

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 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 Exchange 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 checked="" type="checkbox"/>
Non-accelerated filer	<input 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.

As of October 28, 2021, the registrant had 11,352,110 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 Three Months Ended September 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
PART I	
Item 1. Financial Statements	1
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	43
Item 3. Quantitative and Qualitative Disclosures About Market Risk	69
Item 4. Controls and Procedures	69
PART II	
Item 1. Legal Proceedings	69
Item 1A. Risk Factors	70
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	83
Item 3. Defaults upon Senior Securities	83
Item 4. Mine Safety Disclosures	83
Item 5. Other Information	83
Item 6. Exhibits	83
Signatures	84

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Index to the Condensed Consolidated Financial Statements and Notes thereof

	<u>Page</u>
Condensed Consolidated Balance Sheets as of September 30, 2021 and June 30, 2021	2
Condensed Consolidated Statements of Income for the Three Months Ended September 30, 2021 and 2020	4
Condensed Consolidated Statements of Stockholders' Equity for the Three Months Ended September 30, 2021 and 2020	5
Condensed Consolidated Statements of Cash Flows for the Three Months Ended September 30, 2021 and 2020	6
Notes to Condensed Consolidated Financial Statements	7
Note 1. Description of Business	7
Note 2. Summary of Significant Accounting Policies	8
Note 3. Assets and Liabilities, at Fair Value	18
Note 4. Receivables	21
Note 5. Secured Loans Receivable	21
Note 6. Inventories	23
Note 7. Property, Plant, and Equipment	25
Note 8. Goodwill and Intangible Assets	25
Note 9. Long-Term Investments	27
Note 10. Accounts Payable and Other Current Liabilities	27
Note 11. Derivative Instruments and Hedging Transactions	27
Note 12. Income Taxes	30
Note 13. Related Party Transactions	32
Note 14. Financing Agreements	34
Note 15. Commitments and Contingencies	35
Note 16. Stockholders' Equity	36
Note 17. Customer and Supplier Concentrations	38
Note 18. Segments and Geographic Information	39
Note 19. Subsequent Events	42

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

	September 30, 2021	June 30, 2021
ASSETS		
Current assets:		
Cash ⁽¹⁾	\$ 29,609	\$ 101,405
Receivables, net	104,522	89,000
Derivative assets	69,785	44,536
Secured loans receivable ⁽¹⁾	110,323	112,968
Precious metals held under financing arrangements ⁽¹⁾	130,618	154,742
Inventories:		
Inventories ⁽¹⁾	346,285	256,991
Restricted inventories	219,420	201,028
	565,705	458,019
Prepaid expenses and other assets ⁽¹⁾	4,074	3,557
Total current assets	1,014,636	964,227
Operating lease right of use assets	7,346	5,702
Property, plant, and equipment, net	8,913	8,609
Goodwill	100,943	100,943
Intangibles, net	85,761	93,633
Long-term investments	29,683	18,467
Total assets	\$ 1,247,282	\$ 1,191,581
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 194,000	\$ 185,000
Liabilities on borrowed metals	74,618	91,866
Product financing arrangements	219,420	201,028
Accounts payable and other current liabilities	178,798	200,351
Derivative liabilities	70,348	7,539
Accrued liabilities ⁽¹⁾	12,836	18,785
Income tax payable	7,140	5,016
Total current liabilities	757,160	709,585
Notes payable ⁽¹⁾	93,446	93,249
Deferred tax liabilities	18,091	19,514
Other liabilities	6,958	5,291
Total liabilities	875,655	827,639
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of September 30, 2021 and June 30, 2021	—	—
Common stock, par value \$0.01; 40,000,000 shares authorized; 11,351,897 and 11,229,657 shares issued and outstanding as of September 30, 2021 and June 30, 2021, respectively	114	113
Additional paid-in capital	154,619	150,420
Retained earnings	215,475	212,090
Total A-Mark Precious Metals, Inc. stockholders' equity	370,208	362,623
Noncontrolling interests	1,419	1,319
Total stockholders' equity	371,627	363,942
Total liabilities, noncontrolling interests and stockholders' equity	\$ 1,247,282	\$ 1,191,581

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

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

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

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

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

The following table presents the assets and liabilities of this VIE, which are included in the condensed consolidated balance sheets above. The holders of the Notes have a first priority security interest in the assets as shown in the table below, which are in excess of the Notes' aggregate principal amount. Additionally, the liabilities of the VIE include intercompany balances, which are eliminated in consolidation. (See [Note 14.](#))

	September 30, 2021	June 30, 2021
ASSETS OF THE CONSOLIDATED VIE		
Cash	\$ 5,162	\$ 2,877
Secured loans receivable	88,631	84,817
Precious metals held under financing arrangements	17,848	23,976
Inventories	2,675	2,532
Prepaid expenses and other assets	69	23
Total assets of the consolidated variable interest entity	<u>\$ 114,385</u>	<u>\$ 114,225</u>
LIABILITIES OF THE CONSOLIDATED VIE		
Deferred payment obligations ⁽¹⁾	\$ 21,040	\$ 20,539
Accrued liabilities	880	847
Notes payable ⁽²⁾	98,446	98,249
Total liabilities of the consolidated variable interest entity	<u>\$ 120,366</u>	<u>\$ 119,635</u>

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

	Three Months Ended	
	September 30, 2021	September 30, 2020
Revenues	\$ 2,013,971	\$ 1,866,116
Cost of sales	1,957,962	1,829,971
Gross profit	56,009	36,145
Selling, general, and administrative expenses	(16,677)	(9,505)
Depreciation and amortization expense	(8,271)	(501)
Interest income	5,531	3,983
Interest expense	(5,473)	(4,293)
Earnings from equity method investments	1,489	4,126
Other income, net	409	359
Unrealized losses on foreign exchange	(224)	(97)
Net income before provision for income taxes	32,793	30,217
Income tax expense	(6,669)	(6,511)
Net income	26,124	23,706
Net income attributable to noncontrolling interests	100	623
Net income attributable to the Company	\$ 26,024	\$ 23,083
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:		
Basic	\$ 2.31	\$ 3.28
Diluted	\$ 2.17	\$ 3.09
Weighted average shares outstanding:		
Basic	11,262,600	7,034,700
Diluted	12,009,300	7,475,000

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)

	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
Balance, June 30, 2020	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)
Balance, September 30, 2020	7,066,530	71	27,883	86,174	114,128	4,513	118,641
Balance, June 30, 2021	11,229,657	\$ 113	\$ 150,420	\$ 212,090	\$ 362,623	\$ 1,319	\$ 363,942
Net income	—	—	—	26,024	26,024	100	26,124
Share-based compensation	—	—	473	—	473	—	473
Net settlement on issuance of common shares on exercise of options	60,650	—	749	—	749	—	749
Common stock issued for increase in long term investment	61,590	1	2,977	—	2,978	—	2,978
Dividends declared (\$2.00 per common share)	—	—	—	(22,639)	(22,639)	—	(22,639)
Balance, September 30, 2021	11,351,897	\$ 114	\$ 154,619	\$ 215,475	\$ 370,208	\$ 1,419	\$ 371,627

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

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

Three Months Ended September 30,	2021	2020
Cash flows from operating activities:		
Net income	\$ 26,124	\$ 23,706
<i>Adjustments to reconcile net income to net cash (used in) provided by operating activities:</i>		
Depreciation and amortization	8,271	501
Amortization of loan cost	569	396
Deferred income taxes	(1,423)	—
Interest added to principal of secured loans	(5)	(4)
Share-based compensation	473	178
Earnings from equity method investments	(1,489)	(4,126)
<i>Changes in assets and liabilities:</i>		
Receivables	(15,522)	(26,526)
Secured loans receivable	25	(358)
Secured loans made to affiliates	3,032	4,642
Derivative assets	(25,249)	(67,275)
Precious metals held under financing arrangements	24,124	19,821
Inventories	(107,686)	(91,900)
Prepaid expenses and other assets	(689)	(292)
Accounts payable and other current liabilities	(21,553)	69,992
Derivative liabilities	62,809	(11,917)
Liabilities on borrowed metals	(17,248)	(14,454)
Accrued liabilities	(6,420)	(1,227)
Income tax payable	2,124	771
Net cash used in operating activities	(69,733)	(98,072)
Cash flows from investing activities:		
Capital expenditures for property, plant, and equipment	(709)	(476)
Purchase of long-term investments	(6,250)	—
Secured loans receivable, net	(407)	(24,793)
Net cash used in investing activities	(7,366)	(25,269)
Cash flows from financing activities:		
Product financing arrangements, net	18,392	26,921
Dividends paid	(22,639)	(10,553)
Borrowings and repayments under lines of credit, net	9,000	79,000
Debt funding issuance costs	(199)	(398)
Net settlement on issuance of common shares on exercise of options	749	416
Net cash provided by financing activities	5,303	95,386
Net decrease in cash, cash equivalents, and restricted cash	(71,796)	(27,955)
Cash, cash equivalents, and restricted cash, beginning of period	101,405	52,325
Cash, cash equivalents, and restricted cash, end of period	\$ 29,609	\$ 24,370
Supplemental disclosures of cash flow information:		
Interest paid	\$ 5,839	\$ 3,737
Income taxes paid	\$ 5,967	\$ 6,726
Income taxes refunded	\$ —	\$ (1,044)
Non-cash investing and financing activities:		
Interest added to principal of secured loans	\$ 5	\$ 4
Fair value of shares exchanged for increase in long term investment	\$ 2,978	\$ —
Addition of right of use assets under operating lease obligations	\$ 2,013	\$ —

See accompanying Notes to Condensed Consolidated Financial Statements

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 condensed 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) Direct-to-Consumer (formerly known as Direct Sales), and (iii) Secured Lending. Each of these reportable segments represents an aggregation of operating segments that meets the aggregation criteria set forth in the Segment Reporting Topic 280 of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC"). (See [Note 18](#).)

Wholesale Sales & Ancillary Services

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"), A-M Global Logistics, LLC ("AMGL" or "Logistics"), and AM&ST Associates, LLC ("AMST" or the "SilverTowne Mint").

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

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

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

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

Direct-to-Consumer

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

JMB is a leading e-commerce retailer providing access to a broad array of gold, silver, copper, platinum, and palladium products through its websites and marketplaces. JMB operates five separately branded, company-owned websites targeting specific niches within the precious metals retail market. The Company acquired the 79.5% interest in JMB that it did not previously own in March 2021.

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

from the partners' retail customers, and then reselling the acquired products back to affiliates of the partners. PMPP commenced its operations in fiscal 2020.

Pro Forma Information for the Acquisition of JMB

The following pro forma consolidated results of operations of the Company for the three months ended September 30, 2020, assumes that the acquisition of JMB occurred as of July 1, 2019.

in thousands

	Three Months Ended	
	September 30,	
	2020	
Revenue	\$	2,013,762
Net income	\$	36,540

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

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

Secured Lending

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

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

AM Capital Funding, LLC ("AMCF"), a wholly-owned subsidiary of CFC, was formed for the purpose of securitizing eligible secured loans of CFC. AMCF issued and administers the Notes. (See [Note 14](#).)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Comprehensive Income

For the three months ended September 30, 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, intangible assets, and precious metals inventory. Actual results could materially differ from these estimates.

Reclassification

In our Condensed Consolidated Statements of Income, we present depreciation and amortization expense as a separate line item. In prior fiscal years, depreciation and amortization expense was a component of the selling, general, and administrative expenses line item.

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 three months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2022 or for any other interim period during such fiscal year. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations of the SEC. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended 2021 (the "2021 Annual Report"), as filed with the SEC. Amounts related to disclosure of June 30, 2021 balances within these interim condensed consolidated financial statements were derived from the audited consolidated financial statements and notes thereto included in the 2021 Annual Report.

Fair Value Measurement

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

Concentration of Credit Risk

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

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

Foreign Currency

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

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

Business Combination

The Company accounts for business combinations by applying the acquisition method in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations. The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. Transaction costs related to the acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred. The identifiable assets acquired, liabilities assumed and noncontrolling interests, if any, in an acquired entity are recognized and measured at their estimated fair values. The excess of the fair value of

consideration transferred over the fair values of identifiable assets acquired, liabilities assumed and noncontrolling interests, if any, in an acquired entity is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets and liabilities. Net cash paid to acquire a business is classified as investing activities on the accompanying condensed consolidated statements of cash flow.

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

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

Variable Interest Entity

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

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

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

AMCF is considered a VIE because its initial equity investment may be insufficient to maintain its on-going collateral requirements without additional financial support from the Company. The securitization is primarily secured by bullion loans and precious metals, and the Company is required to continuously hedge the value of certain collateral and make future contributions as necessary. The Company is the primary beneficiary of this VIE because the Company has the right to determine the type of collateral (i.e., cash, secured loans, or precious metals), has the right to receive (and has received) the proceeds from the securitization transaction, earns on-going interest income from the secured loans (subject to collateral requirements), and has the obligation to absorb losses should AMCF's interest expense and other costs exceed its interest income. (See [Note 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 did not have any cash equivalents as of September 30, 2021 and June 30, 2021.

Precious Metals held under Financing Arrangements

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

These arrangements are typically terminable by either party upon 14 days' notice. Upon termination, the customer's right to repurchase any remaining precious metal is forfeited, and the related precious metals are reclassified as inventory held for sale. As of September 30, 2021 and June 30, 2021, precious metals held under financing arrangements totaled \$130.6 million and \$154.7 million respectively.

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

Inventories

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

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

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

Leased Right of Use Assets

We lease warehouse space, office facilities, and equipment. Our operating leases with terms longer than twelve months are recorded at the sum of the present value of the lease's fixed minimum payments as operating lease right of use assets ("ROU assets") in the Company's condensed consolidated balance sheets. Lease terms include all periods covered by renewal and termination options where the Company is reasonably certain to exercise the renewal options or not to exercise the termination options. Our 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 Company's condensed consolidated balance sheets as a component of property, plant, and equipment at the present value of the 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 months ended September 30, 2021 and 2020 were as follows:

in thousands

	Three Months Ended	
	September 30, 2021	September 30, 2020
Operating lease costs	\$ 449	\$ 349
Variable lease costs	115	98
Short term lease costs	22	27
Finance lease costs	5	5
Total lease costs, net	<u>\$ 591</u>	<u>\$ 479</u>

For the three months ended September 30, 2021, we made cash payments of \$0.5 million for operating lease obligations. These payments are included in operating cash flows. At September 30, 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 September 30, 2021:

Years ending June 30,	Operating Leases
2022 (9 months remaining)	1,315
2023	1,646
2024	1,692
2025	1,669
2026	1,244
Thereafter	2,102
Total lease payments	<u>9,668</u>
Imputed interest	<u>(1,357)</u>
	<u>\$ 8,311</u> (1)
Operating lease liability - current	\$ 1,353 (2)
Operating lease liability - long-term	6,958 (3)
	<u>\$ 8,311</u> (1)

(1) Represents the present value of the capitalized operating lease liabilities as of September 30, 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 commence when the related assets are placed into service. Internal-use software development costs are capitalized during the application development stage. Internal-use software costs incurred during the preliminary project stage are expensed as incurred. Land is recorded at historical cost and is not depreciated. Repair and maintenance costs are expensed as incurred. We have no major planned maintenance activities related to our plant assets associated with our minting operations.

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

Finite-lived Intangible Assets

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

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 and are accounted for using the cost method when the Company has little or no influence over the investee. Significant influence is generally deemed to exist if the Company's ownership interest in the voting stock of the investee ranges between 20% and 50%, although other factors are considered in determining whether the equity method of accounting is appropriate. Under the equity method, the carrying value of the investment is adjusted for the Company's proportionate share of the investee's earnings or losses, with the corresponding share of earnings or losses reported in other income, net. The carrying value of the investment is reduced

by the amount of the dividends received from the equity-method investee, as they are considered a return of capital. Under the cost method of accounting, the investment is measured at cost, adjusted for observable price changes and impairments, with changes recognized in net income.

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

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.

Noncontrolling interest

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

Revenue Recognition

Settlement Date Accounting

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

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

Types of Orders that are Physically Delivered

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

- ***Traditional physical orders*** — The quantity, specific product, and price are determined on the order date. Payment or sufficient credit is verified prior to delivery of the metals on the settlement date.
- ***Consignment orders*** — The Company delivers the items requested by the customer prior to establishing a firm order with a price. Settlement occurs and revenue is recognized once the customer confirms its order (quantity, specific product, and price) and remits full payment for the sale.
- ***Provisional orders*** — The quantity and type of metal is established at the order date, but the price is not set. The customer commits to purchasing the metals within a specified time period, usually within one year, at the then-current market price. The Company delivers the metal to the customer after receiving the customer's deposit, which is typically based on 110% of the prevailing current spot price. The unpriced metal is subject to a margin call if the deposit falls below 105% of the value of the unpriced metal. The purchase price is established, and revenue is recognized at the time the customer notifies the Company that it desires to purchase the metal.

- **Margin orders** — The quantity, specific product, and price are determined at the order date; however, the customer is allowed to finance the transaction through the Company and to defer delivery by committing to remit a partial payment (approximately 20%) of the total order price. With the remittance of the partial payment, the customer locks in the purchase price for a specified time period (usually up to two years from the order date). Revenue on margin orders is recognized when the order is paid in full and delivered to the customer.
- **Borrowed precious metals orders for unallocated positions** — Customers may purchase unallocated metal positions in the Company's inventory. The quantity and type of metal is established at the order date, but the specific product is not yet determined. Revenue is not recognized until the customer selects the specific precious metal product it wishes to purchase, full payment is received, and the product is delivered to the customer.

In general, unshipped orders for which a customer advance has been received by the Company are classified as advances from customers. Orders that have been paid for and shipped, but not yet delivered to the customer are classified as deferred revenue. Both customer advances and deferred revenue are 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 and option contracts are recorded in cost of sales.

The Company enters into futures and forward contracts solely for the purpose of hedging our inventory holding risk and our liability on price protection programs, and not for speculative market purposes. The Company's gains (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 consolidated revenues.

Interest Income

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

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

Interest Expense

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

- **Borrowings** — The Company incurs interest expense from its lines of credit, its debt obligations, and notes payable using the effective interest method. (See [Note 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.

Earnings from Equity Method Investments

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

Other Income and Expense, Net

The Company's other income and expense is royalty income.

Advertising

Advertising and marketing costs consist primarily of internet advertising, online marketing, direct mail, print media, and television commercials and are expensed when incurred. Advertising costs totaled \$2.8 million and \$0.7 million for the three months ended September 30, 2021 and 2020. Costs associated with the marketing and promotion of the Company's products are included within selling, general, and administrative expenses. Advertising costs associated with the operation of our SilverPrice.org and GoldPrice.org websites, which provide price information on silver, gold, and cryptocurrencies, are not included within selling, general, and administrative expenses, but are included in cost of sales in the condensed consolidated statements of income.

Shipping and Handling Costs

Shipping and handling costs represent costs associated with shipping product to customers and receiving product from vendors and are included in cost of sales in the condensed consolidated statements of income. Shipping and handling costs incurred totaled \$5.2 million and \$3.2 million, respectively, for the three months ended September 30, 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 by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings by the sum of the weighted average number of common shares and dilutive common stock equivalents outstanding during the period. Diluted EPS reflects the total potential dilution that could occur from outstanding equity awards, including unexercised stock options, utilizing the treasury stock method.

A reconciliation of shares used in calculating basic and diluted earnings per common share for the three months ended September 30, 2021 and 2020, is presented below.

in thousands

	Three Months Ended	
	September 30, 2021	September 30, 2020
Basic weighted average shares outstanding	11,263	7,035
Effect of common stock equivalents — stock issuable under outstanding equity awards	746	440
Diluted weighted average shares outstanding	12,009	7,475

Actual common shares outstanding totaled 11,351,897 and 7,066,530 as of September 30, 2021 and September 30, 2020.

Dividends

Dividends are recorded if and when they are declared by the Board of Directors (see [Note 16](#)).

Recently Adopted Accounting Pronouncements and Auditing Standards

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

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

Recent Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04 ("ASU 2020-04"), Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting. 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 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). The Company does not have a history of credit loan losses. The adoption of this guidance will not have a material impact on the Company's financial statements or our internal controls over financial reporting.

3. ASSETS AND LIABILITIES, AT FAIR VALUE

Fair Value of Financial Instruments

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

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

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

in thousands

	September 30, 2021		June 30, 2021	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Notes payable	\$ 93,446	\$ 100,149	\$ 93,249	\$ 100,724

Valuation Hierarchy

In determining the fair value of its financial instruments, the Company employs a fair value hierarchy that prioritizes the inputs for the valuation techniques used to measure fair value. 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 earned from precious metals inventory sales. In these repurchase arrangements, the Company holds legal title to the metals and earns financing income for the duration of the agreement. The fair value for precious metals held under financing arrangements, (a commodity, like inventory above) is determined using pricing data derived from the markets on which the underlying commodities are traded. Precious metals held under financing arrangements are classified in Level 1 of the valuation hierarchy.

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

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 September 30, 2021 and June 30, 2021, aggregated by each fair value hierarchy level:

in thousands

	September 30, 2021			
	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Inventories ⁽¹⁾	\$ 564,996	\$ —	\$ —	\$ 564,996
Precious metals held under financing arrangements	130,618	—	—	130,618
Derivative assets — open sale and purchase commitments, net	15,212	—	—	15,212
Derivative assets — futures contracts	23,289	—	—	23,289
Derivative assets — forward contracts	31,284	—	—	31,284
Total assets, valued at fair value	<u>\$ 765,399</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 765,399</u>
Liabilities:				
Liabilities on borrowed metals	\$ 74,618	\$ —	\$ —	\$ 74,618
Product financing arrangements	219,420	—	—	219,420
Derivative liabilities — open sale and purchase commitments, net	67,935	—	—	67,935
Derivative liabilities — margin accounts	2,162	—	—	2,162
Derivative liabilities — futures contracts	—	—	—	—
Derivative liabilities — forward contracts	251	—	—	251
Total liabilities, valued at fair value	<u>\$ 364,386</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 364,386</u>

(1) Commemorative coin inventory totaling \$ 709 thousand is held at lower of cost or realizable value, and thus is excluded from the inventories balance shown in this table.

in thousands

June 30, 2021

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

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

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

Assets Measured at Fair Value on a Non-Recurring Basis

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

Non-recurring valuations use significant unobservable inputs and significant judgments and therefore fall under Level 3 of the fair value hierarchy. The valuation inputs include assumptions on the appropriate discount rates, long-term growth rates, relevant comparable company earnings multiples, and the amount and timing of expected future cash flows. The cash flows employed in the analyses are based on the Company's estimated outlook and various growth rates. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective equity method investment, asset group, or reporting unit. In assessing the reasonableness of its determined fair values, the Company evaluates its results against other value indicators, such as comparable transactions and comparable public company trading values.

The Company used a third-party independent valuation specialist to assist us to determine the fair value of the net assets acquired in connection with Company's step acquisition of JMB. (Refer to Note 1 in our 2021 Annual Report.)

4. RECEIVABLES

Receivables consist of the following as of September 30, 2021 and June 30, 2021:

in thousands

	September 30, 2021	June 30, 2021
Customer trade receivables	\$ 84,615	\$ 12,197
Wholesale trade advances	17,047	26,959
Due from brokers	2,860	49,844
	<u>\$ 104,522</u>	<u>\$ 89,000</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 September 30, 2021 and June 30, 2021:

in thousands

	September 30, 2021	June 30, 2021
Secured loans originated	\$ 32,392	\$ 36,080
Secured loans originated - with a related party	10	3,042
	32,402	39,122
Secured loans acquired	77,921 ⁽¹⁾	73,846 ⁽²⁾
	<u>\$ 110,323</u>	<u>\$ 112,968</u>

(1) Includes \$4 thousand of loan premium as of September 30, 2021

(2) Includes \$5 thousand of loan premium as of June 30, 2021.

Secured Loans - Originated: Secured loans include short-term loans, which include a combination of on-demand lines and short-term facilities. These loans are fully secured by the customers' assets, which predominantly include bullion and numismatic and semi-numismatic material, and which are typically held in safekeeping by the Company. (See [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 September 30, 2021 and June 30, 2021, our secured loans carried weighted-average effective interest rates of 9.0% 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 ("LTV") ratio (that is, the principal amount of the loan divided by the estimated value of the collateral) and the type (or class) of secured material. All loans are fully secured by precious metal bullion, numismatic and semi-numismatic collateral, or graded sports memorabilia, which remains in the physical custody of the Company for the duration of the loan. The term of the loans is generally 180 days, however loans are typically renewed prior to maturity and therefore remain outstanding for a longer period of time. Interest earned on a loan is billed monthly and is typically due and payable within 20 days and, if not paid after all applicable grace periods, is added to the outstanding principal balance, and late fees and default interest rates are assessed.

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

Class and Credit Quality of Loans

The three classes of secured loan receivables are defined by collateral type: (i) bullion items, (ii) numismatic and semi-numismatic coins and (iii) graded sports memorabilia. The Company required LTV ratio varies with the class of loans. Typically, the Company requires a LTV ratio of approximately 75% for bullion and graded sports memorabilia, and 65% for numismatic and semi-numismatic collateral. The reason for the lower LTV 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

	September 30, 2021		June 30, 2021	
Bullion	\$ 91,586	83.0%	\$ 88,332	78.2%
Numismatic and semi-numismatic	18,520	16.8%	24,636	21.8%
Graded sports memorabilia	217	0.2%	—	0.0%
	<u>\$ 110,323</u>	<u>100.0%</u>	<u>\$ 112,968</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 LTV ratio, the loan is considered in default. The collateral material (either bullion, numismatic or graded sports memorabilia) underlying such loans is then sold by the Company to satisfy all amounts due under the loan.

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

in thousands

	September 30, 2021		June 30, 2021	
Loan-to-value of less than 75%	\$ 36,548	33.1%	\$ 96,602	85.5%
Loan-to-value of 75% or more	73,775	66.9%(1)	16,366	14.5%
	<u>\$ 110,323</u>	<u>100.0%</u>	<u>\$ 112,968</u>	<u>100.0%</u>

(1) The number of loans with LTV ratios of 75% or greater decreased subsequent to September 30, 2021, as precious metal prices have increased.

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

Non-Performing Loans/Impaired Loans

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

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

A loan is considered impaired if it is probable, based on current information and events, that the Company will be unable to collect all amounts due according to the contractual terms of the loan. Customer loans are reviewed for impairment and include loans that are past due, 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 three months ended September 30, 2021 and 2020, the Company incurred no loan impairment costs or loans placed on a non-accrual status.

6. INVENTORIES

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

in thousands

	September 30, 2021	June 30, 2021
Inventory held for sale	\$ 204,771	\$ 159,319
Repurchase arrangements with customers	121,298	75,063
Consignment arrangements with customers	1,252	1,327
Commemorative coins, held at lower of cost or net realizable value	709	406
Borrowed precious metals	18,255	20,876
Product financing arrangements, restricted	219,420	201,028
	<u>\$ 565,705</u>	<u>\$ 458,019</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 September 30, 2021 and June 30, 2021, the inventory held for sale totaled \$204.8 million and \$159.3 million, respectively.

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

These arrangements are typically terminable by either party upon 14 days' notice. Upon termination, the customer's rights to repurchase any remaining inventory is forfeited. As of September 30, 2021 and June 30, 2021, included within inventories is \$121.3 million and \$75.1 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 September 30, 2021 and June 30, 2021 totaled \$1.3 million and \$1.3 million, respectively. Such transactions are recorded as sales and are removed from the Company's inventory at the time the customer elects to price and purchase the precious metals.

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. 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 \$709,000 and \$406,000 as of September 30, 2021 and June 30, 2021, respectively.

Borrowed Precious Metals. Borrowed precious metals inventory include: (i) metals held by suppliers as collateral on advanced pool metals, (ii) metals due to suppliers for the use of their consigned inventory, (iii) unallocated metal positions held by customers in the Company's inventory, and (iv) shortages in unallocated metal positions held by the Company in the supplier's inventory. Unallocated or pool metal represents an unsegregated inventory position that is due on demand, in a specified physical form, based on the total ounces of metal held in the position. Amounts due under these arrangements require delivery either in the form of precious metals or cash. The Company's inventory included borrowed precious metals with market values totaling \$18.2 million and \$20.9 million as of September 30, 2021 and June 30, 2021, 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 arrangements and the underlying inventory are carried at fair value, with changes in fair value included in cost of sales in the condensed consolidated statements of income. Such obligations totaled \$219.4 million and \$201.0 million as of September 30, 2021 and June 30, 2021, respectively.

The Company mitigates market risk of its physical inventory and open commitments through commodity hedge transactions. (See [Note 11.](#)) As of September 30, 2021 and June 30, 2021, the unrealized losses resulting from the difference between market value and cost of physical inventory were \$17.1 million and \$5.6 million, respectively.

Premium component of inventory

The premium component, at market value, included in the inventory as of September 30, 2021 and June 30, 2021 totaled \$6.0 million and \$11.0 million, respectively.

7. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consists of the following at September 30, 2021 and June 30, 2021:

in thousands

	September 30, 2021	June 30, 2021
Office furniture, and fixtures	\$ 2,394	\$ 2,373
Computer equipment	1,102	1,069
Computer software	5,698	5,387
Plant equipment	5,848	5,535
Building	508	505
Leasehold improvements	3,010	3,009
Total depreciable assets	18,560	17,878
Less: Accumulated depreciation and amortization	(11,113)	(10,714)
Property and equipment not placed in service	1,430	1,409
Land	36	36
Property, plant, and equipment, net	\$ 8,913	\$ 8,609

Depreciation and amortization expense for the three months ended September 30, 2021 and 2020 was \$0.4 million and \$0.3 million, 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 Spectrum Group International, Inc. in July 2005, the accounts of the Company were adjusted using the push down basis of accounting to recognize the allocation of the consideration paid to the respective net assets acquired. In accordance with the push down basis of accounting, the Company's net assets were adjusted to their fair values as of the date of the acquisition based upon an independent appraisal.
- In connection with the Company's business combination with AMST in August 2016, the Company recorded an additional \$2.5 million and \$4.3 million of identifiable intangible assets and goodwill, respectively; these values were based upon an independent appraisal and represent their fair values at the acquisition date. The Company's investment in AMST has resulted in synergies between the acquired minting operation and the Company's established distribution network by providing a steadier and more reliable fabricated source of silver during times of market volatility. The Company considers that much of the acquired goodwill relates to the "ready state" of AMST's established minting operation with existing quality processes, procedures, and ability to scale production to meet market needs.
- In connection with the Company's acquisition of Goldline in August 2017, the Company recorded \$5.0 million and \$1.4 million of additional identifiable intangible assets and goodwill, respectively; these values were based upon an independent appraisal and represent their fair values at the acquisition date. The Company's investment in Goldline created synergies between Goldline's direct marketing operation and the Company's established distribution network, secured storage and lending operations that has led to increased product margin spreads, and lower distribution and storage costs for Goldline.

- In March 2021, the Company acquired 100% ownership of JMB, in which we previously held a 20.5% equity interest. At the acquisition date we measured the value of identifiable intangible assets and goodwill at \$98.0 million and \$92.1 million, respectively.

Carrying Value

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

dollar amounts in thousands

	Estimated Useful Lives (Years)	Remaining Weighted Average Amortization Period (Years)	September 30, 2021				June 30, 2021			
			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	4.7	\$ 53,498	\$ (23,032)	\$ —	\$ 30,466	\$ 53,498	\$ (15,832)	\$ —	\$ 37,666
Developed technology	4	3.8	10,500	(1,397)	—	9,103	10,500	(741)	—	9,759
Non-compete and other	3 - 5	0.9	2,300	(2,272)	—	28	2,300	(2,256)	—	44
Employment agreement	1 - 3	0.0	295	(295)	—	—	295	(295)	—	—
Intangibles subject to amortization			66,593	(26,996)	—	39,597	66,593	(19,124)	—	47,469
Trade names and trademarks	Indefinite	Indefinite	47,454	—	(1,290)	46,164	47,454	—	(1,290)	46,164
Identifiable intangible assets			\$ 114,047	\$ (26,996)	\$ (1,290)	\$ 85,761	\$ 114,047	\$ (19,124)	\$ (1,290)	\$ 93,633
Goodwill			\$ 102,307	\$ —	\$ (1,364)	\$ 100,943	\$ 102,307	\$ —	\$ (1,364)	\$ 100,943

The Company's intangible assets are subject to amortization except for trade names and trademarks, which have an indefinite life. Existing customer relationships intangible assets are amortized in a manner reflecting the pattern in which the economic benefits of the assets are consumed. All other intangible assets subject to amortization are amortized using the straight-line method over their useful lives, which are estimated to be one to fifteen years. Amortization expense related to the Company's intangible assets for the three months ended September 30, 2021 and 2020 was \$7.9 million and \$0.2 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
2022 (9 months remaining)	17,797
2023	9,893
2024	7,382
2025	4,240
2026	47
Thereafter	238
Total	\$ 39,597

9. LONG-TERM INVESTMENTS

As of September 30, 2021, the Company had five investments in privately-held entities. The Company has determined that it is appropriate to account for four of these investments under the equity method of accounting, and the remaining investment under the cost-basis method of accounting.

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

Entity (1)	September 30, 2021		June 30, 2021	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
	(in thousands)		(in thousands)	
Company A	\$ 4,056	7.4 %	\$ 3,795	7.4 %
Company C	12,036 (2)	49.0 %	1,940	10.0 %
Company D	11,358	44.9 %	10,499	44.9 %
Company E	233	33.3 %	233	33.3 %
Company F	2,000	50.0 %	2,000	50.0 %
	<u>\$ 29,683</u>		<u>\$ 18,467</u>	

- (1) JMB was previously reported as Company B. In March 2021, we acquired the remaining ownership interest in JMB that we did not previously own and consequently consolidated JMB as a wholly-owned subsidiary.
- (2) On August 27, 2021, the Company increased its ownership interest in Company C from 10% to 49%, for a purchase price of \$ 9.75 million, consisting of \$ 6.75 million in cash and 61,590 shares of the Company's common stock. The Company acquired its initial minority investment in January 2019.

The Company considers all of our 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. Company E is a cost method investment, which is not a related party.

10. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities consist of the following:

in thousands

	September 30, 2021	June 30, 2021
Trade payables to customers	\$ 20,716	\$ 1,561
Due to brokers	3,184	-
Other accounts payable	4,726	4,374
Deferred revenue	27,065	20,508
Advances from customers	123,107	173,908
	<u>\$ 178,798</u>	<u>\$ 200,351</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 condensed consolidated statements of income.

Commodity Price Management

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

The Company enters into derivative transactions solely for the purpose of hedging its inventory subject to price risk, and not for speculative market purposes. Due to the nature of the Company's global hedging strategy, the Company is not using hedge accounting as defined under 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 trading inventory and purchase and sale transactions consist primarily of precious metal products. The value of these assets and liabilities are marked-to-market daily to the prevailing closing price of the underlying precious metals. The Company's precious metals inventory is subject to market value changes, created by changes in the underlying commodity market prices. Inventory purchased or borrowed by the Company is subject to price changes. Inventory borrowed is considered a natural hedge, since changes in value of the metal held are offset by the obligation to return the metal to the supplier.

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

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

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

Derivative Assets and Liabilities

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

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

in thousands

	September 30, 2021				June 30, 2021			
	Gross Derivative	Amounts Netted	Cash Collateral Pledge	Net Derivative	Gross Derivative	Amounts Netted	Cash Collateral Pledge	Net Derivative
Nettable derivative assets:								
Open sale and purchase commitments	\$ 18,388	\$ (3,176)	\$ —	\$ 15,212	\$ 56,923	\$ (18,583)	\$ —	\$ 38,340
Future contracts	23,289	—	—	23,289	4,510	—	—	4,510
Forward contracts	31,284	—	—	31,284	1,686	—	—	1,686
	<u>\$ 72,961</u>	<u>\$ (3,176)</u>	<u>\$ —</u>	<u>\$ 69,785</u>	<u>\$ 63,119</u>	<u>\$ (18,583)</u>	<u>\$ —</u>	<u>\$ 44,536</u>
Nettable derivative liabilities:								
Open sale and purchase commitments	\$ 68,392	\$ (457)	\$ —	\$ 67,935	\$ 1,410	\$ (1,167)	\$ —	\$ 243
Margin accounts	6,257	—	(4,095)	2,162	7,322	—	(4,516)	2,806
Future contracts	—	—	—	—	465	—	—	465
Forward contracts	251	—	—	251	4,025	—	—	4,025
	<u>\$ 74,900</u>	<u>\$ (457)</u>	<u>\$ (4,095)</u>	<u>\$ 70,348</u>	<u>\$ 13,222</u>	<u>\$ (1,167)</u>	<u>\$ (4,516)</u>	<u>\$ 7,539</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 and option contracts are recorded in cost of sales.

Below is a summary of the net gains (losses) on derivative instruments for the three months ended September 30, 2021 and 2020.

in thousands

	Three Months Ended	
	September 30, 2021	September 30, 2020
Gains (losses) on derivative instruments:		
Unrealized (losses) gains on open future commodity and forward contracts and open sale and purchase commitments, net	\$ (38,072)	\$ 78,277
Realized gains (losses) on future commodity contracts, net	41,181	(104,835)
	<u>\$ 3,109</u>	<u>\$ (26,558)</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 September 30, 2021 and June 30, 2021.

in thousands

	September 30, 2021	June 30, 2021
Inventories	\$ 565,705	\$ 458,019
Precious metals held under financing arrangements	130,618	154,742
	696,323	612,761
Less unhedgeable inventories:		
Commemorative coin inventory, held at lower of cost or net realizable value	(709)	(406)
Premium on metals position	(16,035)	(11,017)
Precious metal value not hedged	(16,744)	(11,423)
	679,579	601,338
Commitments at market:		
Open inventory purchase commitments	598,731	987,926
Open inventory sales commitments	(383,666)	(590,156)
Margin sale commitments	(6,257)	(7,322)
In-transit inventory no longer subject to market risk	(22,674)	(16,707)
Unhedgeable premiums on open commitment positions	4,504	8,638
Borrowed precious metals	(74,618)	(91,866)
Product financing arrangements	(219,420)	(201,028)
Advances on industrial metals	289	287
	(103,111)	89,772
Precious metal subject to price risk	576,468	691,110
Precious metal subject to derivative financial instruments:		
Precious metals forward contracts at market values	226,868	175,352
Precious metals futures contracts at market values	347,938	514,240
Total market value of derivative financial instruments	574,806	689,592
	<u>\$ 1,662</u>	<u>\$ 1,518</u>
Net precious metals subject to commodity price risk	\$ 1,662	\$ 1,518

Notional Balances of Derivatives

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

in thousands

	September 30, 2021	June 30, 2021
Purchase commitments	\$ 598,731	\$ 987,926
Sales commitments	\$ (383,666)	\$ (590,156)
Margin sales commitments	\$ (6,257)	\$ (7,322)
Open forward contracts	\$ 226,868	\$ 175,352
Open futures contracts	\$ 347,938	\$ 514,240

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

The Company is exposed to the risk of failure of the counterparties to its derivative contracts. Significant judgment is applied by the Company when evaluating the fair value implications. The Company regularly reviews the creditworthiness of its major counterparties and monitors its exposure to concentrations. At September 30, 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.

Unrealized losses on foreign exchange derivative instruments related to open trades are shown on the face of the condensed consolidated statements of income totaled \$224,000 and \$97,000 for the three months ended September 30, 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

	September 30, 2021	June 30, 2021
Foreign exchange forward contracts	\$ 13,784	\$ 6,541
Open sale and purchase commitment transactions, net	\$ 15,300	\$ 4,311

12. INCOME TAXES

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

in thousands

	Three Months Ended	
	September 30, 2021	September 30, 2020
U.S.	\$ 32,770	\$ 30,211
Foreign	23	6
	<u>\$ 32,793</u>	<u>\$ 30,217</u>

The Company files a consolidated federal income tax return based on a June 30 tax year end. The provision for income tax expense by jurisdiction and the effective tax rate for the three months ended September 30, 2021 and 2020 are shown below:

in thousands

	Three Months Ended	
	September 30, 2021	September 30, 2020
Federal	\$ 5,819	\$ 5,849
State and local	844	658
Foreign	6	4
Income tax expense	<u>\$ 6,669</u>	<u>\$ 6,511</u>
Effective tax rate	<u>20.3 %</u>	<u>21.5 %</u>

Our effective tax rate was approximately 20.3% and 21.5% for the three months ended September 30, 2021 and 2020, respectively. For the three months ended September 30, 2021, our effective tax rate differs from the federal statutory rate primarily due to the excess tax benefit from share based compensation, the foreign derived intangible income special deduction, offset by state taxes (net of federal tax benefit), and other normal course non-deductible expenditures. For the three months ended September 30, 2020, the Company recorded tax expense which differed from the statutory rates primarily due to the foreign derived intangible income special deduction, offset by state taxes (net of federal tax benefit), and other normal course non-deductible expenditures.

Tax Balances and Activity

Income Taxes Receivable and Payable

As of September 30, 2021 and June 30, 2021, income tax payable totaled \$7.1 million and \$5.0 million, respectively.

Deferred Tax Assets and Liabilities

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

As of September 30, 2021, the condensed consolidated balance sheet reflects the deferred tax items for each tax-paying component (i.e., federal and state), resulting in a state deferred tax liability of \$1.5 million and a federal deferred tax liability of \$16.5 million. As of June 30, 2021, the condensed consolidated balance sheet reflects the deferred tax items for each tax-paying component (i.e., federal and state), resulting in a state deferred tax liability of \$1.7 million primarily comprised of net operating loss carryforwards and a federal deferred tax liability of \$17.8 million.

On March 19, 2021, 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 June 30, 2021 balance is \$21.1 million of deferred tax liabilities, \$20.8 million of which relates to the excess fair value of intangibles other than goodwill over their historical cost basis and \$0.3 million relating to JMB's historical carryover deferred taxes that we assumed.

Net Operating Loss Carryforwards

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

Unrecognized Tax Benefits

The Company has taken or expects to take certain tax benefits on its income tax return filings that it has not recognized a tax benefit (i.e., an unrecognized tax benefit) on its condensed consolidated statements of income. The Company's measurement of its uncertain tax positions is based on management's assessment of all relevant information, including, but not limited to prior audit experience, audit settlement, or lapse of the applicable statute of limitations. For the three months ended September 30, 2021, there was no material movement in unrecognized tax benefits including interest and penalties.

In fiscal 2021, JMB became a wholly owned subsidiary of the Company as a result of our taxable stock purchase of the remaining interest in JMB. We have considered JMB in our analysis of unrecognized tax benefit and increases during the year reflect certain inherited uncertain tax positions of JMB.

Tax Examinations

There has been no material change to our open tax examinations. Information related to open tax examinations is included in our 2021 Annual Report on Form 10-K for the fiscal year ended June 30, 2021.

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 presented 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 a noncontrolling owner of AMST and all subsequent transactions with them are considered to be activity with an unrelated third-party.
- 3) Equity method investees. As of September 30, 2021, the Company has four investments in privately-held entities, each of which has been determined to be an equity method investee and a related party.

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

Balances with Related Parties

Receivables and Payables, Net

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

in thousands

	September 30, 2021		June 30, 2021	
	Receivables	Payables	Receivables	Payables
Stack's Bowers Galleries	\$ —	\$ 11	\$ 3,576	\$ —
Equity method investees	9,809 ⁽¹⁾	453	10,693	84
	<u>\$ 9,809</u>	<u>\$ 464</u>	<u>\$ 14,269</u>	<u>\$ 84</u>

(1) Balance primarily represents receivables, net (shown as components of receivables and derivative assets).

Long-term Investments

As of September 30, 2021 and June 30, 2021, the aggregate carrying balance of the equity method investments was \$9.5 million and \$18.2 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 September 30, 2021 and June 30, 2021, the outstanding principal balance of this loan was \$0.0 million and \$0.0 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 September 30, 2021 and June 30, 2021, the outstanding principal balance of this loan was \$0.0 million and \$3.0 million, respectively.

Activity with Related Parties

Sales and Purchases

During the three months ended September 30, 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			
	September 30, 2021		September 30, 2020	
	Sales	Purchases	Sales	Purchases
Stack's Bowers Galleries	\$ 6,348	\$ 15,379	\$ 21,954	\$ 22,013
Equity method investees	117,666	9,253	480,500 (1)	2,546 (1)
SilverTowne L.P.	—	—	4,117	4,769
	<u>\$ 124,014</u>	<u>\$ 24,632</u>	<u>\$ 506,571</u>	<u>\$ 29,328</u>

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

Interest Income

During the three months ended September 30, 2021 and 2020, the Company earned interest income related to loans made to Stack's Bowers and from financing arrangements (including repurchase agreements) with affiliated companies, as set forth below:

in thousands

	Three Months Ended	
	September 30, 2021	September 30, 2020
Interest income from secured loans receivables	\$ 58	\$ 70
Interest income from finance products and repurchase arrangements	2,111	1,867
	<u>\$ 2,169</u>	<u>\$ 1,937</u>

Equity method investments — Earnings

During the three months ended September 30, 2021 and 2020, the Company recorded its proportional share of its equity method investee's net income as other income that totaled \$1.5 million and \$4.1 million, respectively. As a result of our acquisition of JMB in March 2021, the Company no longer accounts for the subsidiary's earnings under the equity method. For the three months ended September 30, 2021, the Company accounted for JMB's earnings as a wholly owned subsidiary in the Company's consolidated results.

Other Income

During the three months ended September 30, 2021 and 2020, the Company earned royalty income related to one of CFC's secured lending agreements with Stack's Bowers that totaled \$0.4 million and \$0.4 million, 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 and subsidiary guarantees, except for CFC.

As of September 30, 2021, and as a result of various amendments, the Trading Credit Facility provided the Company with access up to \$30.0 million, featuring a \$280.0 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 September 30, 2021 and June 30, 2021, the remaining unamortized balance of loan costs was approximately \$0.8 million and \$0.9 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 0.08% and 0.10% as of September 30, 2021 and June 30, 2021, respectively. The Trading Credit Facility agreement contains provisions to accommodate the replacement of the existing LIBOR-based rate with a successor Secured Overnight Financing Rate ("SOFR") based rate upon a triggering event.

Borrowings are due on demand and totaled \$194.0 million and \$185.0 million at September 30, 2021 and June 30, 2021, respectively. The amounts available under the respective lines of credit are determined at the end of each week and at each month end following a specified borrowing base formula. The Company is able to access additional credit as needed to finance operations, subject to the overall limits of the borrowing facilities and lender approval of the borrowing base calculation. Based on the month end borrowing bases in effect, the availability under the Trading Credit Facility, after taking into account current borrowings, totaled \$84.5 million and \$65.4 million as determined on September 30, 2021 and June 30, 2021, respectively.

The Trading Credit Facility contains various restrictive financial covenants, all of which the Company was in compliance with as of September 30, 2021.

Interest expense related to the Company's lines of credit totaled \$2.0 million and \$1.6 million, which represents 36.3% and 36.9% of the total interest expense recognized, for the three months ended September 30, 2021 and 2020, respectively. Our lines of credit carried a daily weighted average effective interest rate of 3.55% and 3.43%, respectively, for the three months ended September 30, 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 to the Company's purchase loans and precious metals inventory, and to pay certain costs and expenses. CFC and A-Mark may from time to time also contribute cash or sell precious metals to AMCF in exchange for cash or subordinated, deferred payment obligations from AMCF. In addition, AMCF may from time to time sell precious metals to A-Mark for cash.

As of September 30, 2021, the consolidated carrying balance of the Notes was \$93.4 million (which excludes the \$5.0 million note that the Company retained), and the remaining unamortized loan cost balance was approximately \$1.6 million, which is amortized using the effective interest method through the maturity date. As of September 30, 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 September 30, 2021 and 2020, the interest expense related to the Notes (including loan amortization costs) totaled \$0.4 million and \$1.4 million, which represents 26.3% and 33.0% of the total interest expense recognized by the Company, respectively. For the three months ended September 30, 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 \$74.6 million as of September 30, 2021, with corresponding metals totaling \$56.4 million and \$18.2 million included in precious metals held under financing arrangements and inventories, respectively, on the condensed consolidated September 30, 2021 balance sheet. The Company recorded liabilities on borrowed metals with market values totaling \$91.9 million as of June 30, 2021 with corresponding metals totaling \$71.0 million and \$20.9 million included in precious metals held under financing arrangements and inventories, respectively, on the condensed consolidated June 30, 2021 balance sheet.

Advanced pool metals

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

Liabilities on borrowed metals — Other

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

Product Financing Arrangements

The Company has agreements with third party financial institutions which allow the Company to transfer its gold and silver inventory at an agreed-upon price, which is based on the spot price. Such agreements allow the Company to repurchase this inventory at an agreed-upon price based on the spot price on the repurchase date. The third party charges a monthly fee as a percentage of the market value of the outstanding obligation; such monthly charges are classified in interest expense. These transactions do not qualify as sales, and therefore have been accounted for as financing arrangements and are reflected in the condensed consolidated balance sheet as product financing arrangements. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing obligation and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value recorded as a component of cost of sales in the condensed consolidated statements of income. Such obligations totaled \$219.4 million and \$201.0 million as of September 30, 2021 and June 30, 2021, 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 2021 Annual Report for information relating to consulting and employment contracts, and other commitments. The Company is not aware of any material changes to commitments as summarized in the 2021 Annual Report.

Legal Matters

The Company is from time to time party to various lawsuits, claims and other proceedings that arise in the ordinary course of its business. In accordance with GAAP, we review the need for any loss contingency reserves and establish reserves when, in the opinion of management, it is probable that a matter would result in a liability and the amount of loss, if any, can be reasonably estimated. Additionally, we record receivables for insurance recoveries relating to litigation-related losses and expenses if and when such amounts are covered by insurance and recovery of such losses or expenses are due. We review our litigation matters each quarter to assess whether loss contingency reserves are required in accordance with GAAP.

COVID-19

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

16. STOCKHOLDERS' EQUITY

Shelf Registration Statement

On September 25, 2020, the Company filed a universal shelf registration statement on Form S-3, which was declared effective by the Securities and Exchange Commission (the "SEC") on March 4, 2021, on which the Company registered for sale up to \$150 million of any combination of its debt securities, shares of common stock, shares of preferred stock, rights, warrants, units and/or purchase contracts from time to time and at prices and on terms that the Company may determine. After a public offering in March 2021, approximately \$69.5 million of securities remain available for issuance under this shelf registration statement. This registration statement will remain in effect until March 2024.

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

On August 27, 2021, the Company issued 61,590 shares of its common stock as partial consideration for its acquisition of an additional ownership interest in an equity method investment. (See Note 9).

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 September 30, 2021, no shares had been repurchased under the program.

Dividends

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

2014 Stock Award and Incentive Plan

The Company's amended and restated 2014 Stock Award and Incentive Plan (the "2014 Plan") was approved by the Company's stockholders on November 2, 2017. As of September 30, 2021, 94,887 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.

As of September 30, 2021 there were no awards with performance conditions nor awards with market conditions.

Stock Options

During the three months ended September 30, 2021 and 2020, the Company incurred \$348,471 and \$178,428 of compensation expense related to stock options, respectively. As of September 30, 2021, there was total remaining compensation expense of \$2,881,679 related to employee stock options, which will be recorded over a weighted average vesting period of approximately 2.0 years.

An obligatory event was triggered as a result of the non-recurring special dividends declared on August 30, 2021. In accordance with the terms of the Company's equity award plans under which the options were issued, an adjustment was required to protect the holders of such stock options from decreases in the value of the stock options due to payment of the non-recurring special dividends. This event decreased the exercise price of outstanding stock options by \$2.00 per dividend, effective on the date of record (September 20, 2021). 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 three months ended September 30, 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, 2021	1,159,028	\$ 16.01	\$ 35,343	\$ 6.88
Exercises	(60,981)	\$ 12.61		
Outstanding at September 30, 2021	1,098,047	\$ 14.14	\$ 50,383	\$ 6.89
Exercisable at September 30, 2021	678,558	\$ 11.93	\$ 32,629	\$ 5.78

Following is a summary of the status of stock options outstanding as of September 30, 2021.

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	542,399	6.22	\$ 5.31	308,911	4.73	\$ 5.47
\$ 10.01	\$ 15.00	169,398	5.03	\$ 14.09	161,064	4.89	\$ 14.28
\$ 15.01	\$ 25.00	231,667	4.92	\$ 19.68	205,000	4.40	\$ 19.55
\$ 25.01	\$ 60.00	154,583	9.44	\$ 36.87	3,583	9.08	\$ 27.83
		1,098,047	6.22	\$ 14.14	678,558	4.69	\$ 11.93

The following table summarizes the nonvested stock option activity for the three months ended September 30, 2021.

	Options	Weighted Average Grant Date Fair Value Per Award
Nonvested Outstanding at June 30, 2021	466,377	\$ 8.52
Vested	(46,888)	\$ 7.00
Nonvested Outstanding at September 30, 2021	419,489	\$ 8.69

Restricted Stock Units

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

During the three months ended September 30, 2021 and 2020, the Company incurred \$124,815 and \$0 of compensation expense related to RSUs, respectively. As of September 30, 2021, there is \$239,899 remaining compensation expense related to RSUs.

The following table summarizes the RSU activity for the three months ended September 30, 2021:

	Awards Outstanding	Weighted Average Fair Value per Unit at Grant Date
Outstanding at June 30, 2021	12,721	\$ 37.72
Shares granted	56 ⁽¹⁾	\$ —
Outstanding at September 30, 2021	12,777	\$ 37.55
Exercisable at September 30, 2021	—	\$ —

(1) Award adjusted due to the special dividend declared on August 30, 2021, in order to preserve the value of the underlying award, which was required based on an existing antidilution provision.

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

No single customer provided 10 percent or more of the Company's revenues for three months ended September 30, 2021.

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

in thousands

	September 30, 2021		June 30, 2021	
	Amount	Percent	Amount	Percent
Total accounts receivable	\$ 104,522	100.0 %	\$ 89,000	100.0 %
<i>Customer concentrations</i>				
Customer A	\$ 71,662	68.6 %	\$ 15,588	17.5 %
	\$ 71,662	68.6 %	\$ 15,588	17.5 %

No single customer provided 10 percent or more of the Company's secured loan receivable balances as of September 30, 2021.

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 —(i) Wholesale Sales & Ancillary Services (formerly known as Wholesale Trading & Ancillary Services), (ii) Direct-to-Consumer (formerly known as Direct Sales), and (iii) Secured Lending. The Wholesale Sales & Ancillary Services segment includes the consolidating eliminations of inter-segment transactions and unallocated segment adjustments. (See [Note 1](#) for a description of the types of products and services from which each reportable segment derives its revenues.)

Revenue

in thousands

	Three Months Ended	
	September 30, 2021	September 30, 2020
Revenue by segment⁽¹⁾		
Wholesale Sales & Ancillary Services	\$ 1,940,843	\$ 1,834,229
Eliminations of inter-segment sales	(440,833)	(20,521)
Wholesale Sales & Ancillary Services, net of eliminations ⁽²⁾	1,500,010	1,813,708
Direct-to-Consumer	513,961 ^(a)	52,408 ^(b)
	<u>\$ 2,013,971</u>	<u>\$ 1,866,116</u>

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

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

(a) Includes \$1.1 million of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment.

(b) Includes \$4.7 million of inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment.

in thousands

	Three Months Ended	
	September 30, 2021	September 30, 2020
Revenue by geographic region⁽¹⁾		
United States	\$ 1,173,124	\$ 1,164,691
Europe	494,152	404,691
North America, excluding United States	329,685	266,748
Asia Pacific	14,244	15,165
Africa	17	-
Australia	2,749	14,821
	<u>\$ 2,013,971</u>	<u>\$ 1,866,116</u>

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

Gross Profit and Gross Margin Percentage

in thousands

	Three Months Ended	
	September 30, 2021	September 30, 2020
Gross profit by segment⁽¹⁾		
Wholesale Sales & Ancillary Services	\$ 28,533	\$ 30,581
Eliminations and adjustments	(2,984)	41
Wholesale Sales & Ancillary Services, net of eliminations and adjustments	25,549	30,622
Direct-to-Consumer, net of eliminations	30,460	5,523
	<u>\$ 56,009</u>	<u>\$ 36,145</u>
Gross margin percentage by segment		
Wholesale Sales & Ancillary Services	1.470 %	1.667 %
Wholesale Sales & Ancillary Services, net of eliminations and adjustments	1.703 %	1.688 %
Direct-to-Consumer	5.927 %	10.538 %
Weighted average gross margin percentage	2.781 %	1.937 %

- (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	
	September 30, 2021	September 30, 2020
Operating income (expense) by segment		
Wholesale Sales & Ancillary Services	\$ (7,018)	\$ (4,047)
Eliminations	(60)	(41)
Wholesale Sales & Ancillary Services, net of eliminations	<u>\$ (7,078)</u>	<u>\$ (4,088)</u>
Wholesale Sales & Ancillary Services, net of eliminations		
Selling, general and administrative expenses	\$ (8,682)	\$ (7,402)
Depreciation and amortization expense	(232)	(205)
Interest income	3,009	2,438
Interest expense	(2,438)	(2,948)
Earnings from equity method investments	1,489	4,126
Unrealized (losses) gains on foreign exchange	(224)	(97)
	<u>\$ (7,078)</u>	<u>\$ (4,088)</u>
Direct-to-Consumer		
Selling, general and administrative expenses	\$ (7,539)	\$ (1,695)
Depreciation and amortization expense	(7,951)	(208)
Interest expense	(823)	-
	<u>\$ (16,313)</u>	<u>\$ (1,903)</u>
Secured Lending		
Selling, general and administrative expenses	\$ (456)	\$ (408)
Depreciation and amortization expense	(88)	(88)
Interest income	2,522	1,545
Interest expense	(2,212)	(1,345)
Other income, net	409	359
	<u>\$ 175</u>	<u>\$ 63</u>

Net income (loss) before provision for income taxes

in thousands

	Three Months Ended	
	September 30, 2021	September 30, 2020
Net income before provision for income taxes by segment		
Wholesale Sales & Ancillary Services	\$ 18,471	\$ 26,534
Direct-to-Consumer	14,147	3,620
Secured Lending	175	63
	<u>\$ 32,793</u>	<u>\$ 30,217</u>

Advertising expense

in thousands

	Three Months Ended	
	September 30, 2021	September 30, 2020
Advertising expense by segment		
Wholesale Sales & Ancillary Services	\$ (103)	\$ (65)
Direct-to-Consumer	(2,616)	(610)
Secured Lending	(54)	(25)
	<u>\$ (2,773)</u>	<u>\$ (700)</u>

Precious metals held under financing arrangements

in thousands

	September 30, 2021	June 30, 2021
Precious metals held under financing arrangements by segment		
Wholesale Sales & Ancillary Services	\$ 112,770	\$ 130,766
Secured Lending	17,848	23,976
	<u>\$ 130,618</u>	<u>\$ 154,742</u>

Inventories

in thousands

	September 30, 2021	June 30, 2021
Inventories by segment		
Wholesale Sales & Ancillary Services	\$ 476,407	\$ 402,418
Direct-to-Consumer	86,623	53,069
Secured Lending	2,675	2,532
	<u>\$ 565,705</u>	<u>\$ 458,019</u>

in thousands

	September 30, 2021	June 30, 2021
Inventories by geographic region		
United States	\$ 535,180	\$ 431,732
Europe	11,590	9,451
North America, excluding United States	18,645	16,633
Asia	290	203
	<u>\$ 565,705</u>	<u>\$ 458,019</u>

Total Assets

in thousands

	September 30, 2021	June 30, 2021
Assets by segment		
Wholesale Sales & Ancillary Services	\$ 859,443	\$ 874,152
Eliminations	(84,882)	(163,850)
Wholesale Sales & Ancillary Services, net of eliminations	774,561	710,302
Direct-to-Consumer	332,569	335,829
Secured Lending	140,152	145,450
	<u>\$ 1,247,282</u>	<u>\$ 1,191,581</u>

in thousands

	September 30, 2021	June 30, 2021
Assets by geographic region		
United States	\$ 1,215,277	\$ 1,162,195
Europe	13,070	12,550
North America, excluding United States	18,645	16,633
Asia	290	203
	<u>\$ 1,247,282</u>	<u>\$ 1,191,581</u>

Long-term Assets

in thousands

	September 30, 2021	June 30, 2021
Long-term assets by segment		
Wholesale Sales & Ancillary Services	\$ 47,360	\$ 36,174
Direct-to-Consumer	182,402	188,208
Secured Lending	2,884	2,972
	<u>\$ 232,646</u>	<u>\$ 227,354</u>

in thousands

	September 30, 2021	June 30, 2021
Long-term assets by geographic region		
United States	\$ 232,644	\$ 227,352
Europe	2	2
	<u>\$ 232,646</u>	<u>\$ 227,354</u>

Capital Expenditures for Property, Plant, and Equipment

in thousands

	Three Months Ended	
	September 30, 2021	September 30, 2020
Capital expenditures on property, plant, and equipment by segment		
Wholesale Sales & Ancillary Services	\$ 337	\$ 473
Direct-to-Consumer	372	3
	<u>\$ 709</u>	<u>\$ 476</u>

Goodwill and Intangible Assets

in thousands

	September 30, 2021	June 30, 2021
Goodwill by segment		
Wholesale Sales & Ancillary Services	\$ 8,881	\$ 8,881
Direct-to-Consumer ⁽¹⁾	92,062	92,062
	<u>\$ 100,943</u>	<u>\$ 100,943</u>

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

Intangible assets

in thousands

	September 30, 2021	June 30, 2021
Intangibles by segment		
Wholesale Sales & Ancillary Services	\$ 2,812	\$ 2,831
Direct-to-Consumer ⁽¹⁾	82,949	90,802
	<u>\$ 85,761</u>	<u>\$ 93,633</u>

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

19. SUBSEQUENT EVENTS

None.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes contained elsewhere in this Form 10-Q. 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:
 - o [Wholesale Sales & Ancillary Services](#)
 - o [Direct-to-Consumer](#), and
 - o [Secured Lending](#)for the comparable periods.
- [Non GAAP Measures](#). In addition to certain key operational metrics to assess the performance of our business, management uses the financial performance measure "adjusted net income before provision for taxes" that is not prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP")

- [Liquidity and financial condition](#). This section provides an analysis of our cash flows, as well as a discussion of our outstanding debt as of September 30, 2021, sources of liquidity and 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](#) to the Company's 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) Direct-to-Consumer (formerly known as Direct Sales) and (iii) Secured Lending.

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"), A-M Global Logistics, LLC ("AMGL" or "Logistics"), and AM&ST Associates, LLC ("AMST" or the "SilverTowne Mint").

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

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

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

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

Direct-to-Consumer

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

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

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

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

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

Secured Lending

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

CFC is a California licensed finance lender that originates and acquires commercial loans secured by bullion and numismatic coins. CFC's customers include coin and precious metal dealers, investors, and collectors. As of September 30, 2021, CFC and AMCF had, in the aggregate, approximately \$110.3 million in secured loans outstanding, of which approximately 70.6% were acquired from third parties (some of which may be customers of A-Mark) and approximately 29.4% were originated by CFC.

AMCF was formed for the purpose of securitizing eligible secured loans of CFC. AMCF issued, administers, and owns Secured Senior Term Notes: Series 2018-1, Class A, with an aggregate principal amount of \$72.0 million and Secured Subordinated Term Notes, Series 2018-1, Class B in the aggregate principal amount of \$28.0 million. 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](#) to the Company's condensed consolidated financial statements for additional information.

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

Our Strategy

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

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

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

Our Customers

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

operations and Goldline marketing through various traditional channels to the investor community. The Direct-to-Consumer segment offers these customers a variety of gold, silver, copper, platinum, and palladium products.

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

Set forth below are the key factors affecting the Company's revenues, gross profit, interest income, and interest expense. These factors can result from both the Company's ongoing business activities as well as from Company acquisitions. For the three months ended September 30, 2021, the Company's results were significantly impacted by the acquisition of JMB in March 2021.

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.

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

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

The Company operates in a high volume/low margin industry. Revenues are impacted by three primary factors: product volume, market prices, and market volatility. A material 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 affect 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, product financing agreements for the transfer and subsequent re-acquisition of gold, silver, and platinum at a fixed price with a third-party finance company ("product financing arrangements"), and short-term precious metal borrowing arrangements with our suppliers ("liabilities on borrowed metals").

Performance Metrics

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

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

The primary purpose of entering into forward sales transactions is to hedge commodity price risk. Although the revenues realized from these forward sales transactions are often significant, they generally have negligible impact 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. During periods of heightened demand order size per ticket may increase.

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 the Company's condensed consolidated financial statements for a description of our classifications of inventory by type.) When management analyzes inventory turnover on a period over period basis, consideration is given to each inventory type and its corresponding impact on the inventory turnover calculation. For example:

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

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

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 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. 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 Income for the three months ended September 30, 2021 and 2020, and certain limitations inherent in such measures, refer to the “Non-GAAP Measures” section below.

COVID-19

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

Macroeconomic events have positively affected the Company’s trading revenues and gross profit as the volatility of the price of precious metals and numismatics resulted in a material increase in the spread between bid and ask prices on these products. We also experienced substantially increased demand for products in each of our coin and bar, industrial and retail businesses. We attribute this to certain customers, 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.

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 September 30, 2021 and 2020

Consolidated Results of Operations

The operating results of our business for the three months ended September 30, 2021 and 2020 are as follows:

in thousands, except per share data and performance metrics

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 2,013,971	100.000 %	\$ 1,866,116	100.000 %	\$ 147,855	7.9 %
Gross profit	56,009	2.781 %	36,145	1.937 %	\$ 19,864	55.0 %
Selling, general, and administrative expenses	(16,677)	(0.828)%	(9,505)	(0.509)%	\$ 7,172	75.5 %
Depreciation and amortization expense	(8,271)	(0.411)%	(501)	(0.027)%	\$ 7,770	1,550.9 %
Interest income	5,531	0.275 %	3,983	0.213 %	\$ 1,548	38.9 %
Interest expense	(5,473)	(0.272)%	(4,293)	(0.230)%	\$ 1,180	27.5 %
Earnings from equity method investments	1,489	0.074 %	4,126	0.221 %	\$ (2,637)	(63.9 %)
Other income, net	409	0.020 %	359	0.019 %	\$ 50	13.9 %
Unrealized losses on foreign exchange	(224)	(0.011)%	(97)	(0.005)%	\$ 127	130.9 %
Net income before provision for income taxes	32,793	1.628 %	30,217	1.619 %	\$ 2,576	8.5 %
Income tax expense	(6,669)	(0.331)%	(6,511)	(0.349)%	\$ 158	2.4 %
Net income	26,124	1.297 %	23,706	1.270 %	\$ 2,418	10.2 %
Net income attributable to noncontrolling interests	100	0.005 %	623	0.033 %	\$ (523)	(83.9 %)
Net income attributable to the Company	\$ 26,024	1.292 %	\$ 23,083	1.237 %	\$ 2,941	12.7 %
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:						
Per Share Data:						
Basic	\$ 2.31		\$ 3.28		\$ (0.97)	(29.6 %)
Diluted	\$ 2.17		\$ 3.09		\$ (0.92)	(29.8 %)
Performance Metrics:(1)						
Gold ounces sold(2)	669,000		721,000		(52,000)	(7.2 %)
Silver ounces sold(3)	28,127,000		24,248,000		3,879,000	16.0 %
Inventory turnover ratio(4)	3.8		5.0		(1.2)	(24.0 %)
Number of secured loans at period end(5)	2,074		1,125		949	84.4 %

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

(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 condensed consolidated balance sheets.

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

Revenues

in thousands, except performance metrics

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 2,013,971	100.000%	\$ 1,866,116	100.000%	\$ 147,855	7.9%
<u>Performance Metrics</u>						
Gold ounces sold	669,000		721,000		(52,000)	(7.2%)
Silver ounces sold	28,127,000		24,248,000		3,879,000	16.0%

Revenues for the three months ended September 30, 2021 increased \$147.9 million, or 7.9% to \$2.014 billion from \$1.866 billion in 2020. Excluding an increase of \$132.5 million of forward sales, our revenues increased \$15.4 million, which was due to an increase in silver ounces sold at higher selling prices, partially offset by lower gold ounces sold at lower selling prices.

Gold ounces sold for the three months ended September 30, 2021 decreased 52,000 ounces, or 7.2%, to 669,000 ounces from 721,000 ounces in 2020. Silver ounces sold for the three months ended September 30, 2021 increased 3,879,000 ounces, or 16.0%, to 28,127,000 ounces from 24,248,000 ounces in 2020. On average, the selling prices for gold decreased by 3.4% and selling prices for silver increased by 13.8% during the three months ended September 30, 2021 as compared to the prior year period.

JMB's revenue activity represented 23.5% of the Company's consolidated revenue for the three months ended September 30, 2021. JMB's gold and silver ounces sold represented 20.1% and 22.4%, respectively, of the Company's consolidated total of gold and silver ounces sold for the three months ended September 30, 2021.

A key factor that contributed to the increase in demand for silver was the volatility in precious metal prices caused by macroeconomic and other events. A combination of price volatility, increased demand, and supply constraints led to a significant expansion in premium spreads in the precious metals market, having an onset during the second half of fiscal year 2020 and sustaining through the current fiscal year. We are uncertain of the duration of these conditions.

Gross Profit

in thousands, except performance metric

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Gross profit	\$ 56,009	2.781%	\$ 36,145	1.937%	\$ 19,864	55.0%
<u>Performance Metric</u>						
Inventory turnover ratio	3.8		5.0		(1.2)	(24.0%)

Gross profit for the three months ended September 30, 2021 increased by \$19.9 million, or 55.0%, to \$56.0 million from \$36.1 million in 2020. The overall gross profit increase was due to higher gross profits earned from the Direct-to-Consumer segment.

The Company's overall gross margin percentage for the three months ended September 30, 2021 increased by 84.4 basis points to 2.781% from 1.937% in 2020. The increase in gross margin percentage was mainly attributable to JMB's retail market activity, which represented 44.1% of the Company's consolidated gross profit for the three months ended September 30, 2021.

Our inventory turnover rate for the three months ended September 30, 2021 decreased by 24.0%, to 3.8 from 5.0 in 2020. The decrease in our inventory turnover ratio was primarily due to higher average inventory balances related to product financing arrangements, which is a type of inventory that is typically held for longer periods, partially offset by higher volume of ounces sold on forward contracts.

Selling, General and Administrative Expense

in thousands

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Selling, general, and administrative expenses	\$ (16,677)	(0.828)%	\$ (9,505)	(0.509)%	\$ 7,172	75.5%

Selling, general and administrative expenses for the three months ended September 30, 2021 increased \$7.2 million, or 75.5%, to \$16.7 million from \$9.5 million in 2020. The change was primarily due to: (i) \$6.0 million of expenses incurred by JMB (ii) \$0.7 million of consulting and professional fees, (iii) higher insurance costs of \$0.4 million, and (iv) increased compensation expense (including performance-based accruals) of \$0.2 million.

JMB's selling, general, and administrative expenses represented 35.8% of the Company's consolidated selling, general, and administrative expenses for the three months ended September 30, 2021.

Depreciation and Amortization Expense

in thousands

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Depreciation and amortization expense	\$ (8,271)	(0.411)%	\$ (501)	(0.027)%	\$ 7,770	1,550.9%

Depreciation and amortization expense for the three months ended September 30, 2021 increased \$7.8 million, or 1,550.9%, to \$8.3 million from \$0.5 million in 2020. The change was primarily due to \$7.7 million of JMB's intangible asset amortization expense.

JMB's depreciation and amortization expense represented 93.9% of the Company's consolidated depreciation and amortization expense for the three months ended September 30, 2021.

Interest Income

in thousands, except performance metric

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Interest income	\$ 5,531	0.275%	\$ 3,983	0.213%	\$ 1,548	38.9%
<u>Performance Metric</u>						
Number of secured loans at period-end	2,074		1,125		949	84.4%

Interest income for the three months ended September 30, 2021 increased \$1.5 million, or 38.9%, to \$5.5 million from \$4.0 million in 2020. The aggregate increase in interest income was primarily due to higher interest income earned by our Secured Lending Segment, and higher other finance product income.

The interest income from our Secured Lending segment increased by \$1.0 million or by 63.2% compared with the prior year. The increase in interest income earned from the segment's secured loan portfolio was primarily due to higher average monthly loan balances during the current period as compared to the average monthly loan balances for the prior year period. The number of secured loans outstanding increased by 84.4% to 2,074 as of September 30, 2021, from 1,125 as of September 30, 2020.

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

Interest Expense

in thousands

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Interest expense	\$ (5,473)	(0.272)%	\$ (4,293)	(0.230)%	\$ 1,180	27.5%

Interest expense for the three months ended September 30, 2021 increased \$1.2 million, or 27.5% to \$5.5 million from \$4.3 million in 2020. The increase in interest expense was primarily driven by each of the following components: (i) \$0.7 million related to product financing arrangements, (ii) \$0.4 million associated with our Trading Credit Facility and Notes Payable (including amortization of debt issuance costs), (iii) \$0.2 million of loan servicing fees, offset by a decrease of (iv) \$0.2 million in interest and fees associated with liabilities on borrowed metals.

Earnings from equity method investments

in thousands

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Earnings from equity method investments	\$ 1,489	0.074%	\$ 4,126	0.221%	\$ (2,637)	(63.9%)

Earnings from equity method investments for the three months ended September 30, 2021 decreased \$2.6 million or 63.9% to \$1.5 million from \$4.1 million in 2020. The aggregate decrease was primarily due to our acquisition of JMB, which occurred in March 2021 and has subsequently been reported by the Company as a wholly owned subsidiary. Prior to the acquisition and included in the comparable period above, the Company's share of JMB's earnings for the three months ended September 30, 2020, was \$3.7 million. The overall decrease was partially offset by increased earnings of \$1.0 million associated with our other equity method investments.

Other income, net

in thousands

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Other income, net	\$ 409	0.020%	\$ 359	0.019%	\$ 50	13.9%

Other income, net for the three months ended September 30, 2021 increased \$0.1 million, or 13.9% to \$0.4 million from \$0.4 million in 2020. The increase was due to higher royalties earned by our Secured Lending segment.

Provision for Income Taxes

in thousands

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Income tax expense	\$ (6,669)	(0.331)%	\$ (6,511)	(0.349)%	\$ 158	2.4%

Our income tax expense was \$6.7 million and \$6.5 million for the three months ended September 30, 2021 and 2020, respectively. Our effective tax rate was approximately 20.3% and 21.5% for the three months ended September 30, 2021 and 2020, respectively. For the three months ended September 30, 2021, our effective tax rate differs from the federal statutory rate primarily due to the excess tax benefit from share based compensation, the foreign derived intangible income special deduction, offset by state taxes (net of federal tax benefit), and other normal course non-deductible expenditures. For the three months ended September 30, 2020, the Company recorded tax expense which differed from the statutory rates primarily due to the foreign derived intangible income special deduction, offset by state taxes (net of federal tax benefit), and other normal course non-deductible expenditures.

SEGMENT RESULTS OF OPERATIONS

The Company conducts its operations in three reportable segments: (i) Wholesale Sales & Ancillary Services (formerly known as Wholesale Trading & Ancillary Services), (ii) Direct-to-Consumer (formerly known as Direct Sales), and (iii) Secured Lending. Each of these reportable segments represents an aggregation of operating segments that meets the aggregation criteria set forth in the Segment Reporting Topic 280 of the 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"), A-M Global Logistics, LLC ("Logistics"), and AM&ST Associates, LLC ("AMST" or "Silver Towne" or the "Mint"). Also, the Wholesale Sales & Ancillary Services segment includes the consolidating eliminations of inter-segment transactions and unallocated segment adjustments.

Overview of Results of Operations for the Three Months Ended September 30, 2021 and 2020

— Wholesale Sales & Ancillary Services Segment

The operating results of our Wholesale Sales & Ancillary Services segment for the three months ended September 30, 2021 and 2020 are as follows:

in thousands, except performance metrics

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 1,500,010 (a)	100.000 %	\$ 1,813,708 (c)	100.000 %	\$ (313,698)	(17.3 %)
Gross profit	25,549	1.703 % (b)	30,622	1.688 % (d)	\$ (5,073)	(16.6 %)
Selling, general, and administrative expenses	(8,682)	(0.579) %	(7,402)	(0.408) %	\$ 1,280	17.3 %
Depreciation and amortization expense	(232)	(0.015) %	(205)	(0.011) %	\$ 27	13.2 %
Interest income	3,009	0.201 %	2,438	0.134 %	\$ 571	23.4 %
Interest expense	(2,438)	(0.163) %	(2,948)	(0.163) %	\$ (510)	(17.3 %)
Earnings from equity method investments	1,489	0.099 %	4,126	0.227 %	\$ (2,637)	(63.9 %)
Unrealized losses on foreign exchange	(224)	(0.015) %	(97)	(0.005) %	\$ 127	130.9 %
Net income before provision for income taxes	\$ 18,471	1.231 %	\$ 26,534	1.463 %	\$ (8,063)	(30.4 %)
Performance Metrics:						
Gold ounces sold ⁽¹⁾	522,000		704,000		(182,000)	(25.9 %)
Silver ounces sold ⁽²⁾	21,502,000		23,918,000		(2,416,000)	(10.1 %)
Wholesale Sales ticket volume ⁽³⁾	26,078		35,341		(9,263)	(26.2 %)

(a) Revenues are presented net of inter-segment transactions with the Direct-to-Consumer segment that totaled \$440.8 million. This segment's gross sales before eliminations of inter-segment activity totaled \$1.940 billion.

(b) Gross profit percentage before elimination of inter-segment sales to the Direct-to-Consumer segment was 1.470% for the period.

(c) Revenues are presented net of inter-segment transactions with the Direct-to-Consumer segment that totaled \$20.5 million. This segment's gross sales before eliminations of inter-segment activity totaled \$1.834 billion.

(d) Gross profit percentage before elimination of inter-segment sales to the Direct-to-Consumer segment was 1.667% for the period.

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

Revenues — Wholesale Sales & Ancillary Services

in thousands, except performance metrics

Three Months Ended September 30,

	2021		2020		\$ Increase/ (decrease)	% Increase/ (decrease)
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 1,500,010 (a)	100.000%	\$ 1,813,708 (c)	100.000%	\$ (313,698)	(17.3%)
Performance Metrics						
Gold ounces sold	522,000		704,000		(182,000)	(25.9%)
Silver ounces sold	21,502,000		23,918,000		(2,416,000)	(10.1%)
Wholesale Sales ticket volume	26,078		35,341		(9,263)	(26.2%)

(a) Revenues are presented net of inter-segment transactions with the Direct-to-Consumer segment that totaled \$440.8 million. This segment's gross sales before eliminations of inter-segment activity totaled \$1.940 billion.

(c) Revenues are presented net of inter-segment transactions with the Direct-to-Consumer segment that totaled \$20.5 million. This segment's gross sales before eliminations of inter-segment activity totaled \$1.834 billion.

Revenues for the three months ended September 30, 2021 decreased \$0.314 billion, or 17.3%, to \$1.5 billion from \$1.814 billion in 2020. Excluding an increase in forward sales of \$132.5 million, our revenues decreased \$446.2 million, which was due to a decrease in gold and silver ounces sold and lower gold selling prices, partially offset by higher silver selling prices. The overall decrease in revenue and product volumes sold by the Wholesale Sales & Ancillary Services segment was primarily due to the elimination of inter-segment transactions with JMB, where no such eliminations occurred for sales to JMB during the comparable period, which was prior to its acquisition. Since the Company's March 2021 acquisition of JMB, the wholly owned subsidiary's results are now included in the Direct-to-Consumer Segment. The Wholesale Sales & Ancillary Services segment's gross sales before elimination of inter-segment activity for the three months ended September 30, 2021 increased \$106.0 million, or 6.0%, to \$1.940 billion from \$1.834 billion in 2020, which was due to an increase in silver ounces sold at higher selling prices, partially offset by lower gold ounces sold at lower selling prices.

Gold ounces sold for the three months ended September 30, 2021 decreased 182,000 ounces, or 25.9%, to 522,000 ounces from 704,000 ounces in 2020. Silver ounces sold for the three months ended September 30, 2021 decreased 2,416,000 ounces, or 10.1%, to 21,502,000 ounces from 23,918,000 ounces in 2020. On average, the selling prices for gold decreased by 5.3% and selling prices for silver increased by 12.8% during the three months ended September 30, 2021 as compared to the prior year period.

Gold ounces sold before eliminations of inter-segment activity for the three months ended September 30, 2021 decreased 56,000 ounces, or 7.8%, to 660,000 ounces from 716,000 ounces in 2020. Silver ounces sold before eliminations of inter-segment activity for the three months ended September 30, 2021 increased 4,075,000 ounces, or 16.9%, to 28,181,000 ounces from 24,106,000 ounces in 2020.

The Wholesale Sales ticket volume for the three months ended September 30, 2021 decreased by 9,263 tickets, or 26.2%, to 26,078 tickets from 35,341 tickets in 2020. The current year ticket volume aligns with the decrease in the ounces sold as compared to the prior year period.

Gross Profit — Wholesale Sales & Ancillary Services

in thousands, except performance metric

Three Months Ended September 30,

	2021		2020		\$ Increase/ (decrease)	% Increase/ (decrease)
	\$	% of revenue	\$	% of revenue		
Gross profit	\$ 25,549	1.703%(b)	\$ 30,622	1.688%(d)	\$ (5,073)	(16.6%)
Performance Metric						
Wholesale Sales ticket volume	26,078		35,341		(9,263)	(26.2%)

(b) Gross profit percentage before elimination of inter-segment sales to the Direct-to-Consumer segment was 1.470% for the period.

(d) Gross profit percentage before elimination of inter-segment sales to the Direct-to-Consumer segment was 1.667% for the period.

Gross profit for the three months ended September 30, 2021 decreased by \$5.1 million, or 16.6%, to \$25.5 million from \$30.6 million in 2020. The overall gross profit decrease was primarily due to the elimination of inter-segment transactions with JMB, as discussed in the preceding *Revenues* section.

This segment's profit margin percentage increased by 1.5 basis points to 1.703% from 1.688% in 2020. The increase in gross margin percentage was mainly attributable to wider premium spreads due to increased silver demand and supply constraints and the impact of increased forward sales, offset by lower trading profits. 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.

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

in thousands

Three Months Ended September 30,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Selling, general, and administrative expenses	\$ (8,682)	(0.579)%	\$ (7,402)	(0.408)%	\$ 1,280	17.3%

Selling, general and administrative expenses for the three months ended September 30, 2021 increased \$1.3 million, or 17.3%, to \$8.7 million from \$7.4 million in 2020. The change was primarily due to increased consulting and professional fees of \$0.7 million, higher insurance costs of \$0.4 million, and increased compensation expense (including performance-based accruals) of \$0.2 million.

Interest Income — Wholesale Sales & Ancillary Services

in thousands

Three Months Ended September 30,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Interest income	\$ 3,009	0.201%	\$ 2,438	0.134%	\$ 571	23.4%

Interest income for the three months ended September 30, 2021 increased \$0.6 million, or 23.4%, to \$3.0 million from \$2.4 million in 2020. The overall increase is primarily due to higher interest earned from repurchase agreements of \$0.4 million and an increase in interest income earned from spot deferred orders of \$0.2 million.

Interest Expense — Wholesale Sales & Ancillary Services

in thousands

Three Months Ended September 30,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Interest expense	\$ (2,438)	(0.163)%	\$ (2,948)	(0.163)%	\$ (510)	(17.3)%

Interest expense for the three months ended September 30, 2021 decreased \$0.5 million, or 17.3% to \$2.4 million from \$2.9 million in 2020. The decrease was primarily driven by lower interest expense related to our Trading Credit Facility and Notes Payable of \$0.2 million, liabilities on borrowed metals of \$0.2 million, inter-segment eliminations related to JMB's product financing activity with A-Mark of \$0.8 million, partially offset by higher interest and fees from product financing arrangements of \$0.7 million.

Earnings from equity method investments— Wholesale Sales & Ancillary Services

in thousands

Three Months Ended September 30,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Earnings from equity method investments	\$ 1,489	0.099%	\$ 4,126	0.227%	\$ (2,637)	(63.9)%

Earnings from equity method investments for the three months ended September 30, 2021 decreased \$2.6 million, or 63.9% to \$1.5 million from \$4.1 million in 2020. The aggregate decrease was primarily due to our acquisition of JMB, which occurred in March 2021 and has subsequently been reported by the Company as a wholly owned subsidiary. Prior to the acquisition and included in the comparable period above, the Company's share of JMB's earnings for the three months ended September 30, 2020, was \$3.7 million. The overall decrease was partially offset by increased earnings of \$1.0 million from our other equity method investments.

Results of Operations — Direct-to-Consumer Segment

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

Overview of Results of Operations for the Three Months Ended September 30, 2021 and 2020

— Direct-to-Consumer Segment

The operating results of our Direct-to-Consumer segment for the three months ended September 30, 2021 and 2020 are as follows:

in thousands, except performance metrics

Three Months Ended September 30,

	2021		2020		\$ Increase/ (decrease)	% Increase/ (decrease)
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 513,961 (a)	100.000 %	\$ 52,408 (c)	100.000 %	\$ 461,553	880.7 %
Gross profit	30,460	5.927 % (b)	5,523	10.538 % (d)	\$ 24,937	451.5 %
Selling, general and administrative expenses	(7,539)	(1.467) %	(1,695)	(3.234) %	\$ 5,844	344.8 %
Depreciation and amortization expense	(7,951)	(1.547) %	(208)	(0.397) %	\$ 7,743	3722.6 %
Interest expense	(823)	(0.160) %	—	—	\$ 823	—
Net income before provision for income taxes	\$ 14,147	2.753 %	\$ 3,620	6.907 %	\$ 10,527	290.8 %

Performance Metrics:

Gold ounces sold ⁽¹⁾	147,000	17,000	130,000	764.7 %
Silver ounces sold ⁽²⁾	6,625,000	330,000	6,295,000	1907.6 %
Number of new customers ⁽³⁾	33,800	900	32,900	3655.6 %
Number of active customers ⁽⁴⁾	117,700	3,100	114,600	3696.8 %
Number of total customers ⁽⁵⁾	1,835,800	159,300	1,676,500	1052.4 %
DTC ticket volume ⁽⁶⁾	227,061	4,607	222,454	4828.6 %

(a) Includes \$1.1 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 5.931% for the period.

(c) Includes \$4.7 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 11.563% for the period.

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

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

(3) Number of new customers represents the number of customers that have registered or set up a new account or made a purchase for the first time during the period.

(4) Number of active customers represents the number of customers that have made a purchase during the 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 JMB, Goldline, and PMPP during the period.

Segment Results — Direct-to-Consumer

Revenues — Direct-to-Consumer

in thousands, except performance metrics

Three Months Ended September 30,

	2021		2020		\$ Increase/ (decrease)	% Increase/ (decrease)
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 513,961	100.000 %	\$ 52,408	100.000 %	\$ 461,553	880.7 %
Performance Metrics:						
Gold ounces sold	147,000		17,000		130,000	764.7 %
Silver ounces sold	6,625,000		330,000		6,295,000	1907.6 %
DTC ticket volume	227,061		4,607		222,454	4828.6 %

Revenues for the three months ended September 30, 2021 increased \$461.6 million, or 880.7%, to \$514.0 million from \$52.4 million in 2020. Excluding inter-segment sales from the Direct-to-Consumer segment to the Wholesale Sales & Ancillary Services segment, revenues for the three months ended September 30, 2021 increased \$465.1 million or 975.1% to \$512.8 million from \$47.7 million in 2020. The increase in revenue was primarily due to JMB activity, with revenue of \$472.3 million for the three months ended September 30, 2021, while Goldline and PMPP in the aggregate had decreased revenue of \$10.8 million as compared to the prior year period.

Gold ounces sold for the three months ended September 30, 2021 increased 130,000 ounces, or 764.7%, to 147,000 ounces from 17,000 ounces in 2020. Silver ounces sold for the three months ended September 30, 2021 increased 6,295,000 ounces, or 1907.6%, to 6,625,000 ounces from 330,000 ounces in 2020. The increase in the segment's precious metals ounces sold was primarily due to JMB activity, which accounted for more than 90% of total gold and silver sales for the three months ended September 30, 2021, partially offset by Goldline and PMPP activity in the aggregate, having lower ounces of precious metals sold as compared to the prior year period.

On average, the selling prices for gold decreased by 13.0% and selling prices for silver decreased by 2.6% during the three months ended September 30, 2021 as compared to the prior year period.

The number of new customers for the three months ended September 30, 2021 increased 32,900, or 3,655.6% to 33,800 from 900 in 2020. The number of active customers for the three months ended September 30, 2021 increased 114,600, or 3,696.8% to 117,700 from 3,100 in 2020. The number of total customers as of September 30, 2021 increased 1,676,500, or 1052.4% to 1,835,800 from 159,300 as of September 30, 2020. The increases in the customer-based metrics were primarily due to our acquisition of JMB in 2021, inclusive of its customer base.

The Direct-to-Consumer ticket volume for the three months ended September 30, 2021 increased by 222,454 tickets, or 4828.6%, to 227,061 tickets from 4,607 tickets in 2020. The increase in ticket volume was primarily due to transactions generated by our newly acquired subsidiary, JMB.

Gross Profit — Direct-to-Consumer

in thousands, except performance metric

Three Months Ended September 30,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Gross profit	\$ 30,460	5.927%	\$ 5,523	10.538%	\$ 24,937	451.5%

Gross profit for the three months ended September 30, 2021 increased by \$24.9 million, or 451.5%, to \$30.5 million from \$5.5 million in 2020. The increase in gross profit was mainly due to JMB's contribution, which accounted for \$24.7 million or 99.0% of the increase.

For the three months ended September 30, 2021, the Company's profit margin percentage decreased by 461.2 basis points to 5.927% from 10.538% 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 563.2 basis points to 5.931% from 11.563% in 2020. The decrease in the profit margin percentage was mainly driven by the addition of JMB which has lower Direct-to-Consumer margins, partially offset by improved gross profit percentages at Goldline and PMPP.

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

in thousands

Three Months Ended September 30,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Selling, general and administrative expenses	\$ (7,539)	(1.467)%	\$ (1,695)	(3.234)%	\$ 5,844	344.8%

Selling, general and administrative expenses for the three months ended September 30, 2021 increased \$5.8 million, or 344.8%, to \$7.5 million from \$1.7 million in 2020. The change was primarily due to JMB's selling, general, and administrative activity of \$6.0 million.

Depreciation and amortization expense — Direct-to-Consumer

in thousands

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Depreciation and amortization expense	\$ (7,951)	(1.547)%	\$ (208)	(0.397)%	\$ 7,743	3,722.6%

Depreciation and amortization expense for the three months ended September 30, 2021, increased \$7.7 million, or 3,722.6%, to \$8.0 million from \$0.2 million in 2020. The change was primarily due to JMB's depreciation and amortization expense of \$7.8 million.

Interest expense — Direct-to-Consumer

in thousands

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Interest expense	\$ (823)	(0.160)%	\$ —	—	\$ 823	—

Interest expense for the three months ended September 30, 2021 increased \$0.8 million to \$0.8 million from \$0.0 million in 2020. The increase related to JMB's product financing activity with A-Mark.

Results of Operations — Secured Lending Segment

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

Overview of Results of Operations for the Three Months Ended September 30, 2021 and 2020

— Secured Lending Segment

The operating results of our Secured Lending segment for the three months ended September 30, 2021 and 2020 are as follows:

in thousands, except performance metrics

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income		
Interest income	\$ 2,522	100.000%	\$ 1,545	100.000%	\$ 977	63.2%
Interest expense	(2,212)	(87.708)%	(1,345)	(87.055)%	\$ 867	64.5%
Selling, general and administrative expenses	(456)	(18.081)%	(408)	(26.408)%	\$ 48	11.8%
Depreciation and amortization expense	(88)	(3.489)%	(88)	(5.696)%	\$ 0	(—)%
Other income, net	409	16.217%	359	23.236%	\$ 50	13.9%
Net income before provision for income taxes	\$ 175	6.939%	\$ 63	4.078%	\$ 112	177.8%

Performance Metric:

Number of secured loans at period end ⁽¹⁾	2,074	1,125	949	84.4%
--	-------	-------	-----	-------

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

Interest Income — Secured Lending

in thousands, except performance metric

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income		
Interest income	\$ 2,522	100.000%	\$ 1,545	100.000%	\$ 977	63.2%
Performance Metric						
Number of secured loans at period-end	2,074	1,125	949	84.4%		

Interest income for the three months ended September 30, 2021 increased \$1.0 million, or 63.2%, to \$2.5 million from \$1.5 million in 2020. The increase in interest income earned from the segment's secured loan portfolio was primarily due to higher average monthly loan balances during the current period as compared to the average monthly loan balances for the prior year period. The number of secured loans outstanding increased by 949 or 84.4% to 2,074 from 1,125 as of September 30, 2020.

Interest Expense — Secured Lending

in thousands

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Interest expense	\$ (2,212)	(87.708)%	\$ (1,345)	(87.055)%	\$ 867	64.5%

Interest expense for the three months ended September 30, 2021 increased \$0.9 million, or 64.5% to \$2.2 million from \$1.3 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, interest expense related to our notes payable and Trading Credit Facility increased \$0.6 million and loan servicing costs increased \$0.2 million.

Selling, General and Administrative Expenses — Secured Lending

in thousands

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Selling, general, and administrative expenses	\$ (456)	(18.081)%	\$ (408)	(26.408)%	\$ 48	11.8%

Selling, general, and administrative expenses for the three months ended September 30, 2021 increased \$48.0 thousand, or 11.8%, to \$456.0 thousand from \$408.0 thousand in 2020. The increase was mainly driven by higher professional fees and marketing expense offset by lower compensation expense.

Other Income, net — Secured Lending

in thousands

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of interest income	\$	% of interest income	Increase/ (decrease)	Increase/ (decrease)
Other income, net	\$ 409	16.217%	\$ 359	23.236%	\$ 50	13.9%

Other income, net for the three months ended September 30, 2021 increased \$50.0 thousand, or 13.9% to \$409.0 thousand from \$359.0 thousand in 2020. The increase was due to higher royalty income earned.

NON-GAAP MEASURES

Adjusted net income before provision for income taxes

Overview

In addition to our results determined in accordance with 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 three amounts: (i) acquisition expenses; (ii) amortization expenses related to intangible assets acquired; and (iii) 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 September 30, 2021 and 2020.

in thousands

Three Months Ended September 30,

	2021	2020	\$
	\$	\$	Increase/ (decrease)
Revenues	\$ 2,013,971	\$ 1,866,116	\$ 147,855
Net income before provision for income taxes	\$ 32,793	\$ 30,217	\$ 2,576
Adjustments:			
Acquisition costs	44	—	\$ 44
Amortization of acquired intangibles	7,872	154	\$ 7,718
Depreciation expense	399	347	\$ 52
Adjusted net income before provision for income taxes (Non-GAAP)	\$ 41,108	\$ 30,718	\$ 10,390

Adjustments

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

Amortization of purchased intangibles. Amortization expense of purchased intangibles varies in amount and frequency and is significantly impacted by the timing and size of our acquisitions. Management finds it useful to exclude these charges from our operating expenses to assist in the review of a measure that more closely corresponds to cash operating income generated from our business. 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 the Company’s condensed consolidated financial statements.

Depreciation expense. 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 the Company of amounts of cash to meet all of our cash needs. Our sources of liquidity principally include cash from operations, Trading Credit Facility (see “Lines of Credit” below), and product financing arrangements.

A substantial portion of our assets are liquid. As of September 30, 2021, approximately 81.0% of our assets consisted of cash, receivables, derivative assets, secured loans receivables, precious metals held under financing arrangements and inventories, measured at fair value. Cash generated from the sales or financing of our precious metals products is our primary source of operating liquidity. Among other things, these include our product financing arrangements and liabilities on borrowed metals. Typically, the Company acquires its inventory by: (i) purchasing inventory from its suppliers by utilizing our own capital and lines of credit; (ii) borrowing precious metals from its suppliers under short-term arrangements which may bear interest at a designated rate, and (iii) repurchasing inventory at an agreed-upon price based on the spot price on the specified repurchase date.

In addition to selling inventory, the Company generates cash from earning interest income. The Company enters into secured loans and secured financing structures with its customers under which it charges interest. The loans are secured by precious metals and numismatic material owned by the borrowers and held by the Company as security for the term of the loan. The Company also offers a number of secured financing options to its customers to finance their precious metals purchases including consignments and other structured inventory finance products. Furthermore, our customers may enter into agreements whereby the customer agrees to

repurchase our precious metals at the prevailing spot price for delivery of the product at a specific point in time in the future; interest income is earned from the contract date until the material is delivered and paid for in full.

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

We continually review our overall credit and capital needs to ensure that our capital base, both stockholders' equity and available credit facilities, can appropriately support our anticipated financing needs. The Company also continually monitors its current and forecasted cash requirements and draws upon and pays down its lines of credit so as to minimize interest expense. (See [Note 14](#) to the Company's condensed consolidated financial statements.)

Lines of Credit

in thousands

	September 30, 2021	June 30, 2021	September 30, 2021 Compared to June 30, 2021
Lines of credit	\$ 194,000	\$ 185,000	\$ 9,000

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. As of September 30, 2021, the Trading Credit Facility provided the Company with access up to \$330.0 million, featuring a \$280.0 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

	September 30, 2021	June 30, 2021	September 30, 2021 Compared to June 30, 2021
Notes payable	\$ 93,446	\$ 93,249	\$ 197

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 September 30, 2021, the consolidated aggregate carrying balance of the Notes was \$93.4 million (which excludes the \$5.0 million Note that the Company retained), and the remaining unamortized loan cost balance was approximately \$1.6 million, which is amortized using the effective interest method through the maturity date. (See [Note 14](#) to the Company's condensed consolidated financial statements.)

Liabilities on Borrowed Metals

in thousands

	September 30, 2021	June 30, 2021	September 30, 2021 Compared to June 30, 2021
Liabilities on borrowed metals	\$ 74,618	\$ 91,866	\$ (17,248)

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

	September 30, 2021	June 30, 2021	September 30, 2021 Compared to June 30, 2021
Product financing arrangements	\$ 219,420	\$ 201,028	\$ 18,392

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

Secured Loans Receivable

in thousands

	September 30, 2021	June 30, 2021	September 30, 2021 Compared to June 30, 2021
Secured loans receivable	\$ 110,323	\$ 112,968	\$ (2,645)

CFC is a California licensed finance lender that makes and acquires commercial loans secured by bullion and numismatic coins that affords our customers a convenient means of financing their inventory or collections. (See [Note 5](#) to the Company's condensed consolidated financial statements.) AMCF also purchases and holds secured loans from CFC to meet its collateral requirements related to the Notes (See [Note 14](#) to Company's condensed consolidated financial statements.) Most of the Company's secured loans are short-term in nature. The renewal of these instruments is at the discretion of the Company and, as such, provides us with some flexibility in regard to our capital deployment strategies.

Dividends

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

Cash Flows

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

The following summarizes components of our condensed consolidated statements of cash flows for the three months ended September 30, 2021 and 2020:

in thousands

Year Ended	September 30,	September 30,	September 30,
	2021	2020	2021 Compared to September 30, 2020
Net cash used in operating activities	\$ (69,733)	\$ (98,072)	\$ 28,339
Net cash used in investing activities	\$ (7,366)	\$ (25,269)	\$ 17,903
Net cash provided by financing activities	\$ 5,303	\$ 95,386	\$ (90,083)

For the periods presented, our principal capital requirements have been to fund (i) working capital and (ii) investing activity. Our working capital requirements fluctuated with market conditions, the availability of precious metals, and the volatility of precious metals commodity pricing. The primary reason for the decrease in net cash used in operating activities was due to changes in working capital as well as increased cash generated from net income, adjusted for noncash items. Net cash used in investing activities decreased as a result of lower loan origination and acquisition activity, partially offset by an increase in purchases of long-term investments. The primary reason for the decrease in net cash provided by financing activities was due to a decrease in the use of short-term debt financing as well a higher amount of dividends paid.

Net cash (used in) provided by operating activities

Operating activities used \$69.7 million and \$98.1 million in cash for the three months ended September 30, 2021 and 2020, respectively, representing a \$28.3 million decrease in the use of cash used compared to the three months ended September 30, 2020. The decrease in cash used was primarily due to changes in working capital, which includes the balances of derivative assets and liabilities, receivables, and precious metals held under financing arrangements, as well as increased net income, adjusted for noncash items, partially offset by changes in the balances of accounts payable and other current liabilities and inventories.

Net cash (used in) provided by investing activities

Investing activities used \$7.4 million and \$25.3 million in cash for the three months ended September 30, 2021 and 2020, respectively, representing a \$17.9 million decrease in the use of cash compared to the three months ended September 30, 2020. This period over period decrease in cash used was primarily due to the lower investing cash outflows of \$24.4 million associated with the acquisition and origination of secured loans during the period, partially offset by an increase of cash outflows of \$6.3 million in connection with the purchase of long term investments.

Net cash provided by (used in) financing activities

Financing activities provided \$5.3 million and \$95.4 million in cash for the three months ended September 30, 2021 and 2020, respectively, representing a \$90.1 million decrease in the source of cash compared to the three months ended September 30, 2020. This period over period decrease was primarily due to the change in cash provided by the Trading Credit Facility of \$70.0 million, a higher special dividend paid by \$12.1 million, and the change in cash provided by product financing arrangements of \$8.5 million.

Capital Resources

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

CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND COMMITMENTS

Counterparty Risk

We 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, for which prices are linked to the corresponding precious metal commodity prices. Inventory purchased or borrowed by us is subject to price changes. Inventory borrowed is a natural hedge, since changes in value of the metal held are offset by the obligation to return the metal to the supplier or deliver metals to the customer.

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

Our policy is to substantially hedge our underlying precious metal commodity inventory position. We regularly enter into metals commodity forward and futures contracts with financial institutions to hedge price changes that would cause changes in the value of our physical metals positions and purchase commitments and sale commitments. We have access to all of the precious metals markets, allowing us to place hedges. We also maintain relationships with major market makers in every major precious metals dealing center, which allows us to enter into contracts with market makers. Our forwards contracts open at September 30, 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 gains (losses) on derivative instruments for the three months ended September 30, 2021 and 2020, totaled \$3.1 million and (\$26.6) million, respectively. These net gains (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 September 30, 2021 and June 30, 2021:

in thousands

	September 30, 2021	June 30, 2021
Inventories	\$ 565,705	\$ 458,019
Precious metals held under financing arrangements	130,618	154,742
	696,323	612,761
Less unhedgeable inventories:		
Commemorative coin inventory, held at lower of cost or net realizable value	(709)	(406)
Premium on metals position	(16,035)	(11,017)
Precious metal value not hedged	(16,744)	(11,423)
	679,579	601,338
Commitments at market:		
Open inventory purchase commitments	598,731	987,926
Open inventory sales commitments	(383,666)	(590,156)
Margin sale commitments	(6,257)	(7,322)
In-transit inventory no longer subject to market risk	(22,674)	(16,707)
Unhedgeable premiums on open commitment positions	4,504	8,638
Borrowed precious metals	(74,618)	(91,866)
Product financing arrangements	(219,420)	(201,028)
Advances on industrial metals	289	287
	(103,111)	89,772
Precious metal subject to price risk	576,468	691,110
Precious metal subject to derivative financial instruments:		
Precious metals forward contracts at market values	226,868	175,352
Precious metals futures contracts at market values	347,938	514,240
Total market value of derivative financial instruments	574,806	689,592
	\$ 1,662	\$ 1,518
Net precious metals subject to commodity price risk	\$ 1,662	\$ 1,518

We are exposed to the risk of default of the counterparties to our derivative contracts. Significant judgment is applied by us when evaluating the fair value implications. We regularly review the creditworthiness of our major counterparties and monitor our exposure to concentrations. At September 30, 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](#) to the Company's condensed consolidated financial statements for information relating Company's commitments and contingencies.

OFF-BALANCE SHEET ARRANGEMENTS

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

in thousands

	September 30, 2021	June 30, 2021
Purchase commitments	\$ 598,731	\$ 987,926
Sales commitments	\$ (383,666)	\$ (590,156)
Margin sale commitments	\$ (6,257)	\$ (7,322)
Open forward contracts	\$ 226,868	\$ 175,352
Open futures contracts	\$ 347,938	\$ 514,240
Foreign exchange forward contracts	\$ 13,784	\$ 6,541

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

The Company enters into the derivative forward and future transactions solely for the purpose of hedging its inventory holding risk, and not for speculative market purposes. The Company's gains (losses) on derivative instruments are substantially offset by the changes in fair market value of the underlying precious metals inventory position, including our open sale and purchase commitments. The Company records the derivatives at the trade date, and any corresponding unrealized gains or losses are shown as a component of cost of sales in the condensed consolidated statements of income. We adjust the carrying value of the derivatives to fair value on a daily basis until the transactions are physically settled. (See [Note 11](#) to the Company's condensed consolidated financial statements.)

CRITICAL ACCOUNTING POLICIES

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

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

Revenue Recognition

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

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

identify the performance obligations in the contract; (iii) determine the transaction price; (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](#) to the Company's condensed consolidated financial statements.)

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

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

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

Business Combinations

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

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

Goodwill and Other Purchased Intangible Assets

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

The Company also performs impairment reviews on its indefinite-lived intangible assets (i.e., trade names and trademarks). In assessing its indefinite-lived intangible assets for impairment, the Company has the option to first perform a qualitative assessment to determine whether events or circumstances exist that lead to a determination that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If the Company determines that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, the Company is not required to perform any additional tests in assessing the asset for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform a quantitative analysis to determine if the fair value of an indefinite-lived intangible asset is less than its carrying value. If through a quantitative analysis the Company determines the fair value of an indefinite-lived intangible asset exceeds its carrying amount, the indefinite-lived intangible asset is 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 the Company's condensed consolidated financial statements, the Company is required to estimate its provision for income taxes in each of the tax jurisdictions in which it conducts business, in accordance with the Income Taxes Topic 740 of the ASC ("ASC 740"). The Company computes its annual tax rate based on the statutory tax rates and tax planning opportunities available to it in the various jurisdictions in which it earns income. Significant judgment is required in determining the Company's annual tax rate and in evaluating uncertainty in its tax positions. The Company has adopted the provisions of ASC 740-10, which clarifies the accounting for uncertain tax positions. ASC 740-10 requires that the Company recognizes the impact of a tax position in the financial statements if the position is not more likely than not to be sustained upon examination based on the technical merits of the position. The Company recognizes interest and penalties related to certain uncertain tax positions as a component of income tax expense and the accrued interest and penalties are included in deferred and income taxes payable in the Company's condensed consolidated balance sheets. See [Note 12](#) to the Company's condensed consolidated financial statements for more information on the Company's accounting for income taxes.

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

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

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

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on current information, including our assessment of the 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 Operations

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 0.08% as of September 30, 2021. The Trading Credit Facility agreement contains provisions to accommodate the replacement of the existing LIBOR-based rate with a successor Secured Overnight Financing Rate (“SOFR”) based rate upon a triggering event.

For risks related to the transition away from LIBOR, see “General Risk Factors—Uncertainty about the future of LIBOR may adversely affect our business,” below.

We could suffer losses with our financing operations.

We engage in a variety of financing activities with our customers:

- Receivables from our customers with whom we trade in precious metal products are effectively short-term, non-interest bearing extensions of credit that are, in certain cases, secured by the related products maintained in the Company’s possession or by a letter of credit issued on behalf of the customer. On average, these receivables are outstanding for periods of between 8 and 9 days.
- The Company operates a financing business through CFC which makes secured loans at loan-to-value ratios—principal loan amount divided by the liquidation value, as conservatively estimated by management, of the collateral—of, in most cases, 50% to 85%. These loans are both variable and fixed interest rate loans, with some maturities on-demand and others from three to twelve months.
- We make advances to our customers on unrefined metals secured by materials received from the customer. These advances are limited to a portion of the materials received.
- The Company makes unsecured, short-term, non-interest bearing advances to wholesale metals dealers and government mints.
- The Company periodically extends short-term credit through the issuance of notes receivable to approved customers at interest rates determined on a 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 COVID-19 pandemic, (ii) increases in market rates of interest and (iii) changes in the condition or value of the collateral; and
- the reserves we establish for loan losses, which may prove insufficient.

Liquidity constraints may limit our ability to grow our business.

We will require adequate sources of liquidity to fund both our existing business and our strategy for expansion, evidenced most recently by our acquisition of JMB. Currently, our main sources of liquidity are the cash that we generate from operations, our borrowing availability under the Trading Credit Facility, and the proceeds from our securitization transaction through AMCF. There can be no assurance that these sources will be adequate to support the growth that we are hoping to achieve or that additional sources of financing for this purpose, in the form of additional debt or equity financing, will be available to us, on satisfactory terms or at all. Also, the Trading Credit Facility contains, and any future debt financing is likely to contain, various financial and other restrictive covenants. The need to comply with these covenants may limit our ability to implement our growth initiatives.

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

Our strategic vision and performance is dependent on Greg Roberts, our Chief Executive Officer, other members of our senior management and certain other key employees. We have employment agreements with Mr. Roberts and Brian Aquilino, our Chief Operating Officer, which both expire on June 30, 2023, and with Thor Gjerdrum, our President, which expires on June 30, 2022. The continuing integration of JMB with our other businesses relies in part on the knowledge and experience of Michael Wittmeyer, the Chief Executive Officer of JMB. We recently entered into an employment agreement with Mr. Wittmeyer which terminates on June 30, 2024.

These and other employees have expertise in the trading markets, e-commerce operations and digital marketing; have industry-wide reputations; and perform critical functions for our business. We cannot offer assurance that we will be able to negotiate acceptable terms for the renewal of the employment agreements or otherwise retain our key employees. Also, there is significant competition for skilled precious metals traders and other industry professionals. The loss of our current key officers and employees, without the ability to replace them, would have a materially adverse effect on our business.

We rely extensively on computer systems to execute trades and process transactions, and we could suffer substantial damages if the operation of these systems were interrupted.

We rely on our computer and communications hardware and software systems to execute a large volume of trading transactions each year. With the acquisition of JMB, whose sales are conducted exclusively through the internet, our dependence on computer and communications technology has further increased. It is therefore critical that we maintain uninterrupted operation of these systems, and we have invested considerable resources to protect our systems from physical compromise and security breaches and to maintain backup and redundancy. Nevertheless, our systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, including breaches of our transaction processing or other systems, catastrophic events such as fires, tornadoes and hurricanes, and usage errors by our employees. If our systems are breached, damaged or cease to function properly, we may have to make a significant investment to fix or replace them, we may suffer interruptions in our ability to provide quotations or trading services in the interim, and we may face costly litigation.

Risks Related to World Events

Our business is influenced by political conditions and world events.

The precious metals business is especially subject to global political conditions and world events. Precious metals are viewed by some as a secure financial investment in times of political upheaval or unrest, particularly in developing economies, which may drive up pricing. The volatility of the commodity prices for precious metals is also likely to increase in politically uncertain times. Conversely, during periods of relative international calm precious metal volatility is likely to decrease, along with demand, and the prices of precious metals may retreat. Because our business is dependent on the volatility and pricing of precious metals, we are likely to be influenced by world events more than businesses in other economic sectors.

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 also be adversely affected by the continuing COVID-19 pandemic.

The COVID-19 outbreak has caused significant disruption in the financial markets both globally and in the United States. While there have been positive effects of the market reaction to the outbreak on our business, the continuing pandemic could have adverse effects on our businesses in the future, including with respect to the following:

- We maintain facilities for our clients' and our own precious metal and numismatic inventories, where we receive and store these products and from which we make shipments for physical settlement in our trading activity. We have implemented procedures at these facilities to ensure social distancing and minimize the risk of infected personnel. Nonetheless, there can be no assurance that we will not experience an outbreak of infection at these facilities, which could necessitate their closure or the curtailment of their activity.
- We engage in transactions with numerous financial counterparties. If these parties were to experience significant financial reversals as a result of the COVID-19 pandemic, these parties may be unable to comply with their financial obligations to us, may cease transacting business with us or could curtail or terminate the credit that they extend to us. While we deal with a significant number of counterparties, we nonetheless have concentration in our customer base. To the extent that the COVID-19 pandemic were to materially and adversely affect the financial condition of customers responsible for a material portion of our revenues, our business could be correspondingly impaired.
- We require a regular supply of newly minted coins and other numismatics in the conduct of our coin and bar and retail businesses. Our AMST subsidiary supplies a portion of our requirements for silver products. We are also dependent on the production of gold and silver mints around the world for the supply of the majority of our product requirements. Many mints, and refineries that supply gold and silver for the mints, reduced the capacity of their operations during the COVID-19 crisis, and most major mints continue to operate at materially reduced capacity due to COVID-19 protocols and related workforce shortages. As a result we have experienced periods when precious metals products were unavailable to us. Any uncertainty regarding the availability of coin and other products could make it difficult for us to commit to future delivery, could make it more difficult for us to forecast and plan for our coin and bar operations and could otherwise adversely impact this aspect of our business.
- Mints and refineries, including our AMST subsidiary, rely on specialized, armored vehicles provided by third party commercial services to transport precious metals and numismatics. We also rely on these transportation services to transport our products to and from our customers and from the mints and our other suppliers. During the COVID-19 pandemic, mints, refineries, and we have faced transportation challenges and increased transportation costs. Constraints on transportation capacity could impact product availability and higher transportation costs owing to the pandemic may in the future adversely affect our sales and profitability.

We have significant operations outside the United States.

We derive a significant portion of our revenues from business outside the United States, including from customers in developing countries. Business operations outside the U.S. are subject to political, economic and other risks inherent in operating in foreign

countries. These include risks of general applicability, such as the need to comply with multiple regulatory regimes; trade protection measures and import or export licensing requirements; and fluctuations in equity, revenues and profits due to changes in foreign currency exchange rates. Currently, we do not conduct substantial business with customers in developing countries. However, if our business in these areas of the world were to increase, we would also face risks that are particular to developing countries, including the difficulty of enforcing agreements, collecting receivables, protecting inventory and other assets through foreign legal systems, limitations on the repatriation of earnings, currency devaluation and manipulation of exchange rates, and high levels of inflation.

We try to manage these risks by monitoring current and anticipated political, economic, legal and regulatory developments in the countries outside the United States in which we operate or have customers and adjusting operations as appropriate, but there can be no assurance that the measures we adopt will be successful in protecting the Company's business interests.

Risks Related to our Wholesale Sales & Ancillary Services Segment

Our business is dependent on a concentrated customer base.

One of A-Mark's key assets is the customer base of its Wholesale Sales & Ancillary Services segment. This customer base provides deep distribution of product and makes A-Mark a desirable trading partner for precious metals product manufacturers, including sovereign mints seeking to distribute precious metals coinage or large refiners seeking to sell large volumes of physical precious metals. In any given quarter, our sales in this segment may be derived from a small number of significant customers. If our relationships with these customers deteriorated, or if we were to lose these customers, our business could be materially adversely affected.

The loss of a government purchaser/distributorship arrangement could materially adversely affect our business.

A-Mark's business is heavily dependent on its purchaser/distributorship arrangements with various governmental mints. Our ability to offer numismatic coins and bars to our customers on a competitive basis is based on the ability to purchase products directly from a government source. The arrangements with the governmental mints may be discontinued by them at any time. The loss of an authorized purchaser/distributor relationship, including with the U.S. Mint, could have a material adverse effect on our business.

We operate in a highly competitive industry.

The business of buying and selling precious metals is global and highly competitive. The Company competes with precious metals firms and banks throughout North America, Europe and elsewhere in the world, some of whom have greater financial and other resources, and greater name recognition, than the Company. We believe that, as a full-service firm devoted exclusively to precious metals trading, we offer pricing, product availability, execution, financing alternatives and storage options that are attractive to our customers and allow us to compete effectively. We also believe that our purchaser/distributorship arrangements with various governmental mints give us a competitive advantage in our coin distribution business. However, given the global reach of the precious metals business, the absence of intellectual property protections and the availability of numerous, evolving platforms for trading in precious metals, we cannot assure you that A-Mark will be able to continue to compete successfully or that future developments in the industry will not create additional competitive challenges.

The Company is subject to risks relating to its AMST operations.

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 business.

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, including with JMB. SGI and the Company have a common chief executive officer, and the chief executive officer and the general counsel of the Company are board members of SGI. In addition, a majority of the board of directors of the Company has retained an ownership interest in SGI that in the aggregate represents a controlling interest in SGI. All transactions between the Company and Stack's Bowers are approved by our Audit Committee, and we believe that all such transactions are on terms no less favorable to the Company than would be obtained from an unaffiliated third party. Nonetheless, these transactions could be perceived as being conflicted.

The materials held by A-Mark are subject to loss, damage, theft or restriction on access.

A-Mark has significant quantities of high-value precious metals at its Logistics facility, at third-party depositories and in transit. There is a risk that part or all of the gold and other precious metals held by A-Mark, whether on its own behalf or on behalf of its customers, could be lost, damaged or stolen. In addition, access to A-Mark's precious metals could be restricted by natural events (such as an earthquake) or human actions (such as a terrorist attack). Although we maintain insurance on terms and conditions that we consider appropriate, we may not have adequate sources of recovery if our precious metals inventory is lost, damaged, stolen or destroyed, and recovery may be limited. Among other things, our insurance policies exclude coverage in the event of loss as a result of terrorist attacks or civil unrest.

Our Logistics depository is subject to authorization.

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 Direct-to Consumer Segment

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

Through our JMB and Goldline subsidiaries, the Company sells precious metals and numismatics directly to the retail investor community. JMB markets its products over the internet. Goldline markets its precious metal products on television, radio, and over the internet, and through customer service outreach. Prior to its acquisition by the Company, Goldline had been accused of improper sales practices, and was the subject of a state enforcement action that was subsequently settled. Other retailers of precious metal products have similarly been the subject of accusations regarding their sales practices, including claims of misrepresentation, excessive product markups, pressured sales tactics and product switching. The Company believes that the sales practices of its Goldline subsidiary conform to applicable legal and ethical standards, and that there is no material basis for claims against Goldline in this regard. Nevertheless, given the nature of the retail precious metals business, the possibility that investors in precious metals may lose a substantial portion of their investment as a result of adverse market trends and the vulnerability of certain retail precious metal investors to economic loss, there can be no assurance that claims will not be made regarding business practices of Goldline or JMB or that, if made, such claims will not attract the attention of governmental and private sector consumer advocates. Were this to occur, the Company could suffer adverse publicity, be subject to governmental enforcements actions or be forced to modify the sales and marketing practices of its direct-to-consumer business.

Our Direct-to-Consumer businesses 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 APMEEX, 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's search engine optimization strategies have provided it with an important competitive advantage, but this may not continue.

We believe that the internally developed search engine optimization (SEO) strategies of JMB provide its business with a competitive advantage in driving traffic to its sites over other e-commerce precious metal retailers and have been a significant factor in the growth of JMB. The challenges of efficient SEO programming are continually evolving, and other e-commerce retailers in the precious metal space are constantly working to improve their own SEO capabilities. If JMB does not continue to maintain its competitive edge in SEO technology, it could lose customers and market share to its competitors.

JMB relies upon paid and unpaid internet search engines to rank its product offerings and drive traffic to its website, and its website traffic may suffer if its rankings decline or its relationship with these services deteriorates.

JMB relies on paid and unpaid internet search engines to attract consumer interest in its product offerings. Search engine companies change their natural search engine algorithms periodically, and these changes may adversely affect JMB's product offerings in paid and/or unpaid searches. JMB may also at times be subject to ranking penalties if the operators of search engines believe it is not in compliance with their guidelines. If JMB's search engine rankings decline, and JMB is unable to timely regain its prior rankings, it may have to use more expensive marketing channels to sustain and grow its revenues, resulting in reduced profitability.

If JMB and Goldline do not respond effectively to technological and market changes, they will cease to be competitive with other channels that consumers may have for the purchase of precious coins and bullion.

To remain competitive, JMB must continue to enhance and improve the responsiveness, functionality and features of its online operations. The internet and the electronic commerce industry are characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies, and the emergence of new industry standards and practices.

The evolving nature of the internet could render JMB's existing technology and systems obsolete. Its continuing success will depend, in part, on its ability to:

- develop, license or acquire leading technologies useful in its business;
- develop new features and technology that address the increasingly sophisticated preferences of its customers; and
- respond to technological advances and emerging industry and regulatory standards and practices in a cost-effective and timely manner.

With the growth of e-commerce, the pace of change in product offerings and consumer tastes in the shipping and logistics industries is faster now than in years past. This accelerated pace of change increases uncertainty and places a greater burden on management to anticipate and respond to such changes. The increased pace of change also means that the window in which a technologically advanced or sophisticated product or service can achieve and maintain partner and consumer interest is shrinking and, to the extent JMB fails to timely anticipate or respond to changes in its industry, the effects of such missteps may be amplified.

Future advances in technology may not be beneficial to, or compatible with, JMB's or Goldline's businesses. Furthermore, JMB and Goldline may be unsuccessful in using new technologies effectively or adapting their technology and systems to user requirements or emerging industry standards on a timely basis. Their ability to remain technologically competitive may require substantial expenditures and lead time. If JMB or Goldline is unable to adapt in a timely manner and at reasonable cost to changing market conditions or user requirements, it will cease to be competitive with other channels for the 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.

Certain of JMB's websites publish data concerning the precious metal markets obtained from third parties, which could be inaccurate.

JMB's silverprice.org and goldprice.org publish data on precious metal and cryptocurrency pricing which is obtained from third parties. While we believe that the sources of the published data are reliable, the data is not independently verified by JMB or us. If the data that JMB receives and publishes were inaccurate, and were relied upon by consumers visiting these websites, JMB could be exposed to liability and may suffer damage to its reputation.

JMB expects to profit on precious metals acquired from its customers, but that might not be the case.

One of the services that JMB provides to its customers is its program of offering to repurchase precious coins and bullion owned by its customers. We believe that this program encourages the purchase of coins and bullion as an investment because it assures JMB's customers that their investment in the products offered by JMB will be liquid and can be monetized if the customers have a need for cash. JMB offers to repurchase coins and bullion from its customers at prices designed to reflect current market valuations, but also allows JMB to profit on the resale of the products. There can be no assurance, however, that JMB will in fact be able to resell product that it repurchases at a price that will justify the cost of repurchase. In a declining market for precious metal products, JMB could be burdened with substantial amounts of repurchased inventory that it is unable to resell at an economic price, or at all. If JMB were to

suspend or discontinue its offer to repurchase coin and bullion from its customers because of adverse market conditions, it could antagonize its customers and impair the perception among its customers that precious coin and bullion is a safe and attractive investment.

The Company's joint venture, Precious Metals Purchasing Partners, LLC, is subject to risks which may affect our ability to successfully operate the joint venture.

The Company owns 50% of Precious Metals Purchasing Partners, LLC, ("PMPP"), a joint venture which commenced operations in the first quarter of fiscal year 2020. PMPP purchases products primarily from end-user retail customers, which are then sold to the Company, related parties of the Company or third parties.

The Company's interest in PMPP is subject to the risks customarily associated with the conduct of joint ventures, including the risk of (i) failure to agree on strategic decisions requiring the approval of both parties, (ii) failure of the joint venture partner to meet its obligations, and (iii) disputes between the joint venturers or litigation regarding joint venture matters. Each of these risks could have a material adverse impact on the viability of PMPP, and its potential contributions to the Company's future cash flows and earnings.

In addition, 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 Related to our Secured Lending Segment

CFC may in certain circumstances be required to repurchase loans that it has securitized.

CFC has entered into a securitization financing whereby it has transferred, and may continue from time to time to transfer, to its subsidiary AMCF loans secured by precious metal coins or bullion. AMCF has issued 4.98% Class A Notes due 2023 and 5.98% Class B Notes due 2023 which are secured by these loans and related assets. While the notes are non-recourse to the Company or CFC, CFC is required to provide certain warranties concerning the loans and the security interest in the metals collateral securing the loans. In the event the warranties made with respect to any loan are breached and the breach materially and adversely affects the interests of the noteholders, CFC is required to either cure the breach or repurchase the loan within specified a timeframe. If CFC were to default on its repurchase obligations, this could materially adversely affect the business of CFC, and could adversely affect the Company's future ability to access the credit markets.

CFC and the Company have exposure to the performance of 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 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 future period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations"

Our business is exposed to commodity price risks, and our hedging activity to protect our inventory is subject to risks of default by our counterparties.

A-Mark's precious metals inventory is subject to market value changes created by 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. A default by a counterparty on a substantial hedge could have a material adverse effect on our business.

Increased commodity pricing could limit the inventory that we are able to carry.

We maintain a large and varied inventory of precious metal products, including bullion and coins, in order to support our trading activities and provide our customers with superior service. The amount of inventory that we are able to carry is constrained by the borrowing limitations and working capital covenants under the Trading Credit Facility. If commodity prices were to rise substantially, and we were unable to modify the terms of the Trading Credit Facility to compensate for the increase, the quantity of product that we could finance, and hence maintain in our inventory, would fall. This would likely have a material adverse effect on our operations.

We rely on the efficient functioning of commodity exchanges around the world, and disruptions on these exchanges could adversely affect our business.

The Company buys and sells precious metals contracts on commodity exchanges around the world, both in support of its customer operations and to hedge its inventory and transactional exposure against fluctuations in commodity prices. The Company's ability to engage in these activities would be compromised if the exchanges on which the Company trades or any of their clearinghouses were to discontinue operations or to experience disruptions in trading, due to computer problems, unsettled markets 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.

Our business is subject to the risk of fraud and counterfeiting.

The precious metals (particularly bullion) business is exposed to the risk of loss as a result of "materials fraud" in its various forms. We seek to minimize our exposure to this type of fraud through a number of means, including third-party authentication and verification, reliance on our internal experts and the establishment of procedures designed to detect fraud. However, there can be no assurance that we will be successful in preventing or identifying this type of fraud, or in obtaining redress in the event such fraud is detected.

Risk Related to our Regulatory Environment

We are subject to laws and regulations.

There are various federal, state, local and foreign laws, ordinances and regulations that affect our trading business. For example, because of the nature and value of the products in which deal, we are required to comply with the Foreign Corrupt Practices Act and a variety of anti-money laundering and know-your-customer rules in response to the USA Patriot Act.

The SEC has promulgated rules mandated by the Dodd-Frank Act regarding disclosure, on an annual basis, of the use of tin, tantalum, tungsten and gold, known as conflict minerals, in products manufactured by public companies. These rules require due diligence to determine whether such minerals originated from the Democratic Republic of Congo (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, although we do not believe that our activities fall within the jurisdiction of the Commodity Futures Trading Commission, we have been subject to an ongoing investigation by this agency, which may in the future, along with other federal and state agencies, seek to assert oversight over aspects of our operations.

There can be no assurance that the regulation of our trading and lending businesses will not increase or that compliance with the applicable regulations will not become more costly or require us to modify our business practices.

For other risks related to government regulation, see “General Risk Factors— We are subject to other laws and regulations,” below.

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

By reason of our Direct-to-Consumer business in particular, we collect personal data.

In 2016, the European Union (“EU”) adopted a comprehensive overhaul of its data protection regime from the current national legislative approach to a single European Economic Area Privacy Regulation, the General Data Protection Regulation (“GDPR”), which went into effect in May 2018. The EU data protection regime expands the scope of the EU data protection law to all foreign companies processing personal data of EU residents, imposes a strict data protection compliance regime with severe penalties of up to the greater of 4% of worldwide turnover or €20 million, and includes new rights such as the “portability” of personal data. Although the GDPR applies across the EU without a need for local implementing legislation, EU member states have the ability to interpret the GDPR opening clauses, which permit region-specific data protection legislation and have the potential to create inconsistencies on a country-by-country basis.

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.

In 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, effective on October 1, 2019, existing Nevada law was amended by a bill (the “Amendment Bill”) 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). Virginia and Colorado have recently passed similar data privacy laws, which come into effect in 2023.

The changes introduced by these statutes, and other similar regulations enacted by other jurisdictions, will subject the Company to additional costs and complexity of compliance, by requiring, among other things, changes to the Company’s security systems, policies, procedures and practices. In addition, a violation by the Company of the new regulations could expose us to penalties and sanctions.

One or more states or municipalities could assert that the Company is liable for sales and use, commerce, or similar type of taxes, which could adversely affect our business.

We ship product to retail customers throughout the United States. In *South Dakota v. Wayfair, Inc. et al* ("Wayfair"), the U.S. Supreme Court ruled that states may charge tax on purchases made from out-of-state sellers, even if the seller does not have a physical presence in the taxing state. The effect of Wayfair was to uphold economic nexus principles in determining sales and use tax nexus. As a result of the decision, most states have adopted laws that require an out-of-state retailer to register and collect sales and use or other non-income type taxes upon meeting certain economic nexus standards regardless of whether the company has physical presence in the state. Although the Company believes it is complying with these requirements, our interpretation and application of the newly enacted legislation may differ from the states, which could result in the states' attempt to impose additional tax liabilities, including potential penalties and interest. Furthermore, the requirements by state or local governments on out-of-state sellers to collect sales and use taxes could deter future sales, which could have an impact on our business, financial condition, and results of operations.

For other risks related to taxation, see "General Risk Factors— Changes in U.S. tax law could adversely affect our business and financial condition," below.

We use lead providers and marketing affiliates to assist us in obtaining new customers and, and if lead providers or marketing affiliates do not comply with an increasing number of applicable laws and regulations, or if our ability to use such lead providers or marketing affiliates is otherwise impaired, it could adversely affect our business.

We are dependent on third parties, referred to as lead providers (or lead generators) and marketing affiliates, as a source of new customers for our Direct-to-Consumer segment and new borrowers for our Secured Lending segment. Our marketing affiliates place our advertisements on their websites that direct potential customers to our websites. Generally, lead providers operate, and also work with their own marketing affiliates who operate, separate websites to attract prospective customers and then sell those "leads" to online traders and lenders. As a result, the success of our Direct-to-Consumer and Secured Lending businesses depends substantially on the willingness and ability of lead providers or marketing affiliates to provide us customer leads at acceptable prices.

If regulatory oversight of lead providers or marketing affiliates is increased, through the implementation of new laws or regulations or the interpretation of existing laws or regulations, our ability to use lead providers or marketing affiliates could be restricted or eliminated. For example, the Consumer Financial Protection Bureau ("CFPB") has indicated its intention to examine compliance with federal laws and regulations by lead providers and to scrutinize the flow of non-public, private borrower information between lead providers and lead buyers, such as us. Over the past few years, several states have taken actions that have caused us to discontinue the use of lead providers in those states. While these discontinuations did not have a material adverse effect on us, other states may propose or enact similar restrictions on lead providers and potentially on marketing affiliates in the future, and if other states adopt similar restrictions, our ability to use lead providers or marketing affiliates in those states would also be interrupted.

The failure by lead providers or marketing affiliates to comply with applicable laws or regulations, or any changes in laws or regulations applicable to lead providers or marketing affiliates or changes in the interpretation or implementation of such laws or regulations, could have an adverse effect on our business and could increase negative perceptions of our business and industry. Additionally, the use of lead providers and marketing affiliates could subject us to additional regulatory cost and expense. If our ability to use lead providers or marketing affiliates were to be impaired, our business, 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, a joint resolution passed by Congress was signed disapproving the rule under the Congressional Review Act. Because the rule was disapproved, it cannot be reissued in substantially the

same form, and the CFPB cannot issue a substantially similar rule unless the new rule is specifically authorized by a law enacted after the date of the joint resolution disapproving the original rule.

Any judicial decisions, legislation or other rules or regulations that impair our ability to enter into and enforce consumer arbitration agreements and class action waivers will increase our exposure to class action litigation as well as litigation in plaintiff-friendly jurisdictions, which would be costly and could have a material adverse effect on our business.

Our advertising and marketing materials and disclosures 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.

Risks Relating to Our Common Stock

We are not currently paying regular dividends and may not pay any dividends in the future.

The Company suspended its regular dividend policy in the third quarter of fiscal 2019. The declaration of cash dividends is subject to the determination each quarter by the Board of Directors, based on its assessment of a number of factors, including the Company's financial performance, available cash resources, cash requirements, bank covenants, and alternative uses of cash that the Board of Directors may conclude would represent an opportunity to generate a greater return on investment for the Company.

There can be no assurance that the Company will resume paying dividends on a regular basis. If the Board of Directors were to determine not to pay dividends in the future, 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.

Your percentage ownership in the Company could be diluted in the future.

Your percentage ownership in A-Mark potentially could be diluted in the future because of additional equity awards that we expect will be granted to our directors, officers and employees. We have established an equity incentive plan that provides for the grant of common stock-based equity awards to our directors, officers and other employees. In addition, we may issue equity in order to raise capital or in connection with future acquisitions and strategic investments, which could dilute your percentage ownership. For example, in the acquisition of JMB, we issued stock to the former owners of the company in partial consideration for their interests.

Provisions in our Certificate of Incorporation and Bylaws and of Delaware law may prevent or delay an acquisition of the Company, which could decrease the trading price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws and Delaware law contain certain anti-takeover provisions that could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company without negotiating with our board of directors. Such provisions could limit the price that certain investors might be willing to pay in the future for the Company's securities. Certain of such provisions allow the Company to issue preferred stock with rights senior to those of the common stock, impose various procedural and other requirements which could make it more difficult for stockholders to effect certain corporate actions and set forth rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings.

We believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirors to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal. However, these provisions apply even if an acquisition offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is not in the best interests of our Company and our stockholders. Accordingly, in the event that our board determines that a potential business combination transaction is not in the best interests of our Company and our stockholders, but certain stockholders believe that such a transaction would be beneficial to the Company and its stockholders, such stockholders may elect to sell their shares in the Company and the trading price of our common stock could decrease.

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

Members of our board and management beneficially own approximately 25% 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.

General Risk Factors

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.

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. 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. 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. For example, JMB was compelled to expend significant resources as a consequence of litigation in which it was accused of infringement prior to its acquisition by the Company.

We are subject to other laws and regulations.

In addition to the specific matters discussed above, 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, environmental, social and governance 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. We are also regularly involved in various litigation matters that arise in the ordinary course of business, which could adversely affect our business.

Changes in U.S. tax law could adversely affect our business.

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.

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 September 30, 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

Regulation S-K Exhibit Table Item No.	Description of Exhibit
31.1 *	Certification Under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Certification Under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 *	Certification Under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification Under Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS *	Inline XBRL Instance Document.
101.SCH *	Inline XBRL Taxonomy Extension Calculation Schema Document.
101.CAL *	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF *	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB *	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE *	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104 *	Cover Page interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith
** Previously filed

SIGNATURES

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: November 5, 2021
A-MARK PRECIOUS METALS, INC.
By: /s/ Gregory N. Roberts
Name: Gregory N. Roberts
Title: Chief Executive Officer
(Principal Executive Officer)

Date: November 5, 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>	November 5, 2021
<u>/s/ Kathleen Simpson-Taylor</u> Kathleen Simpson-Taylor	Chief Financial Officer <i>(Principal Financial Officer)</i>	November 5, 2021

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: November 5, 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: November 5, 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 September 30, 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: November 5, 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 September 30, 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: November 5, 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.