stock with a fair value of \$41.6 million to the selling shareholders of JMB as partial consideration for the acquisition of JMB. (See [Note 1](#).)

### 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, 2021, no shares had been repurchased under the program.

### Dividends

On September 3, 2020, the Company's Board of Directors declared a non-recurring special dividend of \$1.50 per share to common stock shareholders of record at the close of business on September 21, 2020. On October 29, 2020, the Company's Board of Directors declared a non-recurring special dividend of \$1.50 per share to common stock shareholders of record at the close of business on November 23, 2020. In the aggregate, the Company paid \$21.2 million in dividends during the nine months ended March 31, 2021.

### 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, 2021, 107,664 shares were available for issuance under the 2014 Plan, which terminates in 2027.

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 and other stock-based awards (which may include outright grants of shares). The 2014 Plan also authorizes grants of performance-based, market-based, and cash incentive awards. 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 to 250,000 shares in any fiscal 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.

### Stock Options

During the three months ended March 31, 2021 and 2020, the Company incurred \$271,074 and \$215,733 of compensation expense related to stock options, respectively. During the nine months ended March 31, 2021 and 2020, the Company incurred \$659,342 and \$619,702 of compensation expense related to stock options, respectively. As of March 31, 2021, a total of \$3,620,118 of compensation expense related to employee stock options remained, which will be recorded over a weighted average vesting period of 2.4 years.

Two obligatory events were triggered as a result of the non-recurring special dividends declared on September 3, 2020 and October 29, 2020. 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. Each of these events decreased the exercise price of outstanding stock options by \$1.50 per dividend, effective on the respective dates of record (September 21, 2020 and November 23, 2020). The fair value of the options before and after these events were 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, 2021:

	Options	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value (in thousands)	Weighted Average Grant Date Fair Value Per Award
Outstanding at June 30, 2020	1,249,813	\$ 12.27	\$ 6,061	\$ 5.34
Granted	196,000	\$ 35.50		
Exercises	(191,761)	\$ 14.03		
Cancellations, expirations and forfeitures	(1,600)	\$ 18.66		
Outstanding at March 31, 2021	1,252,452	\$ 15.63	\$ 26,045	\$ 6.87
Exercisable at March 31, 2021	676,833	\$ 17.22	\$ 14,743	\$ 6.18

Following is a summary of the status of stock options outstanding at March 31, 2021 and reflects the adjusted stock option prices:

Exercise Price Ranges		Options Outstanding			Options Exercisable		
From	To	Number of Shares Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$ —	\$ 10.00	499,914	6.13	\$ 6.77	198,850	2.23	\$ 6.32
\$ 10.01	\$ 15.00	204,621	6.70	\$ 11.45	126,066	6.06	\$ 11.75
\$ 15.01	\$ 25.00	391,917	5.44	\$ 19.88	351,917	4.98	\$ 19.56
\$ 25.01	\$ 60.00	156,000	9.93	\$ 38.79	—	—	\$ —
		1,252,452	6.48	\$ 15.63	676,833	4.37	\$ 14.22

The following table summarizes the nonvested stock option activity for the nine months ended March 31, 2021.

	Options	Weighted Average Grant Date Fair Value Per Award
Nonvested Outstanding at June 30, 2020	423,002	\$ 4.14
Granted	196,000	\$ 14.70
Vested	(43,383)	\$ 4.75
Nonvested Outstanding at March 31, 2021	575,619	\$ 7.69

#### Valuation and Other Significant Assumptions of Equity Awards Issued

The Company used the Black-Scholes pricing model, which used various inputs such as the estimated common share price, the risk-free interest rate, volatility, expected life and dividend yield, all of which are estimates, to determine the estimated grant-date fair value of its stock options issued.

#### 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.

## 17. CUSTOMER AND SUPPLIER CONCENTRATIONS

#### Customer Concentration

Customers providing 10 percent or more of the Company's revenues for the three or nine months ended March 31, 2021 are presented on a comparative basis, with their corresponding balances for the three and nine months ended March 31, 2021 and 2020 in the table below:

*in thousands*

	Three Months Ended				Nine Months Ended			
	March 31, 2021		March 31, 2020		March 31, 2021		March 31, 2020	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
<b>Total revenue</b>	\$ 2,049,489	100.0 %	\$ 1,258,722	100.0 %	\$ 5,434,349	100.0 %	\$ 3,795,326	100.0 %
<i>Customer concentrations</i>								
Customer A	389,927	19.0 %	192,497	15.3 %	994,864	18.3 %	350,232	9.2 %
	\$ 389,927	19.0 %	\$ 192,497	15.3 %	\$ 994,864	18.3 %	\$ 350,232	9.2 %

Customers providing 10 percent or more of the Company's accounts receivable as of March 31, 2021 and June 30, 2020 are presented on a comparative basis in the table below.

*in thousands*

	March 31, 2021		June 30, 2020	
	Amount	Percent	Amount	Percent
<b>Total accounts receivable</b>	\$ 64,713	100.0 %	\$ 49,142	100.0 %
<i>Customer concentrations</i>				
Customer B	\$ 24,746	38.3 %	\$ —	0.0 %

No single customer provided 10 percent or more of the Company's secured loan receivable balances as of March 31, 2021 and June 30, 2020.

## 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 or small group of suppliers is critical to its business, since other sources of supply are available that provide similar products on comparable terms.

## 18. SEGMENTS AND GEOGRAPHIC INFORMATION

The Company evaluates segment reporting in accordance with FASB ASC 280, *Segment Reporting*, 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 — Wholesale Sales & Ancillary Services, Secured Lending, and Direct-to-Consumer. (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 Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>Revenue by segment<sup>(1)(2)</sup></b>				
Wholesale Sales & Ancillary Services <sup>(3)</sup>	\$ 1,923,263	\$ 1,234,165	\$ 5,214,460	\$ 3,733,252
Direct-to-Consumer	126,226 <sup>(a)</sup>	24,557 <sup>(b)</sup>	219,889 <sup>(c)</sup>	62,074 <sup>(d)</sup>
	<u>\$ 2,049,489</u>	<u>\$ 1,258,722</u>	<u>\$ 5,434,349</u>	<u>\$ 3,795,326</u>

(1) Inter-segment purchases from and sales to the Direct-to-Consumer segment are transacted at Wholesale Sales & Ancillary Services segment's prices, which is consistent with arms-length transactions with third-parties.

(2) 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.

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

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

(b) Includes \$9.7 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.

(d) Includes \$22.8 million of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment.

#### *in thousands*

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>Revenue by geographic region (as determined by the shipping or billing address or where the services were performed):</b>				
United States	\$ 1,485,792	\$ 1,072,071	\$ 4,102,209	\$ 2,958,735
Europe	86,260	59,367	333,183	214,777
North America, excluding United States	430,081	110,676	911,153	577,908
Asia Pacific	15,915	14,291	39,350	33,226
Africa	—	—	—	31
Australia	31,441	2,317	48,454	10,649
	<u>\$ 2,049,489</u>	<u>\$ 1,258,722</u>	<u>\$ 5,434,349</u>	<u>\$ 3,795,326</u>

### Gross Profit and Gross Margin Percentage

#### *in thousands*

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>Gross profit by segment<sup>(1)</sup></b>				
Wholesale Sales & Ancillary Services	\$ 51,563	\$ 19,749	\$ 95,430	\$ 33,106
Direct-to-Consumer	16,608	2,726	27,637	5,840
<b>Total gross profit</b>	<u>\$ 68,171</u>	<u>\$ 22,475</u>	<u>\$ 123,067</u>	<u>\$ 38,946</u>
<b>Gross margin percentage by segment<sup>(1)</sup></b>				
Wholesale Sales & Ancillary Services	2.681 %	1.600 %	1.830 %	0.887 %
Direct-to-Consumer	13.157 %	11.101 %	12.569 %	9.408 %
<b>Weighted average gross margin percentage</b>	<b>3.326 %</b>	<b>1.786 %</b>	<b>2.265 %</b>	<b>1.026 %</b>

(1) 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.

## Operating income and (expenses)

*in thousands*

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>Operating income (expense) by segment</b>				
Wholesale Sales & Ancillary Services				
Selling, general and administrative expenses	\$ (10,072)	\$ (7,973)	\$ (24,364)	\$ (19,253)
Interest income	\$ 2,554	\$ 2,377	\$ 7,490	\$ 6,869
Interest expense	\$ (3,274)	\$ (2,946)	\$ (9,137)	\$ (8,215)
Other income, net	\$ 7,410	\$ 277	\$ 13,898	\$ 392
Remeasurement gain on pre-existing equity interest	\$ 26,306	\$ —	\$ 26,306	\$ —
Unrealized losses on foreign exchange	\$ (53)	\$ (45)	\$ (131)	\$ (42)
Secured Lending				
Selling, general and administrative expenses	\$ (880)	\$ (666)	\$ (1,883)	\$ (1,398)
Interest income	\$ 2,170	\$ 3,591	\$ 5,750	\$ 11,099
Interest expense	\$ (2,016)	\$ (2,105)	\$ (5,483)	\$ (7,059)
Other income, net	\$ 340	\$ 186	\$ 904	\$ 275
Direct-to-Consumer				
Selling, general and administrative expenses	\$ (3,831)	\$ (1,749)	\$ (7,575)	\$ (5,877)
Interest expense	\$ (45)	\$ —	\$ (45)	\$ —
Other expense, net	\$ —	\$ —	\$ —	\$ (220)

## Net income (loss) before provision for income taxes

*in thousands*

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>Net income (loss) before provision for income taxes by segment</b>				
Wholesale Sales & Ancillary Services	\$ 74,434	\$ 11,439	\$ 109,492	\$ 12,857
Secured Lending	(386)	1,006	(712)	2,917
Direct-to-Consumer	12,732	977	20,017	(257)
	<u>\$ 86,780</u>	<u>\$ 13,422</u>	<u>\$ 128,797</u>	<u>\$ 15,517</u>

## Depreciation and Amortization

*in thousands*

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>Depreciation and amortization by segment</b>				
Wholesale Sales & Ancillary Services	\$ (213)	\$ (375)	\$ (637)	\$ (1,175)
Secured Lending	(88)	(281)	(264)	(316)
Direct-to-Consumer	(1,187)	(227)	(1,593)	(726)
	<u>\$ (1,488)</u>	<u>\$ (883)</u>	<u>\$ (2,494)</u>	<u>\$ (2,217)</u>

## Advertising expense

*in thousands*

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>Advertising expense by segment</b>				
Wholesale Sales & Ancillary Services	\$ (74)	\$ (294)	\$ (217)	\$ (362)
Secured Lending	(63)	(6)	(131)	(11)
Direct-to-Consumer	(821)	(456)	(1,932)	(1,192)
	<u>\$ (958)</u>	<u>\$ (756)</u>	<u>\$ (2,280)</u>	<u>\$ (1,565)</u>

Precious metals held under financing arrangements

*in thousands*

	March 31, 2021	June 30, 2020
<b>Precious metals held under financing arrangements by segment</b>		
Wholesale Sales & Ancillary Services	\$ 136,289	\$ 157,609
Secured Lending	24,699	20,968
	<u>\$ 160,988</u>	<u>\$ 178,577</u>

Inventories

*in thousands*

	March 31, 2021	June 30, 2020
<b>Inventories by segment</b>		
Wholesale Sales & Ancillary Services	\$ 469,998	\$ 289,069
Secured Lending	5,838	24,057
Direct-to-Consumer	85,085	8,155
	<u>\$ 560,921</u>	<u>\$ 321,281</u>

*in thousands*

	March 31, 2021	June 30, 2020
<b>Inventories by geographic region</b>		
United States	\$ 530,010	\$ 287,960
Europe	10,030	19,531
North America, excluding United States	20,800	13,735
Asia	81	55
	<u>\$ 560,921</u>	<u>\$ 321,281</u>

Total Assets

*in thousands*

	March 31, 2021	June 30, 2020
<b>Assets by segment</b>		
Wholesale Sales & Ancillary Services	\$ 751,336	\$ 599,032
Secured Lending	141,660	140,622
Direct-to-Consumer	340,357	18,381
	<u>\$ 1,233,353</u>	<u>\$ 758,035</u>

*in thousands*

	March 31, 2021	June 30, 2020
<b>Assets by geographic region</b>		
United States	\$ 1,200,641	\$ 723,252
Europe	11,831	20,993
North America, excluding United States	20,800	13,735
Asia	81	55
	<u>\$ 1,233,353</u>	<u>\$ 758,035</u>

## Long-term Assets

*in thousands*

	March 31, 2021	June 30, 2020
<b>Long-term assets by segment</b>		
Wholesale Sales & Ancillary Services	\$ 34,067	\$ 39,090
Secured Lending	1,060	1,319
Direct-to-Consumer	197,321	3,607
	<u>\$ 232,448</u>	<u>\$ 44,016</u>

*in thousands*

	March 31, 2021	June 30, 2020
<b>Long-term assets by geographic region</b>		
United States	\$ 232,393	\$ 43,963
Europe	55	53
	<u>\$ 232,448</u>	<u>\$ 44,016</u>

## Capital Expenditures for Property, Plant, and Equipment

*in thousands*

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>Capital expenditures on property, plant, and equipment by segment</b>				
Wholesale Sales & Ancillary Services	\$ 411	\$ 224	\$ 1,335	\$ 600
Secured Lending	—	4	4	76
Direct-to-Consumer	3	3	12	10
	<u>\$ 414</u>	<u>\$ 231</u>	<u>\$ 1,351</u>	<u>\$ 686</u>

## Goodwill and Intangible Assets

*in thousands*

	March 31, 2021	June 30, 2020
<b>Goodwill by segment</b>		
Wholesale Sales & Ancillary Services	\$ 8,881	\$ 8,881
Direct-to-Consumer (1)	92,792	—
	<u>\$ 101,673</u>	<u>\$ 8,881</u>

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

## Intangible Assets

*in thousands*

	March 31, 2021	June 30, 2020
<b>Intangibles by segment</b>		
Wholesale Sales & Ancillary Services	\$ 2,850	\$ 2,907
Direct-to-Consumer (2)	98,666	2,067
	<u>\$ 101,516</u>	<u>\$ 4,974</u>

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

**19. SUBSEQUENT EVENTS**

Effective April 1, 2021, the Company acquired the remaining 30.9% interest in AM&ST Associates, LLC (“AMST”) pursuant to an agreement with Silver Towne, L.P. As a result, the Company now owns 100% of AMST. The purchase price for the remaining interest was \$2.0 million and was funded by the Company’s cash on hand.

## 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 is exposed to the effects of the COVID-19 pandemic. The extent to which this outbreak ultimately impacts our results of operations, cash flows and financial condition will depend on future developments, which are highly uncertain and unpredictable, including new information which may emerge concerning the severity and duration of this outbreak and the actions taken by governmental authorities and us to contain it or treat its impact.

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. 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:

- Executive overview. 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.
- Results of operations. 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.
- Segment results of operations. This section provides an analysis of our results of operations presented for our three segments:
  - Wholesales Sales & Ancillary Services
  - Secured Lending, and
  - Direct-to-Consumerfor the comparable periods.
- Liquidity and financial condition. This section provides an analysis of our cash flows, as well as a discussion of our outstanding debt as of March 31, 2021. Included in this section is a discussion of our: outstanding debt, the amount of financial capacity available to fund our future commitments and other financing arrangements.



- Critical accounting policies. 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 Note 2 of the notes to the condensed consolidated financial statements.
- Recent accounting pronouncements. 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 (formerly known as Wholesale Trading & Ancillary Services), (ii) Secured Lending, and (iii) Direct-to-Consumer (formerly known as Direct Sales). The name changes of the Wholesale Sales & Ancillary Services and Direct-to-Consumer segments had no impact on the Company's historical financial position, results of operations, cash flows, or segment level results previously reported.

### **Wholesale Sales & Ancillary Services Segment**

The Company operates its Wholesale Sales & Ancillary Services segment through A-Mark Precious Metals, Inc., and its wholly-owned subsidiaries, A-Mark Trading AG ("AMTAG"), Transcontinental Depository Services, LLC ("TDS" or "Storage"), and A-M Global Logistics, LLC ("AMGL" or "Logistics"), and AMGL's subsidiary, AM&ST Associates, LLC ("AMST" or "SilverTowne" or the "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 200 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 throughout the European continent. 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 AMST, the Company designs and produces minted silver products. Our 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. At March 31, 2021, the Company and SilverTowne, L.P. owned 69% and 31%, respectively, of AMST.

### **Secured Lending**

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

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, 2021, CFC and AMCF had, in the aggregate, approximately \$100.7 million in secured loans outstanding, of which approximately 66.4% were acquired from third-parties (some of which may be customers of A-Mark) and approximately 33.6% were originated by CFC.

AMCF, a wholly-owned subsidiary of CFC, 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. 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% (collectively referred to as the "Notes"). The Notes have a maturity date of December 15, 2023. See [Note 14](#) of the notes to the Company's condensed consolidated financial statements for additional information.

### **Direct-to-Consumer**

The Company operates its Direct-to-Consumer segment through its wholly-owned subsidiaries JM Bullion, Inc. ("JMB"), Goldline, Inc. ("Goldline"), and AMIP, LLC ("AMIP"), and through its 50%-owned subsidiary Precious Metals Purchasing Partners, LLC ("PMPP").

JMB is an e-commerce retailer providing access to an array of gold, silver, platinum, palladium, and copper products through its websites and marketplaces. Currently, JMB operates five separately branded, company-owned websites targeting specific niches within the precious metals retail market. The Company acquired the 79.5% interest in JMB that it did not previously own in March 2021. See [Note 1](#) to the Company's condensed consolidated financial statements for additional information regarding the acquisition of JMB.

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 telephonic sales efforts.

AMIP, a wholly-owned subsidiary of Goldline, manages its intellectual property.

In fiscal 2019, the Company formed and capitalized PMPP, a 50%-owned subsidiary of Goldline, 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.

### **Acquisition of JMB**

On March 19, 2021, we completed the acquisition of the 79.5% of the stockholder interest in JM Bullion, Inc. ("JMB") that we did not previously own. JMB is a leading e-commerce retailer providing access to a broad array of gold, silver, copper, platinum, and palladium products through its own websites and marketplaces. JMB owns and operates five separately branded websites, including [JMBullion.com](#), [ProvidentMetals.com](#), [Silver.com](#), [GoldPrice.org](#), and [SilverPrice.org](#).

By acquiring JMB, we have substantially both expanded our e-commerce channel for precious coin and metals sales and increased the diversification of our business between wholesale and retail distribution. We believe that the acquisition will enable us to:

- apply JMB's proven online marketing strategies to other aspects of our direct-to-consumer business;
- more effectively tailor our merchandising and pricing strategies to target multiple customer demographics across our combined six unique consumer-facing brands;
- enhance our program under which we repurchase product from our customers;
- expand our logistics footprint by adding JMB's centrally located distribution hub in Dallas, Texas;
- offer JMB's customers proprietary precious metal products developed by us, as well as additional services, including distribution, storage, and logistics;
- leverage the increased size of the combined businesses to achieve more favorable pricing and financing terms; and
- provide JMB with opportunities for geographic expansion through our international presence.

For the three and nine months ended March 31, 2021, JMB had revenues of approximately \$68.4 million and \$68.4 million, respectively. This compares with the Company's total revenues of approximately \$2,049.5 million and \$5,434.4 million, respectively, and the revenues of the Company's direct-to-consumer segment of approximately \$126.2 million and \$219.9 million, during these same periods. The results of operations of JMB are included in the Company's results beginning on March 20, 2021.

The following table compares the number of new active customers of JMB and the remainder of our direct-to-consumer segment for each of the three months and nine months ended March 31, 2021, the number of active customers of JMB and the remainder of our direct-to-consumer segment for each of the three months and nine months ended March 31, 2021, and number of total customers of JMB and the remainder of our direct-to-consumer segment at March 31, 2021.

	New Customers for the Three Months Ended March 31, 2021	New Customers for the Nine Months Ended March 31, 2021	Active Customers for the Three Months Ended March 31, 2021	Active Customers for the Three Months Ended March 31, 2021	Total Customers at March 31, 2021
JMB	12,100	12,100	32,900	32,900	1,472,000
Remaining Direct-to-Consumer	1,100	2,800	3,700	7,700	161,800

In the following table we estimate, on a pro forma basis, the revenue and net income of the Company had the acquisition of JMB and certain other transactions occurred on July 1, 2020.

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

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Revenue	\$ 2,339,148	\$ 1,281,639	\$ 5,974,317	\$ 3,932,344
Net income	\$ 80,673	\$ 14,130	\$ 131,717	\$ 22,842

These estimates are based on the historical results of the Company and JMB during this period and take into account various transaction accounting adjustments. This pro forma information is not necessarily indicative of what the combined company's results of operations would have been had the acquisition of JMB been completed as of July 1, 2020, nor is it meant to be indicative of any anticipated future results of operations that the combined company will experience. Also, the information is based on transaction accounting adjustments that are preliminary and subject to further adjustment.

### ***Our Strategy***

The Company was formed in 1965 and has grown into a significant participant in the bullion and coin markets, with approximately \$5.5 billion in revenues for fiscal year 2020. 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. With our recent acquisition of JMB, we have substantially expanded our e-commerce channel for precious coin and metals sales and increased the diversification of our business between wholesale and retail distribution.

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 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 segments offers these customers a variety of gold, silver, copper, platinum, and palladium products.

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

***Revenues.*** 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.

However, unlike futures contracts which do not impact the Company's revenue, forward sales contracts by their nature are required to be included in revenues. The decision to use a forward contract versus another derivative type 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% 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 change 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.

***Gross Profit.*** 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.

***Interest Income.*** 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").

***Interest Expense.*** The Company incurs interest expense associated with its: lines of credit, notes, related-party debt, product financing agreements for the transfer and subsequent re-acquisition of gold and silver 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 to 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. Generally, the ounces sold on a per-ticket basis is substantially higher for orders placed telephonically compared to those placed on our online portal platform.

Direct-to-Consumer Ticket Volume. Ticket volume for the Direct-to-Consumer segment measures the total 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.

Direct-to-Consumer Customers. 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.
- Total Direct-to-Consumer Customers means the aggregate number of customers that have registered or set up an account or have made a purchase in the past.

Inventory Turnover. 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 our 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.

Number of Secured Loans. 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. Generally Accepted Accounting Principles ("GAAP"). One of these non-GAAP measures is "Adjusted net income before provision for income taxes". We believe this non-GAAP measure provides useful information that can be used to evaluate our performance and our ability to generate cash flows. Non-GAAP measures do not have standardized definitions and should not be relied upon in isolation or as a substitute for measures prepared in accordance with GAAP. For a reconciliation of this non-GAAP measure to the amounts included in our Statements of Operations for the three months ended March 31, 2021 and 2020 and the nine months ended March 31, 2021 and 2020, and certain limitations inherent in such measures, refer to the "Non-GAAP Measures" section below.

#### ***COVID-19***

On March 11, 2020, the World Health Organization announced that infections of COVID-19 had become pandemic, and on March 13, COVID-19 was declared a national emergency on account of the spread of the disease in the United States. The COVID-19 outbreak has caused significant disruption in the financial markets both globally and in the United States, and has severely constricted the level of economic activity worldwide. 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 particularly in Goldline and our recently acquired JMB retail units, seeking to assure a supply of precious metals necessary for the operation of their businesses, and other customers' 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 have also experienced certain negative effects in the precious metals market. Through our CFC finance subsidiary, we make loans to our customers secured by coins and precious metals. Numerous CFC loans were paid off in March 2020 when the market experienced a temporary drop in precious metal prices, which reduced collateral coverage. This had the effect of decreasing the size of our loan portfolio and the interest earned on the portfolio. It also required us to substitute cash and our own precious metals inventory as collateral under our AMCF securitization program, as the pool of loans securing the program declined. While we did not experience any related losses, there is no assurance that this might not occur in the future. In the year that followed, precious metal prices increased and the Company experienced growth in its loan portfolio.

#### ***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.

## RESULTS OF OPERATIONS

### Overview of Results of Operations for the Three Months Ended March 31, 2021 and 2020

#### Condensed Consolidated Results of Operations

The operating results of our business for the three months ended March 31, 2021 and 2020 are as follows:

*in thousands, except per share data and performance metrics*

Three Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 2,049,489	100.000 %	\$ 1,258,722	100.000 %	\$ 790,767	62.8 %
Gross profit	68,171	3.326 %	22,475	1.786 %	\$ 45,696	203.3 %
Selling, general, and administrative expenses	(14,783)	(0.721) %	(10,388)	(0.825) %	\$ 4,395	42.3 %
Interest income	4,724	0.230 %	5,968	0.474 %	\$ (1,244)	(20.8) %
Interest expense	(5,335)	(0.260) %	(5,051)	(0.401) %	\$ 284	5.6 %
Other income, net	7,750	0.378 %	463	0.037 %	\$ 7,287	1,573.9 %
Remeasurement gain on pre-existing equity interest	26,306	1.284 %	—	0.0 %	\$ 26,306	0.0 %
Unrealized losses on foreign exchange	(53)	(0.003) %	(45)	(0.004) %	\$ 8	17.8 %
Net income before provision for income taxes	86,780	4.234 %	13,422	1.066 %	\$ 73,358	546.6 %
Income tax expense	(9,847)	(0.480) %	(1,814)	(0.144) %	\$ 8,033	442.8 %
Net income	76,933	3.754 %	11,608	0.922 %	\$ 65,325	562.8 %
Net income attributable to non-controlling interests	308	0.015 %	287	0.023 %	\$ 21	7.3 %
Net income attributable to the Company	\$ 76,625	3.739 %	\$ 11,321	0.899 %	\$ 65,304	576.8 %

#### Basic and diluted net income per share attributable to

##### A-Mark Precious Metals, Inc.:

#### Per Share Data:

Basic	\$ 9.54	\$ 1.61	\$ 7.93	492.5 %
Diluted	\$ 8.84	\$ 1.61	\$ 7.23	449.1 %

#### Performance Metrics:<sup>(1)</sup>

Gold ounces sold <sup>(2)</sup>	771,000	508,000	263,000	51.8 %
Silver ounces sold <sup>(3)</sup>	33,100,000	25,729,000	7,371,000	28.6 %
Inventory turnover ratio <sup>(4)</sup>	3.7	3.7	—	0.0 %
Number of secured loans at period end <sup>(5)</sup>	1,571	429	1,142	266.2 %

(1) See "Results of Segments" for additional performance metrics.

(2) 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.

(3) 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.

(4) 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 consolidated balance sheets.

(5) 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, 2021 and 2020

### Condensed Consolidated Results of Operations

The operating results of our business for the nine months ended March 31, 2021 and 2020 are as follows:

*in thousands, except per share data and performance metrics*

Nine Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 5,434,349	100.000 %	\$ 3,795,326	100.000 %	\$ 1,639,023	43.2 %
Gross profit	123,067	2.265 %	38,946	1.026 %	\$ 84,121	216.0 %
Selling, general, and administrative expenses	(33,822)	(0.622) %	(26,528)	(0.699) %	\$ 7,294	27.5 %
Interest income	13,240	0.244 %	17,968	0.473 %	\$ (4,728)	(26.3) %
Interest expense	(14,665)	(0.270) %	(15,274)	(0.402) %	\$ (609)	(4.0) %
Other income, net	14,802	0.272 %	447	0.012 %	\$ 14,355	3,211.4 %
Remeasurement gain on pre-existing equity interest	26,306	0.484 %	—	0.0 %	\$ 26,306	0.0 %
Unrealized losses on foreign exchange	(131)	(0.002) %	(42)	(0.001) %	\$ 89	211.9 %
Net income before provision for income taxes	128,797	2.370 %	15,517	0.409 %	\$ 113,280	730.0 %
Income tax expense	(18,944)	(0.349) %	(2,351)	(0.062) %	\$ 16,593	705.8 %
Net income	109,853	2.021 %	13,166	0.347 %	\$ 96,687	734.4 %
Net income attributable to non-controlling interests	1,221	0.022 %	483	0.013 %	\$ 738	152.8 %
Net income attributable to the Company	\$ 108,632	1.999 %	\$ 12,683	0.334 %	\$ 95,949	756.5 %

#### Basic and diluted net income per share attributable to

##### A-Mark Precious Metals, Inc.:

#### Per Share Data:

Basic	\$ 14.67	\$ 1.80	\$ 12.87	715.0 %
Diluted	\$ 13.61	\$ 1.80	\$ 11.81	656.1 %

#### Performance Metrics:(1)

Gold ounces sold(2)	1,971,000	1,512,000	459,000	30.4 %
Silver ounces sold(3)	78,593,000	60,741,000	17,852,000	29.4 %
Inventory turnover ratio(4)	12.0	10.6	1.4	13.2 %
Number of secured loans at period end(5)	1,571	429	1,142	266.2 %

(1) See "Results of Segments" for additional performance metrics.

(2) 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.

(3) 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.

(4) 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 consolidated balance sheets.

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

### Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

*in thousands, except performance metrics*

Three Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 2,049,489	100.000 %	\$ 1,258,722	100.000 %	\$ 790,767	62.8 %
<b>Performance Metrics</b>						
Gold ounces sold	771,000		508,000		263,000	51.8 %
Silver ounces sold	33,100,000		25,729,000		7,371,000	28.6 %

Revenues for the three months ended March 31, 2021 increased \$790.8 million, or 62.8%, to \$2.049 billion from \$1.259 billion in 2020. Excluding an increase in forward sales of \$41.3 million, revenues increased \$749.5 million or 64.7%, which was primarily attributable to an increase in the total amount of gold and silver ounces sold and higher average selling prices of gold and silver.

Gold ounces sold for the three months ended March 31, 2021 increased 263,000 ounces, or 51.8%, to 771,000 ounces from 508,000 ounces in 2020. Silver ounces sold for the three months ended March 31, 2021 increased 7,371,000 ounces, or 28.6%, to



33,100,000 ounces from 25,729,000 ounces in 2020. On average, the selling prices for gold increased by 15.7% and selling prices for silver increased by 68.4% during the three months ended March 31, 2021 as compared to 2020.

A combination of price volatility, increased demand, and supply constraints led to a significant expansion in premium spreads in the precious metals market during the period. These factors were brought on by the volatility in precious metal prices caused by macroeconomic and other events. These conditions are not representative of normal market conditions, and we are uncertain of the duration of these conditions.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

*in thousands, except performance metrics*

Nine Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 5,434,349	100.000%	\$ 3,795,326	100.000%	\$ 1,639,023	43.2%
<u>Performance Metrics</u>						
Gold ounces sold	1,971,000		1,512,000		459,000	30.4%
Silver ounces sold	78,593,000		60,741,000		17,852,000	29.4%

Revenues for the nine months ended March 31, 2021 increased \$1,639.0 million, or 43.2% to \$5.434 billion from \$3.795 billion in 2020. Excluding a decrease in forward sales of \$94.8 million, revenues increased \$1,733.8 million, or 53.1% which was primarily attributable to an increase in the total amount of gold and silver ounces sold and higher average selling prices of gold and silver.

Gold ounces sold for the nine months ended March 31, 2021 increased 459,000 ounces, or 30.4%, to 1,971,000 ounces from 1,512,000 ounces in 2020. Silver ounces sold for the nine months ended March 31, 2021 increased 17,852,000 ounces, or 29.4%, to 78,593,000 ounces from 60,741,000 ounces in 2020. On average, the selling prices for gold increased by 24.1% and selling prices for silver increased by 50.4% during the nine months ended March 31, 2021 as compared to 2020.

A combination of price volatility, increased demand, and supply constraints led to a significant expansion in premium spreads in the precious metals market during the period. These factors were brought on by the volatility in precious metal prices caused by macroeconomic and other events. These conditions are not representative of normal market conditions, and we are uncertain of the duration of these conditions.

**Gross Profit**

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

*in thousands, except performance metric*

Three Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Gross profit	\$ 68,171	3.326%	\$ 22,475	1.786%	\$ 45,696	203.3%
<u>Performance Metric</u>						
Inventory turnover ratio	3.7		3.7		—	(—)%

Gross profit for the three months ended March 31, 2021 increased by \$45.7 million, or 203.3%, to \$68.2 million from \$22.5 million in 2020. The overall gross profit increase was due to higher gross profits earned by the Wholesale Sales & Ancillary Services and Direct-to-Consumer segments.

The Company's overall gross margin percentage increased by 154.0 basis points, or 86.2% to 3.326% from 1.786% in 2020. The increase in gross margin percentage was mainly attributable to significantly wider premium spreads due to increased demand, higher trading profits primarily due to increased volatility, partially offset by the impact of higher forward sales.

Forward sales increase revenues but are associated with negligible gross margins. The Company enters into forward contracts to hedge its precious metals price risk exposure and not for speculative purposes.

Our inventory turnover ratio for the three months ended March 31, 2021 remained consistent at 3.7 when compared to the same period in 2020. Although a higher volume of inventory was sold during the current period, average inventory balances associated with product financing arrangements increased. Inventory associated with product financing arrangements is typically held for longer periods.

The impact of these two factors led to a similar inventory turnover ratio in the current period when compared to that of the prior period, in which less product was sold and the Company had lower average inventory balances associated with product financing arrangements.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

*in thousands, except performance metric*

Nine Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Gross profit	\$ 123,067	2.265%	\$ 38,946	1.026%	\$ 84,121	216.0%
<u>Performance Metric</u>						
Inventory turnover ratio	12.0		10.6		1.4	13.2%

Gross profit for the nine months ended March 31, 2021 increased by \$84.1 million, or 216.0%, to \$123.1 million from \$38.9 million in 2020. The overall gross profit increase was due to higher gross profits from the Wholesale Sales & Ancillary Services and Direct-to-Consumer segments.

The Company's overall gross margin percentage increased by 123.9 basis points, or 120.8% to 2.265% from 1.026% in 2020. The increase in gross margin percentage was mainly attributable to significantly wider premium spreads due to increased demand, higher trading profits primarily due to increased volatility, and the impact of lower forward sales.

Forward sales increase revenues but are associated with negligible gross margins. The Company enters into forward contracts to hedge its precious metals price risk exposure and not for speculative purposes.

Our inventory turnover ratio for the nine months ended March 31, 2021 increased by 13.2%, to 12.0 from 10.6 in 2020. The increase in our inventory turnover ratio was primarily due to higher volumes of product sold during the current period, partially offset by lower forward sales and higher average inventory balances related to product financing arrangements, which is a type of inventory that is typically held for longer periods.

***Selling, General and Administrative Expense***

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

*in thousands*

Three Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Selling, general, and administrative expenses	\$ (14,783)	(0.721)%	\$ (10,388)	(0.825)%	\$ 4,395	42.3%

Selling, general, and administrative expenses for the three months ended March 31, 2021 increased \$4.4 million, or 42.3%, to \$14.8 million from \$10.4 million in 2020. The change was primarily due to increased acquisition costs of \$2.2 million associated with our recent acquisition of JMB, an increase of \$1.7 million related to JMB's operations subsequent to the acquisition and now reported on a fully consolidated basis (of which \$1.0 million is attributable to amortization expense), and an increase of \$0.3 million associated with Goldline's marketing activities.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

*in thousands*

Nine Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Selling, general, and administrative expenses	\$ (33,822)	(0.622)%	\$ (26,528)	(0.699)%	\$ 7,294	27.5%

Selling, general, and administrative expenses for the nine months ended March 31, 2021 increased \$7.3 million, or 27.5%, to \$33.8 million from \$26.5 million in 2020. The change was primarily due to increased acquisition costs of \$2.6 million associated with our recent acquisition of JMB, increases in compensation expense (including performance-based accruals) of \$2.1 million, an increase of \$1.7 million related to JMB's operations subsequent to the acquisition and now reported on a fully consolidated basis (of which \$1.0 million is attributable to amortization expense), increased insurance costs of \$0.7 million, and an increase in computer software expense of \$0.2 million.

## Interest Income

### Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

*in thousands, except performance metric*

Three Months Ended March 31,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Interest income	\$ 4,724	0.230%	\$ 5,968	0.474%	\$ (1,244)	(20.8%)
<b>Performance Metric</b>						
Number of secured loans at period-end	1,571		429		1,142	266.2%

Interest income for the three months ended March 31, 2021 decreased \$1.2 million, or 20.8%, to \$4.7 million from \$6.0 million in 2020. The aggregate decrease in interest income was primarily due to lower interest income earned by our Secured Lending segment, partially offset by higher other finance product income.

Interest income from our Secured Lending segment decreased by \$1.4 million, or by 39.6% in comparison to the same year-ago period. The decrease in interest income earned from the segment's secured loan portfolio was primarily due to lower average monthly loan balances during the current period as compared to the average monthly loan balances for the comparable period, and to a lesser extent, a decrease in interest rates.

The number of secured loans outstanding increased by 266.2% to 1,571 from 429 in 2020. Typically, the number of loans increases during periods of increasing precious metal prices and decreases during periods of declining precious metal prices. Silver prices declined significantly in the quarter ended March 31, 2020, resulting in an increase in margin calls and borrower loan liquidations due to a decline in the value of the precious metals collateral. During the year that followed, silver prices increased and the Company experienced growth in the number of loans.

The Company did not incur loan losses related to the margin calls or borrower loan liquidations during either the current or the comparable prior year period.

The interest income from our other finance product income increased by \$0.2 million in comparison to the same year-ago period.

### Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

*in thousands, except performance metric*

Nine Months Ended March 31,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Interest income	\$ 13,240	0.244%	\$ 17,968	0.473%	\$ (4,728)	(26.3%)
<b>Performance Metric</b>						
Number of secured loans at period-end	1,571		429		1,142	266.2%

Interest income for the nine months ended March 31, 2021 decreased \$4.7 million, or 26.3%, to \$13.2 million from \$18.0 million in 2020. The aggregate decrease in interest income was primarily due to lower interest income earned by our Secured Lending segment, partially offset by higher other finance product income.

The interest income from our Secured Lending segment decreased by \$5.3 million or by 48.2% in comparison to the same year-ago period. The decrease in interest income earned from the segment's secured loan portfolio was primarily due to lower average monthly loan balances during the current period as compared to the average monthly loan balances for the comparable period, and to a lesser extent, a decrease in interest rates.

The number of secured loans outstanding increased by 266.2% to 1,571 from 429 in 2020. Typically, the number of loans increases during periods of increasing precious metal prices and decreases during periods of declining precious metal prices. Silver prices declined significantly in the quarter ended March 31, 2020, resulting in an increase in the margin calls and borrower loan liquidations due to a decline in the value of the precious metals collateral. During the year that followed, silver prices increased and the Company experienced growth in the number of loans.

The Company did not incur loan losses related to the margin calls or borrower loan liquidations during either the current or the comparable prior year period.

The interest income from our other finance product income increased by \$0.8 million in comparison to the same year-ago period.

### **Interest Expense**

#### Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

##### in thousands

#### **Three Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Interest expense	\$ (5,335)	(0.260)%	\$ (5,051)	(0.401)%	\$ 284	5.6%

Interest expense for the three months ended March 31, 2021 increased \$0.3 million, or 5.6% to \$5.3 million from \$5.1 million in 2020. The increase was primarily driven by higher interest expense associated with product financing arrangements, partially offset by a reduction in loan servicing fees, lower interest and fees from liability on borrowed metals, and less interest expense related to our Trading Credit Facility. As compared to the same year-ago period, the amount of interest expense that increased by component included: (i) \$0.7 million related to product financing arrangements, offset by decreased interest expense of (ii) \$0.2 million of loan servicing fees, (iii) \$0.1 million from liability on borrowed metals, and (iv) \$0.1 million of Trading Credit Facility interest expense (including debt amortization costs).

#### Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

##### in thousands

#### **Nine Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Interest expense	\$ (14,665)	(0.270)%	\$ (15,274)	(0.402)%	\$ (609)	(4.0)%

Interest expense for the nine months ended March 31, 2021 decreased \$0.6 million, or 4.0% to \$14.7 million from \$15.3 million in 2020. The decrease was primarily due to reductions in interest expense related to our Trading Credit Facility and loan servicing fees, partially offset by increases in interest expense related to product financing arrangements. As compared to the same year-ago period, the amount of interest expense that decreased, by component, included: (i) \$1.0 million of Trading Credit Facility interest expense (including debt amortization costs), (ii) \$0.8 million of loan servicing cost, offset by increased interest expense of (iii) \$1.2 million related to product financing arrangements.

### **Other income, net**

#### Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

##### in thousands

#### **Three Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Other income, net	\$ 7,750	0.378%	\$ 463	0.037%	\$ 7,287	1,573.9%

Other income, net for the three months ended March 31, 2021 increased \$7.3 million, or 1573.9% to \$7.8 million from \$0.5 million in 2020. The aggregate increase was primarily due to an increase of \$7.1 million in the Company's proportionate share of our equity-method investees' earnings and an increase of \$0.2 million in royalties earned compared to the prior comparable quarter.

#### Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

##### in thousands

#### **Nine Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Other income, net	\$ 14,802	0.272%	\$ 447	0.012%	\$ 14,355	3,211.4%

Other income, net for the nine months ended March 31, 2021 increased \$14.4 million, or 3,211.4% to \$14.8 million from \$447 thousand in 2020. The aggregate increase was primarily due to an increase of \$13.5 million in the Company's proportionate share of our equity-method investees' earnings, an increase of \$0.6 million in royalties earned, and \$0.2 million of costs recorded as other expense associated with the settlement of our purchase of Goldline that was recognized during the nine months ended March 31, 2020.

#### ***Remeasurement gain on pre-existing equity interest***

##### Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

###### *in thousands*

###### **Three Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Remeasurement gain on pre-existing equity interest	\$ 26,306	1.284%	\$ —	0.0%	\$ 26,306	0.0%

The estimated remeasurement gain on pre-existing equity interest was recognized during the Company's fiscal third quarter in connection with the acquisition of JMB. The Company's estimated fair value of its 20.5% pre-existing equity interest in JMB was determined to be approximately \$34.1 million at the acquisition date. Based on the total consideration paid of \$175.8 million, the remeasurement resulted in the recognition of a pretax gain of \$26.3 million. For additional information about our most recent acquisition see [Note 1](#) to our condensed consolidated financial statements.

##### Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

###### *in thousands*

###### **Nine Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Remeasurement gain on pre-existing equity interest	\$ 26,306	0.484%	\$ —	0.0%	\$ 26,306	0.0%

The estimated remeasurement gain on pre-existing equity interest was recognized during the Company's fiscal third quarter in connection with the acquisition of JMB. The Company's estimated fair value of its 20.5% pre-existing equity interest in JMB was determined to be approximately \$34.1 million at the acquisition date. Based on the total consideration paid of \$175.8 million, the remeasurement resulted in the recognition of a pretax gain of \$26.3 million. For additional information about our most recent acquisition see [Note 1](#) to our condensed consolidated financial statements.

#### ***Provision for Income Taxes***

##### Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

###### *in thousands*

###### **Three Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Income tax expense	\$ (9,847)	(0.480)%	\$ (1,814)	(0.144)%	\$ 8,033	442.8%

Our income tax expense was \$9.8 million and \$1.8 million for the three months ended March 31, 2021 and 2020, respectively. Our effective tax rate was approximately 11.3% and 13.5% for the three months ended March 31, 2021 and 2020, respectively. For the three months ended March 31, 2021, our effective tax rate differs from the federal statutory rate primarily due to a one-time benefit related to the fair value remeasurement 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 pre-acquisition period JMB equity earnings pick-up, offset by state taxes (net of federal tax benefit) and foreign withholding taxes.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

*in thousands*

Nine Months Ended March 31,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Income tax expense	\$ (18,944)	(0.349)%	\$ (2,351)	(0.062)%	\$ 16,593	705.8%

Our income tax expense was \$18.9 million and \$2.4 million for the nine months ended March 31, 2021 and 2020, respectively. Our effective tax rate was approximately 14.7% and 15.2% for the nine months ended March 31, 2021 and 2020, respectively. For the nine months ended March 31, 2021, our effective tax rate differs from the federal statutory rate primarily due to a one-time benefit related to the fair value remeasurement 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 pre-acquisition period JMB equity earnings pick-up, offset by state taxes (net of federal tax benefit) and foreign withholding taxes.

**SEGMENT RESULTS OF OPERATIONS**

The Company conducts its operations in three reportable segments: (i) Wholesale Sales & Ancillary Services, (ii) Secured Lending and (iii) Direct-to-Consumer. 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 FASB Accounting Standards Codification ("ASC").

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

The Company operates its Wholesale Sales & Ancillary Services segment through A-Mark Precious Metals, Inc., and its wholly-owned subsidiaries, A-Mark Trading AG ("AMTAG"), Transcontinental Depository Services ("TDS"), and A-M Global Logistics, LLC ("Logistics"), and its partially-owned subsidiary, 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.

**Overview of Results of Operations for the Three Months Ended March 31, 2021 and 2020**

*— Wholesale Sales & Ancillary Services Segment*

The operating results of our Wholesale Sales & Ancillary Services segment for the three months ended March 31, 2021 and 2020 are as follows:

*in thousands, except performance metrics*

Three Months Ended March 31,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 1,923,263	100.000%	\$ 1,234,165	100.000%	\$ 689,098	55.8%
Gross profit	51,563	2.681%	19,749	1.600%	\$ 31,814	161.1%
Selling, general, and administrative expenses	(10,072)	(0.524)%	(7,973)	(0.646)%	\$ 2,099	26.3%
Interest income	2,554	0.133%	2,377	0.193%	\$ 177	7.4%
Interest expense	(3,274)	(0.170)%	(2,946)	(0.239)%	\$ 328	11.1%
Other income, net	7,410	0.385%	277	0.022%	\$ 7,133	2,575.1%
Remeasurement gain on pre-existing equity interest	26,306	1.368%	-	0.0%	\$ 26,306	0.0%
Unrealized losses on foreign exchange	(53)	(0.003)%	(45)	(0.004)%	\$ 8	17.8%
Net income before provision for income taxes	\$ 74,434	3.870%	\$ 11,439	0.927%	\$ 62,995	550.7%

**Performance Metrics:**

Gold ounces sold <sup>(1)</sup>	727,000	496,000	231,000	46.6%
Silver ounces sold <sup>(2)</sup>	31,141,000	25,547,000	5,594,000	21.9%
Wholesale Sales ticket volume <sup>(3)</sup>	44,966	48,689	(3,723)	(7.6%)

(1) 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.

(2) 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.

(3) Wholesale Sales ticket volume represents the total number of product orders processed by A-Mark.

## Overview of Results of Operations for the Nine Months Ended March 31, 2021 and 2020

### — Wholesale Sales & Ancillary Services Segment

The operating results of our Wholesale Sales & Ancillary Services segment for the nine months ended March 31, 2021 and 2020 are as follows:

#### *in thousands, except performance metrics*

Nine Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 5,214,460	100.000 %	\$ 3,733,252	100.000 %	\$ 1,481,208	39.7 %
Gross profit	95,430	1.830 %	33,106	0.887 %	\$ 62,324	188.3 %
Selling, general, and administrative expenses	(24,364)	(0.467) %	(19,253)	(0.516) %	\$ 5,111	26.5 %
Interest income	7,490	0.144 %	6,869	0.184 %	\$ 621	9.0 %
Interest expense	(9,137)	(0.175) %	(8,215)	(0.220) %	\$ 922	11.2 %
Other income, net	13,898	0.267 %	392	0.011 %	\$ 13,506	3,445.4 %
Remeasurement gain on pre-existing equity interest	26,306	0.504 %	0	0.0 %	\$ 26,306	0.0 %
Unrealized losses on foreign exchange	(131)	(0.003) %	(42)	(0.001) %	\$ 89	211.9 %
Net income before provision for income taxes	\$ 109,492	2.100 %	\$ 12,857	0.344 %	\$ 96,635	751.6 %
<b>Performance Metrics:</b>						
Gold ounces sold <sup>(1)</sup>	1,896,000		1,482,000		414,000	27.9 %
Silver ounces sold <sup>(2)</sup>	76,031,000		60,242,000		15,789,000	26.2 %
Wholesale Sales ticket volume <sup>(3)</sup>	110,104		115,491		(5,387)	(4.7 %)

(1) 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.

(2) 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.

(3) Wholesale Sales ticket volume represents the total number of product orders processed by A-Mark.

### Revenues — Wholesale Sales & Ancillary Services

#### Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

#### *in thousands, except performance metrics*

Three Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 1,923,263	100.000 %	\$ 1,234,165	100.000 %	\$ 689,098	55.8 %
<b>Performance Metrics</b>						
Gold ounces sold	727,000		496,000		231,000	46.6 %
Silver ounces sold	31,141,000		25,547,000		5,594,000	21.9 %

Revenues for the three months ended March 31, 2021 increased \$689.1 million, or 55.8%, to \$1.923 billion from \$1.234 billion in 2020. Excluding an increase in forward sales of \$41.3 million, revenues increased \$647.8 million or 57.1%, which was primarily attributable to an increase in the total amount of gold and silver ounces sold and higher average selling prices of gold and silver.

Gold ounces sold for the three months ended March 31, 2021 increased 231,000 ounces, or 46.6%, to 727,000 ounces from 496,000 ounces in 2020. Silver ounces sold for the three months ended March 31, 2021 increased 5,594,000 ounces, or 21.9%, to 31,141,000 ounces from 25,547,000 ounces in 2020. On average, the selling prices for gold increased by 15.2% and selling prices for silver increased by 68.0% during the three months ended March 31, 2021 as compared to 2020.

A combination of price volatility, increased demand, and supply constraints led to a significant expansion in premium spreads in the precious metals market during the period. These factors were brought on by the volatility in precious metal prices caused by macroeconomic and other events. These conditions are not representative of normal market conditions, and we are uncertain of the duration of these conditions.

*Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020*

*in thousands, except performance metrics*

**Nine Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 5,214,460	100.000%	\$ 3,733,252	100.000%	\$ 1,481,208	39.7%
<b>Performance Metrics</b>						
Gold ounces sold	1,896,000		1,482,000		414,000	27.9%
Silver ounces sold	76,031,000		60,242,000		15,789,000	26.2%

Revenues for the nine months ended March 31, 2021 increased \$1,481.2 million, or 39.7%, to \$5.214 billion from \$3.733 billion in 2020. Excluding a decrease in forward sales of \$94.8 million, revenues increased \$1,576.0 million or by 49.2%, which was primarily attributable to an increase in the total amount of gold and silver ounces sold and higher average selling prices of gold and silver.

Gold ounces sold for the nine months ended March 31, 2021 increased 414,000 ounces, or 27.9%, to 1,896,000 ounces from 1,482,000 ounces in 2020. Silver ounces sold for the nine months ended March 31, 2021 increased 15,789,000 ounces, or 26.2%, to 76,031,000 ounces from 60,242,000 ounces in 2020. On average, the selling prices for gold increased by 23.7% and selling prices for silver increased by 49.9% during the nine months ended March 31, 2021 as compared to 2020.

A combination of price volatility, increased demand, and supply constraints led to a significant expansion in premium spreads in the precious metals market during the period. These factors were brought on by the volatility in precious metal prices caused by macroeconomic and other events. These conditions are not representative of normal market conditions, and we are uncertain of the duration of these conditions.

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

*Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020*

*in thousands, except performance metric*

**Three Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Gross profit	\$ 51,563	2.681%	\$ 19,749	1.600%	\$ 31,814	161.1%
<b>Performance Metric</b>						
Wholesale Sales ticket volume	44,966		48,689		(3,723)	(7.6%)

Gross profit for the three months ended March 31, 2021 increased by \$31.8 million, or 161.1%, to \$51.6 million from \$19.7 million in 2020. The overall gross profit increase was primarily due to higher sales volumes and increased spreads.

This segment's profit margin percentage increased by 108.1 basis points, or 67.6% to 2.681% from 1.600% in 2020. The increase in gross margin percentage was mainly attributable to significantly wider premium spreads due to increased demand and higher trading profits primarily due to increased volatility, partially offset by the impact of higher forward sales.

Forward sales increase revenues but are associated with negligible gross margins. The Company enters into forward contracts to hedge its precious metals price risk exposure and not for speculative purposes.

The Wholesale Sales ticket volume for the three months ended March 31, 2021 decreased by 3,723 tickets, or 7.6%, to 44,966 tickets from 48,689 tickets in 2020. The decrease in our Wholesale Sales ticket volume reflects that more ounces were sold per ticket compared to 2020.



Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

*in thousands, except performance metric*

**Nine Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Gross profit	\$ 95,430	1.830%	\$ 33,106	0.887%	\$ 62,324	188.3%
<b>Performance Metric</b>						
Wholesale Sales ticket volume	110,104		115,491		(5,387)	(4.7%)

Gross profit for the nine months ended March 31, 2021 increased by \$62.3 million, or 188.3%, to \$95.4 million from \$33.1 million in 2020. The overall gross profit increase was primarily due to higher sales volumes and increased spreads.

This segment's profit margin percentage increased by 94.3 basis points, or 106.3% to 1.830% from 0.887% in 2020. The increase in gross margin percentage was mainly attributable to significantly wider premium spreads due to increased demand, higher trading profits primarily due to increased volatility, and the impact of lower forward sales.

Forward sales increase revenues but are associated with negligible gross margins. The Company enters into forward contracts to hedge its precious metals price risk exposure and not for speculative purposes.

The Wholesale Sales ticket volume for the nine months ended March 31, 2021 decreased by 5,387 tickets, or 4.7%, to 110,104 tickets from 115,491 tickets in 2020. The decrease in our Wholesale Sales ticket volume reflects that more ounces were sold per ticket compared to 2020.

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

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

*in thousands*

**Three Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Selling, general, and administrative expenses	\$ (10,072)	(0.524)%	\$ (7,973)	(0.646)%	\$ 2,099	26.3%

Selling, general, and administrative expenses for the three months ended March 31, 2021 increased \$2.1 million, or 26.3%, to \$10.1 million from \$8.0 million in 2020. The change was primarily due to increased acquisition costs of \$2.2 million associated with the Company's recent acquisition of JMB.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

*in thousands*

**Nine Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Selling, general, and administrative expenses	\$ (24,364)	(0.467)%	\$ (19,253)	(0.516)%	\$ 5,111	26.5%

Selling, general, and administrative expenses for the nine months ended March 31, 2021 increased \$5.1 million, or 26.5%, to \$24.4 million from \$19.3 million in 2020. The change was primarily due to increased acquisition costs of \$2.6 million associated with the Company's recent acquisition of JMB, increased compensation expense (including performance-based accruals) of \$2.1 million, and higher insurance costs of \$0.7 million.

**Interest Income — Wholesale Sales & Ancillary Services****Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020*****in thousands*****Three Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Interest income	\$ 2,554	0.133%	\$ 2,377	0.193%	\$ 177	7.4%

Interest income for the three months ended March 31, 2021 increased \$0.2 million, or 7.4%, to \$2.6 million from \$2.4 million in 2020. The overall increase is primarily due to \$0.2 million interest earned from repurchase agreements.

**Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020*****in thousands*****Nine Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Interest income	\$ 7,490	0.144%	\$ 6,869	0.184%	\$ 621	9.0%

Interest income for the nine months ended March 31, 2021 increased \$0.6 million, or 9.0%, to \$7.5 million from \$6.9 million in 2020. The overall increase is primarily due to \$0.8 million interest earned from repurchase agreements, partially offset by a reduction of \$0.1 million of interest income earned from spot deferred trade orders and lower other interest income of \$0.1 million.

**Interest Expense — Wholesale Sales & Ancillary Services****Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020*****in thousands*****Three Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Interest expense	\$ (3,274)	(0.170)%	\$ (2,946)	(0.239)%	\$ 328	11.1%

Interest expense for the three months ended March 31, 2021 increased \$0.3 million, or 11.1% to \$3.3 million from \$2.9 million in 2020. The increase was primarily due to greater product financing arrangements activity, which increased interest expense \$0.7 million against the comparable period, partially offset by lower interest expense of \$0.2 million associated with our Trading Credit Facility and notes payable, and decreased interest expense related to liability on borrowed metals of \$0.1 million.

**Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020*****in thousands*****Nine Months Ended March 31,**

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Interest expense	\$ (9,137)	(0.175)%	\$ (8,215)	(0.220)%	\$ 922	11.2%

Interest expense for the nine months ended March 31, 2021 increased \$0.9 million, or 11.2% to \$9.1 million from \$8.2 million in 2020. The increase was primarily due to greater product financing arrangements activity, which increased interest expense \$1.1 million, partially offset by lower interest expense of \$0.2 million associated with our Trading Credit Facility and notes payable.

**Other Income, net — Wholesale Sales & Ancillary Services**

**Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020**

***in thousands***

Three Months Ended March 31,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Other income, net	\$ 7,410	0.385%	\$ 277	0.022%	\$ 7,133	2,575.1%

Other income, net for the three months ended March 31, 2021 increased \$7.1 million or 2575.1% to \$7.4 million from \$0.3 million in 2020. The aggregate increase was primarily due to an increase in the Company's proportionate share of our equity-method investees' earnings of \$7.1 million compared to the prior comparable quarter.

**Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020**

***in thousands***

Nine Months Ended March 31,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Other income, net	\$ 13,898	0.267%	\$ 392	0.011%	\$ 13,506	3,445.4%

Other income, net for the nine months ended March 31, 2021 increased \$13.5 million, or 3445.4% to \$13.9 million from \$0.4 million in 2020. The aggregate increase was primarily related to an increase in the Company's proportionate share of our equity-method investees' earnings of \$13.5 million compared to the prior comparable period.

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

**Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020**

***in thousands***

Three Months Ended March 31,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Remeasurement gain on pre-existing equity interest	\$ 26,306	1.368%	\$ —	0.0%	\$ 26,306	0.0%

The estimated remeasurement gain on pre-existing equity interest was recognized during the Company's fiscal third quarter in connection with the acquisition of JMB. The Company's estimated fair value of its 20.5% pre-existing equity interest in JMB was determined to be approximately \$34.1 million at the acquisition date. Based on the total consideration paid of \$175.8 million, the remeasurement resulted in the recognition of a pretax gain of \$26.3 million. For additional information about our most recent acquisition see [Note 1](#) of the notes to the condensed consolidated financial statements.

**Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020**

***in thousands***

Nine Months Ended March 31,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Remeasurement gain on pre-existing equity interest	\$ 26,306	0.504%	\$ —	0.0%	\$ 26,306	0.0%

The estimated remeasurement gain on pre-existing equity interest was recognized during the Company's fiscal third quarter in connection with the acquisition of JMB. The Company's estimated fair value of its 20.5% pre-existing equity interest in JMB was determined to be approximately \$34.1 million at the acquisition date. Based on the total consideration paid of \$175.8 million, the remeasurement resulted in the recognition of a pretax gain of \$26.3 million. For additional information about our most recent acquisition see [Note 1](#) of the notes to the condensed consolidated financial statements.

### Results of Operations — Secured Lending Segment

The Company operates its Secured Lending segment through its wholly-owned subsidiaries, Collateral Finance Corporation, LLC. ("CFC") and AM Capital Funding, LLC ("AMCF"). AMCF was formed in September 2018, and its financial activity was incorporated into the Secured Lending segment's results thereafter.

#### Overview of Results of Operations for the Three Months Ended March 31, 2021 and 2020

##### — Secured Lending Segment

The operating results of our Secured Lending segment for the three months ended March 31, 2021 and 2020 are as follows:

*in thousands, except performance metrics*

Three Months Ended March 31,	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Interest income	\$ 2,170	100.000%	\$ 3,591	100.000%	\$ (1,421)	(39.6)%
Interest expense	(2,016)	(92.903)%	(2,105)	(58.619)%	\$ (89)	(4.2)%
Selling, general and administrative expenses	(880)	(40.553)%	(666)	(18.546)%	\$ 214	32.1%
Other income, net	340	15.668%	186	5.180%	\$ 154	82.8%
Net (loss) income before provision for income taxes	\$ (386)	(17.788)%	\$ 1,006	28.014%	\$ 1,392	138.4%
<b>Performance Metric:</b>						
Number of secured loans at period end <sup>(1)</sup>	1,571		429		1,142	266.2%

(1) 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, 2021 and 2020

##### — Secured Lending Segment

The operating results of our Secured Lending segment for the nine months ended March 31, 2021 and 2020 are as follows:

*in thousands, except performance metrics*

Nine Months Ended March 31,	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Interest income	\$ 5,750	100.000%	\$ 11,099	100.000%	\$ (5,349)	(48.2)%
Interest expense	(5,483)	(95.357)%	(7,059)	(63.600)%	\$ (1,576)	(22.3)%
Selling, general and administrative expenses	(1,883)	(32.748)%	(1,398)	(12.596)%	\$ 485	34.7%
Other income, net	904	15.722%	275	2.478%	\$ 629	228.7%
Net (loss) income before provision for income taxes	\$ (712)	(12.383)%	\$ 2,917	26.282%	\$ 3,629	124.4%
<b>Performance Metric:</b>						
Number of secured loans at period end <sup>(1)</sup>	1,571		429		1,142	266.2%

(1) Number of outstanding secured loans to customers at the end of the period.

**Interest Income — Secured Lending**

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

*in thousands, except performance metric*

Three Months Ended March 31,

	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Interest income	\$ 2,170	100.000%	\$ 3,591	100.000%	\$ (1,421)	(39.6%)
<b>Performance Metric</b>						
Number of secured loans at period-end	1,571		429		1,142	266.2%

Interest income for the three months ended March 31, 2021 decreased \$1.4 million, or 39.6%, to \$2.2 million from \$3.6 million in 2020. The decrease in interest income earned from the segment's secured loan portfolio was primarily due to lower average monthly loan balances during the current period as compared to the average monthly loan balances for the comparable period, and to a lesser extent, a decrease in interest rates.

The number of secured loans outstanding increased by 266.2% to 1,571 from 429 in 2020. Typically, the number of loans increases during periods of increasing precious metal prices and decrease during periods of declining precious metal prices. Silver prices declined significantly in the quarter ended March 31, 2020, resulting in an increase in margin calls and borrower loan liquidations due to a decline in the value of the precious metals collateral. During the year that followed, silver prices increased and the Company experienced growth in the number of loans. The Company did not incur loan losses related to the margin calls or borrower loan liquidations during this or the comparable period.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

*in thousands, except performance metric*

Nine Months Ended March 31,

	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Interest income	\$ 5,750	100.000%	\$ 11,099	100.000%	\$ (5,349)	(48.2%)
<b>Performance Metric</b>						
Number of secured loans at period-end	1,571		429		1,142	266.2%

Interest income for the nine months ended March 31, 2021 decreased \$5.3 million, or 48.2%, to \$5.8 million from \$11.1 million in 2020. The decrease in interest income earned from the segment's secured loan portfolio was primarily due to lower average monthly loan balances during the current period as compared to the average monthly loan balances for the comparable period, and to a lesser extent, a decrease in interest rates.

The number of secured loans outstanding increased by 266.2% to 1,571 from 429 in 2020. Typically, the number of loans increases during periods of increasing precious metal prices and decrease during periods of declining precious metal prices. Silver prices declined significantly in the quarter ended March 31, 2020, resulting in an increase in margin calls and borrower loan liquidations due to a decline in the value of the precious metals collateral. During the year that followed, silver prices increased and the Company experienced growth in the number of loans. The Company did not incur loan losses related to the margin calls or borrower loan liquidations during this or the comparable period.

**Interest Expense — Secured Lending**

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

*in thousands*

Three Months Ended March 31,

	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Interest expense	\$ (2,016)	(92.903)%	\$ (2,105)	(58.619)%	\$ (89)	(4.2%)

Interest expense for the three months ended March 31, 2021 decreased \$0.1 million, or 4.2% to \$2.0 million from \$2.1 million in 2020. The change in interest expense is driven by the value of our secured loan portfolio, which is primarily financed through our notes

payable and Trading Credit Facility. Although a higher number of secured loans were outstanding at the current period-end in comparison to that of the prior period, fewer loans were outstanding during the current period, leading to a decrease in loan servicing costs of \$0.2 million, partially offset by an increase in interest expense of \$0.1 million associated with our notes payable and Trading Credit Facility.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

*in thousands*

**Nine Months Ended March 31,**

	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Interest expense	\$ (5,483)	(95.357)%	\$ (7,059)	(63.600)%	\$ (1,576)	(22.3)%

Interest expense for the nine months ended March 31, 2021 decreased \$1.6 million, or 22.3% to \$5.5 million from \$7.1 million in 2020. The change in interest expense is driven by the value of our secured loan portfolio, which is primarily financed through our notes payable and Trading Credit Facility. As compared to the same year-ago period, loan servicing costs decreased \$0.8 million and interest expense related to our notes payable and Trading Credit Facility decreased \$0.7 million.

***Selling, General and Administrative Expenses — Secured Lending***

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

*in thousands*

**Three Months Ended March 31,**

	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Selling, general, and administrative expenses	\$ (880)	(40.553)%	\$ (666)	(18.546)%	\$ 214	32.1%

Selling, general, and administrative expenses for the three months ended March 31, 2021 increased \$0.2 million, or 32.1%, to \$0.9 million from \$0.7 million in 2020. The increase is mainly driven by higher professional fees of \$0.3 million and increased marketing expense of \$0.1 million, partially offset by lower depreciation expense of \$0.2 million.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

*in thousands*

**Nine Months Ended March 31,**

	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Selling, general, and administrative expenses	\$ (1,883)	(32.748)%	\$ (1,398)	(12.596)%	\$ 485	34.7%

Selling, general and administrative expenses for the nine months ended March 31, 2021 increased \$0.5 million, or 34.7%, to \$1.9 million from \$1.4 million in 2020. The increase was primarily due to an higher professional fees of \$0.3 million and increased marketing expense of \$0.1 million.

***Other Income, net — Secured Lending***

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

*in thousands*

**Three Months Ended March 31,**

	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Other income, net	\$ 340	15.668%	\$ 186	5.180%	\$ 154	82.8%

Other income, net for the three months ended March 31, 2021 increased \$0.2 million, or 82.8%, to \$0.3 million from \$0.2 million in 2020. The increase was primarily due to an increase in royalty income.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

*in thousands*

Nine Months Ended March 31,

	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Other income, net	\$ 904	15.722 %	\$ 275	2.478 %	\$ 629	228.7 %

Other income, net for the nine months ended March 31, 2021 increased \$0.6 million, or 228.7%, to \$0.9 million from \$0.3 million in 2020. The increase was primarily due to increase in royalty income.

**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 AMIP, LLC ("AMIP"), and through our 50%-owned subsidiary Precious Metals Purchasing Partners, LLC ("PMPP"). As a result of the completion of our acquisition of JMB on March 19, 2021 (see [Note 1](#) of our condensed consolidated financial statements) we have included JMB's financial activity since March 20, 2021 in the Direct-to-Consumer segment's fiscal 2021 results.

**Overview of Results of Operations for the Three Months Ended March 31, 2021 and 2020**

**— Direct-to-Consumer Segment**

The operating results of our Direct-to-Consumer segment for the three months ended March 31, 2021 and 2020 are as follows:

*in thousands, except performance metrics*

Three Months Ended March 31,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 126,226 (a)	100.000 %	\$ 24,557 (c)	100.000 %	\$ 101,669	414.0 %
Gross profit	16,608	13.157 % (b)	2,726	11.101 % (d)	\$ 13,882	509.2 %
Selling, general and administrative expenses	(3,831)	(3.035) %	(1,749)	(7.122) %	\$ 2,082	119.0 %
Interest expense	(45)	(0.036) %	—	—	\$ 45	0.0 %
Net income before provision for income taxes	\$ 12,732	10.087 %	\$ 977	3.978 %	\$ 11,755	1203.2 %
<b>Performance Metrics:</b>						
Gold ounces sold <sup>(1)</sup>	44,000		12,000		32,000	266.7 %
Silver ounces sold <sup>(2)</sup>	1,959,000		182,000		1,777,000	976.4 %
Number of new customers <sup>(3)</sup>	13,200		500		12,700	2540.0 %
Number of active customers <sup>(4)</sup>	36,600		2,800		33,800	1207.1 %
Number of total customers <sup>(5)</sup>	1,633,800		157,200		1,476,600	939.3 %
Ticket volume <sup>(6)</sup>	56,049		4,190		51,859	1237.7 %

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

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

(c) Includes \$9.7 million of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment.

(d) Gross profit percentage realized from sales, excluding inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment, is 16.783% for the period.

(1) Gold ounces sold represents the ounces of gold product sold during the three-month period.

(2) Silver ounces sold represents the ounces of silver product sold during the three-month period.

(3) 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.

(4) Number of active customers represents the number of customers that have made a purchase during the three-month period.

(5) 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.

(6) Ticket volume represents the total number of product orders processed by Goldline, PMPP, and JMB during the three-month period.

## Overview of Results of Operations for the Nine Months Ended March 31, 2021 and 2020

### — Direct-to-Consumer Segment

The operating results of our Direct-to-Consumer segment for the nine months ended March 31, 2021 and 2020 are as follows:

*in thousands, except performance metrics*

Nine Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 219,889 (a)	100.000 %	\$ 62,074 (c)	100.000 %	\$ 157,815	254.2 %
Gross profit	27,637	12.569 % (b)	5,840	9.408 % (d)	\$ 21,797	373.2 %
Selling, general and administrative expenses	(7,575)	(3.445)%	(5,877)	(9.468)%	\$ 1,698	28.9 %
Interest expense	(45)	(0.020)%	—	—	\$ 45	—
Other expense, net	—	—	(220)	(0.354)%	\$ (220)	(100.0)%
Net income (loss) before provision for income taxes	\$ 20,017	9.103 %	(257)	(0.414)%	\$ 20,274	7888.7 %
<b>Performance Metrics:</b>						
Gold ounces sold <sup>(1)</sup>	75,000		30,000		45,000	150.0 %
Silver ounces sold <sup>(2)</sup>	2,562,000		499,000		2,063,000	413.4 %
Number of new customers <sup>(3)</sup>	14,900		1,000		13,900	1390.0 %
Number of active customers <sup>(4)</sup>	40,600		5,000		35,600	712.0 %
Number of total customers <sup>(5)</sup>	1,633,800		157,200		1,476,600	939.3 %
Ticket volume <sup>(6)</sup>	67,608		12,569		55,039	437.9 %

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

(b) Gross profit percentage, excluding inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment, is 13.072% for the period.

(c) Includes \$22.8 million of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment.

(d) Gross profit percentage, excluding inter-segment company sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment, is 13.294% for the period.

(1) Gold ounces sold represents the ounces of gold product sold during the period.

(2) Silver ounces sold represents the ounces of silver product sold during the period.

(3) 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.

(4) Number of active customers represents the number of customers that have made a purchase during the three-month period.

(5) 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.

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



**Revenues — Direct-to-Consumer**

**Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020**

*in thousands, except performance metrics*

Three Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 126,226	100.000 %	\$ 24,557	100.000 %	\$ 101,669	414.0 %
<b>Performance Metrics:</b>						
Gold ounces sold	44,000		12,000		32,000	266.7 %
Silver ounces sold	1,959,000		182,000		1,777,000	976.4 %
Number of new customers	13,200		500		12,700	2540.0 %
Number of active customers	36,600		2,800		33,800	1207.1 %
Number of total customers	1,633,800		157,200		1,476,600	939.3 %

Revenues for the three months ended March 31, 2021 increased \$101.7 million, or 414.0%, to \$126.2 million from \$24.6 million in 2020, which was primarily attributable to an increase in the total amount of gold and silver ounces sold and higher average selling prices of gold and silver. 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, 2021 increased \$110.4 million or 740.9% to \$125.3 million from \$14.9 million as compared to 2019.

Gold ounces sold for the three months ended March 31, 2021 increased 32,000 ounces, or 266.7%, to 44,000 ounces from 12,000 ounces in 2020. Silver ounces sold for the three months ended March 31, 2021 increased 1,777,000 ounces, or 976.4%, to 1,959,000 ounces from 182,000 ounces in 2020. On average, the selling prices for gold increased by 18.1% and selling prices for silver increased by 49.3% during the three months ended March 31, 2021 as compared to 2020.

The number of new customers for the three months ended March 31, 2021 increased 12,700, or 2540.0%, to 13,200 from 500 in 2020. The number of active customers for the three months ended March 31, 2021 increased 33,800, or 1207.1%, to 36,600 from 2,800 in 2020. The number of total customers for the three months ended March 31, 2021 increased 1,476,600, or 939.3%, to 1,633,800 from 157,200 in 2020. The increases in Direct-to-Consumer segment's customer base is attributable to our acquisition of JMB.

A combination of price volatility, increased demand, and supply constraints led to a significant expansion in premium spreads in the precious metals market during the period. These factors were brought on by the volatility in precious metal prices caused by macroeconomic and other events. These conditions are not representative of normal market conditions, and we are uncertain of the duration of these conditions.

**Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020**

*in thousands, except performance metrics*

Nine Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 219,889	100.000 %	\$ 62,074	100.000 %	\$ 157,815	254.2 %
<b>Performance Metrics:</b>						
Gold ounces sold	75,000		30,000		45,000	150.0 %
Silver ounces sold	2,562,000		499,000		2,063,000	413.4 %
Number of new customers	14,900		1,000		13,900	1390.0 %
Number of active customers	40,600		5,000		35,600	712.0 %
Number of total customers	1,633,800		157,200		1,476,600	939.3 %

Revenues for the nine months ended March 31, 2021 increased \$157.8 million, or 254.2%, to \$219.9 million from \$62.1 million in 2020. 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, 2021 increased \$172.9 million or 441.1% to \$212.1 million from \$39.2 million in 2020.

Gold ounces sold for the nine months ended March 31, 2021 increased 45,000 ounces, or 150.0%, to 75,000 ounces from 30,000 ounces in 2020. Silver ounces sold for the nine months ended March 31, 2021 increased 2,063,000 ounces, or 413.4%, to 2,562,000 ounces from 499,000 ounces in 2020. On average, the selling prices for gold increased by 28.3% and selling prices for silver increased by 46.9% during the nine months ended March 31, 2021 as compared to 2020.

The number of new Direct-to-Consumer customers for the nine months ended March 31, 2021 increased 13,900, or 1390.0%, to 14,900 from 1,000 in 2020. The number of active customers for nine months ended March 31, 2021 increased 35,600, or 712.0%, to 40,600 from 5,000 ounces in 2020. The number of total customers for the nine months ended March 31, 2021 increased 1,476,600, or 939.3%, to 1,633,800 from 157,200 in 2020. The increases in Direct-to-Consumer segment's customer base is attributable to our acquisition of JMB.

A combination of price volatility, increased demand, and supply constraints led to a significant expansion in premium spreads in the precious metals market during the period. These factors were brought on by the volatility in precious metal prices caused by macroeconomic and other events. These conditions are not representative of normal market conditions, and we are uncertain of the duration of these conditions.

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

##### Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

*in thousands, except performance metric*

Three Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Gross profit	\$ 16,608	13.157%	\$ 2,726	11.101%	\$ 13,882	509.2%
<b>Performance Metric:</b>						
Ticket volume	56,049		4,190		51,859	1237.7%

Gross profit for the three months ended March 31, 2021 increased by \$13.9 million, or 509.2%, to \$16.6 million from \$2.7 million in 2020. The Company's profit margin percentage increased by 18.5% to 13.157% from 11.101% in 2020. 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 18.5% to 13.677% from 16.783% in 2020.

The Direct-to-Consumer ticket volume for the three months ended March 31, 2021 increased by 51,859 tickets, or 1237.7%, to 56,049 tickets from 4,190 tickets in 2020. The increase in Direct-to-Consumer ticket volume was primarily attributable to the addition of JMB's customer base compared to 2020.

##### Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

*in thousands, except performance metric*

Nine Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Gross profit	\$ 27,637	12.569%	\$ 5,840	9.408%	\$ 21,797	373.2%
<b>Performance Metric:</b>						
Ticket volume	67,608		12,569		55,039	437.9%

Gross profit for the nine months ended March 31, 2021 increased by \$21.8 million, or 373.2%, to \$27.6 million from \$5.8 million in 2020. For the nine months ended March 31, 2021, the Company's profit margin percentage increased by 33.6% to 12.569% from 9.408% in 2020. 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 1.7% to 13.072% from 13.294% in 2020.

The Direct-to-Consumer ticket volume for the nine months ended March 31, 2021 increased by 55,039 tickets, or 437.9%, to 67,608 tickets from 12,569 tickets in 2020. The increase in Direct-to-Consumer ticket volume was primarily attributable to the addition of JMB's customer base compared to 2020.

**Selling, General and Administrative Expense — Direct-to-Consumer**Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020*in thousands*

Three Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Selling, general and administrative expenses	\$ (3,831)	(3.035)%	\$ (1,749)	(7.122)%	\$ 2,082	119.0%

Selling, general and administrative expenses for the three months ended March 31, 2021 increased \$2.1 million, or 119.0%, to \$3.8 million from \$1.7 million in 2020. The increase in selling, general and administrative expenses was primarily due to costs incurred by JMB's operations of \$1.7 million, which included \$1.0 million of amortization expense that was related to intangible assets that were required to be marked to fair value because of the acquisition, and Goldline's increased marketing expenses of \$0.3 million.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020*in thousands*

Nine Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Selling, general and administrative expenses	\$ (7,575)	(3.445)%	\$ (5,877)	(9.468)%	\$ 1,698	28.9%

Selling, general and administrative expenses for the nine months ended March 31, 2021 increased \$1.7 million, or 28.9%, to \$7.6 million from \$5.9 million in 2020. The increase in selling, general and administrative expenses primarily due to costs incurred by JMB's operations of \$1.7 million, which included \$1.0 million of amortization expense that was related to intangible assets that were required to be marked to fair value because of the acquisition, and Goldline's increased marketing expenses of \$0.5 million, offset by a decrease computer expenses of \$0.3 million.

**Interest Expense**Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

Interest expense for the three months ended March 31, 2021 increased \$45,000 related to product financing arrangements compared to 2020.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

Interest expense for the nine months ended March 31, 2021 increased \$45,000 related to product financing arrangements compared to 2020,

**Other Expense, net**Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

There was no activity for the current or comparable quarterly period.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020*in thousands*

Nine Months Ended March 31,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Other expense, net	\$ —	—	\$ (220)	(0.354)%	\$ (220)	(100.0)%

There was no activity for the current period. For the nine months ended March 31, 2020, the other expense activity of \$0.2 million related to a one-time charge in connection with the settlement of the purchase price related to the acquisition of Goldline.

## NON-GAAP MEASURES

### Adjusted net income before provision for income taxes

#### Overview

In addition to our results determined in accordance with U.S. generally accepted accounting principles (“GAAP”), we believe the below non-GAAP measure is useful in evaluating our operating performance. We use the financial measure “adjusted net income before provision for income taxes” to present our pre-tax earnings from on-going business operations. This measure is not prepared in accordance with GAAP. The items excluded from this financial measure may have a material impact on our financial results. Certain of those items are non-recurring, while others are non-cash in nature. Accordingly, this non-GAAP financial measure should be considered in addition to, and not as a substitute for or superior to, the comparable measures prepared in accordance with GAAP.

#### Reconciliation

In our reconciliation from our reported GAAP “net income before provision for taxes” to our non-GAAP “adjusted net income before provision for taxes,” we eliminate the impact of the following four amounts: (i) remeasurement gains; (ii) acquisition expenses; (iii) amortization expenses related to the estimated value of the intangible assets acquired; and (iv) depreciation expense. The following tables reconcile this non-GAAP financial measure to its most closely comparable GAAP measure on our financial statements for the three months ended March 31, 2021 and 2020 and nine months ended March 31, 2021 and 2020.

#### *in thousands*

##### Three Months Ended March 31,

	2021		2020		\$ Increase/ (decrease)	% Increase/ (decrease)
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 2,049,489	100.000%	\$ 1,258,722	100.000%	\$ 790,767	62.8%
Net income before provision for income taxes	\$ 86,780	4.234%	\$ 13,422	1.066%	\$ 73,358	546.6%
Adjustments:						
Remeasurement gain on pre-existing equity interest	(26,306)	(1.284)%	—	—	\$ 26,306	(—)%
Acquisition costs	2,196	0.107%	—	—	\$ 2,196	(—)%
Amortization of acquired intangibles	1,140	0.056%	260	0.021%	\$ 880	338.5%
Depreciation expense	348	0.017%	623	0.049%	\$ (275)	(44.1)%
Adjusted net income before provision for income taxes (Non-GAAP)	\$ 64,158	3.130%	\$ 14,305	1.136%	\$ 49,853	348.5%

#### *in thousands*

##### Nine Months Ended March 31,

	2021		2020		\$ Increase/ (decrease)	% Increase/ (decrease)
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 5,434,349	100.000%	\$ 3,795,326	100.000%	\$ 1,639,023	43.2%
Net income before provision for income taxes	\$ 128,797	2.370%	\$ 15,517	0.409%	\$ 113,280	730.0%
Adjustments:						
Remeasurement gain on pre-existing equity interest	(26,306)	(0.484)%	—	—	\$ 26,306	(—)%
Acquisition costs	2,576	0.047%	—	—	\$ 2,576	(—)%
Amortization of acquired intangibles	1,457	0.027%	767	0.020%	\$ 690	90.0%
Depreciation expense	1,037	0.019%	1,450	0.038%	\$ (413)	(28.5)%
Adjusted net income before provision for income taxes (Non-GAAP)	\$ 107,561	1.979%	\$ 17,734	0.467%	\$ 89,827	506.5%

#### 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 non-controlling 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 condensed consolidated statements 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](#) of the notes to the condensed consolidated financial statements.

Acquisition expenses. This adjustment relates as well to the JMB acquisition. We incur expenses for professional services rendered in connection with business combinations, which is included as a component of selling, general, and administrative expenses in our 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 is included as a component of selling, general, and administrative expenses in our condensed consolidated statements of income. Such amortization expense 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. The use of intangible assets such as our existing customer relationships and developed technology contributed to our revenues earned during the periods presented and is expected to contribute to our revenues in future periods. Amortization of purchased intangible assets will recur in future periods. For additional information about the amortization of our purchased intangibles, see [Note 8](#) to our condensed consolidated financial statements.

Depreciation expense. Depreciation expense is included as a component of selling, general, and administrative expenses in our condensed consolidated statements of income. 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.

## **LIQUIDITY AND FINANCIAL CONDITION**

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

#### **Overview**

Liquidity refers to the availability to us of sufficient amounts of cash to meet all of our cash needs. Our sources of liquidity principally include cash from operations and our Trading Credit Facility (see “Lines of Credit” below).

Our principal capital requirements are to fund (i) working capital and (ii) investing activity. Our working capital requirements fluctuate with market conditions, the availability of precious metals, and the volatility of precious metals commodity pricing.

A substantial portion of our assets are liquid. As of March 31, 2021, approximately 80.8% 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. We also generate cash from interest earned on loans to our customers secured by precious metals products originated through our CFC subsidiary.

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 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. 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. 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.

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.

The Company believes that the Trading Credit Facility (as defined below), the notes payable, liabilities on borrowed metals, and product financing arrangements provide adequate means to capital for its operations. (See [Note 14](#) of the notes to condensed consolidated financial statements.)

### **Lines of Credit**

#### **in thousands**

	<b>March 31, 2021</b>	<b>June 30, 2020</b>	<b>March 31, 2021 Compared to June 30, 2020</b>
Lines of credit	<u>\$ 165,000</u>	<u>\$ 135,000</u>	<u>\$ 30,000</u>

Effective March 26, 2021, through an amendment and restatement of the applicable credit documents, A-Mark renewed its uncommitted demand borrowing facility ("Trading Credit Facility") with a syndicate of banks. Under the agreements, Coöperatieve Rabobank U.A. acts as lead lender and administrative agent and Macquarie Bank Limited acts as syndication agent for the syndicate. As of March 31, 2021, the Trading Credit Facility provided the Company with access up to \$270.0 million, featuring a \$220.0 million base, with a \$50.0 million accordion option. The maturity date of the credit facility is March 25, 2022. The Trading Credit Facility was initially entered into on March 31, 2016, and the Company has successfully amended and extended the terms of the Trading Credit Facility each year since its inception.

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 its lending activities.

### **Notes Payable**

#### **in thousands**

	<b>March 31, 2021</b>	<b>June 30, 2020</b>	<b>March 31, 2021 Compared to June 30, 2020</b>
Notes payable	<u>\$ 93,060</u>	<u>\$ 92,517</u>	<u>\$ 543</u>

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. 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, 2021, the consolidated aggregate carrying balance of the Notes was \$93.1 million (which excludes the \$5.0 million Note that the Company retained), and the remaining unamortized loan cost balance was approximately \$1.9 million, which is amortized using the effective interest method through the maturity date. (See [Note 14](#) of the notes to condensed consolidated financial statements.)

### **Liabilities on Borrowed Metals**

#### **in thousands**

	<b>March 31, 2021</b>	<b>June 30, 2020</b>	<b>March 31, 2021 Compared to June 30, 2020</b>
Liabilities on borrowed metals	<u>\$ 109,735</u>	<u>\$ 168,206</u>	<u>\$ (58,471)</u>

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*

	March 31, 2021	June 30, 2020	March 31, 2021 Compared to June 30, 2020
Product financing arrangements	\$ 250,067	\$ 74,678	\$ 175,389

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 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*

	March 31, 2021	June 30, 2020	March 31, 2021 Compared to June 30, 2020
Secured loans receivable	\$ 100,728	\$ 63,710	\$ 37,018

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](#) of the notes to condensed consolidated financial statements.) AMCF also purchases and holds secured loans from CFC to meet its collateral requirements related to the Notes. (See [Note 14](#) of the notes to 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 regards to our capital deployment strategies.

## Dividends

On September 3, 2020, the Company's Board of Directors declared a non-recurring special dividend of \$1.50 per share to common stock shareholders of record at the close of business on September 21, 2020. On October 29, 2020, the Company's Board of Directors declared a non-recurring special dividend of \$1.50 per share to common stock shareholders of record at the close of business on November 23, 2020. In the aggregate, the Company paid \$21.2 million in dividends during the nine months ended March 31, 2021.

## 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, 2021 and 2020

*in thousands*

Year Ended	March 31, 2021	March 31, 2020	March 31, 2021 Compared to March 31, 2020
Net cash used in operating activities	\$ (155,448 )	\$ (13,775 )	\$ (141,673 )
Net cash (used in) provided by investing activities	\$ (118,304 )	\$ 66,034	\$ (184,338 )
Net cash provided by financing activities	\$ 260,193	\$ 34,924	\$ 225,269

Our principal capital requirements have been to fund (i) working capital and (ii) investing activity. Our working capital requirements fluctuate with market conditions, the availability of precious metals, and the volatility of precious metals commodity pricing.

***Net cash (used in) provided by operating activities***

Operating activities used \$155.4 million and \$13.8 million in cash for the nine months ended March 31, 2021 and 2020, respectively, representing a \$141.7 million decrease in the source of cash compared to the nine months ended March 31, 2020. This period over period decrease in the source of cash was primarily due to changes in the balances of accounts payable and other current liabilities, inventories, derivative liabilities, liabilities on borrowed metals, offset by an increase in net income adjusted for noncash items, and by changes in the balances of receivables and derivative assets.

***Net cash used in investing activities***

Investing activities used \$118.3 million and provided \$66.0 million in cash for the nine months ended March 31, 2021 and 2020, respectively, representing a \$184.3 million increase in the use of cash compared to the nine months ended March 31, 2020. This period over period increase was due to the incremental acquisition of a pre-existing equity method investment of \$62.2 million a \$6.8 million investing cash outflow related to the acquisition of a 31.2% ownership interest in a supplier and counterparty, higher investing cash outflows of \$119.3 million associated with the acquisition and origination of secured loans in the current period, partially offset by the change in the balance of other long term assets (long term loans to customers) of \$4.5 million.

***Net cash provided by (used in) financing activities***

Financing activities provided \$260.2 million and \$34.9 million in cash for the nine months ended March 31, 2021 and 2020, respectively, representing a \$225.3 million increase in the source of cash compared to the nine months ended March 31, 2020. This period over period increase was primarily due to changes in the balance of product financing arrangements of \$147.8 million, the net proceeds of \$75.3 million the Company received in connection with its public offering of common stock, the change in the balance of the Trading Credit Facility of \$22.0 million, and cash received from employee stock option exercises of \$2.5 million, offset by the payment of two non-recurring special dividends of in the aggregate amount of \$21.2 million and the change in debt issuance costs of \$1.1 million.

**CAPITAL RESOURCES**

We believe that our current cash availability under the Trading Credit Facility, product financing arrangements, financing derived from borrowed metals, active shelf statement, and the cash we anticipate to generate 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 manage our counterparty risk by setting credit and position risk limits with our trading counterparties. These limits include gross position limits for counterparties engaged in sales and purchase transactions and inventory consignment transactions with us. They also include 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, whose prices are linked to the corresponding precious metal commodity prices. Inventory purchased or borrowed by us are subject to price changes. Inventory borrowed is considered natural hedges, 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. However, 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, 2021 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".) 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 revenue and cost of sales and the net realized gains and losses for futures are recorded in cost of sales.

The Company's net losses on derivative instruments for the three months ended March 31, 2021 and 2020, totaled \$4.1 million and \$13.2 million, respectively. The Company's net losses on derivative instruments for the nine months ended March 31, 2021 and 2020, totaled \$117.6 million and \$10.8 million, respectively. These net 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, 2021 and June 30, 2020:

*in thousands*

	March 31, 2021	June 30, 2020
Inventories	\$ 560,921	\$ 321,281
Precious metals held under financing arrangements	160,988	178,577
	721,909	499,858
Less unhedgeable inventories:		
Commemorative coin inventory, held at lower of cost or net realizable value	(128)	(17)
Premium on metals position	(14,760)	(3,684)
Precious metal value not hedged	(14,888)	(3,701)
	707,021	496,157
Commitments at market:		
Open inventory purchase commitments	797,094	514,553
Open inventory sales commitments	(571,830)	(309,134)
Margin sale commitments	(7,490)	(14,652)
In-transit inventory no longer subject to market risk	(43,167)	(3,605)
Unhedgeable premiums on open commitment positions	6,375	2,779
Borrowed precious metals	(109,735)	(168,206)
Product financing arrangements	(250,067)	(74,678)
Advances on industrial metals	196	318
	(178,624)	(52,625)
Precious metal subject to price risk	528,397	443,532
Precious metal subject to derivative financial instruments:		
Precious metals forward contracts at market values	129,423	73,948
Precious metals futures contracts at market values	398,666	369,842
Total market value of derivative financial instruments	528,089	443,790
Net precious metals subject to commodity price risk	\$ 308	\$ (258)

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, 2021, 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 15](#) for information relating Company's commitments and contingencies.

**OFF-BALANCE SHEET ARRANGEMENTS**

As of March 31, 2021 and June 30, 2020, we had the following outstanding sale and purchase commitments and open forward and future contracts, which are normal and recurring, in nature:

*in thousands*

	March 31, 2021	June 30, 2020
Purchase commitments	\$ 797,094	\$ 514,553
Sales commitments	\$ (571,830)	\$ (309,134)
Margin sale commitments	\$ (7,490)	\$ (14,652)
Open forward contracts	\$ 129,423	\$ 73,948
Open futures contracts	\$ 398,666	\$ 369,842
Foreign exchange forward contracts	\$ 6,609	\$ 4,599

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 is 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 daily until the transactions are physically settled. (See [Note 11](#) of the notes to condensed consolidated financial statements.)

## **CRITICAL ACCOUNTING POLICIES**

Our 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 our condensed consolidated financial statements are prepared. On a regular basis, we review our accounting policies, assumptions, estimates and judgments to ensure that our 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](#) of the Notes to 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, 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; (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.

### ***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 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. 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 11](#) of the notes to condensed consolidated financial statements.)

The Company enters into product financing agreements for the transfer and subsequent option 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 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 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 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 considered not to be impaired. If the Company concludes that the fair value of an 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 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 12](#) 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](#) of the notes to 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 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.

On March 19, 2021, during the third quarter of fiscal 2021, we completed the acquisition of JMB. Prior to this acquisition, JMB was a privately-held company not subject to the Sarbanes-Oxley Act of 2002, the rules and regulations of the SEC, or other corporate governance requirements to which public companies may be subject. In accordance with guidance issued by the SEC, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting during the year of acquisition if it is not possible to conduct an assessment of the acquired business's internal control over financial reporting by the date of assessment. As part of our on-going integration activities, we are in the process of incorporating internal controls over significant processes specific to JMB that we believe are appropriate and necessary to account for the acquisition and to consolidate and report our financial results. We expect to complete our integration activities related to internal control over financial reporting for JMB during fiscal 2022. Accordingly, we expect to include JMB within our assessment of internal control over financial reporting as of June 30, 2022.

With the exception of internal control related integration activities associated with the Company's acquisition of JMB, 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 merits 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 Our Business Generally

##### *Our business is heavily dependent on our credit facility.*

Our business depends substantially on our ability to obtain financing for our operations. The Trading Credit Facility (as further described and defined below) provides the Company with the liquidity to buy and sell billions of dollars of precious metals annually. The Trading Credit Facility is an uncommitted demand facility provided by a syndicate of financial institutions (the “Trading Credit Lenders”), and is currently scheduled to mature on March 25, 2022. 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 its lending activities.

Pursuant to the terms of the Trading Credit Facility, each Trading Credit Lender may, at any time in its sole discretion (subject to certain notice requirements), decline to make loans to us. 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.

The Trading Credit Facility requires us to maintain certain financial ratios and to comply with various operational and other covenants. 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 Trading Credit Lenders could elect to declare all amounts outstanding under the Trading Credit Facility to be due and payable immediately. Further, Trading Credit Lenders holding 50% or more of the indebtedness 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.

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 the 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. Amounts under the Trading Credit Facility bear interest based on one month LIBOR plus 2.50%. The LIBOR was approximately 0.11% as of March 31, 2021.

##### *Uncertainty about the future of LIBOR may adversely affect our business.*

Borrowings under our revolving credit agreement bear interest at rates that are calculated based on LIBOR. On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calibration of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR in its current form cannot be assured after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. In the United States, the Alternative Reference Rates Committee (the “ARRC”) has proposed the Secured Overnight Financing Rate (“SOFR”) as an alternative to LIBOR for use in contracts that are currently indexed to United States dollar LIBOR, and has proposed a paced market transition plan to SOFR. It is not presently known whether SOFR or any other alternative reference rates that have been proposed will attain market acceptance as replacements of LIBOR.

On November 30, 2020, ICE Benchmark Administration announced a consultation on its intention to cease the publication of certain LIBOR rates, including its intention to cease the publication of the three-month U.S. Dollar LIBOR on June 30, 2023. The U.K. Financial Conduct Authority (the “FCA”) also announced its proposed approach to ensure an orderly wind-down of LIBOR. It has supported publication of three-month U.S. Dollar LIBOR tenor in a representative manner through June 30, 2023, although legislation has been introduced that would allow the FCA to accelerate the transition. The U.S. Federal Reserve, Office of Comptroller of the Currency and the Federal Deposit Insurance Company also issued a statement encouraging banks to cease entering into new contracts that use U.S. Dollar LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021.

The Company utilizes its Trading Credit Facility to purchase and finance precious metals and for operating cash flow purposes. The Trading Credit Facility includes contingency provisions for the discontinuation of LIBOR. Under these provisions, the Trading Credit Facility first looks to a replacement based on the SOFR, but if such replacement cannot be determined, Company and the administrative agent for the facility jointly select an alternative benchmark rate, giving due consideration to recommendations of replacement rates by governmental bodies and prevailing market conventions. Although alternative reference rates have been proposed, it is unknown whether these alternative reference rates will attain market acceptance as replacements of LIBOR.

If, as currently anticipated, LIBOR is replaced by alternative rates, the method and rate used to calculate our variable-rate debt in the future, particularly under our Trading Credit facility, may result in interest rates and/or payments that are higher than, lower than, or that do not otherwise correlate over time with the interest rates and/or payments that would have been made on our obligations if LIBOR was available in its current form. Because arrangements for the anticipated replacement of LIBOR have not yet been finalized, the potential effect of the replacement of LIBOR on our cost of capital, financial results, and cash flows cannot yet be determined.

***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 that 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 customer-by-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 current 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 inadequate.

***Liquidity constraints may limit our ability to grow our business.***

To accomplish our growth strategy, we will require adequate sources of liquidity to fund both our existing business and our expansion activity. 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 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.

***Our business is dependent on a concentrated customer base.***

One of A-Mark's key assets is its customer base. 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. If our relationships with these customers deteriorated, or if we were to lose these customers, our business would be materially adversely affected.

***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.

***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.

***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 the presidential election, the change in administration and perceived related political polarization and 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 unprecedented 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 be adversely affected by the COVID-19 pandemic.***

On March 11, 2020, the World Health Organization announced that infections of COVID-19 had become pandemic, and on March 13, COVID-19 was declared a national emergency on account of the spread of the disease in the United States. The COVID-19 outbreak has caused significant disruption in the financial markets both globally and in the United States, and has severely constricted the level of economic activity worldwide. While there have been certain positive effects of the market reaction to the outbreak on our business, as precious metals prices have experienced increased volatility resulting in enhanced pricing spreads and improved profitability, we

cannot tell how long these effects will continue or predict their future magnitude. The disruption in the financial markets has also had, and could in the future, have adverse effects on our businesses, including 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 strict procedures at these facilities to insure 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, for example as a result of investments in sectors that have suffered severe downturns 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 Goldline businesses. We conduct the AMST joint venture, which 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. A number of mints, and refineries that supply gold and silver for the mints, reduced the capacity of their operations during the COVID-19 crisis, and as a result we have recently experienced periods when precious metals products were unavailable to us. The 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.
- We rely on specialized, armored vehicles provided by third party commercial services to transport precious metals and numismatics to and from our customers and from the mints and our other suppliers. If these vehicles were deemed essential to other customers in the current crisis, such that we were unable to obtain adequate use of the vehicles, our ability to make physical settlement of our trading activity, to provide storage services to our customer, and to obtain necessary inventory would be curtailed and could be suspended entirely.

***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.

***We are dependent on our key management personnel and our trading experts.***

Our performance is dependent on our senior management and certain other key employees. We have employment agreements with Greg Roberts, our CEO, and Brian Aquilino, our COO, which both expire on June 30, 2023, and with Thor Gjerdrum, our President, which expires on June 30, 2022. In addition, we recently entered into an employment agreement with Michael Wittmeyer, the CEO of JMB, 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 are focused on growing our business, but there is no assurance that we will be successful.***

We expect to grow both organically and through opportunistic acquisitions. We have devoted considerable time, resources and efforts over the past few years to our growth strategy. We may not be successful in implementing our growth initiatives, which could adversely affect our business.

***We expect to grow in part through acquisitions, but an acquisition strategy entails risks.***

We have in the past, and expect to continue, to grow in part through acquisitions. We will consider potential acquisitions of varying sizes and may, on a selective basis, pursue acquisitions or consolidation opportunities involving other public companies or privately held companies. However, it is possible that we will not realize the expected benefits from our acquisitions or that our existing operations will be adversely affected as a result of acquisitions. Acquisitions entail certain risks, including: unrecorded liabilities of acquired companies that we fail to discover during our due diligence investigations; difficulty in assimilating the operations and personnel of the acquired company within our existing operations or in maintaining uniform standards; loss of key employees of the acquired company; and strains on management and other personnel time and resources both to research and integrate acquisitions.

We expect to pay for future acquisitions using cash, capital stock, notes and/or assumption of indebtedness. To the extent that our existing sources of cash are not sufficient to fund future acquisitions, we will require additional debt or equity financing and, consequently, our indebtedness may increase or shareholders may be diluted as we implement our growth strategy.

***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. 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.

***If our customer data were breached, we could suffer damages and loss of reputation.***

By the nature of our business, we maintain significant amounts of customer data on our systems. Moreover, certain third party providers have access to confidential data concerning the Company in the ordinary course of their business relationships with the Company. In recent years, various companies, including companies that are significantly larger than us, have reported breaches of their computer systems that have resulted in the compromise of customer data. Any compromise or breach of customer or company data held or maintained by either the Company or our third party providers could significantly damage our reputation and result in costs, lost trades, fines and lawsuits. The regulatory environment related to information security and privacy is increasingly rigorous, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs. There is no guarantee that the procedures that we have implemented to protect against unauthorized access to secured data are adequate 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 establish and protect its rights in its business, services, know-how and information. JMB has one issued United States patent, and the Company has a portfolio of registered and unregistered trademarks. The Company may apply for additional patents in the future, but there can be no assurance that any such applications will be granted, and if granted may not protect its technology. The Company's patent, trademarks or service marks may be challenged and found by a court to be invalid or unenforceable. Even if its registrations are upheld or are not challenged, the costs of enforcing intellectual property rights can be material.

The Company generally enters into confidentiality agreements with its employees, consultants and other third parties to control and limit access to, and disclosure of, its confidential information. These contractual arrangements or other steps taken to protect its intellectual property may not prove to be sufficient to prevent misappropriation of technology or deter independent third-party development of similar technologies.

If the Company were unable to protect or enforce its intellectual property rights, its competitive position would suffer.

***Third parties may assert violations of their intellectual property rights against the Company.***

Third parties may currently have, or may eventually be issued, patents upon which the technologies used by the Company infringe, subjecting the Company to claims for infringement. The Company could incur significant costs and diversion of management time and resources to defend such claims, regardless of their validity. As a consequence of litigation in which JM Bullion, Inc. was accused of infringement, The Company could suffer development delays, be required to develop non-infringing technology at considerable cost and expense, or be compelled to enter into royalty or license agreements, which might not be available on economically acceptable terms, or at all.

***Our implementation of a new enterprise resource planning (“ERP”) system may adversely affect our business and results of operations or the effectiveness of internal controls over financial reporting.***

One of our longer-term goals is to implement a new ERP system across our segments. ERP implementations are complex and time-consuming projects that involve substantial expenditures on system software and implementation activities over a significant period of time. If we do not effectively implement the ERP system or if the system does not operate as intended, it could adversely affect our financial reporting systems and our ability to produce financial reports, the effectiveness of internal controls over financial reporting, and our business, financial condition, results of operations and cash flows.

**Risks Related to our Wholesale Sales and Ancillary Services Segment**

***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.***

In August 2016, the Company formed a joint venture, AM&ST Associates, LLC (“AMST”), with Silver Towne, L.P., an Indiana-based fabricator of silver bullion products, for the purpose of acquiring and operating Silver Towne, L.P.’s minting business unit (“Silver Towne Mint” or the “Mint”). The Company owned a majority interest in AMST through March 31, 2021. Effective April 1, 2021, the Company purchased the AMST minority shareholder’s interest and now owns 100% of AMST.

AMST 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. Interruptions in AMST’s processing and production capabilities and shutdowns resulting from unanticipated events could have a material adverse effect on our financial condition, results of operations and cash flows.

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.

***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 SGI, our former parent and a related party. We have engaged in the past, and continue to engage, in transactions with Stack's Bowers, some of which are presently on-going. 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. 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 on site, 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.

In addition, with the establishment of our Logistics facility and the transfer of our wholesale storage operations from third party depositories to that facility, we are assuming greater potential liability for any loss suffered in connection with the stored inventory. Among other things, our insurance, rather than the third-party depository's, is now the primary risk policy. While we believe we have adequate insurance coverage covering these operations, in the event of any loss in excess of our coverage, we may be held liable for that excess.

***Our Logistics depository is subject to authorization.***

Our Trading Credit Lenders 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 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 not 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 AM Capital Funding.***

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 Related to our Direct-to Consumer Segment**

*Our Direct-to-Consumer businesses could be subject to accusations of improper sales practices.*

Through JMB and Goldline subsidiaries, the Company sells precious metals and numismatics directly to the retail investor community. Goldline markets its precious metal products on television, radio, and over the internet, and through telephonic sales efforts. JMB markets its products over the internet. 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 Goldline's business practices 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 operate in a highly competitive environment.*

JMB and Goldline face competition from both traditional precious metal retail brokers and coin stores, as well as other specialty online precious metal and coin sites, such as APMEX, Inc., SD Bullion, Inc., and Bullion Exchange, LLC. 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 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 purpose 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.

***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.

***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, which could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

In addition, because PMPP engages in transactions with retail customers, it could be subject to risks and accusations similar to those discussed above with respect to the Company's direct-to-consumer businesses.

#### **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, which could materially adversely affect our business, liquidity and results of operations.

This volatility may drive fluctuation of our revenues, as a consequence of which our results for any one period may not be indicative of the results to be expected for any other 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 change 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. Any such default could have a material adverse effect on our financial position and results of operations.

***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 or other factors. The



Company may also experience risk of loss if futures commission merchants or commodity brokers with whom the Company deals were to become insolvent or bankrupt.

## **Risk Related to our Regulatory Environment**

### ***We are subject to laws and regulations.***

We are subject to various laws, litigation, regulatory matters and ethical standards, and our failure to comply with or adequately address developments as they arise could adversely affect our reputation and operations. Our policies, procedures and practices and the technology we implement are designed to comply with federal, state, local and foreign laws, rules and regulations, including those imposed by the SEC and other regulatory agencies, the marketplace, the banking industry and foreign countries, as well as responsible business, social and environmental practices, all of which may change from time to time. Significant legislative changes, including those that relate to employment matters and health care reform, could impact our relationship with our workforce, which could increase our expenses and adversely affect our operations. In addition, if we fail to comply with applicable laws and regulations or implement responsible business, social and environmental practices, we could be subject to damage to our reputation, class action lawsuits, legal and settlement costs, civil and criminal liability, increased cost of regulatory compliance, restatements of our financial statements, disruption of our business and loss of customers. Any required changes to our employment practices could result in the loss of employees, reduced sales, increased employment costs, low employee morale and harm to our business and results of operations. In addition, political and economic factors could lead to unfavorable changes in federal and state tax laws, which may increase our tax liabilities. An increase in our tax liabilities could adversely affect our results of operations. We are also regularly involved in various litigation matters that arise in the ordinary course of business. Litigation or regulatory developments could adversely affect our business and financial condition.

There are various federal, state, local and foreign laws, ordinances and regulations that affect our trading business. For example, 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 (the "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, the Commodity Futures Trading Commission and other federal and state agencies may assert oversight over aspects of CFC's 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.

### ***Changes in U.S. tax law could adversely affect our business and financial condition.***

The laws, rules, and regulations dealing with U.S. federal, state, and local income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect us or holders of our common stock. In recent years, many changes have been made to applicable tax laws and changes are likely to continue to occur in the future. It cannot be predicted whether, when, in what form, or with what effective dates, new tax laws may be enacted, or regulations and rulings may be enacted, promulgated or issued under existing or new tax laws, which could result in an increase in our tax liability or require changes in the manner in which we operate in order to minimize or mitigate any adverse effects of changes in tax law or in the interpretation thereof.

***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.***

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 new 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 impact on our business, financial condition, and results of operations.

***Compliance with new data protection/privacy statutes could increase our costs and expose the Company to possible sanctions for violation.***

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 will apply 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.

The Company has an office in Vienna, Austria that provides marketing support services for our international (including EU) customers. Although our international operations are currently modest compared to our business in the United States, our international business could grow over time. 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 the new regulation could expose us to penalties and sanctions under the regulation.

On June 28, 2018, California passed the California Consumer Privacy Act of 2018 ("CCPA"), effective on January 1, 2020. The new 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. It allows companies to provide financial incentives to California consumers in order to obtain their consent to the collection and use of their personal information. 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, on May 29, 2019, Nevada's governor approved a bill (the "Amendment Bill"), effective on October 1, 2019. The Amendment Bill provides amendments to an existing law that requires operators of websites and online services to post a notice on their websites regarding their privacy practices. The Amendment 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 Amendment 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).

The changes introduced by the CCPA and the Amendment Bill, and any 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.

***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 business 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, prospects, results of operations, financial condition and cash flows 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, President Trump signed a joint resolution passed by Congress 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, prospects, results of operations, financial condition and cash flows.

***Our advertising and marketing materials and disclosures have been and continue to be subject to regulatory scrutiny.***

In the jurisdictions where we operate, 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, prospects, results of operations, financial condition and cash flows.

#### **Risks Relating to Our Common Stock**

##### ***Failure to achieve and maintain effective internal controls in accordance with Section 404 of Sarbanes-Oxley could have a material adverse effect on our business.***

As a public company, we are required to document and test our internal control over financial reporting in order to satisfy the requirements of Section 404 of Sarbanes-Oxley, which requires annual management assessments of the effectiveness of our internal control over financial reporting.

We are required to implement standalone policies and procedures to comply with the requirements of Section 404. During the course of our testing of our internal controls and procedures, we may identify deficiencies which we may not be able to remediate in time to comply with Section 404. Testing and maintaining internal controls can divert our management's attention from other matters that are also important to the operation of our business. We may not be able to conclude on an on-going basis that we have effective internal controls over financial reporting in accordance with Section 404. If we are unable to conclude that we have effective internal controls over financial reporting, then investors could lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our common stock. In addition, if we do not maintain effective internal controls, we may not be able to accurately report our financial information on a timely basis, which could harm the trading price of our common stock, impair our ability to raise additional capital, or jeopardize our continued listing on the NASDAQ Global Select Market or any other stock exchange on which common stock may be listed.

##### ***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.

See [Note 16](#) for information about two non-recurring special dividends declared by the Board of Directors in fiscal 2021.

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, shareholders 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.

##### ***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 Shareholders to effect certain corporate actions and set forth rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings.

We believe these provisions protect our shareholders 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 shareholders and could delay or prevent an acquisition that our Board of Directors determines is not in the best interests of our Company and our Shareholders. 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 Shareholders, but certain shareholders believe that such a transaction would be beneficial to the Company and its Shareholders, such Shareholders may elect to sell their shares in the Company and the trading price of our common stock could decrease.

##### ***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.

***Our board and management beneficially own a sizeable percentage of our common stock and therefore have the ability to exert substantial influence as shareholders.***

Members of our board and management beneficially own approximately 35% of our outstanding common stock. Acting together in their capacity as shareholders, the board members and management could exert substantial influence over matters on which a shareholder 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 shareholder proposals. The concentration of beneficial ownership in the hands of our board and management may therefore limit the ability of our public shareholders to influence the affairs of the Company.

## **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, 2021, 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**

<b>Regulation S-K Exhibit Table Item No.</b>	<b>Description of Exhibit</b>
10.1 *	<a href="#">Non-Employee Director Compensation Policy, dated April 20, 2021.</a>
10.2 *	<a href="#">Stock Ownership Guidelines for Directors, effective April 29, 2021.</a>
10.3 *	<a href="#">Form of Restricted Stock Units Agreement for Non-Employee Directors.</a>
10.4 *	<a href="#">Form of Deferred Stock Units Agreement for Non-Employee Directors.</a>
10.5 **	<a href="#">Stock Purchase Agreement, dated as of February 8, 2021, by and among A-Mark Precious Metals, Inc., the other stockholders of JM Bullion, Inc., signatory thereto, and Michael R. Wittmeyer, an individual, in his capacity as the Representative. Incorporated by reference to Exhibit 2.1 to the Report on Form 8-K filed on February 11, 2021.</a>
10.6 **	<a href="#">Underwriting Agreement, dated as of March 4, 2021. Incorporated by reference to Exhibit 1.1 to the Report on Form 8-K filed on March 8, 2021.</a>
10.7 **	<a href="#">Sixth Amendment to Amended and Restated Uncommitted Credit Agreement and Amendment to Security Agreement, dated March 26, 2021. Incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed on March 30, 2021.</a>
31.1 *	<a href="#">Certification Under Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2 *	<a href="#">Certification Under Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1 *	<a href="#">Certification Under Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2 *	<a href="#">Certification Under Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS *	XBRL Instance Document.
101.SCH *	XBRL Taxonomy Extension Calculation Schema Document.
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document.

\* Filed herewith.

\*\* Previously filed.

**SIGNATURES**

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

**Date:** May 13, 2021

**A-MARK PRECIOUS METALS, INC.**

**By:** /s/ Gregory N. Roberts

**Name:** Gregory N. Roberts  
**Title:** Chief Executive Officer  
*(Principal Executive Officer)*

**Date:** May 13, 2021

**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.

<u>Signatures</u>	<u>Title(s)</u>	<u>Date</u>
<u>/s/ Gregory N. Roberts</u> Gregory N. Roberts	Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	May 13, 2021
<u>/s/ Kathleen Simpson-Taylor</u> Kathleen Simpson-Taylor	Chief Financial Officer <i>(Principal Financial Officer)</i>	May 13, 2021

## A-Mark Precious Metals, Inc.

Non-Employee Director Compensation Policy  
April 29, 2021

On April 20, 2021, the Compensation Committee of the Board of Directors (the "Board") of A-Mark Precious Metals, Inc. (the "Company") amended and restated this Compensation Policy for members of the Board who are not employed by the Company (each, a "Non-Employee Director"), subject to the approval of the Board, as follows:

Annual compensation to each Non-Employee Director (not including compensation for special assignments) shall be paid as follows:

- (1) Cash retainer -- \$60,000 for directors other than the Board Chairman, \$120,000 for the Chairman.
  - (2) Fees for Board committee service
    - (i) Cash retainer for service as Chairman of Audit Committee or Chairman of Compensation Committee -- \$10,000
    - (ii) Cash retainer for service as Chairman of Nominating and Governance Committee -- \$5,000
    - (iii) Cash retainer for service as member (other than Chairman) of Audit Committee or Compensation Committee -- \$5,000
  - (3) Annual equity award: An annual grant of Restricted Stock Units ("RSUs") under the Company's 2014 Stock Award and Incentive Plan, as amended (the "2014 Plan"), with terms as follows:
    - RSUs will be granted in a number having an aggregate value at the grant date equal to \$60,000 for directors other than the Board Chairman and \$120,000 for the Chairman.
    - Each RSU valued at 100% of the Fair Market Value of the Company's Common Stock at that date, with the number of granted RSUs rounded to the nearest whole number.
    - The grant date in fiscal 2021 will be April 29, 2021. Thereafter, the grant date will be the day on which the Annual Meeting of Stockholders has adjourned, with the directors serving that day (following such adjournment) eligible for the grant of RSUs.
    - RSUs will be subject to forfeiture upon a Director's termination of service during the vesting period. The vesting period will be one year from the date of grant, subject to accelerated vesting upon
      - Termination of service due to death or disability
      - Termination of service occurring at the Annual Meeting of Stockholders in the year following the year of grant if the Director is not elected to the Board for any reason
      - Termination of service at or following a Change in Control of the Company.
    - RSUs will be credited with dividend equivalents, accrued as cash amounts bearing no interest, payable at the time of settlement of the underlying RSUs
    - Settlement of RSUs will occur promptly upon vesting, except that a Director may elect to defer settlement for a period of years or until termination of service (the timing of making a deferral election must comply with Code Section 409A), and with settlement accelerated upon a Change in Control.
-



- A Director subject to taxation under the laws of Canada will be granted an economically equivalent award, designated as an award of Deferred Stock Units, that will have vesting terms equivalent to those of RSUs but that will be settled only in connection with the Director's retirement or termination from the Board or death.

No meeting fees will be paid. Service as a member of a committee other than the Audit Committee or Compensation Committee will not result in additional compensation.

Equity awards may be granted upon the initial election or appointment of a Non-Employee Director in the discretion of the Board or the Compensation Committee.

Non-Employee Directors (and other directors) will be entitled to reimbursement by the Company for reasonable travel to and from meetings of the Board of Directors and Board committees, and reasonable food and lodging expenses incurred in connection therewith.

For purposes of this policy, a "Non-Employee Director" is a person who is not, during all or a part of an annual period under this Policy, an employee of the Company or any subsidiary.

For purposes of this Policy, the annual period shall begin on the date of the Company's Annual Meeting of Stockholders and extend until to the day preceding the next Annual Meeting of Stockholders. Cash compensation amounts under the Policy are specified for service for the full year. Accordingly, a Non-Employee Director who serves as such for less than the full year will be entitled to receive a pro-rated portion of the applicable payment. For purposes of this calculation, if an Annual Meeting date has not been set, the next annual meeting will be assumed to occur on the anniversary of the date on which the annual period began.

The Board of Directors and the Compensation Committee retains authority to pay compensation in place of or in addition to compensation items authorized under this Policy, which may include compensation for special assignments, and to amend, suspend or terminate this Policy at any time.

Approved by the Board of Directors – April 29, 2021

**A-MARK PRECIOUS METALS, INC.****Stock Ownership Guidelines For Directors**

The Board of Directors of A-Mark Precious Metals, Inc. believes that Directors more effectively carry out their duties on behalf of A-Mark's stockholders if the Directors are themselves stockholders. Accordingly, effective April 29, 2021, the Board has adopted these Stock Ownership Guidelines For Directors, setting forth recommended minimums for stock ownership by each Director.

Directors are directed to own A-Mark Common Stock with a value not less than \$300,000.

The following guidelines will apply:

***Valuation of Shares Owned***

- Shares will be valued from time-to-time based on the closing price per share reported for the principal stock exchange or market on which the Common Stock is listed or quoted.
    - If a Director proposes to sell or otherwise dispose of shares, the value of the Director's shares will be determined at that time, to assess whether the Director will be in compliance with the Guidelines after such transaction.
    - The value of shares of restricted stock and shares underlying restricted stock units, including shares held after vesting or settlement of such awards, will be the highest of their value at the time of grant of the award, the time of vesting of the award or the time at which value otherwise is being determined hereunder.
  - Ownership will include:
    - All shares properly reported by a Director as beneficially owned on Table I of his or her Form 3 or Forms 4 and 5 at the latest date of filing, provided that indirectly owned shares will be deemed owned only to the extent of the Director's proportionate pecuniary interest in such shares.
    - Shares of restricted stock and shares underlying restricted stock units subject to time-based vesting or vested but deferred as to settlement.
    - 50% of the shares that would be held upon exercise of vested and exercisable in-the-money stock options assuming a net exercise in which shares are withheld to pay the exercise price.
  - Shares underlying share-based awards that are subject to achievement of performance goals will not be counted until the performance goals are achieved.
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- A Director whose ownership has met the requirement of these Guidelines will be deemed to remain in compliance regardless of changes in the market value of Common Stock for so long as the Director has not sold or disposed of shares. Upon a sale or disposition of shares by the Director, compliance will be remeasured.

#### ***Phase-In Period***

- A Director will have until the later of five years after the effective date of these Guidelines or, if later, five years after the date at which the Director was first elected or appointed to the Board to attain the guideline level of share ownership (the “Phase-In Period”).
- Once a Director has attained the guideline level of share ownership, the Phase-In Period for that Director will end.
- During a Director’s Phase-In Period, he or she may sell or dispose of any shares acquired by exercise of any stock option granted under an A-Mark equity compensation plan prior to the effective date of these Guidelines.
- During a Director’s Phase-In Period, 50% of the net shares acquired under an award granted under an A-Mark equity compensation plan on or after the effective date of these Guidelines should be retained until the Director’s Phase-In Period ends. For this purpose, “net shares” means the gross shares received by the Director upon exercise, vesting or settlement of an equity award less the number of shares actually withheld or sold or that would have been withheld or sold (in a net transaction) to pay any exercise price or to pay all taxes resulting from the exercise, vesting or settlement of the equity award (such taxes to be determined at the Director’s highest marginal tax rate).

#### ***Other Provisions***

- Guidelines compliance will be reviewed periodically by the Compensation Committee.
  - Compliance with the Guidelines will be reported in A-Mark’s annual proxy statement. A Director in a Phase-In Period will be reported as being in compliance with these Guidelines, unless he or she has failed to observe the Phase-In Period guidelines on retention since the beginning of the prior fiscal year (or, if later, the effective date of these Guidelines).
  - If a Director falls below the applicable guideline ownership solely due to a decline in the value of shares of A-Mark common stock, such Director will remain in compliance with the Guidelines so long as he or she does
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not dispose of shares until such time as the Director's ownership meets the guideline level.

- These Guidelines apply to all Directors, except in the case of a Director who is subject to a separate stock ownership guideline as an executive officer.

Adopted by the Board of Directors on April 29, 2021

## A-Mark Precious Metals, Inc.

## 2014 Stock Award and Incentive Plan

## Restricted Stock Units Agreement – Non-Employee Director

This Restricted Stock Units Agreement (the "Agreement") confirms the grant on April 29, 2021 (the "Grant Date") by A-Mark Precious Metals, Inc., a Delaware corporation (the "Company" or "A-Mark"), to \_\_\_\_\_ ("Grantee"), of Restricted Stock Units (the "RSUs") relating to A-Mark Common Stock, par value \$0.01 per share (the "Shares"), as set forth below. The RSUs are granted under Section 6(e) of the Company's 2014 Stock Award and Incentive Plan, as amended (the "Plan"), in consideration of Grantee's service to A-Mark as a non-employee director.

The principal terms of the RSUs granted hereby are as follows (subject to adjustment in accordance with the Plan and this Agreement):

*Number granted:* \_\_\_\_\_ RSUs.

*RSUs vest:*

- (i) The RSUs, if they have not previously been forfeited as provided herein, will vest as to 100% of the underlying Shares on the first anniversary of the Grant Date. The foregoing notwithstanding, the RSUs, if not previously forfeited, will vest in full on an accelerated basis upon the occurrence of certain events relating to Termination of Service, in accordance with Section 4 hereof.
- (ii) The date of vesting above is the "Vesting Date." The term "vesting" or "vests" means that Grantee's substantial risk of forfeiture of the RSUs, based on Grantee's Termination of Service, has lapsed.

*Forfeiture and Clawback of RSUs:*

- (i) The RSUs (including vested RSUs) will be forfeited, or Grantee will be required to surrender the Shares issued in settlement of the RSUs to the Company, or Grantee will be required to pay to the Company the fair market value of the Shares issued in settlement of the RSUs, in accordance with the terms of any policy relating to recoupment (or clawback) approved by the Board of Directors and in effect at or before the time of vesting of the RSUs.
- (ii) Except as provided in Section 4 of this Agreement, upon Grantee's Termination of Service before the Vesting Date, the RSUs will be forfeited.

*Settlement:* The RSUs that become vested will be settled by delivery of one Share of the Company's Common Stock, \$0.01 par value per Share, for each RSU being settled. Such settlement will occur not later than the fifth business day after the Vesting Date, except as otherwise provided under the terms of Grantee's valid deferral election, in accordance with Section 6(b), or as otherwise provided in Section 4.

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The RSUs are subject to the terms and conditions of the Plan and this Agreement, including the Terms and Conditions of Restricted Stock Units attached hereto and deemed a part hereof. The number of RSUs, the number and kind of Shares deliverable in settlement of RSUs and the number of Shares subject to clawback are subject to adjustment in accordance with Section 5 hereof and the applicable sections of the Plan. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

Grantee acknowledges and agrees that (i) the RSUs are nontransferable as set forth in Section 7 hereof and Section 10(b) of the Plan, (ii) the RSUs are forfeitable and subject to clawback, as set forth herein, (iii) sales of Shares delivered in settlement of RSUs will be subject to compliance with applicable Federal and state securities laws, which at times may preclude such sales, and will be subject to the Company's policies regulating insider trading by directors and employees, and (iv) a copy of the Plan and related information previously have been delivered to Grantee, are being delivered to Grantee herewith, or are available as specified in Section 1 and 8(e) hereof.

IN WITNESS WHEREOF, A-Mark Precious Metals, Inc. has caused this Agreement to be executed by its officer thereunto duly authorized.

Date: April 29, 2021

A-MARK PRECIOUS METALS, INC.

By: \_\_\_\_\_

Carol Meltzer

General Counsel and EVP

## TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

The following Terms and Conditions apply to the RSUs granted to Grantee by A-MARK PRECIOUS METALS, INC. (the "Company"), as specified in the Restricted Stock Units Agreement (of which these Terms and Conditions form a part). Certain terms of the RSUs, including the number of RSUs granted, vesting date(s) and settlement date(s), are set forth on the preceding cover page, which is an integral part of this Agreement.

1. **General.** The RSUs are granted to Grantee under the Company's 2014 Stock Award and Incentive Plan (the "Plan"), which has previously been delivered to Grantee and/or is available upon request to the General Counsel of the Company. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. By accepting the grant of the RSUs, Grantee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations of the Company's Compensation Committee (the "Committee") or Board of Directors made from time to time, provided that, without the Grantee's written consent, no such Plan amendment, rule or regulation or Committee decision or determination shall materially and adversely affect the rights of Grantee with respect to outstanding RSUs.

2. **Account Maintained for Grantee.** The Company shall maintain a bookkeeping account for Grantee (the "Account") reflecting the number of RSUs then credited to Grantee hereunder as a result of such grant of RSUs and any rights to cash or property relating to such RSUs.

3. **Non-transferability.** Until RSUs become settleable in accordance with the terms of this Agreement, Grantee may not transfer RSUs or any rights hereunder to any third party other than by will or the applicable laws of descent and distribution, except for transfers to a Beneficiary upon death of Grantee or otherwise if and to the extent permitted by the Company and in accordance with Plan Section 10(b) and Section 7 below.

4. **Termination Provisions.** In the event of Grantee's Termination of Service for any reason before a given RSU has vested, such unvested RSU shall be forfeited unless otherwise determined by the Committee or otherwise provided in subsections (a) – (c) below. All references to RSUs mean only those outstanding RSUs that have not been previously forfeited.

(a) **Death or Disability.** In the event of the death of Grantee or Grantee's Termination of Service due to a Disability, the RSUs (if not previously vested) will vest in full and become non-forfeitable immediately, and such RSUs will be settled not later than 30 days following the date of death or the date of such Termination of Service, subject to any valid deferral election of the Grantee under Section 6(b).

(b) **Termination of Service at Subsequent Annual Meeting.** In the event of Grantee's Termination of Service at the Annual Meeting of Stockholders in the fiscal year following the fiscal year of grant, if the Grantee has served as a Director until the day of that Annual Meeting (regardless of the reason the Grantee is not elected to the Board at that Annual Meeting), the RSUs will vest in full and become non-forfeitable immediately, and such RSUs will be settled not later than 15 days following such Termination of Service, subject to any valid deferral election of the Grantee under Section 6(b).

(c) *Termination of Service Upon or Following a Change in Control.* In the event of Grantee's Termination of Service at the time of a Change in Control or at any time thereafter, the RSUs will vest in full and become non-forfeitable immediately, and such RSUs will be settled not later than 15 days following such Termination of Service, subject to any valid deferral election of the Grantee under Section 6(b).

(d) *Certain Definitions.* The following definitions apply for purposes of this

Agreement:

- (i) "Change in Control" has the meaning as defined in Section 8(f) of the Plan, except that an event will constitute a Change in Control only if that event (or an event closely associated with that event) also constitutes 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).
- (ii) "Disability" means Grantee's inability to perform the duties and responsibilities of a director due to physical or mental incapacity or impairment, which is reasonably expected to continue for a period of more than 180 consecutive days or to result in death.
- (iii) "Termination of Service" means the earliest time at which Grantee has had a separation from service from the Company as defined in Treasury Regulation § 1.409A-1(h).

5. ***Dividends and Adjustments.***

(a) *Dividends.* RSUs will be entitled to payments or credits equivalent to dividends that would have been paid if the RSUs had been outstanding Shares at any record date that occurs before the settlement date. Such dividend equivalents will be credited as amounts deemed to be retained by the Company as cash, without interest, and paid to Grantee at the time the related RSUs are settled if and to the extent the related RSUs have become vested and are settled.

(b) *Adjustments.* The number of RSUs credited to Grantee's Account and/or the property deliverable upon settlement of RSUs shall be appropriately adjusted, in order to prevent dilution or enlargement of Grantee's rights with respect to RSUs in connection with, or to reflect any changes in the number and kind of outstanding Shares of Common Stock resulting from, any corporate transaction or event referred to in Section 10(c) of the Plan (this provision takes precedence over Section 5(a) in the case of a large and non-recurring cash dividend or any non-cash dividend, and any adjustment otherwise shall take into account any value received as dividend equivalents).

(c) *Terms and Settlement of RSUs Resulting from Adjustments.* RSUs, cash and other property deliverable in settlement of RSUs that directly or indirectly result from adjustments to an RSU granted hereunder shall be subject to the terms (including vesting terms) that apply to the granted RSU, and will become vested and be settled at the same time as the granted RSU.



6. **Settlement; Deferral.**

(a) *Settlement.* The settlement terms set forth on the Cover Page and in Section 4 of this Agreement apply to the RSUs if the Grantee has made no valid deferral election under Section 6(b).

(b) *Deferral.* Grantee may elect to defer settlement of the RSUs by making an election on a form provided by the Company and timely filing such election. Such election form shall be attached as Exhibit A, and the terms thereof shall govern the time of settlement of the RSUs.

(c) *Code Section 409A Compliance.* It is intended that the terms of RSUs shall comply with requirements under Section 409A of the Internal Revenue Code (the "Code"). The foregoing notwithstanding, if any RSUs are deemed to be a deferral of compensation (taking into account the terms of any legally binding right of Grantee), such RSUs will be subject to no acceleration of settlement in the discretion of the Committee. In the case of all RSUs, any rights of Grantee or retained authority of the Company with respect to the RSUs shall be automatically modified and limited to the extent necessary so that Grantee will not be deemed to be in constructive receipt of income relating to the RSUs prior to settlement and so that Grantee shall not be subject to any penalty under Code Section 409A. The six-month delay rule specified in Section 1(a)(iii)(B) of the "Compliance Rules Under Code Section 409A" (Appendix A to the Plan) applies to such RSUs that are deemed to be a deferral of compensation under Section 409A.

7. *Nontransferability.* Grantee may not transfer the RSUs or any rights hereunder to any third party other than by will or the laws of descent and distribution, except for transfers to a Beneficiary in the event of death or as otherwise permitted and subject to the conditions under Section 10(b) of the Plan.

8. **Other Terms Relating to RSUs.**

(a) *Representations and warranties.* As a condition to the settlement of the RSUs, the Company may require Grantee to make any other representation or warranty to the Company as then may be required or deemed by the Company advisable in order to ensure compliance under any applicable law or regulation.

(b) *Stockholder Rights.* Grantee acknowledges and agrees that he or she shall have no voting rights or other rights of a stockholder with respect to the RSUs or the Shares issuable in settlement of the RSUs until such time as the Shares have been issued and delivered to Grantee in settlement of the RSUs.

(c) *Fractional RSUs and Shares.* The number of RSUs credited to Grantee's Account shall not include fractional RSUs, unless otherwise determined by the Committee. Unless settlement is effected through a third-party broker or agent that can accommodate fractional Shares (without requiring issuance of a fractional Share by the Company), upon settlement of the RSUs Grantee shall be paid, in cash, an amount equal to the value of any fractional Share that would have been otherwise deliverable in settlement of such RSUs.

(d) *Tax Withholding.* If the Company is required to withhold taxes or other amounts from compensation payable to Grantee at the time of settlement of the RSUs, Grantee will make arrangements acceptable to the Company to pay such withholding amounts.

(e) *Consent to Electronic Delivery.* GRANTEE HEREBY CONSENTS TO ELECTRONIC DELIVERY OF THE PLAN, ANY PROSPECTUS FOR THE PLAN AND OTHER DOCUMENTS RELATED TO THE PLAN (COLLECTIVELY, THE "PLAN DOCUMENTS"), IN RESPECT OF THIS EQUITY AWARD AND ALL OTHER EQUITY AWARDS THAT MAY BE GRANTED OR HAVE BEEN GRANTED BY THE COMPANY. THE COMPANY WILL DELIVER THE PLAN DOCUMENTS ELECTRONICALLY TO GRANTEE BY E-MAIL, BY POSTING SUCH DOCUMENTS ON ITS INTRANET WEBSITE OR BY ANOTHER MODE OF ELECTRONIC DELIVERY AS DETERMINED BY THE COMPANY IN ITS SOLE DISCRETION. THE COMPANY WILL SEND TO GRANTEE AN E-MAIL ANNOUNCEMENT WHEN A NEW PLAN DOCUMENT IS AVAILABLE ELECTRONICALLY FOR GRANTEE'S REVIEW, DOWNLOAD OR PRINTING AND WILL PROVIDE INSTRUCTIONS ON WHERE THE PLAN DOCUMENT CAN BE FOUND. UNLESS OTHERWISE SPECIFIED IN WRITING BY THE COMPANY, GRANTEE WILL NOT INCUR ANY COSTS FOR RECEIVING THE PLAN DOCUMENTS ELECTRONICALLY THROUGH THE COMPANY'S COMPUTER NETWORK. GRANTEE WILL HAVE THE RIGHT TO RECEIVE PAPER COPIES OF ANY PLAN DOCUMENT BY SENDING A WRITTEN REQUEST FOR A PAPER COPY TO THE COMPANY AT THE ADDRESS SET FORTH IN SECTION 9(e) BELOW. GRANTEE'S CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS WILL BE VALID AND REMAIN EFFECTIVE UNTIL THE EARLIER OF (i) THE TERMINATION OF GRANTEE'S PARTICIPATION IN THE PLAN AND (ii) THE WITHDRAWAL OF GRANTEE'S CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS. THE COMPANY ACKNOWLEDGES AND AGREES THAT GRANTEE HAS THE RIGHT AT ANY TIME TO WITHDRAW HIS OR HER CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS BY SENDING A WRITTEN NOTICE OF WITHDRAWAL TO THE COMPANY AT THE ADDRESS SET FORTH IN SECTION 9(e) BELOW. IF GRANTEE WITHDRAWS HIS OR HER CONSENT TO ELECTRONIC DELIVERY, THE COMPANY WILL RESUME SENDING PAPER COPIES OF THE PLAN DOCUMENTS WITHIN TEN (10) BUSINESS DAYS OF ITS RECEIPT OF THE WITHDRAWAL NOTICE. GRANTEE ACKNOWLEDGES THAT HE OR SHE IS ABLE TO ACCESS, VIEW AND RETAIN AN E-MAIL ANNOUNCEMENT INFORMING GRANTEE THAT THE PLAN DOCUMENTS ARE AVAILABLE IN EITHER HTML, PDF OR SUCH OTHER FORMAT AS THE COMPANY DETERMINES IN ITS SOLE DISCRETION.

9. *Miscellaneous.*

(a) *Binding Agreement; Written Amendments.* This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the RSUs, and supersedes any prior agreements or documents with respect thereto. No amendment or alteration of this Agreement that may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of this Agreement that may materially impair the rights of Grantee with respect to the RSUs shall be valid unless expressed in a written instrument executed by Grantee.

(b) *No Promise of Continued Service.* The RSUs and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Grantee has a right to continue as a director of the Company or any of its subsidiaries or affiliates for any period of time, or at any particular rate of compensation. Grantee acknowledges and agrees that the Plan is discretionary in nature and limited in duration, and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time, provided, however that any

outstanding RSUs shall not be materially and adversely affected without the written agreement of Grantee. The grant of RSUs under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of restricted stock units or stock options or benefits in lieu of units or stock options in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the number of units and vesting provisions.

(c) *Unfunded Plan.* Any provision for distribution in settlement of Grantee's Account hereunder shall be by means of bookkeeping entries on the books of the Company and shall not create in Grantee any right to, or claim against any, specific assets of the Company, nor result in the creation of any trust or escrow account for Grantee. With respect to Grantee's entitlement to any distribution hereunder, Grantee shall be a general creditor of the Company.

(d) *Governing Law.* THE VALIDITY, CONSTRUCTION, AND EFFECT OF THIS AGREEMENT SHALL BE DETERMINED IN ACCORDANCE WITH THE LAWS (INCLUDING THOSE GOVERNING CONTRACTS) OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS, AND APPLICABLE FEDERAL LAW. The RSUs and the granting thereof are subject to Grantee's compliance with the applicable laws of the jurisdiction of Grantee's service.

(e) *Notices.* Any notice to be given the Company under this Agreement shall be addressed to the Company at 2121 Rosecrans Avenue, Suite 6300, El Segundo, California 90245, attention: General Counsel, and any notice to Grantee shall be addressed to Grantee at Grantee's address as then appearing in the records of the Company.

## A-Mark Precious Metals, Inc.

## 2014 Stock Award and Incentive Plan

## Deferred Stock Units Agreement – Non-Employee Director

This Deferred Stock Units Agreement (the "Agreement") confirms the grant on April 29, 2021 (the "Grant Date") by A-Mark Precious Metals, Inc., a Delaware corporation (the "Company" or "A-Mark"), to \_\_\_\_\_ ("Grantee"), of Deferred Stock Units (the "DSUs") relating to A-Mark Common Stock, par value \$0.01 per share (the "Shares"), as set forth below. The DSUs are granted under Sections 6(e) and 10(m) of the Company's 2014 Stock Award and Incentive Plan, as amended (the "Plan"), pursuant to the agreement between A-Mark and Grantee that this grant of DSUs will be in consideration of Grantee's service to A-Mark as a non-employee director in the fiscal year in which the DSUs are granted.

The principal terms of the DSUs granted hereby are as follows (subject to adjustment in accordance with the Plan and this Agreement):

*Number granted:* \_\_\_\_\_ DSUs.

*DSUs vest:*

- (i) The DSUs, if they have not previously been forfeited as provided herein, will vest as to 100% of the underlying Shares on the first anniversary of the Grant Date. The foregoing notwithstanding, the DSUs, if not previously forfeited, will vest in full on an accelerated basis upon the occurrence of certain events relating to Termination of Service, in accordance with Section 4 hereof.
- (ii) The date of vesting above is the "Vesting Date." The term "vesting" or "vests" means that Grantee's substantial risk of forfeiture of the DSUs, based on Grantee's Termination of Service, has lapsed.

*Forfeiture and Clawback of DSUs:*

- (i) The DSUs (including vested DSUs) will be forfeited, or Grantee will be required to surrender the Shares issued in settlement of the DSUs to the Company, or Grantee will be required to pay to the Company the fair market value of the Shares issued in settlement of the DSUs, in accordance with the terms of any policy relating to recoupment (or clawback) approved by the Board of Directors and in effect at or before the time of vesting of the DSUs.
- (ii) Except as provided in Section 4 of this Agreement, upon Grantee's Termination of Service before the Vesting Date, the DSUs will be forfeited.

*Settlement:* The DSUs that become vested will be settled by delivery of one Share of the Company's Common Stock, \$0.01 par value per Share, for each DSU being settled. Such settlement will occur on the first business day of January in the year following Grantee's Termination of Service (as defined in Section 4 below), except as otherwise specified in Section 4 (which includes specification of the date of settlement following death), provided, however, that in no event will settlement of the DSUs occur prior Termination of Service or death nor after December 31 of the year following the year of Termination of Service or death.

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The DSUs are subject to the terms and conditions of the Plan and this Agreement, including the Terms and Conditions of Restricted Stock Units attached hereto and deemed a part hereof. The number of DSUs, the number and kind of Shares deliverable in settlement of DSUs and the number of Shares subject to clawback are subject to adjustment in accordance with Section 5 hereof and the applicable sections of the Plan. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

Grantee acknowledges and agrees that (i) the DSUs are nontransferable as set forth in Section 7 hereof and Section 10(b) of the Plan, (ii) the DSUs are forfeitable and subject to clawback, as set forth herein, (iii) sales of Shares delivered in settlement of DSUs will be subject to compliance with applicable Federal and state securities laws, which at times may preclude such sales, and will be subject to the Company's policies regulating insider trading by directors and employees, and (iv) a copy of the Plan and related information previously have been delivered to Grantee, are being delivered to Grantee herewith, or are available as specified in Section 1 and 8(e) hereof.

IN WITNESS WHEREOF, A-Mark Precious Metals, Inc. has caused this Agreement to be executed by its officer thereunto duly authorized.

A-MARK PRECIOUS METALS, INC.

Date: April 29, 2021

By: \_\_\_\_\_  
Carol Meltzer  
General Counsel and EVP

## TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

The following Terms and Conditions apply to the DSUs granted to Grantee by A-MARK PRECIOUS METALS, INC. (the "Company"), as specified in the Restricted Stock Units Agreement (of which these Terms and Conditions form a part). Certain terms of the DSUs, including the number of DSUs granted, vesting date(s) and settlement date(s), are set forth on the preceding cover page, which is an integral part of this Agreement.

1. **General.** The DSUs are granted to Grantee under the Company's 2014 Stock Award and Incentive Plan (the "Plan"), a copy of which has previously been delivered to Grantee and/or is available upon request to the General Counsel of the Company. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. By accepting the grant of the DSUs, Grantee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations of the Company's Compensation Committee (the "Committee") or Board of Directors made from time to time, provided that, without the Grantee's written consent, no such Plan amendment, rule or regulation or Committee decision or determination shall materially and adversely affect the rights of Grantee with respect to outstanding DSUs.

2. **Account Maintained for Grantee.** The Company shall maintain a bookkeeping account for Grantee (the "Account") reflecting the number of DSUs then credited to Grantee hereunder as a result of such grant of DSUs and any rights to cash or property relating to such DSUs.

3. **Non-transferability.** Until DSUs become settleable in accordance with the terms of this Agreement, Grantee may not transfer DSUs or any rights hereunder to any third party other than by will or the applicable laws of descent and distribution, except for transfers to a Beneficiary upon death of Grantee or otherwise if and to the extent permitted by the Company and in accordance with Plan Section 10(b) and Section 7 below.

4. **Termination Provisions.** In the event of Grantee's Termination of Service for any reason before a given DSU has vested, such unvested DSU shall be forfeited unless otherwise determined by the Committee or otherwise provided in subsections (a) – (c) below. All references to DSUs mean only those outstanding DSUs that have not been previously forfeited.

(a) **Death or Disability.** In the event of the death of Grantee or Grantee's Termination of Service due to a Disability, the DSUs (if not previously vested) will vest in full and become non-forfeitable immediately, and such DSUs will be settled not later than 30 days following the date of death or, in the case of Termination of Service due to Disability, at the date specified on the Cover Page.

(b) **Termination of Service at Subsequent Annual Meeting.** In the event of Grantee's Termination of Service at the Annual Meeting of Stockholders in the fiscal year following the fiscal year of grant, if the Grantee has served as a Director until the day of that Annual Meeting (regardless of the reason the Grantee is not elected to the Board at that Annual Meeting), the DSUs will vest in full and become non-forfeitable immediately, and such DSUs will be settled at the date specified on the Cover Page.

(c) *Termination of Service Upon or Following a Change in Control.* In the event of Grantee's Termination of Service at the time of a Change in Control or at any time thereafter, the DSUs will vest in full and become non-forfeitable immediately, and such DSUs will be settled not later than 15 days following such Termination of Service.

(d) *Certain Definitions.* The following definitions apply for purposes of this

Agreement:

- (i) "Change in Control" has the meaning as defined in Section 8(f) of the Plan except that an event will constitute a Change in Control only if that event (or an event closely associated with that event) also constitutes 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).
- (ii) "Disability" means Grantee's inability to perform the duties and responsibilities of a director due to physical or mental incapacity or impairment, which is reasonably expected to continue for a period of more than 180 consecutive days or to result in death.
- (iii) "Termination of Service" means the earliest time at which Grantee has had a retirement from the Company or for any other reason has ceased to be a director of the Company (constituting a loss of her office with or employment by the Company as defined in Section 6801(d) of the Income Tax Regulations of Canada).

5. ***Dividends and Adjustments.***

(a) *Dividends.* DSUs will be entitled to credits equivalent to dividends that would have been paid if the DSUs had been outstanding Shares at any record date that occurs before the settlement date. The cash amount of such credits will be converted into a number of additional DSUs by dividing the aggregate cash amount by the Fair Market Value of a share of Common Stock at the dividend payment date. If the Company declares and pays a dividend or distribution on Common Stock in the form of property other than Common Stock, then the amount of the dividend equivalents credited as of the payment date on each DSU outstanding and credited to the Grantee at the record date shall be the Fair Market Value of such property actually paid as a dividend or distribution on each outstanding Common Share at such payment date, to be converted into additional DSUs as provided in the preceding sentence, unless an alternative form of adjustment is provided for by the Company under Section 5(b).

(b) *Adjustments.* The number of DSUs credited to Grantee's Account and/or the property deliverable upon settlement of DSUs shall be appropriately adjusted, in order to prevent dilution or enlargement of Grantee's rights with respect to DSUs in connection with, or to reflect any changes in the number and kind of outstanding Shares of Common Stock resulting from, any corporate transaction or event referred to in Section 10(c) of the Plan (this provision takes precedence over Section 5(a) in the case of a large and non-recurring cash dividend or any non-cash dividend, and any adjustment otherwise shall take into account any value received as dividend equivalents under Section 5(a)).

(c) *Terms and Settlement of DSUs Resulting from Dividend Equivalents and Adjustments.* DSUs, cash and other property deliverable in settlement of DSUs that directly or indirectly result from dividend equivalents under Section 5(a) or adjustments to a DSU under

Section 5(b) shall be subject to the terms (including vesting terms) that apply to the granted DSU, and will become vested and be settled at the same time as the granted DSU.

6. ***Settlement; Deferral.***

(a) *Settlement.* The settlement terms set forth on the Cover Page and in Section 4 of this Agreement apply to the DSUs.

(b) *Tax Compliance.* It is intended that the terms of DSUs shall comply with requirements relating to Deferred Stock Units under Section 6801(d) of the Income Tax Regulations of Canada (“Section 6801(d)”). Any rights of Grantee or retained authority of the Company with respect to the DSUs shall be automatically modified and limited to the extent necessary so that Grantee will not be deemed to be subject to taxation on income relating to the DSUs prior to settlement. It is further intended that the terms of DSUs shall comply with requirements under Section 409A of the Internal Revenue Code, if and to the extent applicable under U.S. federal law or under California Law (“409A”). Accordingly, DSUs will be subject to no acceleration of settlement in the discretion of the Company or Grantee, except as permitted under Section 6801(d) and, if applicable, 409A. The six-month delay rule specified in Section 1(a)(iii)(B) of the “Compliance Rules Under Code Section 409A” (Appendix A to the Plan) applies to the DSUs if and to the extent the DSUs are deemed to be a deferral of compensation and subject to 409A. The Company and Grantee agree that, prior to the time the DSUs are settled hereunder, the parties will not enter into an employment relationship, consulting relationship, arrangement for part-time service as a director or any other service relationship that would result in a separation from service under 409A but would not constitute a loss of office with or employment by the Company as defined in Section 6801(d). Accordingly, in no event will a separation from service occur under Treasury Regulation § 1.409A-1(h) except in a circumstance that also constitutes Termination of Service.

7. *Nontransferability.* Grantee may not transfer the DSUs or any rights hereunder to any third party other than by will or the laws of descent and distribution, except for transfers to a Beneficiary in the event of death or as otherwise permitted and subject to the conditions under Section 10(b) of the Plan.

8. ***Other Terms Relating to DSUs.***

(a) *Representations and warranties.* As a condition to the settlement of the DSUs, the Company may require Grantee to make any other representation or warranty to the Company as then may be required or deemed by the Company advisable in order to ensure compliance under any applicable law or regulation.

(b) *Stockholder Rights.* Grantee acknowledges and agrees that he or she shall have no voting rights or other rights of a stockholder with respect to the DSUs or the Shares issuable in settlement of the DSUs until such time as the Shares have been issued and delivered to Grantee in settlement of the DSUs.

(c) *Fractional DSUs and Shares.* The number of DSUs credited to Grantee's Account shall not include fractional DSUs, unless otherwise determined by the Committee. Unless settlement is effected through a third-party broker or agent that can accommodate fractional Shares (without requiring issuance of a fractional Share by the Company), upon settlement of the DSUs Grantee shall be paid, in cash, an amount equal to the value of any fractional Share that would have been otherwise deliverable in settlement of such DSUs.



(d) *Tax Withholding.* If the Company is required to withhold taxes or other amounts from compensation payable to Grantee at the time of settlement of the DSUs, Grantee will make arrangements acceptable to the Company to pay such withholding amounts.

(e) *Consent to Electronic Delivery.* GRANTEE HEREBY CONSENTS TO ELECTRONIC DELIVERY OF THE PLAN, ANY PROSPECTUS FOR THE PLAN AND OTHER DOCUMENTS RELATED TO THE PLAN (COLLECTIVELY, THE "PLAN DOCUMENTS"), IN RESPECT OF THIS EQUITY AWARD AND ALL OTHER EQUITY AWARDS THAT MAY BE GRANTED OR HAVE BEEN GRANTED BY THE COMPANY. THE COMPANY WILL DELIVER THE PLAN DOCUMENTS ELECTRONICALLY TO GRANTEE BY E-MAIL, BY POSTING SUCH DOCUMENTS ON ITS INTRANET WEBSITE OR BY ANOTHER MODE OF ELECTRONIC DELIVERY AS DETERMINED BY THE COMPANY IN ITS SOLE DISCRETION. THE COMPANY WILL SEND TO GRANTEE AN E-MAIL ANNOUNCEMENT WHEN A NEW PLAN DOCUMENT IS AVAILABLE ELECTRONICALLY FOR GRANTEE'S REVIEW, DOWNLOAD OR PRINTING AND WILL PROVIDE INSTRUCTIONS ON WHERE THE PLAN DOCUMENT CAN BE FOUND. UNLESS OTHERWISE SPECIFIED IN WRITING BY THE COMPANY, GRANTEE WILL NOT INCUR ANY COSTS FOR RECEIVING THE PLAN DOCUMENTS ELECTRONICALLY THROUGH THE COMPANY'S COMPUTER NETWORK. GRANTEE WILL HAVE THE RIGHT TO RECEIVE PAPER COPIES OF ANY PLAN DOCUMENT BY SENDING A WRITTEN REQUEST FOR A PAPER COPY TO THE COMPANY AT THE ADDRESS SET FORTH IN SECTION 9(e) BELOW. GRANTEE'S CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS WILL BE VALID AND REMAIN EFFECTIVE UNTIL THE EARLIER OF (i) THE TERMINATION OF GRANTEE'S PARTICIPATION IN THE PLAN AND (ii) THE WITHDRAWAL OF GRANTEE'S CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS. THE COMPANY ACKNOWLEDGES AND AGREES THAT GRANTEE HAS THE RIGHT AT ANY TIME TO WITHDRAW HIS OR HER CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS BY SENDING A WRITTEN NOTICE OF WITHDRAWAL TO THE COMPANY AT THE ADDRESS SET FORTH IN SECTION 9(e) BELOW. IF GRANTEE WITHDRAWS HIS OR HER CONSENT TO ELECTRONIC DELIVERY, THE COMPANY WILL RESUME SENDING PAPER COPIES OF THE PLAN DOCUMENTS WITHIN TEN (10) BUSINESS DAYS OF ITS RECEIPT OF THE WITHDRAWAL NOTICE. GRANTEE ACKNOWLEDGES THAT HE OR SHE IS ABLE TO ACCESS, VIEW AND RETAIN AN E-MAIL ANNOUNCEMENT INFORMING GRANTEE THAT THE PLAN DOCUMENTS ARE AVAILABLE IN EITHER HTML, PDF OR SUCH OTHER FORMAT AS THE COMPANY DETERMINES IN ITS SOLE DISCRETION.

9. *Miscellaneous.*

(a) *Binding Agreement; Written Amendments.* This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the DSUs, and supersedes any prior agreements or documents with respect thereto. No amendment or alteration of this Agreement that may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of this Agreement that may materially impair the rights of Grantee with respect to the DSUs shall be valid unless expressed in a written instrument executed by Grantee.

(b) *No Promise of Continued Service.* The DSUs and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Grantee has

a right to continue as a director of the Company or any of its subsidiaries or affiliates for any period of time, or at any particular rate of compensation. Grantee acknowledges and agrees that the Plan is discretionary in nature and limited in duration, and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time, provided, however that any outstanding DSUs shall not be materially and adversely affected without the written agreement of Grantee. The grant of DSUs under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of restricted stock units or stock options or benefits in lieu of units or stock options in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the number of units and vesting provisions.

(c) *Unfunded Plan.* Any provision for distribution in settlement of Grantee's Account hereunder shall be by means of bookkeeping entries on the books of the Company and shall not create in Grantee any right to, or claim against any, specific assets of the Company, nor result in the creation of any trust or escrow account for Grantee. With respect to Grantee's entitlement to any distribution hereunder, Grantee shall be a general creditor of the Company.

(d) *Governing Law.* THE VALIDITY, CONSTRUCTION, AND EFFECT OF THIS AGREEMENT SHALL BE DETERMINED IN ACCORDANCE WITH THE LAWS (INCLUDING THOSE GOVERNING CONTRACTS) OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS, AND APPLICABLE U.S. FEDERAL LAW AND TAX LAW OF CANADA. The DSUs and the granting thereof are subject to Grantee's compliance with the applicable laws of the jurisdiction of Grantee's service.

(e) *Notices.* Any notice to be given the Company under this Agreement shall be addressed to the Company at 2121 Rosecrans Avenue, Suite 6300, El Segundo, California 90245, attention: General Counsel, and any notice to Grantee shall be addressed to Grantee at Grantee's address as then appearing in the records of the Company.

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 13, 2021

/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 13, 2021

/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, 2021, 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 13, 2021

/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, 2021, 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 13, 2021

/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.