

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2015

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.)

429 Santa Monica Blvd.  
Suite 230  
Santa Monica, CA 90401  
(Address of principal executive offices)(Zip Code)  
(310) 587-1477  
(Registrant's Telephone Number, Including Area Code)

**Securities registered under Section 12(b) of the Exchange Act:**

Title of each class  
Common Stock, \$0.01 par value

Name of each exchange on which registered  
NASDAQ Global Select Market

**Securities registered under Section 12 (g) of the Exchange Act: None**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

As of November 9, 2015, the registrant had 6,973,549 shares of common stock outstanding, par value \$0.01 per share.

**A-MARK PRECIOUS METALS, INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
**For the Quarter Ended September 30, 2015**

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**PART I — FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

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

	September 30, 2015	June 30, 2015
<b>ASSETS</b>		
Current assets:		
Cash	\$ 5,044	\$ 20,927
Receivables, net	47,899	30,025
Derivative assets	10,626	11,364
Secured loans receivables	49,766	48,666
Inventories:		
Inventories	204,476	152,076
Restricted inventories	50,030	39,425
	254,506	191,501
Income taxes receivable	6,024	7,846
Income taxes receivable from Former Parent	1,095	1,095
Prepaid expenses and other assets	1,074	1,202
<b>Total current assets</b>	376,034	312,626
Property and equipment, net	2,832	2,850
Goodwill	4,884	4,884
Intangibles, net	2,273	2,369
Long-term secured loans receivables	650	650
Long-term investments	2,500	2,500
Deferred tax assets - non-current	23	23
<b>Total assets</b>	\$ 389,196	\$ 325,902
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Lines of credit	\$ 176,900	\$ 147,000
Liability on borrowed metals	4,009	9,500
Product financing arrangement	50,030	39,425
Accounts payable	78,499	50,639
Derivative liabilities	12,893	17,897
Accrued liabilities	4,242	5,330
Deferred tax liability - current	1,593	149
<b>Total current liabilities</b>	328,166	269,940
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of September 30, 2015 and June 30, 2015	—	—
Common Stock, par value \$0.01; 40,000,000 authorized; 6,973,549 and 6,973,549 issued and outstanding as of September 30, 2015 and June 30, 2015, respectively	70	70
Additional paid-in capital	22,523	22,470
Retaining earnings	38,437	33,422
<b>Total stockholders' equity</b>	61,030	55,962
<b>Total liabilities and stockholders' equity</b>	\$ 389,196	\$ 325,902

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

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

	Three Months Ended	
	September 30, 2015	September 30, 2014
Revenues	\$ 2,006,936	\$ 1,453,466
Cost of sales	1,992,512	1,447,736
Gross profit	14,424	5,730
Selling, general and administrative expenses	(6,408)	(4,219)
Interest income	1,933	1,477
Interest expense	(1,234)	(1,063)
Unrealized losses on foreign exchange	(39)	(9)
Net income before provision for income taxes	8,676	1,916
Provision for income taxes	(3,312)	(778)
Net income	\$ 5,364	\$ 1,138
<b>Basic and diluted income per share:</b>		
Basic - net income	\$ 0.77	\$ 0.16
Diluted - net income	\$ 0.76	\$ 0.16
<b>Weighted average shares outstanding:</b>		
Basic	6,973,500	6,962,742
Diluted	7,058,700	7,065,700

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

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

	Common Stock (Shares)	Common Stock	Additional Paid- in Capital	Retained Earnings	Total Stockholders' Equity
<b>Balance, June 30, 2015</b>	<u>6,973,549</u>	<u>\$ 70</u>	<u>\$ 22,470</u>	<u>\$ 33,422</u>	<u>\$ 55,962</u>
Net income	—	—	—	5,364	5,364
Share-based compensation	—	—	53	—	53
Dividends declared	—	—	—	(349)	(349)
<b>Balance, September 30, 2015</b>	<u>6,973,549</u>	<u>\$ 70</u>	<u>\$ 22,523</u>	<u>\$ 38,437</u>	<u>\$ 61,030</u>

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

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

	Three Months Ended	September 30, 2015	September 30, 2014
<b>Cash flows from operating activities:</b>			
Net Income	\$	5,364	\$ 1,138
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization		303	228
Deferred income taxes		1,444	—
Interest added to principal of secured loans		(26)	(91)
Share-based compensation		53	62
Changes in assets and liabilities:			
Receivables		(17,223)	(19,286)
Secured loans		340	1,992
Secured loans to Former Parent		(710)	2,562
Derivative assets		738	(24,026)
Income tax receivable		1,822	—
Inventories		(63,005)	16,314
Prepaid expenses and other current assets		128	(115)
Accounts payable		27,860	5,816
Derivative liabilities		(5,004)	21,680
Liabilities on borrowed metals		(5,491)	3,289
Accrued liabilities		(1,088)	(2,135)
Income taxes payable		—	(1,794)
<b>Net cash (used in) provided by operating activities</b>		<b>(54,495)</b>	<b>5,634</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures for property and equipment		(189)	(53)
Purchase of cost method investment		—	(1,111)
Secured loans, net		(1,355)	(1,809)
<b>Net cash used in investing activities</b>		<b>(1,544)</b>	<b>(2,973)</b>
<b>Cash flows from financing activities:</b>			
Product financing arrangement, net		10,605	(3,997)
Dividends paid		(349)	—
Borrowings under lines of credit, net		29,900	(7,200)
<b>Net cash provided by (used in) financing activities</b>		<b>40,156</b>	<b>(11,197)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(15,883)</b>	<b>(8,536)</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>20,927</b>	<b>13,193</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$</b>	<b>5,044</b>	<b>\$ 4,657</b>
<b>Supplemental disclosures of cash flow information:</b>			
<b>Cash paid during the period for:</b>			
Interest expense	\$	1,134	\$ 1,003
Income taxes	\$	—	\$ 2,572
<b>Non-cash investing and financing activities:</b>			
Interest added to principal of secured loans	\$	26	\$ 91





**A-MARK PRECIOUS METALS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. DESCRIPTION OF BUSINESS**

A-Mark Precious Metals, Inc. and its subsidiaries ("A-Mark" or the "Company") is a full-service precious metals trading company. Its products include gold, silver, platinum and palladium for storage and delivery primarily in the form of coins, bars, wafers and grain. The Company's trading-related services include financing, consignment, logistics, hedging and various customized financial programs.

Through its wholly owned subsidiary, Collateral Finance Corporation ("CFC"), a licensed California Finance Lender, the Company offers loans on precious metals, rare coins and other collectibles collateral to coin dealers, collectors and investors. Through its wholly owned subsidiary, A-Mark Trading AG ("AMTAG"), the Company promotes A-Mark bullion products throughout the European continent. Transcontinental Depository Services ("TDS"), also a wholly owned subsidiary of the Company, offers worldwide storage solutions to institutions, dealers and consumers.

The Company's wholly-owned subsidiary, A-M Global Logistics, LLC ("Logistics"), operates the Company's logistics fulfillment center based in Las Vegas, Nevada, which began operations in July 2015. Logistics provides our customers an array of complementary services, including storage, shipping, handling, receiving, processing, and inventorying of precious metals and custom coins on a secure basis.

**Spinoff from Spectrum Group International, Inc.**

On March 14, 2014, the Company's former parent, Spectrum Group International, Inc. ("SGI" or the "Former Parent"), effected a spinoff (the "spinoff" or the "Distribution") of the Company from SGI. As a result of the Distribution, the Company became a publicly traded company independent from SGI. On March 17, 2014, A-Mark's shares of common stock commenced trading on the NASDAQ Global Select Market under the symbol "AMRK."

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Principles of Consolidation**

The condensed consolidated financial statements reflect the financial condition, results of operations, and cash flows of the Company, and were prepared using accounting principles generally accepted in the United States ("U.S. GAAP"). The Company operated in one segment for all periods presented.

These condensed consolidated financial statements include the accounts of A-Mark, and its wholly owned subsidiaries, CFC, AMTAG, Logistics and TDS (collectively the "Company"). All significant inter-company accounts and transactions have been eliminated in consolidation.

**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, 2015 are not necessarily indicative of the results that may be expected for the year ending June 30, 2016 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 June 30, 2015 (the "2015 Annual Report"), as filed with the SEC. Amounts related to disclosure of June 30, 2015 balances within these interim condensed consolidated financial statements were derived from the aforementioned audited consolidated financial statements and notes thereto included in the 2015 Annual Report.

### **Reclassifications**

Certain previously reported amounts have been reclassified to conform to the current fiscal quarter's condensed consolidated financial statement presentation. In the previous reported periods, account receivables included secured loans and derivative assets; these components are shown as separate lines items on the condensed consolidated balance sheets and cash flow statements. Similarly, accounts payables included derivative liabilities; these components are shown as separate lines items on the condensed consolidated balance sheets and cash flow statements.

### **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 disclosure 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, and allowances for doubtful accounts, impairment assessments of long-lived assets and intangible assets, valuation reserve determination on deferred tax assets, and revenue recognition judgments. Significant estimates also include the Company's fair value determination with respect to its financial instruments and precious metals materials. Actual results could materially differ from these estimates.

### **Concentration of Credit Risk**

Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances.

Assets that potentially subject the Company to concentrations of credit risk consist principally of receivables, loans of inventory to customers, and inventory hedging transactions. Concentration of credit risk with respect to receivables is limited due to the large number of customers composing the Company's customer base, the geographic dispersion of the customers, and the collateralization of substantially all receivable balances. Based on an assessment of credit risk, the Company typically grants collateralized credit to its customers. 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. Credit risk with respect to loans of inventory to customers is minimal; substantially all inventories loaned under consignment arrangements are collateralized for the benefit of the Company. 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"). Also, the functional currency of the Company's wholly-owned foreign subsidiary, AMTAG, is USD, but it maintains its books of record in Euros. The Company remeasures the financial statements of AMTAG into USD. The remeasurement of local currency amounts into USD creates remeasurement gains and losses, which are included in the condensed consolidated statements of income.

To manage the effect of foreign currency exchange fluctuations, the Company utilizes foreign currency forward contracts. These derivatives generate gains and losses when they are settled and/or when they are marked to market. The change in the value in the derivative instruments is shown on the face of the condensed consolidated statements of income as unrealized net gains (losses) on foreign exchange.

### **Cash Equivalents**

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

### **Inventories**

Inventories principally include bullion and bullion coins and are acquired and initially recorded at fair market value. The fair market value of the bullion and bullion coins is comprised of two components: (1) published market values attributable to the costs of the raw precious metal, and (2) a published premium paid at acquisition of the metal. The premium is attributable to the additional value of the product in its finished goods form and the market value attributable solely to the premium may be readily determined, as it is published by multiple reputable sources.

The Company's inventories, except for certain lower of cost or market 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 inventories is marked-to-market, our commemorative coin inventory, including its premium component, is held at the lower of cost or market, 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.](#))

#### **Property and Equipment and Depreciation**

Property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using a straight line method based on the estimated useful lives of the related assets, ranging from three years to five years.

#### **Goodwill and Purchased 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 life intangibles are evaluated 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 Accounting Standards Codification ("ASC.") Other purchased intangible assets continue to be amortized over their useful lives and are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. The Company 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, management determines that goodwill is more likely than not to be impaired, the two-step impairment test is performed. This first step in this test includes comparing the fair value of each reporting unit to its carrying value, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step in the test is performed, which is measurement of the impairment loss. The impairment loss is calculated by comparing the implied fair value of goodwill, as if the reporting unit has been acquired in a business combination, to its carrying amount. As of September 30, 2015 and June 30, 2015, the Company had no impairments.

If the Company determines it will quantitatively assess impairment, the Company utilizes the discounted cash flow method to determine the fair value of each of its reporting units. In calculating the implied fair value of the reporting unit's goodwill, the present value of the reporting unit's expected future cash flows is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the present value of the reporting unit's expected future cash flows over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. In calculating the implied value of the Company's trade names, the Company uses the present value of the relief from royalty method.

Amortizable intangible assets are being amortized on a straight-line basis which approximates economic use, over periods ranging from four years to fifteen years. The Company considers the useful life of the trademarks to be indefinite. The Company tests the value of the trademarks and trade name annually for impairment.

#### **Long-Lived Assets**

Long-lived assets, other than goodwill and purchased intangible assets with indefinite lives are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. In evaluating impairment, the carrying value of the asset is compared to the undiscounted estimated future cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is recognized when estimated future cash flows are less than the carrying amount. Estimates of future cash flows may be internally developed or based on independent appraisals and significant judgment is applied to make the estimates. Changes in the Company's strategy, assumptions and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of long-lived assets. As of September 30, 2015 and June 30, 2015, management concluded that an impairment was not required.

#### **Investments**

Investments into noncontrolled entities that do not have readily determinable fair values (i.e., non-marketable equity securities) under *Cost Method Investments* Topic 325-20 of the ASC are initially recorded at cost. Income is recorded for dividends received that are distributed from net accumulated earnings of the noncontrolled entity subsequent to the date of investment. Dividends received in excess of earnings subsequent to the date of investment are considered a return of investment and are recorded as reductions in the cost of the investment. Investments are written down only when there is clear evidence that a decline in value that is other than temporary has occurred. The Company assesses all cost-method investments for impairment quarterly. Below is a summary of the Company's cost-method investments.

On February 18, 2014, the Company purchased 2.5% of issued and outstanding Class A common stock of a nonpublic company, who is a customer of A-Mark, for \$0.5 million. On September 19, 2014, the Company entered into an agreement with a separate nonpublic company, also a customer of A-Mark, to purchase up to 9% of its issued and outstanding common stock, on a fully diluted basis, in two tranches, for an aggregate purchase price of \$2.0 million. The closing of the first tranche of the second transaction, for 5% of the retailer's issued and outstanding common stock at a purchase price equal to \$1.1 million, took place on

September 19, 2014. The closing of the second tranche of the second transaction, for 4% of this company's issued and outstanding common stock took place on April 1, 2015, at a purchase price equal to \$0.9 million.

In connection with both transactions, the Company entered into exclusive supplier agreements, pursuant to which the customers will purchase all bullion products required for their respective businesses exclusively from A-Mark for a period of 5.0 years and 3.0 years, respectively (subject to renewal and earlier termination under certain circumstances). In the case of the second transaction, A-Mark will continue to provide fulfillment services to this customer under the terms of a previously existing fulfillment agreement. The Company initially had the right to appoint, and did appoint, a board member to each customer's boards of directors. During the fourth quarter of fiscal 2015, the operative agreements were amended to provide that the Company has the right instead to designate a board observer, who is entitled to attend, in a nonvoting observer capacity, all meetings of each company's board of directors and all committees thereof. Also during the fourth quarter of fiscal 2015, the Company's former board designee resigned as a member of both boards of directors.

As of September 30, 2015, the aggregate carrying amount of the Company's cost-method investments was \$2.5 million. There were no identifiable events or changes in circumstances that may have had a significant adverse effect on the fair value. As a result, no impairment loss was recorded, nor were any dividends received during the three months ended September 30, 2015 and 2014.

On October 26, 2015, the Company entered into an amended and restated agreement with one of its customers, an online retailer of generic gold and silver coins and bullion, to increase the Company's ownership of the retailer's outstanding common stock from 9% to up to 20% on a fully diluted basis (see [Note 18](#).)

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

#### **Revenue Recognition**

Revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, no obligations remain and collection is probable. The Company records sales of precious metals, which occurs upon receipt by the customer. The Company records revenues from its metal assaying and melting services after the related services are completed and the effects of forward sales contracts are reflected in revenue at the date the related precious metals are delivered or the contracts expire. The Company records revenues from its storage and logistics services after the related services are completed.

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 trade and settlement date, the Company has essentially 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 a corresponding unrealized gain (loss), which is reflected in the cost of sales in the condensed consolidated statements of income. The Company adjusts the derivatives to fair value on a daily basis until the transaction is physically settled. Sales which are physically settled are recognized at the gross amount in the condensed consolidated statements of income.

#### **Interest Income**

The Company uses the effective interest method to recognize interest income on its secured loans transactions. For these arrangements, the Company maintains a security interest in the precious metals and records interest income over the terms of the 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 removed. Cash receipts on impaired loans are recorded first against the receivable and then to any unrecognized interest income (see [Note 5](#).)

#### **Interest Expense**

The Company incurs interest expense and related fees as a result of usage under its lines of credit, product financing arrangements and liability on borrowed metals.

The Company incurs interest expense based on usage under its Trading Credit Facility recording interest expense using the effective interest method.

The Company incurs financing fees (classified as interest expense) as a result of its product financing arrangements for the transfer and subsequent re-acquisition of gold and silver at a fixed price to a third party finance company. During the term of this type of financing agreement, a third party finance company holds the Company's inventory as collateral, with the intent to return the inventory to the Company at an agreed-upon price based on the spot price on the finance arrangement termination date, pursuant to the guidance in *Product Financing Arrangements* Topic 470-40 of the ASC. The third party charges a monthly fee as

a percentage of the market value of the outstanding obligation. In addition, the Company incurs a financing fee related to custodial storage facility charges related to the transferred collateral inventory; this collateral is classified as restricted inventory on our condensed consolidated balance sheets.

Additionally, the Company incurs interest expense when we borrow precious metals from our suppliers under short-term arrangements, which bear interest at a designated rate. Amounts under these arrangements are due at maturity and require repayment either in the form of precious metals or cash. This liability is reflected in the condensed consolidated balance sheet as a liability on borrowed metals.

#### **Derivative Instruments**

The Company's inventory, purchase and sale commitments transactions consist of precious metals bearing products. The value of our inventory and these commitments is intimately 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 only major 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. 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.

Commodity futures and forward contract transactions are recorded at fair value on the trade date. The difference between the original contract value and the market value of the open futures and forward contracts are reflected in derivative assets or derivative liabilities in the condensed consolidated balance sheet at fair value.

The Company records the change between market value and trade value of the underlying open commodity contracts as a derivative asset or liability, and the Company correspondingly records the related unrealized gains or losses. The change in unrealized gain (loss) on open commodity contracts from one period to the next is reflected in net gain (loss) on derivative instruments. These unrealized gains and losses are included as a component of cost of sales on the condensed consolidated statements of income. Gains or losses resulting from the termination of commodity contracts are reported as realized gains or losses on commodity contracts, which is recorded as a component of cost of sales on the condensed consolidated statements of income.

The Company enters into derivative transactions solely for the purpose of hedging our inventory holding risk, 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 10.](#))

#### **Advertising**

Advertising costs are expensed as incurred, and are included in selling, general and administrative expenses in the condensed consolidated statements of income. Advertising expense was \$0.2 million and \$0.1 million, respectively, for the three months ended September 30, 2015 and 2014.

#### **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 \$2.3 million and \$1.5 million, respectively, for the three months ended September 30, 2015 and 2014.

#### **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.

#### **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 recognizes a benefit for tax positions that it believes will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that the Company believes has more than a 50% probability of being realized upon settlement. The Company regularly monitors its tax positions and adjusts the amount of recognized tax benefit based on its evaluation of information that has become available since the end of its last financial reporting period. The annual tax rate includes the impact of these changes in recognized tax benefits. When adjusting the amount of recognized tax benefits, the Company does not consider information that has become

available after the balance sheet date, but does disclose the effects of new information whenever those effects would be material to the Company's condensed consolidated financial statements. The difference between the amount of benefit taken or expected to be taken in a tax return and the amount of benefit recognized for financial reporting represents unrecognized tax benefits. These unrecognized tax benefits are presented in the condensed consolidated balance sheet principally within accrued liabilities.

The Company records valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. Significant judgment is applied when assessing the need for valuation allowances. Areas of estimation include the Company's consideration of future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the utilization of deferred tax assets in future years, the Company would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income. Changes in recognized tax benefits and changes in valuation allowances could be material to the Company's results of operations for any period, but is not expected to be material to the Company's condensed consolidated financial position.

The Company accounts for uncertainty in income taxes under the provisions of ASC 740. These provisions clarify the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribe a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The provisions also provide guidance on de-recognition, classification, interest, and penalties, accounting in interim periods, disclosure, and transition. The potential interest and/or penalties associated with an uncertain tax position are recorded in provision for income taxes on the condensed consolidated statements of income. Please refer to [Note 11](#) for further discussion regarding these provisions.

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 most of the net deferred tax assets will be realized through future taxable income. Management has established a valuation allowance against the deferred taxes related to certain state net operating loss carryovers. Management believes the utilization of these losses may be limited. We will continue to assess the need for a valuation allowance for our remaining deferred tax assets in the future.

The Company's condensed consolidated financial statements recognized the current and deferred income tax consequences that result from the Company's activities during the current and preceding periods, as if the Company were a separate taxpayer prior to the date of the Distribution rather than a member of the consolidated income tax return group of its former parent, Spectrum Group International, Inc. Following its spin-off, the Company files federal and state income tax filings that are separate from the Former Parent's tax filings. The Company recognizes current and deferred income taxes as a separate taxpayer for periods ending after the date of Distribution.

Income taxes receivable from Former Parent reflects balances due from the Former Parent for the Company's share of the income tax assets of the group, net of amounts related to federal and state jurisdictions due to taxable income generated as if the Company were a separate taxpaying entity prior to the Distribution.

#### **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 shares follows. There is no dilutive effect of stock appreciation rights ("SARs"), as such obligations are not settled and were out of the money for the three months ended September 30, 2015 and 2014.

*in thousands*

	Three Months Ended	
	September 30, 2015	September 30, 2014
Basic weighted average shares outstanding <sup>(1)</sup>	6,974	6,963
Effect of common stock equivalents — stock issuable under outstanding equity awards	85	103
Diluted weighted average shares outstanding	7,059	7,066

(1) Basic weighted average shares outstanding include the effect of vested but unissued restricted stock grants.

#### Recent Accounting Pronouncements

In February 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-2, *Consolidation (Topic 820): Amendments to the Consolidation Analysis*. ASU 2015-2 provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. ASU 2015-2 is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2015, which will be our fiscal year 2017 (or July 1, 2016). We are still evaluating what impact, if any, this ASU will have on the Company's consolidated financial position, results of operations or cash flows.

In November 2014, the FASB issued ASU No. 2014-16, *Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity*. ASU No. 2014-16 clarifies how current guidance should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. In addition, ASU No. 2014-16 clarifies that in evaluating the nature of a host contract, an entity should assess the substance of the relevant terms and features (that is, the relative strength of the debt-like or equity-like terms and features given the facts and circumstances) when considering how to weight those terms and features. The effects of initially adopting ASU No. 2014-16 should be applied on a modified retrospective basis to existing hybrid financial instruments issued in a form of a share as of the beginning of the fiscal year for which the amendments are effective. Retrospective application is permitted to all relevant prior periods. ASU No. 2014-16 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, which will be our fiscal year 2017 (or July 1, 2016). Early adoption is permitted. We are still evaluating what impact, if any, this ASU will have on the Company's consolidated financial position, results of operations or cash flows and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU No. 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 for one year. With the deferral, the new standard is effective for the Company, on July 1, 2018, with early adoption permitted one year prior. The standard permits the use of either the retrospective or cumulative effect transition method. We are still evaluating what impact this standard will have on the Company's consolidated financial position, results of operations or cash flows and related disclosures.



### 3. ASSETS AND LIABILITIES, AT FAIR VALUE

#### *Fair Value of Financial Instruments*

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments as of September 30, 2015 and June 30, 2015.

*in thousands*

	September 30, 2015		June 30, 2015	
	Carrying Amount	Fair value	Carrying Amount	Fair value
<b>Financial assets:</b>				
Cash	\$ 5,044	\$ 5,044	\$ 20,927	\$ 20,927
Receivables, and advances, net	47,899	47,899	30,025	30,025
Secured loans	50,416	50,416	49,316	49,316
Derivative assets - open sale and purchase commitments, net	7,508	7,508	1,722	1,722
Derivative assets - futures contracts	2,842	2,842	5,363	5,363
Derivative assets - forward contracts	276	276	4,279	4,279
Income taxes receivable from Former Parent	1,095	1,095	1,095	1,095
<b>Financial liabilities:</b>				
Lines of credit	\$ 176,900	\$ 176,900	\$ 147,000	\$ 147,000
Liability for borrowed metals	4,009	4,009	9,500	9,500
Product financing obligation	50,030	50,030	39,425	39,425
Derivative liabilities - liability on margin accounts	6,367	6,367	6,908	6,908
Derivative liabilities - open sale and purchase commitments, net	6,183	6,183	10,989	10,989
Derivative liabilities - forward contracts	343	343	—	—
Accounts payable, advances and other payables	78,499	78,499	50,639	50,639
Accrued liabilities	4,242	4,242	5,330	5,330

The fair values of the financial instruments shown in the above table as of September 30, 2015 and June 30, 2015 represent the amounts that would be received to sell 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, available observable and unobservable inputs.

The carrying amounts of cash and cash equivalents, secured loans, accounts receivable, consignor advances, accounts payable and accrued liabilities approximated fair value due to their short-term nature. The carrying amounts of derivative assets and derivative liabilities 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.

#### **Valuation Hierarchy**

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.

The significant assumptions used to determine the carrying value and the related fair value of the financial instruments are described below:



**Inventory.** Inventories principally include bullion and bullion coins and are acquired and initially recorded at fair market value. The fair market value of the bullion and bullion coins is comprised of two components: 1) published market values attributable to the costs of the raw precious metal, and 2) a published premium paid at acquisition of the metal. The premium is attributable to the additional value of the product in its finished goods form and the market value attributable solely to the premium is readily determined, as it is published by multiple reputable sources. Except for commemorative coin inventory, which are included in inventory at the lower of cost or market, the Company's inventories are 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 and data derived from the markets on which the underlying commodities are traded. Precious metals commodities inventory are classified in Level 1 of the valuation hierarchy.

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

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

**Product Financing Obligations.** Product financing obligations consist of financing agreements for the transfer and subsequent re-acquisition of the sale of gold and silver at a fixed price to a third party. Such transactions 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 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 obligations 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, 2015 and June 30, 2015 aggregated by the level in the fair value hierarchy within which the measurements fall:

	September 30, 2015			
<i>in thousands</i>	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
<b>Assets:</b>				
Inventory <sup>(1)</sup>	\$ 254,343	\$ —	\$ —	\$ 254,343
Derivative assets — open sale and purchase commitments, net	7,508	—	—	7,508
Derivative assets — futures contracts	2,842	—	—	2,842
Derivative assets — forward contracts	276	—	—	276
Total assets valued at fair value	<u>\$ 264,969</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 264,969</u>
<b>Liabilities:</b>				
Liability on borrowed metals	\$ 4,009	\$ —	\$ —	\$ 4,009
Product financing arrangement	50,030	—	—	50,030
Derivative liabilities — Liability on margin accounts	6,367	—	—	6,367
Derivative liabilities — open sales and purchase commitments, net	6,183	—	—	6,183
Derivative liabilities — forward contracts	343	—	—	343
Total liabilities, valued at fair value	<u>\$ 66,932</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 66,932</u>

<sup>(1)</sup> Commemorative coin inventory totaling \$0.2 million is held at lower of cost or market and is thus excluded from this table.

June 30, 2015

<i>in thousands</i>	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
<b>Assets:</b>				
Inventory <sup>(1)</sup>	\$ 189,983	\$ —	\$ —	\$ 189,983
Derivative assets — open sale and purchase commitments, net	1,722	—	—	1,722
Derivative assets — futures contracts	5,363	—	—	5,363
Derivative assets — forward contracts	4,279	—	—	4,279
Total assets, valued at fair value	<u>\$ 201,347</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 201,347</u>
<b>Liabilities:</b>				
Liability on borrowed metals	\$ 9,500	\$ —	\$ —	\$ 9,500
Product financing arrangement	39,425	—	—	39,425
Derivative liabilities — Liability on margin accounts	6,908	—	—	6,908
Derivative liabilities — open sale and purchase commitments, net	10,989	—	—	10,989
Total liabilities valued at fair value	<u>\$ 66,822</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 66,822</u>

<sup>(1)</sup> Commemorative coin inventory totaling \$1.5 million is held at lower of cost or market and is thus excluded from this table.

There were no transfers in or out of Level 2 or 3 during the three months ended September 30, 2015.

***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 ongoing basis but are subject to fair value adjustments only under certain circumstances. These include cost method investments that are written down to fair value when their declines are determined to be other-than-temporary, and long-lived assets or goodwill that are written down to fair value when they are held for sale or determined to be impaired.

The Company uses level-three inputs to measure the fair value of its cost method investments on a non-recurring basis. The Company's investments in ownership interests in noncontrolled entities do not have readily determinable fair values and were recorded at cost, \$2.5 million, in aggregate. Quoted prices of the investments are not available, and the cost of obtaining an independent valuation appears excessive considering the materiality of the instruments to the Company. There were no gains or losses recognized in earnings associated with the Company's ownership interests in these noncontrolled entities during the three months ended September 30, 2015.

The Company uses level-three inputs to measure the fair value of goodwill and other intangibles on a non-recurring basis. These assets are measured at cost and are written down to fair value on the annual measurement dates or on the date of a triggering event, if impaired. As of September 30, 2015, there were no indications present that the Company's goodwill or other purchased intangibles were impaired, and therefore were not measured at fair value. There were no gains or losses recognized in earnings associated with the above purchased intangibles during the three months ended September 30, 2015.

#### 4. RECEIVABLES

Receivables consist of the following as of September 30, 2015 and June 30, 2015:

*in thousands*

	September 30, 2015	June 30, 2015
Customer trade receivables	\$ 11,194	\$ 11,835
Wholesale trade advances	26,810	12,164
Due from brokers	9,925	6,056
Subtotal	47,929	30,055
Less: allowance for doubtful accounts	(30)	(30)
Receivables, net	\$ 47,899	\$ 30,025

*Customer trade receivables.* Customer trade receivables represent short-term, non-interest bearing amounts due from precious metal sales and are secured by the related precious metals stored with the Company, a letter of credit issued on behalf of the customer, or other secured interests in assets of the customer.

*Wholesale trade advances.* Wholesale trade advances represent advances of various bullion products and cash advances to customers. Typically, these advances are: unsecured, short-term, and non-interest bearing, which 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 10](#)).

#### Allowance for Doubtful Accounts

Allowances for doubtful accounts are recorded based on specifically identified receivables, which the Company has identified as potentially uncollectible. A summary of the activity in the allowance for doubtful accounts is as follows:

*in thousands*

Period ended:	Beginning Balance	Provision	Charge-off	Ending Balance
Quarter Ended September 30, 2015	\$ 30	\$ —	\$ —	\$ 30
Year Ended June 30, 2015	\$ 30	\$ —	\$ —	\$ 30

#### 5. SECURED LOANS RECEIVABLES

Below is a summary of the carrying-value of our secured loans as of September 30, 2015 and June 30, 2015:

*in thousands*

	September 30, 2015	June 30, 2015
Secured loans originated	\$ 35,564	\$ 36,778
Secured loans originated - with a related party	716	—
	36,280	36,778
Secured loans acquired	14,136 <sup>(1)</sup>	12,538 <sup>(2)</sup>
Secured loans, total	\$ 50,416	\$ 49,316

(1) Includes \$99,000 of amortized loan premium as of September 30, 2015.

(2) Includes \$99,000 of amortized loan premium as of June 30, 2015.

*Secured loans - originated:* Secured loans include short-term loans, which include a combination of on-demand lines and short term facilities, and long-term loans that are made to our customers (i.e., originated secured loans). These loans are fully secured by the customers' assets that include bullion, numismatic and semi-numismatic material, which are typically held in safekeeping by the Company. (See [Note 12](#), 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 price that approximates the aggregate carrying-value of the 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, numismatic and semi-numismatic material that are held in safekeeping by the Company. Typically, our customer retains the responsibility for the servicing and administration of the loans.

As of September 30, 2015 and June 30, 2015, our secured loans carried weighted-average effective interest rates of 8.4% and 8.5%, respectively, and mature in periods generally ranging from on-demand to two years.

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 who are not active customers of A-Mark are reflected as an investing activity on the condensed consolidated statements of cash flows as secured loans, net. For the secured loans that are reflected as an investing activity and have terms that allow the borrower 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 are repayable on demand or in the short-term, the borrowings and repayments are netted on the condensed consolidated statements of cash flows. In contrast, for the secured loans that are reflected as an investing activity and do not contain a revolving credit-line feature or have long-term maturities, the borrowed funds are shown at gross as other originated secured loans, segregated from the repayments of the principal, which are shown as principal collections on other originated secured loans on the condensed consolidated statements of cash flows.

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

The Company applies a systematic methodology to determine the allowance for credit losses for secured loan receivables. The secured loan receivables portfolio is comprised solely of secured loans with similar risk profiles. This similarity allows the Company to apply a standard methodology to determine the credit quality for each loan. The credit quality of each loan is generally determined by the secured material, the initial and ongoing collateral value determination and the assessment of loan to value determination. Typically, the Company's secured loan receivables within its portfolio have similar credit risk profiles and methods for assessing and monitoring credit risk.

The Company evaluates its loan portfolio in one of three classes of secured loan receivables: those loans secured by: 1) bullion 2) numismatic items and 3) customers' pledged assets, which may include bullion and numismatic items. The Company's secured loans by portfolio class, which align with management reporting, are as follows:

*in thousands*

	September 30, 2015		June 30, 2015	
Bullion	\$ 17,121	34.0%	\$ 16,250	33.0%
Numismatic and semi numismatic	32,445	64.3	32,216	65.3
Subtotal	49,566	98.3	48,466	98.3
Other pledged assets <sup>(1)</sup>	850	1.7	850	1.7
Total secured loans	\$ 50,416	100.0%	\$ 49,316	100.0%

(1) Includes secured loans that are collateralized by borrower's assets, which are not exclusively precious metal products.

Each of the three classes of receivables have the same initial measurement attribute and a similar method for assessing and monitoring credit risk. The methodology of assessing the credit quality of the secured loans acquired by the Company is similar to the secured loans originated loans by the Company; they are administered using the same internal reporting system, collateralized by precious metals or other pledged assets, for which a loan to value determination procedures are applied.

#### Credit Quality of Loans and Non Performing Status

Generally, interest is due and payable within 30 days. A loan is considered past due if interest is not paid in 30 days or collateral calls are not met timely. Typically, loans do not achieve the threshold of non performing status due to the fact that customers are generally put into default for any interest past due over 30 days and for unsatisfied collateral calls. When this occurs the loan collateral is typically liquidated within 90 days.

For certain secured loans, interest is billed monthly and, if not paid, is added to the outstanding loan balance. These secured loans are considered past due if their current loan-to-value ratio fails to meet established minimum equity levels, and the borrower fails to meet the collateral call required to reestablish the appropriate loan to value ratio.

Non-performing loans have the highest probability for credit loss. The allowance for credit losses attributable to non-performing loans is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, the Company estimates the current market value of the collateral and considers credit enhancements such as

additional collateral and third-party guarantees. Due to the accelerated liquidation terms of the Company's loan portfolio, all past due loans are generally liquidated within 90 days of default.

Further information about the Company's credit quality indicators includes differentiating by categories of current loan-to-value ratios. The Company disaggregates its secured loans that are collateralized by precious metal products, as follows:

*in thousands*

	September 30, 2015		June 30, 2015	
Loan-to-value of 75% or more <sup>(1)</sup>	\$ 27,418	55.3%	\$ 17,153	35.4%
Loan-to-value of less than 75% <sup>(1)</sup>	22,148	44.7	31,313	64.6
Secured loans collateralized by precious metal products <sup>(1)</sup>	\$ 49,566	100.0%	\$ 48,466	100.0%

(1) Excludes secured loans that are collateralized by borrower's assets, which are not exclusively precious metal products.

The Company had three loans with a loan-to-value ratio in excess of 100% at September 30, 2015; the aggregate balance of these loans totaled \$227,000 or 0.5% of the secured loan balance. At June 30, 2015, the Company had one loan with a loan-to-value ratio in excess of 100%, the aggregate balance of this loan totaled \$175,600 or 0.4% of the secured loan balance. The primary reason for the increase in the loan-to-value ratio of 75% or more from June 30, 2015 to September 30, 2015 was the decline in the value of the underlying precious metal products.

For the Company's secured loans where the loan-to-value ratio is not a valid indicator (because the loans are collateralized by other assets of the borrower in addition to their precious metal inventory) the Company uses other indicators to measure the quality of this type of loan. For this type of loan, the Company uses the following credit quality indicators: accounts receivable-to-loan ratios and inventory-to-loan ratios and delinquency status of the loan.

#### Impaired loans

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. 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. Accrual is resumed, and previously suspended interest income is 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.

All loans are contractually subject to margin call. As a result, loans typically do not become impaired due to the fact the Company has the ability to require margin calls which are due upon receipt. Per the terms of the loan agreement, the Company has the right to rapidly liquidate the loan collateral in the event of a default. The material is highly liquid and easily sold to pay off the loan. Such circumstances would result in a short term impairment that would typically result in full repayment of the loan and fees due to the Company.

For the three months ended September 30, 2015 and 2014, the Company incurred no loan impairment costs.

## 6. INVENTORIES

Our inventory consists of the precious metals that the Company has physically received, and inventory held by third-parties, which at the Company's option may or may not receive. Below, our inventory is summarized by classification at September 30, 2015 and June 30, 2015:

*in thousands*

	<u>September 30, 2015</u>	<u>June 30, 2015</u>
Inventory held for sale	\$ 118,796	\$ 86,353
Repurchase arrangements with customers	75,910	49,117
Consignment arrangements with customers	5,598	5,588
Commemorative coins, held at lower of cost or market	163	1,518
Borrowed precious metals from suppliers	4,009	9,500
Product financing arrangements, restricted	50,030	39,425
	<u>\$ 254,506</u>	<u>\$ 191,501</u>

Inventory held for sale. Inventory held for sale represents precious metals, excluding commemorative coin inventory, that have been received by the Company that is not subject to repurchase or consignment arrangements with third parties. As of September 30, 2015 and June 30, 2015, the inventory held for sale totaled \$118.8 million and \$86.4 million, respectively.

Repurchase Arrangements with Customers. The Company enters into 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. As of September 30, 2015 and June 30, 2015, included within inventory is \$75.9 million and \$49.1 million, respectively, of precious metals products subject to repurchase.

Consignment Arrangements with Customers. The Company periodically loans metals to customers on a short-term consignment basis, charging interest fees based on the value of the metal loaned. Inventories loaned under consignment arrangements to customers as of September 30, 2015 and June 30, 2015 totaled \$5.6 million and \$5.6 million, respectively. Such inventories are removed at the time the customer elects to price and purchase the precious metals, and the Company records a corresponding sale and receivable. Substantially all inventories loaned under consignment arrangements are collateralized for the benefit of the Company.

Commemorative Coins. Our commemorative coin inventory, including its premium component, is held at the lower of cost or market, because the value of commemorative coins is influenced more by supply and demand determinants than on the underlying spot price of the precious metal content of the commemorative coins. Unlike our bullion coins, the value of commemorative coins is not subject to the same level of volatility as bullion coins because our commemorative coins typically carry a substantially higher premium over the spot metal price than bullion coins. Our commemorative coins are not hedged, are included in inventory at the lower of cost or market and totaled \$0.2 million and \$1.5 million as of September 30, 2015 and June 30, 2015, respectively.

Borrowed Precious Metals from Suppliers. Inventories include amounts borrowed from suppliers under arrangements to purchase precious metals on an unallocated basis that are held by the supplier. 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. Corresponding obligations related to liabilities on borrowed metals are reflected on the condensed consolidated balance sheets and totaled \$4.0 million and \$9.5 million as of September 30, 2015 and June 30, 2015, respectively.

**Product Financing Arrangements.** Inventories include amounts 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 a fixed price to a third party finance company. This inventory is restricted and is held at a custodial storage facility in exchange for a financing fee, by 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 to return the inventory to the Company at an agreed-upon price based on the spot price on the finance arrangement termination date. The third party charges a monthly fee as percentage of the market value of the outstanding obligation; such monthly charge is classified in interest expense. Pursuant to the guidance in ASC 470-40 *Product Financing Arrangements*, these transactions do not qualify as sales and therefore have been accounted for as financing arrangements and reflected in the condensed consolidated balance sheet within product financing arrangement. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing and the underlying inventory are carried at fair value, with changes in fair value included in cost of sales in the condensed consolidated statements of income. Such obligation totaled \$50.0 million and \$39.4 million as of September 30, 2015 and June 30, 2015, respectively.

The Company mitigates market risk of its physical inventories and open commitments through commodity hedge transactions (see [Note 10](#).)

#### Premium component of inventory

The Company's inventories primarily include bullion and bullion coins and are acquired and initially recorded at fair market value. The fair market value of the bullion and bullion coins is comprised of two components: (1) published market values attributable to the cost of the raw precious metal, and (2) a published premium paid at acquisition of the metal. The premium is attributable to the additional value of the product in its finished goods form and the market value attributable solely to the premium is readily determined, as it is published by multiple reputable sources. The premium is included in the cost of the inventory, paid at acquisition, and is a component of the total fair market value of the inventory. 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 inventories are subsequently recorded at their fair market values, that is, "marked-to-market", except for our commemorative coin inventory. The daily changes in the fair market value of our inventory are offset by daily changes in fair market value of hedging derivatives that are taken with respects 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.

The premium component, at market value, included in the inventories as of September 30, 2015 and June 30, 2015 totaled \$3.5 million and \$3.3 million, respectively. As of September 30, 2015 and June 30, 2015, the unrealized gains (losses) resulting from the difference between market value and cost of physical inventories were \$(5.2) million and \$(3.9) million, respectively.

## 7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2015 and June 30, 2015:

*in thousands*

	September 30, 2015	June 30, 2015
Office furniture, fixtures and equipment	\$ 844	\$ 616
Computer equipment	368	368
Computer software	2,376	2,376
Leasehold improvements	1,661	1,700
Subtotal	5,249	5,060
Less: accumulated depreciation	(2,417)	(2,210)
Property and equipment, net	\$ 2,832	\$ 2,850

Depreciation expense for the three months ended September 30, 2015 and 2014 was \$0.2 million and \$0.1 million, respectively.

## 8. GOODWILL AND INTANGIBLE ASSETS

On July 1, 2005, all of the outstanding common stock of A-Mark was acquired by Spectrum PMI, Inc. Spectrum PMI was a holding company whose outstanding common stock was owned 80% by SGI, and 20% by Auctentia, S.L. In September 2012, SGI purchased from Auctentia its 20% interest in Spectrum PMI. On September 30, 2013, Spectrum PMI was merged with and into SGI, as a result of which all of the outstanding shares of A-Mark were then owned directly by SGI.

In connection with the acquisition of A-Mark by Spectrum PMI on July 1, 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, which resulted in goodwill of \$4.9 million and identifiable purchased intangible assets of \$8.4 million. Goodwill represents the excess of the purchase price and related costs over the value assigned to intangible assets of businesses acquired and accounted for under the purchase method.

The carrying value of other purchased intangibles as of September 30, 2015 and June 30, 2015 is as described below:

*dollar amounts in thousands*

	Estimated Useful Lives (Years)	September 30, 2015			June 30, 2015		
		Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trade-name	Indefinite	\$ 454	\$ —	\$ 454	\$ 454	\$ —	\$ 454
Existing customer relationships	5 - 15	5,747	(3,928)	1,819	5,747	(3,832)	1,915
Non-compete and other	4	2,000	(2,000)	—	2,000	(2,000)	—
Employment agreement	3	195	(195)	—	195	(195)	—
Purchased intangibles subject to amortization		7,942	(6,123)	1,819	7,942	(6,027)	1,915
		\$ 8,396	\$ (6,123)	\$ 2,273	\$ 8,396	\$ (6,027)	\$ 2,369

The Company's other purchased intangible assets are subject to amortization except for trademarks, which have an indefinite life. Intangible assets subject to amortization are amortized using the straight-line method over their useful lives, which are estimated to be four to fifteen years. Amortization expense related to the Company's intangible assets for the three months ended September 30, 2015 and 2014 was \$0.1 million and \$0.1 million, respectively.

Estimated amortization expense on an annual basis for the succeeding five years is as follows (in thousands):

Fiscal year ending June 30,	Amount
Fiscal 2016 (9 months remaining)	\$ 289
2017	385
2018	385
2019	385
2020	375
Thereafter	—
Total	\$ 1,819

## 9. ACCOUNTS PAYABLE

Accounts payable consist of the following:

*in thousands*

	September 30, 2015	June 30, 2015
Trade payable to customers payables	\$ 1,026	\$ 128
Advances from customers	59,877	38,039
Liability on deferred revenue	15,069	11,039
Other accounts payable	2,527	1,433
	\$ 78,499	\$ 50,639



## **10. DERIVATIVE INSTRUMENTS AND HEDGING TRANSACTIONS**

The Company is exposed to market risk, such as change in commodity prices, and foreign exchange rates. To manage the volatility relating 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 hedging substantially all of Company's market exposure to precious metals prices, and not for speculation reasons.

### **Commodity Price Management**

The Company manages the value of certain specific assets and liabilities of its trading business, including trading inventories, 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 inventories through the purchase and sale of a variety of derivative instruments, such as, forwards and futures contracts.

The Company's trading inventories and purchase and sale transactions consist primarily of precious metal bearing 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 inventories are subject to market value changes, created by changes in the underlying commodity market prices. Inventories purchased or borrowed by the Company are subject to price changes. Inventories borrowed are considered natural hedges, since changes in value of the metal held are offset by the obligation to return the metal to the supplier.

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 is subject to price risk. The Company regularly enters into precious metals commodity forward and futures contracts with major 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. However, the Company also maintains relationships with major market makers in every major precious metals dealing center.

The Company enters into these derivative transactions solely for the purpose of hedging our 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 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 a derivative asset or liability.

### **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). Substantially all of these transactions are secured by the underlying metals positions. As such, 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, 2015 and June 30, 2015.

	September 30, 2015				June 30, 2015			
<i>in thousands</i>	Gross Derivative	Amounts Netted	Cash Collateral Pledge	Net Derivative	Gross Derivative	Amounts Netted	Cash Collateral Pledge	Net Derivative
<b>Nettable derivative assets:</b>								
Open sale and purchase commitments	\$ 10,624	\$ (3,116)	\$ —	\$ 7,508	\$ 2,815	\$ (1,093)	\$ —	\$ 1,722
Future contracts	9,917	(7,075)	—	2,842	11,159	(5,796)	—	5,363
Forward contracts	670	(394)	—	276	4,279	—	—	4,279
	<u>\$ 21,211</u>	<u>\$ (10,585)</u>	<u>\$ —</u>	<u>\$ 10,626</u>	<u>\$ 18,253</u>	<u>\$ (6,889)</u>	<u>\$ —</u>	<u>\$ 11,364</u>
<b>Nettable derivative liabilities:</b>								
Open sale and purchase commitments	\$ 7,562	\$ (1,379)	\$ —	\$ 6,183	\$ 11,723	\$ (734)	\$ —	\$ 10,989
Margin commitments	11,436	—	(5,069)	6,367	12,430	—	(5,522)	6,908
Future contracts	—	—	—	—	—	—	—	—
Forward contracts	348	(5)	—	343	—	—	—	—
	<u>\$ 19,346</u>	<u>\$ (1,384)</u>	<u>\$ (5,069)</u>	<u>\$ 12,893</u>	<u>\$ 24,153</u>	<u>\$ (734)</u>	<u>\$ (5,522)</u>	<u>\$ 17,897</u>

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.

#### Gain or Loss on Derivative Instruments

The Company records the derivative at the trade date with a corresponding unrealized gain (loss), which is reflected in the cost of sales in the condensed consolidated statements of income. The Company adjusts the derivatives to fair value on a daily basis until the transaction is physically settled. Sales which are physically settled are recognized at the gross amount in the consolidated statements of income. Below, is a summary of the net losses on derivative instruments for the three months ended September 30, 2015 and 2014.

*in thousands*

	Three Months Ended	
	September 30, 2015	September 30, 2014
<b>Gain (loss) on derivative instruments:</b>		
Unrealized loss on open future commodity and forward contracts and open sale and purchase commitments, net	\$ (3,816)	\$ 1,278
Realized loss on future commodity contracts, net	(10,592)	(7,634)
Total	<u>\$ (14,408)</u>	<u>\$ (6,356)</u>

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 quarter-end typically settle within 30 days.

### Summary of Hedging Activity

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, 2015 and at June 30, 2015.

*in thousands*

	September 30, 2015	June 30, 2015
Inventory	\$ 254,506	\$ 191,501
Less unhedgable inventory:		
Commemorative coin inventory, held at lower of cost or market	(163)	(1,518)
Premium on metals position	(3,529)	(3,255)
Inventory value not hedged	(3,692)	(4,773)
Subtotal	250,814	186,728
Commitments at market:		
Open inventory purchase commitments	556,388	444,023
Open inventory sales commitments	(477,089)	(249,081)
Margin sale commitments	(11,436)	(12,430)
In-transit inventory no longer subject to market risk	(16,625)	(13,807)
Unhedgable premiums on open commitment positions	6,356	528
Inventory borrowed from suppliers	(4,009)	(9,500)
Product financing obligation	(50,030)	(39,425)
Advances on industrial metals	3,709	3,340
Inventory subject to price risk	258,078	310,376
Inventory subject to derivative financial instruments:		
Precious metals forward contracts at market values	123,658	202,323
Precious metals futures contracts at market values	134,367	107,993
Total market value of derivative financial instruments	258,025	310,316
Net inventory subject to commodity price risk	\$ 53	\$ 60

### 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, 2015 and June 30, 2015, the Company had the following outstanding commitments and open forward and future contracts:

*in thousands*

	September 30, 2015	June 30, 2015
Purchase commitments	\$ 556,388	\$ 444,023
Sales commitments	(477,089)	(249,081)
Margin sales commitments	(11,436)	(12,430)
Open forward contracts	123,658	202,323
Open futures contracts	134,367	107,993

The contract amounts (i.e., notional balances) of the Company's forward and futures contracts and the open sales and purchase orders are not reflected in the accompanying condensed consolidated balance sheet; as required, 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, 2015, 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 of its sale and purchase transactions. These contracts generally have maturities of less than one week. The accounting treatment of our foreign currency exchange derivative instruments is similar to the accounting treatment of our commodity derivative instruments, that is, the change in the value in the financial instrument is immediately recognized as a component of cost of sales. Unrealized net gains (losses) on foreign exchange derivative instruments shown on the face of the condensed consolidated statements of income totaled \$(39,000) and \$(9,000) for the three months ended September 30, 2015 and 2014, 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 at September 30, 2015 was \$1.2 million and \$4.1 million, 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 at June 30, 2015 was \$6.2 million and \$9.9 million, respectively.

## 11. INCOME TAXES

The Company files a consolidated federal income tax return based on a June 30<sup>th</sup> tax year end. The provision for income taxes for the three months ended September 30, 2015 and 2014 consists of the following:

*in thousands*

	Three Months Ended	
	September 30, 2015	September 30, 2014
Federal	\$ 3,052	\$ 680
State and local	260	98
Provision for income taxes	\$ 3,312	\$ 778

The effective tax rate for the three months ended September 30, 2015 and 2014 is as follows:

*in thousands*

	Three Months Ended	
	September 30, 2015	September 30, 2014
Effective tax rate	38.2%	40.6%

The Company uses an estimated annual effective tax rate, which is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates, to determine its quarterly provision for income taxes. Certain significant or unusual items are separately recognized in the quarter in which they occur and can be a source of variability in the effective tax rates from quarter to quarter. The effective tax rate varies significantly from the federal statutory rate due to permanent adjustments for nondeductible items and state taxes.

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. 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. During the three months ended September 30, 2015, management concluded that with the exception of certain state net operating losses, 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 in the future. 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. As of September 30, 2015 and 2014, the Company had \$0.1 million and \$0.3 million, respectively, of valuation allowance for its realizability of deferred tax assets. The Company will continue to assess the need for a valuation allowance in the future by evaluating both positive and negative evidence that may exist.

The Company's condensed consolidated financial statements recognized the current and deferred income tax consequences that result from the Company's activities during the current and preceding periods, as if the Company were a separate taxpayer during the period prior to the Distribution rather than a member of the Former Parent's consolidated income tax return group. Current tax receivable from Former Parent reflects balances due from the Former Parent to A-Mark for its share of the income tax

assets of the group. Income taxes receivable represents amounts paid to federal and state jurisdictions due to taxable income generated following the close of the transaction.

As of September 30, 2015, the Company has state and city net operating loss carryforwards of approximately \$16.0 million, which expire beginning with the year ending June 30, 2030. The tax effect of the state and city net operating loss carryforwards included in the Company's deferred tax assets is \$16.0 million. Due to limitations on the ability to use certain state and city net operating loss carryforwards, the Company has recorded a valuation allowance of \$0.1 million against these assets as the Company believes that it is not more likely than not that they will realize the benefit of these carryforwards.

As of September 30, 2015, the Company had \$243,000 of unrecognized tax benefits and \$105,000 of liabilities for interest expense related to uncertain tax positions. Of the total unrecognized tax benefits, \$243,000 would reduce the Company's effective tax rate, if recognized. For the three months ended September 30, 2015 and 2014, the Company recognized approximately \$5,000 of interest expense and \$0 of interest expense related to uncertain tax positions, respectively. For the three months ended September 30, 2015 and 2014, the Company had no additional accruals for tax penalties.

The Company files income tax returns in the U.S. and various states. Prior to the Distribution, the Company was included in the consolidated federal and state tax filing of the Former Parent. The Former Parent has been under examination by the IRS for the years ended June 30, 2004 through 2013; however, during the year ended June 30, 2015, the Former Parent was notified that it had successfully resolved the June 30, 2004 through June 30, 2007 tax years. As a result of the IRS exam, the Former Parent amended the state tax filings for the applicable periods. The amended state tax filings resulted in a tax benefit of approximately \$0.6 million related to state net operating loss apportioned to the Company under intrastate apportionment rules. The Former Parent remains in appeals with the IRS for the years ended June 30, 2008 through 2013 and in examination with other taxing jurisdictions on certain tax matters, including challenges to certain positions the Former Parent has taken. The Former Parent is unable to determine the outcome of these audits at this time. With few exceptions, either prior federal, state or local examinations have been completed by the tax authorities or the statute of limitations have expired for U.S. federal, state and local income tax returns filed by the Former Parent for the years through 2003.

In connection with the spinoff, the Company entered into a tax separation agreement with SGI (the "Tax Separation Agreement"). The Tax Separation Agreement governs the respective rights, responsibilities and obligations of SGI and us with respect to, among other things, liabilities for U.S. federal, state, local and other taxes. In addition to the allocation of tax liabilities, the Tax Separation Agreement addresses the preparation and filing of tax returns for such taxes and disputes with taxing authorities regarding such taxes. Pursuant to the Tax Separation Agreement, A-Mark may be responsible for any tax amount related to A-Mark that is incurred as the result of adjustments made during the Internal Revenue Service examination or other tax jurisdictions' examinations of the Former Parent. Under the terms of the Tax Separation Agreement, SGI will have the responsibility to prepare and file tax returns for tax periods ending prior to the Distribution date and for tax periods which include the Distribution date but end after the Distribution date, which will include A-Mark and its subsidiaries.

These tax returns will be prepared on a basis consistent with past practices. The Company will cooperate in the preparation of these tax returns and have an opportunity to review and comment on these returns prior to filing. A-Mark will pay all taxes attributable to A-Mark and its subsidiaries, and will be entitled to any refund with respect to taxes it has paid.

The amounts receivable under the Company's income tax sharing obligation due from SGI totaled \$1.1 million, and \$1.1 million as of September 30, 2015 and June 30, 2015, respectively, and is shown on the face of the condensed consolidated balance sheets as income taxes receivable from Former Parent. Based on the terms to the Tax Separation Agreement, payment is due to the Company after SGI files its tax return and is in receipt of its tax refund from the IRS. Furthermore, pursuant to the terms of the Tax Separation Agreement, the Company has been allocated approximately \$15.7 million of state net operating losses. These net operating losses resulted in a deferred tax asset of \$0.5 million.

## 12. RELATED PARTY TRANSACTIONS

### Sales and Purchases Made to Affiliated Companies

During the three months ended September 30, 2015 and 2014, the Company made sales and purchases to various companies that had been under common control with A-Mark through the date of Distribution, and which have been deemed to be related parties.

*in thousands*

	Three Months Ended			
	September 30, 2015		September 30, 2014	
	Sales	Purchases	Sales	Purchases
<b>Related Party Company</b>				
Calzona Ventures, LLC	\$ —	\$ —	\$ 157	\$ —
Stack's Bowers Numismatics, LLC	10,482 <sup>(1)</sup>	27,004	1,395	2,921
Related party, total	<u>\$ 10,482</u>	<u>\$ 27,004</u>	<u>\$ 1,552</u>	<u>\$ 2,921</u>

(1) Excludes \$156,000 of fees related to finance charges earned in connection with purchase-sale transactions, which was recorded as interest income.

As of September 30, 2015 and June 30, 2015, the Company's had related party receivables and payables balance as set forth below:

*in thousands*

	September 30, 2015		June 30, 2015	
	Receivables	Payable	Receivables	Payable
<b>Related Party Company</b>				
Stack's Bowers Numismatics, LLC	\$ 854	\$ 28	\$ 2	\$ 10
SGI (Former Parent)	1,095	—	1,095	—
Related party, total	<u>\$ 1,949</u>	<u>\$ 28</u>	<u>\$ 1,097</u>	<u>\$ 10</u>

### Secured Loans to Related Parties

On June 18, 2014, CFC assumed the rights to a secured portfolio of short-term loan receivables totaling \$2.6 million from Stack's Bowers Numismatics, LLC (Stack's Bowers), a related party. The Company reflects this transaction as a financing arrangement with the related party, secured by the portfolio of short-term loan receivables collateralized by numismatic and semi numismatic products, and bearing interest at 5.5% per annum. This secured loan was paid off in full, plus accrued interest, on August 19, 2014. As of September 30, 2015, the aggregate carrying value of this loan was \$0.0 million.

On October 9, 2014, CFC entered into a loan agreement with Stack's Bowers providing for a secured line of credit in the maximum principal amount of up to \$16.0 million, bearing interest at a competitive rate per annum. Advances under the line of credit were secured by numismatic and semi-numismatic products. This secured loan was paid off in full, plus accrued interest, on April 15, 2015. As of September 30, 2015, the aggregate carrying value of this loan was \$0.0 million.

On July 23, 2015, CFC entered into a loan agreement with Stack's Bowers providing a secured line of credit in the maximum principal amount of up to \$2.5 million, bearing interest at a competitive rate per annum. The loan is secured by numismatic and semi-numismatic products. As of September 30, 2015, the aggregate carrying value of this loan was \$0.7 million.

During the three months ended September 30, 2015 and 2014, the Company earned approximately \$21,000 and \$23,000 in interest income related to loans that we made to Stack's Bowers.

### Secondment Agreement Fees and Reimbursements

In connection with the Distribution, SGI and the Company entered into a secondment agreement (the "Secondment Agreement"). Under the terms of the Secondment Agreement, A-Mark has agreed to make Gregory N. Roberts, our Chief Executive Officer, and Carol Meltzer, our Executive Vice President, General Counsel and Secretary, available to SGI for the performance of specified management and professional services following the spinoff in exchange for an annual secondment fee of \$150,000 (payable monthly) and reimbursement of certain bonus payments.

Neither Mr. Roberts nor Ms. Meltzer will devote more than 20% of their professional working time on a monthly basis to SGI and in no event will the performance of services for SGI interfere with the performance of the duties and responsibilities of Mr. Roberts and Ms. Meltzer to A-Mark. In addition, to the services to be provided under the Secondment Agreement, both Mr. Roberts and Ms. Meltzer continue to serve as officers and directors of SGI. The Secondment Agreement will terminate on June 30, 2016 and is subject to earlier termination under certain circumstances. Under the Secondment Agreement, SGI will be obligated

to reimburse A-Mark for the portion of the performance bonus payable under Mr. Roberts' employment agreement with A-Mark attributable to pre-tax profits of SGI.

The Company records the accrual of secondment fees as a reduction to selling, general and administration expense. During the three months ended September 30, 2015 and 2014 the Company did not accrue any secondment fees. As of September 30, 2015 and June 30, 2015 the outstanding balance of secondment fees due from SGI was \$0 and \$150,000, respectively.

#### **Income Tax Sharing Obligations**

The amounts receivable under the Company's income tax sharing obligation due from SGI, totaled \$1.1 million, and \$1.1 million as of September 30, 2015 and June 30, 2015, respectively, and is shown on the face of the condensed consolidated balance sheets as income taxes receivable from Former Parent (see [Note 11](#).)

#### **Transaction with Affiliate of Board Member**

In February 2015, A-M Global Logistics, LLC ("Logistics"), a wholly owned subsidiary of the Company that was formed to operate the Company's logistics fulfillment center in Las Vegas, Nevada, entered into various agreements with W. A. Richardson Builders, LLC ("WAR"), for the buildout of and improvements to the Las Vegas premises. The amount involved under the WAR contract was approximately \$1.2 million, and Logistics paid WAR a fee equal to 5.0% of the contract work. The spouse of the Chairman of the Company's Audit Committee, Ellis Landau, is an owner and a managing member of WAR.

#### **Royalties to Former Owner**

As part of the sales agreement dated July 1, 2005, a former owner of the Company receives a portion of the finance income earned with a specific customer through July 2015. The Company incurred \$20,000 and \$73,000 in selling, general and administrative expenses (royalty expense) during the three months ended September 30, 2015 and 2014, respectively. The total amount due to the former owner of \$274,000 and \$254,000 are included in accrued liabilities as of September 30, 2015 and June 30, 2015, respectively.

### **13. FINANCING AGREEMENTS**

#### **Lines of Credit**

The Company has a borrowing facility ("Trading Credit Facility") with a group of financial institutions under an inter-creditor agreement, which provides for lines of credit up to the maximum of the credit facility. All lenders have a perfected, first security interest in all assets of the Company presented as collateral. Loan advances will be available against a borrowing base report of eligible assets in accordance with the inter-creditor agreement currently in place. Pledged collateral comprises assigned and confirmed inventory, trade receivables, trade advances, derivatives, equity and pledged non bullion and bullion loans.

As of September 30, 2015, the maximum of the Trading Credit Facility was \$205.0 million. The Company routinely uses the Trading Credit Facility to purchase precious metals from suppliers and for operating cash flow purposes. Amounts under the Trading Credit Facility bear interest based on London Interbank Offered Rate ("LIBOR") plus a margin. The one-month LIBOR rate was approximately 0.19% and 0.19% as of September 30, 2015 and June 30, 2015, respectively. Borrowings are due on demand and totaled \$176.9 million and \$147.0 million at September 30, 2015 and at June 30, 2015, respectively. The amounts available under the Trading Credit Facility are determined at the end of each week 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 Trading Credit Facility and lender approval of the revised borrowing base calculation. The amounts available under the Trading Credit Facility after taking into consideration current borrowings, based upon the latest approved borrowing bases in effect, totaled \$34.3 million and \$20.9 million at September 30, 2015 and June 30, 2015, respectively.

The Trading Credit Facility has certain restrictive financial covenants, which require the Company to maintain a minimum tangible net worth. As of September 30, 2015 the minimum tangible net worth financial covenant under the Trading Credit Facility was \$35.0 million. The Company is in compliance with all restrictive financial covenants as of September 30, 2015. The Company's ability to pay dividends, if it were to elect to do so, could be limited as a result of these restrictions. Each lender has the right to cancel its credit line upon written notice.

Interest expense related to the Company's borrowing arrangements totaled \$1.1 million and \$0.9 million, which represents 92.1% and 87.8% of the total interest expense recognized, for the three months ended September 30, 2015 and 2014, respectively. Our borrowing arrangements carried a daily weighted average effective interest rate of 2.83% and 3.06%, respectively, for the three months ended September 30, 2015 and 2014.

### **Liability on Borrowed Metals**

The Company borrows precious metals from its suppliers under short-term agreements, which bear interest at a designated rate. Amounts under these agreements are due at maturity and require repayment either in the form of precious metals or cash. The Company's inventories included borrowed metals with market values totaling \$4.0 million and \$9.5 million as of September 30, 2015 and June 30, 2015, respectively.

### **Product Financing Arrangement**

The Company has an agreement with a financial institution (a third party) that allows the Company to transfer its gold and silver inventory at a fixed price to this third party. Such agreement allows 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 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 reflected in the condensed consolidated balance sheet within product financing obligation. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing obligation and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value recorded as a component of cost of sales in the condensed consolidated statements of income. Such obligation totaled \$50.0 million and \$39.4 million as of September 30, 2015 and June 30, 2015, respectively.

## **14. COMMITMENTS AND CONTINGENCIES**

Refer to Note 13 of the Notes to Consolidated Financial Statements in the 2015 Annual Report for information relating to minimum rental payments under operating and capital leases, consulting and employment contracts, and other commitments. Other than the following item, there has been no material changes to those scheduled commitments as of the filing of that report.

On October 25, 2015, the Company received notification from the City of Santa Monica that the City was challenging the Company's classification as an "agent/broker" for purposes of computing the business license fee due to the City. Historically, A-Mark has paid its business license fee on net receipts, consistent with the "agent/broker" classification. The City of Santa Monica has asserted that the Company should have instead paid the fee based on gross receipts and has made a preliminary assessment against the Company seeking a material amount of what it believes to be underreported fees, together with a material amount of penalties and interest. The Company intends to meet with the City of Santa Monica shortly to discuss the preliminary assessment and the position taken by the Company with respect to the calculation of the fee. Neither the outcome of this administrative matter nor the amount or range of a potential impact to the Company in the event of an unfavorable outcome can be determined at this time.

## **15. STOCKHOLDERS' EQUITY**

### **Payment of Dividends**

**Fiscal 2015.** In fiscal 2015, the Board of Directors of the Company initiated a cash dividend policy that calls for the payment of a quarterly cash dividend of \$0.05 per common share. On February 6, 2015, the Board of Directors declared a quarterly cash dividend of \$0.05 per common share that was paid on March 20, 2015 to stockholders of record at the close of business on March 12, 2015. On May 1, 2015, the Board of Directors declared a quarterly cash dividend of \$0.05 per common share that was paid on May 25, 2015 to stockholders of record at the close of business on May 14, 2015.

**Fiscal 2016.** On September 11, 2015, the Board of Directors of the Company declared a quarterly cash dividend of \$0.05 per common share to stockholders of record at the close of business on September 24, 2015 that was paid on October 5, 2015. On October 30, 2015, the Board of Directors of the Company declared a quarterly cash dividend of \$0.05 per common share to stockholders of record at the close of business on November 13, 2015, which is scheduled to be paid on November 25, 2015.

### **2014 Stock Award and Incentive Plan**

Prior to the Distribution, the Company's Board of Directors ("Board") adopted and the Company's then sole stockholder approved the 2014 Stock Award and Incentive Plan ("2014 Plan"). Under the 2014 Plan, the Company may grant options and other equity awards as a means of attracting and retaining officers, employees, non-employee directors and consultants, to provide incentives to such persons, and to align the interests of such persons with the interests of stockholders by providing compensation based on the value of the Company's stock. Awards under the 2014 Plan may be granted in the form of incentive or non-qualified stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units, dividend equivalent rights and other stock-based awards (which may include outright grants of shares). The 2014 Plan also authorizes grants of performance-based 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 may be set at the discretion of the Committee, but 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 December 13, 2022.

As of September 30, 2015, 622,000 shares were available for grant under the 2014 Plan.

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

The Company uses the Black-Scholes option pricing model, which has various inputs such as the estimated common share price, the risk-free interest rate, volatility, expected life and dividend yield, all of which are estimates. The Company also records share-based compensation expense net of expected forfeitures. Valuation models and significant assumptions for share-based compensation are as follows:

- Determining Fair Values. For all equity grants granted, the primary factor in the valuation of equity awards was the fair value of the underlying common stock at the time of grant.
- Expected Volatility. The Company has limited data regarding company-specific historical or implied volatility of its share price. Consequently, the Company estimates its volatility based on the average of the historical volatilities of peer group companies from publicly available data for sequential periods approximately equal to the expected terms of its option grants. Management considers factors such as stage of life cycle, competitors, size, market capitalization and financial leverage in the selection of similar entities.
- Expected Term. The expected term represents the period of time in which the options granted are expected to be outstanding. The Company estimates the expected term of options granted based on the midpoint between the vesting date and the end of the contractual term under the “short-cut” or simplified method permitted by the SEC implementation guidance for “plain vanilla” options. The Company will continue to use the short-cut method, as permitted, until we have developed sufficient historical data for employee exercise and post-vesting employment termination behavior after our common stock has been publicly traded for a reasonable period of time.
- Forfeitures. The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual experience differs from those estimates. For the current fiscal year, the Company estimated an average overall forfeiture rate of 0%, based on the historical forfeitures rates of executives of our Former Parent prior to the spinoff transaction. Share-based compensation is recorded net of expected forfeitures. The Company will periodically assess the forfeiture rate and the amount of expense recognized based on estimated historical forfeitures as compared to actual forfeitures. Changes in estimates are recorded in the period they are identified.
- Risk-Free Rate. The risk-free interest rate is selected based upon the implied yields in effect at the time of the option grant on U.S. Treasury zero-coupon issues with a term approximately equal to the expected life of the option being valued.
- Dividends. The Company anticipates on paying quarterly cash dividends 5% of outstanding shares of common stock in the foreseeable future.

The Company did not grant any share-based awards during the three months ended September 30, 2015 and 2014. There are no awards with performance conditions nor awards with market conditions.

#### **Stock Options**

During the three months ended September 30, 2015 and 2014, the Company incurred \$37,944 and \$39,575 of compensation expense related to stock options, respectively. As of September 30, 2015, there was total remaining compensation expense of \$0.3 million related to employee stock options, which will be recorded over a weighted average period of approximately 2.3 years.

The following table summarizes the stock option activity for the three months ended September 30, 2015.

	Options	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value (in thousands)	Weighted Average Grant Date Fair Value Per Award <sup>(1)</sup>
Outstanding at June 30, 2015	233,127	\$ 9.89	\$ 283	\$ 5.96
Granted through stock option plan	—	—		
Exercised	—	—		
Cancellations, expirations and forfeitures	—	—		
Outstanding at September 30, 2015	233,127	9.89	\$ 485	\$ 5.96
Shares exercisable at September 30, 2015	158,213	10.60	\$ 249	\$ 5.87

- (1) For awards held by A-Mark employees, the fair value of the awards assumed in Distribution was based on the awards' fair value at grant date, which were determined by SGI prior to the Distribution. Since the Company does not recognize compensation costs for the awards assumed in the Distribution held by employees of SGI, the calculation of the weighted average fair value per share price at grant date was solely based on the awards' fair value at grant date that were awarded to employees of A-Mark.

Following is a summary of the status of stock options outstanding at September 30, 2015:

Exercise Price Ranges		Options Outstanding			Options Exercisable		
		Number of Shares Outstanding	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price
From	To						
\$ —	\$ 10.00	134,239	7.11	\$ 8.39	62,325	7.14	\$ 8.44
10.01	15.00	98,888	7.03	11.94	95,888	6.96	12.00
		233,127	7.07	9.89	158,213	7.03	10.60

**Restricted Stock Units**

During the three months ended September 30, 2015 and 2014, the Company incurred \$15,530 and \$22,561 of compensation expense related to RSUs, respectively. The remaining compensation expense that will be recorded under restricted stock grants totals \$46,556, which will be recorded over a weighted average period of approximately 0.6 years.

The following table summarizes the RSU activity for the three months ended September 30, 2015:

	Shares	Weighted Average Share Price at Grant Date <sup>(1)</sup>
Outstanding at June 30, 2015	86,298	\$ 2.34
Shares granted	—	—
Shares released	—	—
Shares surrendered to cover employee minimum withholding taxes	—	—
Shares forfeited	—	—
Outstanding at September 30, 2015	86,298	\$ 2.34
Vested but unissued at September 30, 2015	35,957	\$ —

- (1) For awards held by A-Mark employees, the fair value of the awards assumed in Distribution was based on the awards' fair value at grant date, which were determined by SGI prior to the Distribution. Since the Company does not recognize compensation costs for the awards assumed in the Distribution held by employees of SGI, the calculation of the weighted average share price at grant date was solely based on the awards' fair value at grant date that were awarded to employees of A-Mark.

No tax benefit was recognized in the condensed consolidated statements of income related to share-based compensation for the three months ended September 30, 2015. No share-based compensation was capitalized for the three months ended September 30, 2015 and 2014.

**Stock Appreciation Rights**

The Company, from time to time, may grant SARs to certain key employees and executive officers. The number of shares to be received under these awards ultimately depends on the appreciation in the Company's common stock over a specified period of time, generally 3.0 years. At the end of the stated appreciation period, the number of shares of common stock issued will be equal in value to the appreciation in the shares of the Company's common stock, as measured from the stock's closing price on the date of grant to the average price in the last month of the third year of vesting. As of September 30, 2015 and June 30, 2015, the Company had zero and 8,990 SARs issued and outstanding, respectively. The Company did not recognize any compensation expense related to these awards during the three months ended September 30, 2015 and 2014.

**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 provide for a Board with staggered terms, 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.

**16. CUSTOMER AND SUPPLIER CONCENTRATION**

**Customer Concentration**

Customers providing 10 percent or more of the Company's revenues for the three months ended September 30, 2015 and 2014 are listed below:

*in thousands*

	Three Months Ended			
	September 30, 2015		September 30, 2014	
	Amount	Percent	Amount	Percent
Total revenue	\$ 2,006,936	100.0%	\$ 1,453,466	100.0%
<i>Customer concentrations</i>				
HSBC Bank USA	\$ 333,553	16.6%	\$ 534,538	36.8%
JM Bullion	246,869	12.3	66,565	4.6
Total	\$ 580,422	28.9%	\$ 601,103	41.4%

Customers providing 10 percent or more of the Company's accounts receivable as of September 30, 2015 and June 30, 2015, respectively, are listed below:

*in thousands*

	September 30, 2015		June 30, 2015	
	Amount	Percent	Amount	Percent
Total accounts receivable, net	\$ 47,899	100.0%	\$ 30,025	100.0%
<i>Customer concentrations</i>				
ABN AMRO	\$ 9,967	20.8%	\$ —	—%
Total	\$ 9,967	20.8%	\$ —	—%

No single customer provided 10 percent or more of the Company's secured loans as of September 30, 2015 and June 30, 2015.

The loss of any of the above listed customers could have a material adverse effect on the operations of the Company.

**Supplier Concentration**

A-Mark 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.

**17. GEOGRAPHIC INFORMATION**

Revenue are attributed to geographic location based on customer location. The Company's geographic operations are as follows:

*in thousands*

	<b>Three Months Ended</b>	
	<b>September 30, 2015</b>	<b>September 30, 2014</b>
<b>Revenue by geographic region:</b>		
United States	\$ 1,853,272	\$ 1,313,486
Europe	52,132	54,950
North America, excluding United States	86,785	71,779
Asia Pacific	13,266	11,312
Africa	45	—
Australia	1,404	1,939
South America	32	—
<b>Total revenue</b>	<b>\$ 2,006,936</b>	<b>\$ 1,453,466</b>

*in thousands*

	<b>September 30, 2015</b>	<b>June 30, 2015</b>
<b>Inventories by geographic region:</b>		
United States	\$ 241,114	\$ 173,939
Europe	6,148	4,374
North America, excluding United States	5,842	12,287
Asia	1,402	901
<b>Total inventories</b>	<b>\$ 254,506</b>	<b>\$ 191,501</b>

*in thousands*

	<b>September 30, 2015</b>	<b>June 30, 2015</b>
<b>Assets by geographic region:</b>		
United States	\$ 373,785	\$ 302,046
Europe	8,167	10,668
North America, excluding United States	5,842	12,287
Asia	1,402	901
<b>Total assets</b>	<b>\$ 389,196</b>	<b>\$ 325,902</b>

*in thousands*

	<b>September 30, 2015</b>	<b>June 30, 2015</b>
<b>Long term assets by geographic region:</b>		
United States	\$ 13,093	\$ 13,204
Europe	69	72
<b>Total long-term assets</b>	<b>\$ 13,162</b>	<b>\$ 13,276</b>

## 18. SUBSEQUENT EVENTS

### Additional Investment in a Noncontrolled Entity

On October 26, 2015, the Company entered into an amended and restated agreement with one of its customers, an online retailer of generic gold and silver coins and bullion, to increase the Company's ownership of the retailer's outstanding common stock from 9% to up to 20% on a fully diluted basis. The additional investment is to be made in two tranches, for an aggregate purchase price of \$4.7 million. The closing of the first tranche, for 6.2% of the retailer's issued and outstanding common stock at a purchase price equal to \$2.3 million, took place on October 28, 2015. The closing of the second tranche, for 5.8% of the retailer's issued and outstanding common stock at a purchase price equal to \$2.3 million, will take place on or prior to January 15, 2016; provided that A-Mark's obligation to close the second tranche will be subject to the condition, among others, that the retailer's gross profit for the quarter ending December 31, 2015 shall be not less than \$3.0 million. The parties also entered into an amendment to the existing exclusive supplier agreement which, among other provisions, extended the term of that agreement to 2020 (subject to renewal and earlier termination under certain circumstances). A-Mark will continue to provide fulfillment services to the retailer under the terms of a previously existing fulfillment agreement. A-Mark has the right to designate a board observer, who is entitled to attend, in a nonvoting observer capacity, all meetings of the company's board of directors and all committees thereof, and so long as it owns at least 15% of the outstanding stock of the retailer, the Company has the right to appoint a board member to the retailer's board of directors.

### Dividend Declaration

On October 30, 2015, the Board of Directors of the Company declared a quarterly cash dividend of \$0.05 per common share to stockholders of record at the close of business on November 13, 2015, which is scheduled to be paid on November 25, 2015.

## 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.

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 help provide an 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 years. Included in our analysis is a discussion of five performance metrics: (i) inventory turnover ratio and (ii) number of secured loans at quarter-end. Our inventory turnover ratio is a measure of how quickly inventory has moved during the period; higher turnover ratios are generally associated with periods of higher volatility. The majority of the Company's trading activities involve two-day value trades that produce low gross margin percentages. The inventory turnover ratio measures the efficiency of our trading activity and the liquidity of our inventory. The number of secured loans at quarter-end, together with the aggregate of secured loans outstanding, are indicators of the size of our finance lending business.
- [Financial condition and liquidity and capital resources](#). This section provides an analysis of our cash flows, as well as a discussion of our outstanding debt that existed as of September 30, 2015. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to fund our future commitments, as well as a discussion of other financing arrangements.
- [Critical accounting estimates](#). This section discusses those accounting policies that both are considered important to our financial condition and results, and require significant judgment and estimates on the part of management in their application. In addition, all of our policies, including critical accounting policies, are summarized in [Note 2](#) to the accompanying condensed consolidated financial statements.
- [Recent accounting pronouncements](#). This section discusses new accounting pronouncements, dates of implementation and impact on our accompanying condensed consolidated financial statements, if any.

## Executive Overview

### *Our Business*

A-Mark is a full-service precious metals trading company, and an official distributor for many government mints throughout the world. 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 & Bar unit deals in over 200 coin and bar products in a variety of weights, shapes and sizes for distribution to dealers and other qualified purchasers. We have trading centers in Santa Monica, California and Vienna, Austria for buying and selling precious metals. In addition to wholesale trading activity, A-Mark offers its customers a variety of services, including financing, consignment, logistics and various customized financial programs. As a U.S. Mint-authorized purchaser of gold, silver and platinum coins, A-Mark purchases product directly from the U.S. Mint and other sovereign mints for sale to its customers.

Through our subsidiary Collateral Finance Corporation, referred to as CFC, a licensed California Finance Lender, we offer loans collateralized by numismatic and semi-numismatic coins and bullion to coin and precious metal dealers, investors and collectors. Through our Transcontinental Depository Services subsidiary, referred to as TDS, we offer a variety of managed storage options for precious metals products to financial institutions, dealers, investors and collectors around the world. TDS started doing business in 2012. Our financing business generates interest income that is not classified as revenues. If interest income generated by the financing business were classified as revenues, it would represent less than 1% of our total revenues for each of the periods presented. Our storage business generates less than 1% of total revenues for each of the periods presented.

In July 2015, the Company formed a wholly-owned subsidiary, A-M Global Logistics, LLC, referred to as Logistics, which operates the Company's logistics fulfillment center based in Las Vegas, Nevada. Logistics provides our customers an array of complementary services, including storage, shipping, handling, receiving, processing, and inventorying of precious metals and custom coins on a secure basis. Our logistics business generates less than 1% of the total revenues for each of the periods presented.

### *Our Strategy*

The Company has grown from a small numismatics firm in 1965 to a significant participant in the bullion and coin markets, with approximately \$6.0 billion in revenues for the year ended June 30, 2015. Our strategy continues to focus on growth, including the volume of our business, our geographic presence, particularly in Europe, and the scope of complementary products and services that we offer to our customers. We intend to promote our growth by leveraging off of our existing, integrated operations; the depth of our customer relations; our access to market makers, suppliers and government mints and other mints; our trading offices in the U.S. and Europe, which are open 17 hours a day 5 days a week; our expansive precious metals dealer network; our depository relationships around the world; our knowledge of secured lending; our logistics capabilities; our trading expertise; and the quality and experience of our management team.

### *Our Customers*

The Company sells gold, silver, platinum and palladium products to a wide array of customers, including financial institutions, bullion retailers, industrial manufacturers, and sovereign mints. The Company makes a two way market, which results

in many customers also operating as our suppliers. This diverse base of customers purchases a variety of products from the Company in a multitude of grades primarily in the form of coins and bars.

***Factors Affecting Revenues and Gross Profits***

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

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

The Company has also been able recently to increase incremental margins, with corresponding positive contributions to gross profits, through certain distribution contracts and strategic partnerships. Under these arrangements, the Company sells unique bullion products to distributors for marketing to the retail public, under its standard trading terms with no right of return. The related distribution contracts provide the Company with higher margins than its ordinary trading activities.

***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, 2015 and 2014**

*Condensed Consolidated Results of Operations*

The operating results of our business for the three months ended September 30, 2015 and 2014 are as follows:

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

	2015		2014		\$	%
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 2,006,936	100.000 %	\$ 1,453,466	100.000 %	\$ 553,470	38.1%
Gross profit	14,424	0.719 %	5,730	0.394 %	\$ 8,694	151.7%
Selling, general and administrative expenses	(6,408)	(0.320)%	(4,219)	(0.290)%	\$ 2,189	51.9%
Interest income	1,933	0.096 %	1,477	0.102 %	\$ 456	30.9%
Interest expense	(1,234)	(0.061)%	(1,063)	(0.073)%	\$ 171	16.1%
Unrealized losses on foreign exchange	(39)	(0.002)%	(9)	(0.001)%	\$ 30	NM
Net income before provision for income taxes	8,676	0.432 %	1,916	0.132 %	\$ 6,760	352.8%
Provision for income taxes	(3,312)	(0.165)%	(778)	(0.054)%	\$ 2,534	325.7%
Net income	\$ 5,364	0.267 %	\$ 1,138	0.078 %	\$ 4,226	371.4%

**Per Share Data:**

Basic	\$ 0.77	\$ 0.16	\$ 0.61	381.3%
Diluted	\$ 0.76	\$ 0.16	\$ 0.60	375.0%

**Performance Metrics:**

Inventory turnover ratio <sup>(1)</sup>	8.9	8.6	0.3	3.5%
Number of secured loans at quarter end <sup>(2)</sup>	470	120	350	291.7%

NM Not meaningful.

(1) Inventory turnover ratio is the cost of sales divided by average inventory, measured at recorded fair value.

(2) Number of outstanding secured loans to customers at quarter end.



**Revenues**

<i>in thousands</i>	Three Months Ended September 30, 2015		2014		\$		%	
	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)		
Revenues	\$ 2,006,936	100.000%	\$ 1,453,466	100.000%	\$ 553,470			38.1%

Revenues for the three months ended September 30, 2015 increased \$553.5 million, or 38.1%, to \$2.007 billion from \$1.453 billion in 2014. Our revenues increased primarily due to an increase in the total amount of gold ounces and silver ounces sold during the three months ended September 30, 2015 as compared to 2014. A key factor contributing to the increase in demand was the volatility and the decrease in commodity prices; the average spot prices for gold declined 11.8% and average spot prices for silver declined 22.2% during the three months ended September 30, 2015 as compared to 2014. The increase in volatility was due in part to macro-economic factors which created an increase in demand at lower price levels. The combination of higher volatility and demand for product that exceeds supply historically results in higher revenues, but is not representative of normal market conditions.

**Gross Profit**

<i>in thousands, except performance metrics</i>	Three Months Ended September 30, 2015		2014		\$		%	
	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)		
Gross profit	\$ 14,424	0.719%	\$ 5,730	0.394%	\$ 8,694			151.7%
Inventory turnover ratio		8.9		8.6		0.3		3.5%

Gross profit for the three months ended September 30, 2015 increased by \$8.7 million, or 151.7%, to \$14.4 million from \$5.7 million in 2014. The Company's profit margin increased 84.6% to 0.72% from 0.39% in 2014, primarily due to higher premium spreads on the Company's primary products. The Company experienced higher volatility and greater supply constraints, compared to 2014, which resulted in a widening of trading spreads. Our inventory turnover rate increased by 3.5% to 8.9 from 8.6 as compared to 2014. This increase in the inventory turnover rate was primarily due to higher demand for our primary products; offset by an increase in the carry length associated with the Company's development of foreign markets and the longer carry periods associated with higher margin value added products, which resulted in the Company carrying higher inventory levels in foreign and domestic locations at lower turnover rates, compared to 2014.

**Selling, General and Administrative Expenses**

<i>in thousands</i>	Three Months Ended September 30, 2015		2014		\$		%	
	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)		
Selling, general and administrative expenses	\$ (6,408)	(0.320)%	\$ (4,219)	(0.290)%	\$ 2,189			51.9%

Selling, general and administrative expenses for the three months ended September 30, 2015 increased \$2.2 million, or 51.9%, to \$6.4 million from \$4.2 million in 2014. The increase is primarily due to performance-based compensation accruals and the operational cost of a logistics center established to provide fulfillment services to our customers.

In fiscal 2015, the Company expanded its logistics capabilities by relocating to a new facility in Las Vegas, Nevada. The Company began to receive and ship inventory from this facility shortly after June 30, 2015. The Company is proceeding with its plans to reduce the volume of business it does with third-party storage providers during this fiscal year.

**Interest Income**

The Company enters into secured loans and secured financing structures with its customers under which it charges interest income. 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. Through its wholly owned subsidiary, CFC, the Company also enters into loans secured by precious metals and numismatic material owned by the borrowers and held by the Company for the term of the loan.

Three Months Ended September 30,	2015		2014		\$	%
	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)
<i>in thousands, except performance metrics</i>						
Interest income	\$ 1,933	0.096%	\$ 1,477	0.102%	\$ 456	30.9%
Number of secured loans at quarter-end	470		120		350	291.7%

Interest income for the three months ended September 30, 2015 increased \$0.5 million, or 30.9%, to \$1.9 million from \$1.5 million in 2014. Interest income increased primarily due to an increase in the size of the CFC loan portfolio as well as improvement in certain A-Mark finance products. The improvement in the value of loans outstanding at CFC, which resulted in higher interest income, was due primarily to an increase in the number of CFC borrowers. The number of CFC borrowers increase by 291.7% to 470 from 120 in 2014. This 291.7% increase in the number of secured loans was primarily due to acquisitions of bullion based loan portfolios from a retail customer.

**Interest Expense**

The Company incurs interest expense as a result of usage under its lines of credit, product financing arrangements and liability on borrowed metals. Also, the Company incurs interest expense as a result of its product financing agreements for the transfer and subsequent re-acquisition of gold and silver at a fixed price to a third-party finance company. Additionally, the Company incurs interest expense when we borrow precious metals from our suppliers under short-term arrangements, which bear interest at a designated rate.

Three Months Ended September 30,	2015		2014		\$	%
	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)
<i>in thousands</i>						
Interest expense	\$ (1,234)	(0.061)%	\$ (1,063)	(0.073)%	\$ 171	16.1%

Interest expense for the three months ended September 30, 2015 increased \$0.2 million, or 16.1% to \$1.2 million from \$1.1 million in 2014. The increase was related primarily to usage of our lines of credit. We believe the interest rates paid on borrowings under our Trading Credit Facility are consistent with current market interest rates for first lien demand loans secured by inventory and receivables. We utilize our lines of credit extensively for working capital requirements.

**Provision for Income Taxes**

Our effective rate could be adversely affected by the relative proportions of revenue and income before taxes in the various domestic and international jurisdictions in which we operate. We are also subject to changing tax laws, regulations and interpretations in multiple jurisdictions in which we operate. Our effective rate can also be influenced by the tax effects of purchase accounting for acquisitions and non-recurring charges, which may cause fluctuations between reporting periods.

Three Months Ended September 30,	2015		2014		\$	%
	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)
<i>in thousands</i>						
Provision for income taxes	(3,312)	(0.165)%	(778)	(0.054)%	2,534	325.7%

Our provision for income taxes was \$3.3 million and \$0.8 million for the three months ended September 30, 2015 and 2014, respectively. Our effective tax rate was approximately 38.2% and 40.6% for the three months ended September 30, 2015 and 2014, respectively. Our effective tax rate differs from the federal statutory rate due to permanent adjustments for nondeductible items. In addition, the Company accrues for income tax due in state and foreign jurisdictions in which it operates. Our estimate of the annual effective tax rate ("blended rate") changed primarily due to the mix of states that we operate and a decrease in non-deductible tax expense (as a percentage of taxable income), compared to 2014.

**LIQUIDITY AND FINANCIAL CONDITION****Primary Sources and Uses of Cash****Overview**

Liquidity is defined as our ability to generate sufficient amounts of cash to meet all of our cash needs. Liquidity is of critical importance to us and imperative to maintain our operations on a daily basis.

A substantial portion of our assets are liquid. As of September 30, 2015, approximately 94% of our assets consisted of cash, customer receivables, and precious metals inventory, measured at fair value. Cash generated from the sales of our precious metals products is our primary source of operating liquidity.

Typically, we acquire our inventory by: (1) purchasing inventory from our suppliers by utilizing our own capital and lines of credit; (2) borrowing precious metals from our suppliers under short-term arrangements which bear interest at a designated rate, and (3) repurchasing inventory at an agreed-upon price based on the spot price on the specified repurchase date.

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

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 draw upon and pays down its lines of credit so as to minimize interest expense.

**Lines of Credit**

*in thousands*

	September 30, 2015	June 30, 2015	September 30, 2015 Compared to June 30, 2015
Lines of credit	\$ 176,900	\$ 147,000	\$ 29,900

A-Mark has a borrowing facility ("Trading Credit Facility") with a group of financial institutions under an inter-creditor agreement, which provides for lines of credit up to the maximum of the credit facility. All lenders have a perfected, first security interest in all assets of the Company presented as collateral. Loan advances will be available against a borrowing base report of eligible assets in accordance with the inter-creditor agreement currently in place. Pledged collateral comprises assigned and confirmed inventory, trade receivable, trade advances, derivatives, equity and pledged non bullion and bullion loans.

As of September 30, 2015, the maximum of the Trading Credit Facility was \$205.0 million. The Company routinely uses the Trading Credit Facility to purchase precious metals from suppliers and for operating cash flow purposes. Amounts under the Trading Credit Facility bear interest based on London Interbank Offered Rate ("LIBOR") plus a margin. The one-month LIBOR rate was approximately 0.19% and 0.19% as of September 30, 2015 and June 30, 2015, respectively. Borrowings are due on demand and totaled \$176.9 million and \$147.0 million at September 30, 2015 and at June 30, 2015, respectively. The Company is able to access additional credit as needed to finance operations, subject to the overall limits of the Trading Credit Facility and lender approval of the revised borrowing base calculation. The amounts available under the Trading Credit Facility are determined at the end of each week following a specified borrowing base formula. The amounts available under the Trading Credit Facility after taking into consideration current borrowings, based upon the latest approved borrowing bases in effect, totaled \$34.3 million and \$20.9 million at September 30, 2015 and June 30, 2015, respectively.

The Trading Credit Facility has certain restrictive financial covenants, which require the Company to maintain a minimum tangible net worth. As of September 30, 2015, the minimum tangible net worth financial covenant under the Trading Credit Facility was \$35.0 million. The Company is in compliance with all restrictive financial covenants as of September 30, 2015. The Company's ability to pay dividends, if it were to elect to do so, could be limited as a result of these restrictions. Each lender has the right to cancel its credit line upon written notice.

**Liability on Borrowed Metals**

*in thousands*

	September 30, 2015	June 30, 2015	September 30, 2015 Compared to June 30, 2015
Liability on borrowed metals	\$ 4,009	\$ 9,500	\$ (5,491)

We borrow precious metals from our suppliers under short-term arrangements which bear interest at a designated rate. Amounts under these arrangements are due at maturity and require repayment either in the form of precious metals or cash. Our inventories included borrowed metals with market values totaling \$4.0 million and \$9.5 million at September 30, 2015 and at June 30, 2015, respectively.

**Product Financing Agreement**

*in thousands*

	September 30, 2015	June 30, 2015	September 30, 2015 Compared to June 30, 2015
Product financing agreement	\$ 50,030	\$ 39,425	\$ 10,605

The Company has an agreement with a financial institution (a third party) that allows the Company to transfer its gold and silver inventory at a fixed price to this third party. Such agreement allows the Company to repurchase this inventory at an agreed-upon price based on the spot price on the repurchase date. The third party charges monthly interest 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 reflected in the condensed consolidated balance sheet within product financing obligation. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing arrangement and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value included as component of cost of sales. Such obligation totaled \$50.0 million and \$39.4 million as of September 30, 2015 and June 30, 2015, respectively.

**Secured Loans**

*in thousands*

	September 30, 2015	June 30, 2015	September 30, 2015 Compared to June 30, 2015
Secured loans	\$ 50,416	\$ 49,316	\$ 1,100

The Company is a California license finance lender that makes and acquires commercial loans secured by numismatic and semi-numismatic coins and bullion that affords our customers a convenient means of financing their inventory or collections. Predominantly, most of the Company's secured loans are short-term in nature and do not represent a long term obligation of the Company. The renewal of these instruments is at the discretion of the Company and, as such, provides us with some flexibility in regards to our capital deployment strategies.

**Dividends**

*in thousands*

	September 30, 2015	June 30, 2015	September 30, 2015 Compared to June 30, 2015
Dividends, declared	\$ 349	\$ 698	\$ (349)

In fiscal 2015, the Board of Directors of the Company initiated a cash dividend policy that calls for the payment of a quarterly cash dividend of \$0.05 per common share. Two quarterly dividends of \$0.05 per common share were paid by the Company in fiscal 2015.

In fiscal 2016, on September 11, 2015, the Board of Directors of the Company declared a quarterly cash dividend of \$0.05 per common share to stockholders of record at the close of business on September 24, 2015, which was paid on October 5, 2015. On October 30, 2015, the Board of Directors of the Company declared a quarterly cash dividend of \$0.05 per common share to stockholders of record at the close of business on November 13, 2015, which is scheduled to be paid on November 25, 2015.

**Cash Flows**

The majority of the Company's trading activities involve two day value trades under which payment is made in advance of delivery or product is received in advance of payment. The high volume, rapid rate of inventory turn, and high average value per trade 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 maintaining a liquidity reserve to meet the Company's cash needs. The Company uses various short-term financial instruments to manage the rapid cycle of our trading activities from customer purchase order to cash collections and product delivery, which can cause material changes in the 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, 2015 and 2014:

*in thousands*

	Three Months Ended	September 30, 2015	September 30, 2014	Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014
Net cash (used in) provided by operating activities	\$	(54,495)	\$ 5,634	(60,129)
Net cash used in investing activities	\$	(1,544)	\$ (2,973)	1,429
Net cash provided by (used in) financing activities	\$	40,156	\$ (11,197)	51,353

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

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

Operating activities used \$54.5 million and provided \$5.6 million in cash for the three months ended September 30, 2015 and 2014, respectively, representing an increase of \$60.1 million in the use of cash compared to three months ended September 30, 2014. This period over period increase in the of use of funds in operating activities was primarily due changes in the balances of inventory, derivative liabilities and liabilities on borrowed metals, offset by the change in net income, and changes in the balances of derivative assets, and accounts payables.

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

Investing activities used \$1.5 million and used \$3.0 million in cash for the three months ended September 30, 2015 and 2014, respectively, representing an increase of \$1.4 million in the source of cash compared to three months ended September 30, 2014. This period over period increase is the result of the change in balance of secured loans of \$0.5 million that was primarily due to fewer acquisitions of loan portfolios, and a fewer investments of \$1.1 million made in the current comparable period.

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

Financing activities provided \$40.2 million and used \$11.2 million in cash for the three months ended September 30, 2015 and 2014, respectively, representing an increase of \$51.4 million in the source of cash compared to three months ended September 30, 2014. This period over period increase in the source of funds provided by financing activities was primarily due to changes in the balance of product financing arrangements of \$14.6 million, and by the change in the balance of our lines of credit of \$37.1 million.

**CAPITAL RESOURCES**

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

## CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND COMMITMENTS

### Counterparty Risk

We manage our counterparty risk by setting credit and position risk limits with our trading counterparties. These limits include gross position limits for counterparties engaged in sales and purchase transactions with us. They also include collateral limits for different types of sale and purchase transactions that counter parties 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. See [Note 10](#) in the accompanying condensed consolidated financial statements. Our inventories consist of, and our trading activities involve, precious metals and precious metal products, whose prices are linked to the corresponding precious metals prices. Inventories purchased or borrowed by us are subject to price changes. Inventories borrowed are considered natural hedges, since changes in value of the metal held are offset by the obligation to return the metal to the supplier.

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 major financial institutions to hedge price changes that would cause changes in the value of our physical metals positions and purchase commitments and sale commitments. We have access to all of the precious metals markets, allowing us to place hedges. However, we also maintain relationships with major market makers in every major precious metals dealing center, which allows us to enter into contracts with market makers. Futures and forwards contracts open at September 30, 2015 are scheduled to settle within 30 days.

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".) 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 a derivative asset or liability (see [Notes 10](#) to the accompanying condensed consolidated financial statements.) Gains or losses resulting from the termination of hedge contracts are reported as cost of sales. The Company's gains (losses) on derivative instruments are substantially offset by the changes in fair market value 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.

Net gains (losses) on derivative instruments in the condensed consolidated statements of income totaled \$(14.4) million and \$(6.4) million for the three months ended September 30, 2015 and 2014, respectively (see [Note 10](#).)

### Commitments and Contingencies

Refer to Note 13 of the Notes to Consolidated Financial Statements in the 2015 Annual Report for information relating to minimum rental payments under operating and capital leases, consulting and employment contracts, and other commitments. Other than the following item, there has been no material changes to those scheduled commitments as of the filing of that report.

On October 25, 2015, the Company received notification from the City of Santa Monica that the City was challenging the Company's classification as an "agent/broker" for purposes of computing the business license fee due to the City. Historically, A-Mark has paid its business license fee on net receipts, consistent with the "agent/broker" classification. The City of Santa Monica has asserted that the Company should have instead paid the fee based on gross receipts and has made a preliminary assessment against the Company seeking a material amount of what it believes to be underreported fees, together with a material amount of penalties and interest. The Company intends to meet with the City of Santa Monica shortly to discuss the preliminary assessment and the position taken by the Company with respect to the calculation of the fee. Neither the outcome of this administrative matter nor the amount or range of a potential impact to the Company in the event of an unfavorable outcome can be determined at this time.

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 as follows at September 30, 2015 and at June 30, 2015, showing the precious metal commodity inventory position, net of open sale and purchase commitments, which is subject to price risk:

	September 30, 2015	June 30, 2015
Inventory	\$ 254,506	\$ 191,501
Less unhedgable inventory:		
Commemorative coin inventory, held at lower of cost or market	(163)	(1,518)
Premium on metals position	(3,529)	(3,255)
Inventory value not hedged	(3,692)	(4,773)
Subtotal	250,814	186,728
Commitments at market:		
Open inventory purchase commitments	556,388	444,023
Open inventory sales commitments	(477,089)	(249,081)
Margin sale commitments	(11,436)	(12,430)
In-transit inventory no longer subject to market risk	(16,625)	(13,807)
Unhedgable premiums on open commitment positions	6,356	528
Inventory borrowed from suppliers	(4,009)	(9,500)
Product financing obligation	(50,030)	(39,425)
Advances on industrial metals	3,709	3,340
Inventory subject to price risk	258,078	310,376
Inventory subject to derivative financial instruments:		
Precious metals forward contracts at market values	123,658	202,323
Precious metals futures contracts at market values	134,367	107,993
Total market value of derivative financial instruments	258,025	310,316
Net inventory subject to commodity price risk	\$ 53	\$ 60

We are exposed to the risk of default of the counter parties 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, 2015, we believe our risk of counterparty default is mitigated based on our evaluation, the strong financial condition of our counterparties, and the short-term duration of these arrangements.

#### OFF-BALANCE SHEET ARRANGEMENTS

As of September 30, 2015 and June 30, 2015, we had the following outstanding sale and purchase commitments and open forward and future contracts, which are normal and recurring, in nature:

<i>in thousands</i>	September 30, 2015	June 30, 2015
Purchase commitments	\$ 556,388	\$ 444,023
Sales commitments	\$ (477,089)	\$ (249,081)
Margin sale commitments	\$ (11,436)	\$ (12,430)
Open forward contracts	\$ 123,658	\$ 202,323
Open futures contracts	\$ 134,367	\$ 107,993
Foreign exchange forward contracts	\$ 1,211	\$ 6,242

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 at fair value of trade amount measured on the date the contract was transacted. The fair value of the open derivative contracts are shown as a component of receivables or payables in the accompanying condensed consolidated balance sheets (see [Note 10](#).)

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 underlying precious metals inventory position, including our open sale and purchase commitments (see [Note 10](#)). The Company records the derivatives at the trade date, and the 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.

## CRITICAL ACCOUNTING ESTIMATES

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

Our significant accounting policies are discussed in [Note 1](#) and [Note 2](#), [Description of Business](#) and [Summary of Significant Accounting Policies](#), respectively, of the Notes to the accompanying condensed consolidated financial statements that are included in [Item 1, Financial Statements](#), of this Quarterly Report. 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**

Revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, no obligations remain and collection is probable. We record sales of precious metals upon the transfer of title, which occurs upon receipt by customer. We record revenues from our metal assaying and melting services after the related services are completed and the effects of forward sales contracts are reflected in revenue at the date the related precious metals are delivered or the contracts expire. The Company records revenues from its storage and logistics services after the related services are completed.

We account for our metals and sales contracts using settlement date accounting. Pursuant to such accounting, we recognize the sales or purchases of the metals at the settlement date. During the period between trade and settlement dates, we have essentially entered into a forward contract that meets the definition of a derivative in accordance with the *Derivatives and Hedging* Topic 815 of the Accounting Standards Codification ("ASC"). We record the derivatives at the trade date; the fair value of the open derivative contracts are shown as a component of receivables or payables in the accompanying condensed consolidated balance sheets. The 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. Sales which are physically settled are recognized at the gross amount in the condensed consolidated statements of income.



## ***Inventories***

The Company's inventories primarily include bullion and bullion coins and are acquired and initially recorded at fair market value. The fair market value of the bullion and bullion coins is comprised of two components: (1) published market values attributable to the cost of the raw precious metal, and (2) a published premium paid at acquisition of the metal. The premium is attributable to the additional value of the product in its finished goods form and the market value attributable solely to the premium may be readily determined, as it is published by multiple reputable sources. The premium is included in the cost of the inventory, paid at acquisition, and is a component of the total fair market value of the inventory. 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 inventories, except for certain lower of cost or market basis products (as described below), are 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.

As of September 30, 2015 and June 30, 2015, the unrealized gains (losses) resulting from the difference between market value and cost of physical inventories were \$(5.2) million and \$(3.9) million, respectively. The premium component of market value included in the inventories as of September 30, 2015 and June 30, 2015 totaled \$3.5 million and \$3.3 million, respectively.

While the premium component included in inventories is marked-to-market, our commemorative coin inventory, including its premium component, is held at the lower of cost or market, 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. As of September 30, 2015 and June 30, 2015, our commemorative coin inventory totaled \$0.2 million and \$1.5 million, respectively.

Inventories include amounts borrowed from suppliers under arrangements to purchase precious metals on an unallocated basis. 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. Corresponding obligations related to liabilities on borrowed metals are reflected on the condensed consolidated balance sheets and totaled \$4.0 million and \$9.5 million as of September 30, 2015 and June 30, 2015, respectively. The Company mitigates market risk of its physical inventories and open commitments through commodity hedge transactions (see [Note 10](#).)

Inventory includes amounts for obligations under product financing arrangements. A-Mark entered into a product financing agreement for the transfer and subsequent re-acquisition of gold and silver at a fixed price to a third party finance company. This inventory is restricted and is held at a custodial storage facility in exchange for a financing fee, by 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 to return the inventory to A-Mark at an agreed-upon price based on the spot price on the finance arrangement termination date, pursuant to the guidance in ASC 470-40 *Product Financing Arrangements*. The third party charges a monthly fee as percentage of the market value of the outstanding obligation; such monthly charge is classified in interest expense. These transactions do not qualify as sales and therefore have been accounted for as financing arrangements and reflected in the condensed consolidated balance sheet within product financing arrangement. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing and the underlying inventory are carried at fair value, with changes in fair value included in cost of sales in the condensed consolidated statements of income. Such obligation totaled \$50.0 million and \$39.4 million as of September 30, 2015 and June 30, 2015, respectively.

The Company periodically loans metals to customers on a short-term consignment basis, charging interest fees based on the value of the metal loaned. Inventories loaned under consignment arrangements to customers as of September 30, 2015 and June 30, 2015 totaled \$5.6 million and \$5.6 million, respectively. Such inventories are removed at the time the customer elects to price and purchase the metals, and the Company records a corresponding sale and receivable. Substantially all inventory loaned under consignment arrangements are collateralized for benefit of the Company.

The Company enters into 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. As of September 30, 2015 and June 30, 2015, included within inventory is \$75.9 million and \$49.1 million of precious metals products subject to repurchase.

### **Goodwill and Other Purchased Intangible Assets**

We evaluate goodwill and other indefinite life 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 life 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 two-step impairment test is performed. This first step in this test involves comparing the fair value of each reporting unit to its carrying value, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step in the test is performed, which is measurement of the impairment loss. The impairment loss is calculated by comparing the implied fair value of goodwill, as if the reporting unit has been acquired in a business combination, to its carrying amount. In accordance with ASU No. 2011-08, we performed a qualitative assessment on our goodwill, totaling \$4.9 million, and determined no impairment was necessary as of June 30, 2015.

We utilize the discounted cash flow method to determine the fair value of the Company. In calculating the implied fair value of the Company's goodwill, the present value of the Company's expected future cash flows is allocated to all of the other assets and liabilities of the Company based on their fair values. The excess of the present value of the Company's expected future cash flows over the amount assigned to its other assets and liabilities is the implied fair value of goodwill.

Estimates critical to these calculations include projected future cash flows, discount rates, royalty rates, customer attrition rates and foreign exchange rates. Imprecision in estimating unobservable market inputs can impact the carrying amount of assets on the balance sheet. Furthermore, while we believe our valuation methods are appropriate, the use of different methodologies or assumptions to determine the fair value of certain assets could result in a different estimate of fair value at the reporting date.

### **Income Taxes**

As part of the process of preparing our condensed consolidated financial statements, we are required to estimate our provision for income taxes in each of the tax jurisdictions in which we conduct business, in accordance with the *Income Taxes* Topic 740 of the ASC. We compute our annual tax rate based on the statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we earn income. Significant judgment is required in determining our annual tax rate and in evaluating uncertainty in its tax positions. We recognize a benefit for tax positions that we believe will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that we believe has more than a 50% probability of being realized upon settlement. We regularly monitor our tax positions and adjust the amount of recognized tax benefit based on our evaluation of information that has become available since the end of our last financial reporting period. The annual tax rate includes the impact of these changes in recognized tax benefits. The difference between the amount of benefit taken or expected to be taken in a tax return and the amount of benefit recognized for financial reporting represents unrecognized tax benefits. These unrecognized tax benefits are presented in the condensed consolidated balance sheet principally within accrued liabilities. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. Significant judgment is applied when assessing the need for valuation allowances. Areas of estimation include our consideration of future taxable income and ongoing prudent and feasible tax planning strategies.

Should a change in circumstances lead to a change in judgment about the utilization of deferred tax assets in future years, we would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income. Changes in recognized tax benefits and changes in valuation allowances could be material to our results of operations for any period, but is not expected to be material to our condensed consolidated financial position.

We account for uncertainty in income taxes under the provisions of Topic 740 of the ASC. These provisions clarify the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribe a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The provisions also provide guidance on de-recognition, classification, interest, and penalties, accounting in interim periods, disclosure, and transition. The potential interest and/or penalties associated with an uncertain tax position are recorded in provision for income taxes on the condensed consolidated statements of income. Please refer to [Note 11](#) to the accompanying condensed consolidated financial statements for further discussion regarding these provisions.

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 our 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 our effective tax rate on future earnings.

Based on our assessment it appears more likely than not that most of the net deferred tax assets will be realized through future taxable income. Management has established a valuation allowance against the deferred taxes related to certain net operating loss carryovers. Management believes the utilization of these losses may be limited. We will continue to assess the need for a valuation allowance for our remaining deferred tax assets in the future.

The Company's condensed consolidated financial statements recognized the current and deferred income tax consequences that result from the Company's activities during the current and preceding periods, as if the Company were a separate taxpayer prior to the date of the Distribution rather than a member of the Former Parent's condensed consolidated income tax return group. Current tax receivable reflects balances due from the Former Parent for the Company's share of the income tax assets of the group.

Following the Distribution, the Company files federal and state income tax filings that are separate from the Former Parent's tax filings. The Company recognizes current and deferred income taxes as a separate taxpayer for periods ending after the date of Distribution.

#### **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 consolidated financial statements, see [Note 2](#) – Summary of Significant Accounting Policies in Part I, Item 1 of this Form 10-Q.

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

Not applicable.

#### **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 Accounting Officer, which position constitutes our principal financial officer within the meaning of SEC regulations (together, the “Certifying Officers”), 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, as amended (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 Annual 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**

There were no changes 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 fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### ITEM 3. LEGAL PROCEEDINGS

We are party to various legal proceedings arising in the ordinary course of its business. Based on the information currently available, we are not currently a party to any legal proceeding that management believes would have a material adverse effect on our condensed consolidated financial position, cash flows or operations.

### ITEM 1A. RISK FACTORS

#### Risks Relating to Our Business Generally

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

Our business depends substantially on our ability to obtain financing for our operations. A-Mark's borrowing facility, which we refer to as the Trading Credit Facility, provides A-Mark and CFC with the liquidity to buy and sell billions of dollars of precious metals annually. The Trading Credit Facility is a demand facility with a variable interest rate in which five lending institutions currently participate. A-Mark routinely uses the Trading Credit Facility to purchase metals from its suppliers and for operating cash flow purposes. Our CFC subsidiary also uses the facility to finance its lending activities.

An institutional participant in the Trading Credit facility can withdraw at any time on written notice to the Company. The loss of one or more of the lines under the Trading Credit Facility, and the failure of A-Mark to replace those lines, would reduce the financing available to the Company 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 if all or part of the Trading Credit Facility were terminated, on commercially acceptable terms and on a timely basis, or at all.

Because the Trading Credit Facility is a demand facility, the lenders may require us to repay the indebtedness outstanding under the facility at any time. They may require repayment of the indebtedness even if we are in compliance with the financial and other covenants under the Trading Credit Facility. If the lenders were to demand repayment, we may not at the time have the financial resources to comply.

Because interest under the Trading Credit Facility is variable, we are subject to fluctuations in interest rates 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 facility. Amounts under the Trading Credit Facility bear interest based on one month LIBOR plus a margin and vary by financial institution. The LIBOR rate was approximately 0.19% and 0.19% as of September 30, 2015 and June 30, 2015, respectively.

A change in the rates of interest charged by the lenders could adversely impact our profitability in a number of ways.

- The prices that we charge our trading customers include an interest carrying factor that reflects our cost of funds. The trading business is highly price competitive, and characterized by narrow margins. If our cost of funds increases and we cannot pass on the increase to our customers, our gross profit will decrease.
- We borrow to finance, in part, our inventory of precious metals and coins. If our interest costs increase, we would either have to absorb the increased costs, cutting into our margins, or reduce our inventory levels, which could adversely impact our ability to service our customers.
- In certain cases, our ability to offer customers financing for their purchases of precious metals and coins at competitive rates is an important factor the customers' decision to transact with us. The financing we provide to our customers is funded, in part, through the borrowings under our credit facility. If our borrowing costs increase, and our customers are unwilling to finance their purchases at the higher rates, we would lose sales.

##### *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 most cases, secured by the related products maintained in the Company's possession or by a letter of credit issued on behalf of the customer. On average, these receivables are outstanding for periods of between 8 and 9 days.
- The Company operates a financing business through CFC that makes secured loans at loan to value ratios—principal loan amount divided by the "liquidation value", as conservatively estimated by management, of the

collateral—of, in most cases, 50% to 80%. These loans are both variable and fixed interest rate loans, with maturities from six 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, (ii) increases in market rates of interest and (iii) changes in the condition or value of the collateral; and
- the reserves we establish for loan losses, which may prove inadequate.

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

One of A-Mark's key assets is its customer base. This customer base provides deep distribution of product and makes A-Mark a desirable trading partner for precious metals product manufacturers, including sovereign mints seeking to distribute precious metals coinage or large refiners seeking to sell large volumes of physical precious metals. Two customers represented 28.9% of A-Mark's revenues for the three months ended September 30, 2015. A single customer represented 30.9% of A-Mark's revenues for the year ended June 30, 2015. If our relationship with these customers deteriorated, or if we were to lose these customers, our business would 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 materially adverse effect on our business.

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

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

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

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

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

***Our business is influenced by political conditions and world events.***

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

***We have significant operations outside the United States.***

We derive over 10% of our revenues from business outside the United States, including from customers in developing countries. Business operations outside the U.S. are subject to political, economic and other risks inherent in operating in foreign countries. These include risks of general applicability, such as the need to comply with multiple regulatory regimes; trade protection measures and import or export licensing requirements; and fluctuations in equity, revenues and profits due to changes in foreign currency exchange rates. Currently, we do not conduct substantial business with customers in developing countries. However, if our business in these areas of the world were to increase, we would also face risks that are particular to developing countries, including the difficulty of enforcing agreements, collecting receivables; protecting inventory and other assets through foreign legal systems; limitations on the repatriation of earnings; currency devaluation and manipulation of exchange rates; and high levels of inflation.

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

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

Our performance is dependent on our senior management and certain other key employees. We have employment agreements with Greg Roberts, our CEO; Thor Gjerdrum, our COO; and our senior vice president. These employment agreements all expire at the end of fiscal 2016. These and other employees have expertise in the trading markets, 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 materially and adversely affect our business.

***We are focused on growing our business, but there is no assurance that we will be successful.***

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

With the establishment of our Logistics facility, we are undertaking direct responsibility for comprehensive inventory and depository services to support our wholesale operations beyond that which we have provided in the past. We may not have the expertise to perform such services successfully. In addition, we have no prior experience offering the type of turn-key logistics services to our retail customers that Logistics intends to provide. The efforts to establish and operate Logistics have placed, and are expected to continue to place, demands on our management and other personnel and resources, and have required, and will continue to require, timely and continued investment in facilities, personnel and financial and management systems and controls. If we are not successful with our Logistics operations, our operations as a whole could be adversely affected.

Our bank group has 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.

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

To accomplish our growth strategy, we will require adequate sources of liquidity to fund both our existing business and our expansion activity. Currently, our sources of liquidity are the cash that we generate from operations and our borrowing availability under the Trading Credit Facility. 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 expect to grow in part through acquisitions, but an acquisition strategy entails risks.***

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

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

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

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

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

The SEC has promulgated final 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 new 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 Corporations. 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 Corporations may audit the books and records of CFC to determine whether CFC is in compliance with the terms of its lending license.

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.

On October 25, 2015, the Company received notification from the City of Santa Monica that the City was challenging the Company's classification as an "agent/broker" for purposes of computing the business license fee due to the City. Historically,



A Mark has paid its business license fee on net receipts, consistent with the "agent/broker" classification. The City of Santa Monica has asserted that the Company should have instead paid the fee based on gross receipts and has made a preliminary assessment against the Company seeking a material amount of what it believes to be underreported fees, together with a material amount of penalties and interest. The Company intends to meet with the City of Santa Monica shortly to discuss the preliminary assessment and the position taken by the Company with respect to the calculation of the fee. Neither the outcome of this administrative matter nor the amount or range of a potential impact to the Company in the event of an unfavorable outcome can be determined at this time.

***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 trading 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 trading 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.

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

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

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

By the nature of our business, we maintain significant amounts of customer data on our systems. Moreover, certain third party providers have access to confidential data concerning the Company in the ordinary course of their business relationships with the Company. In recent years, various companies, including companies that are significantly larger than us, have reported breaches of their computer systems that have resulted in the compromise of customer data. Any significant 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.

**Risks Relating to Commodities**

***A-Mark's business is heavily influenced by volatility in commodities prices.***

A primary driver of A-Mark's profitability is volatility in commodities prices, which leads to wider bid and ask spreads. Among the factors that can impact the price of precious metals are supply and demand of precious metals; political, economic, and global financial events; movement of the U.S. dollar versus other currencies; and the activity of large speculators such as hedge funds. If commodity prices were to stagnate, there would likely be a reduction in trading activity, resulting in less demand for the services A-Mark provides, which could materially adversely affect our business, liquidity and results of operations.

This volatility may drive fluctuation of our revenues, as a consequence of which our results for any one period may not be indicative of the results to be expected for any other period. See "[Management's Discussion and Analysis of Financial Condition and Results of Operations](#)"

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

A-Mark's precious metals inventories are subject to market value changes created by change in the underlying commodity price, as well as supply and demand of the individual products the Company trades. In addition, open sale and purchase commitments are subject to changes in value between the date the purchase or sale is fixed (the trade date) and the date metal is delivered or received (the settlement date). A-Mark seeks to minimize the effect of price changes of the underlying commodity through the



use of financial derivative instruments, such as forward and futures contracts. A-Mark's policy is to remain substantially hedged as to its inventory position and its individual sale and purchase commitments. A-Mark's management monitors its hedged exposure daily. However, there can be no assurance that these hedging activities will be adequate to protect the Company against commodity price risks associated with A-Mark's business activities.

Furthermore, even if we are fully hedged as to any given position, there is the risk of default by our counterparties to the hedge. Any such default could have a material adverse effect on our financial position and results of operations.

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

We maintain a large and varied inventory of precious metal products, including bullion and coins, in order to support our trading activities and provide our customers with superior service. The amount of inventory that we are able to carry is constrained by the borrowing limitations and working capital covenants under our credit facility. If commodity prices were to rise substantially, and we were unable to modify the terms of our 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.

***The Dodd-Frank Act could adversely impact our use of derivative instruments to hedge precious metal prices and may have other adverse effects on our business.***

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires the Commodity Futures Trading Commission to promulgate rules and regulations implementing the new legislation, including with respect to derivative contracts on commodities. This legislation and any implementing regulations could significantly increase the cost of some commodity derivative contracts (including through requirements to post collateral, which could adversely affect our available liquidity), materially alter the terms of some commodity derivative contracts, reduce the availability of some derivatives to protect against risks, reduce our ability to monetize or restructure our existing commodity derivative contracts and potentially increase our exposure to less creditworthy counterparties. If we reduce our use of derivatives as a result of the Dodd-Frank legislation and regulations, we would be exposed to inventory and other risks associated with fluctuations in commodity prices. Also, if the Dodd-Frank legislation and regulations result in less volatility in commodity prices, our revenues could be adversely affected.

***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.

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

***Public company costs have increased our expenses and administrative burden, in particular in order to bring our Company into compliance with certain provisions of the Sarbanes Oxley Act of 2002.***

As a public company, we are incurring significant legal, accounting and other expenses that we did not incur as a private company. These increased costs and expenses may arise from various factors, including financial reporting costs associated with complying with federal securities laws (including compliance with the Sarbanes-Oxley Act of 2002).

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, and related regulations implemented by the SEC and NASDAQ have created uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. We are currently evaluating and monitoring developments with respect to new and proposed rules and cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs. Applicable laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased selling, general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

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

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

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

The Company has determined that it qualifies as a smaller reporting company as of December 31, 2014. As such, it is not categorized as an accelerated filer for the fiscal year ended June 30, 2015. Therefore, the Company is not required to obtain a report by our independent registered public accounting firm that addresses the effectiveness of internal control over financial reporting for that year. The Company will continue to be exempt from the requirement of obtaining such a report unless and until it meets the definition of an accelerated filer.

***We may not be able to continue to pay dividends.***

Effective March 2, 2015, the Board of Directors approved a cash dividend policy calling for the payment of a quarterly cash dividend of \$0.05 per common share. Under the approved cash dividend policy, the declaration of cash dividends in the future is subject to the determination each quarter by the Board of Directors, based on 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. Accordingly, there can be no assurance that the Company will continue to pay 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 only obtain an economic benefit from the common stock only after an increase in its trading price and only by selling the common stock.

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

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

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

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

Your percentage ownership in A-Mark potentially will be diluted in the future because of additional equity awards that we expect will be granted to our directors, officers and employees in the future. 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 would dilute your percentage ownership.

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

Members of our board and management beneficially own over 45% 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.

***If the Company's spinoff from SGI is determined to be taxable for U.S. federal income tax purposes, our shareholders could incur significant U.S. federal income tax liabilities.***

In connection with the spinoff, SGI received the written opinion of Kramer Levin Naftalis & Frankel LLP (Kramer Levin) to the effect that the spinoff qualified as a tax-free transaction under Section 355 of the Internal Revenue Code, and that for U.S. federal income tax purposes (i) no gain or loss was recognized by SGI upon the distribution of our common stock in the spinoff, and (ii) no gain or loss was recognized by, and no amount was included in the income of, holders of SGI common stock upon the receipt of shares of our common stock in the spinoff. The opinion of tax counsel is not binding on the Internal Revenue Service or the courts, and there is no assurance that the IRS or a court will not take a contrary position. In addition, the opinion of Kramer Levin relied on certain representations and covenants delivered by SGI and us. If, notwithstanding the conclusions included in the opinion, it is ultimately determined that the distribution does not qualify as tax-free for U.S. federal income tax purposes, each SGI shareholder that is subject to U.S. federal income tax and that received shares of our common stock in the distribution could be treated as receiving a taxable distribution in an amount equal to the fair market value of such shares. In addition, if the distribution were not to qualify as tax-free for U.S. federal income tax purposes, then SGI would recognize gain in an amount equal to the excess of the fair market value of our common stock distributed to SGI shareholders on the date of the distribution over SGI's tax basis in such shares. Also, we could have an indemnification obligation to SGI related to its tax liability.

***We might not be able to engage in desirable strategic transactions and equity issuances because of restrictions relating to U.S. federal income tax requirements for tax-free distributions.***

Our ability to engage in significant equity transactions is restricted in order to preserve for U.S. federal income tax purposes the tax-free nature of the distribution by SGI. Even if the distribution otherwise qualifies for tax-free treatment under Section 355 of the Internal Revenue Code, it may be taxable to SGI if 50% or more, by vote or value, of shares of our common stock or SGI's common stock are acquired or issued as part of a plan or series of related transactions that includes the distribution. For this purpose, any acquisitions or issuances of SGI's common stock within two years before the distribution, and any acquisitions or issuances of our or SGI's common stock within two years after the distribution, generally are presumed to be part of such a plan, although we or SGI may be able to rebut that presumption. If an acquisition or issuance of shares of our common stock or SGI's common stock triggers the application of Section 355(e) of the Code, SGI would recognize a taxable gain to the extent the fair market value of our common stock immediately prior to the distribution exceeds SGI's tax basis in our common stock at such time.

Under the tax separation agreement, there are restrictions on our ability to take actions that could cause the distribution to fail to qualify for favorable treatment under the Internal Revenue Code. These restrictions may prevent us from entering into transactions which might be advantageous to us or our shareholders.

***There can be no assurance that SGI will not enter insolvency proceedings.***

There is no assurance that, in the future, SGI will not be subject to bankruptcy or other insolvency proceedings. If that were the case, SGI creditors may allege that SGI was insolvent at the time of the distribution, or was rendered insolvent as a result of the distribution, such that the distribution constituted a fraudulent conveyance, and such creditors could seek to recover the A-Mark shares distributed in the spinoff or their value.

As disclosed in SGI's Annual Report on Form 10-K, in May 2006, Spanish judicial authorities shut down the operations of Afinsa and began an investigation related to alleged criminal wrongdoing, including money laundering, fraud, tax evasion and criminal insolvency. The Spanish criminal investigation initially focused on Afinsa and certain of its executives and was later expanded to include several former officers and directors of SGI and Central de Compras, including Greg Manning, a former chief executive officer of SGI. The allegations against Afinsa and the certain named individuals relate to the central claim that Afinsa's business operations constituted a fraudulent "Ponzi scheme," whereby funds received from later investors were used to pay interest to earlier investors, and that the stamps that were the subject of the investment contracts were highly overvalued. Spanish authorities have alleged that Mr. Manning knew Afinsa's business, and aided and abetted in its activity by, among other things, causing SGI to supply allegedly overvalued stamps to Afinsa.

The Company understands that under Spanish law, if any of the former officers or directors of SGI or its subsidiary were ultimately found guilty, then, under the principle of secondary civil liability, SGI could be held liable for certain associated damages.

Mr. Manning, other former directors and officers of SGI, and SGI itself, on a secondary civil liability basis, are parties to the proceedings. The charges include a civil demand for substantial monetary damages.

We cannot predict the outcome of the proceedings, and we cannot assure you that the solvency of SGI could not be deemed to be affected by the proceedings.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**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**

<b>Item No.</b>	<b>Description of Exhibit</b>
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 *	XBRL Instance Document.
101.SCH *	XBRL Taxonomy Extension Calculation Schema Document.
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document.

\* Filed herewith

**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 12, 2015**

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

By: /s/ Gregory N. Roberts

Name: Gregory N. Roberts

Title: Chief Executive Officer

*(Principal Executive Officer)*

**November 12, 2015**

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

By: /s/ Gianluca Marzola

Name: Gianluca Marzola

Title: Chief Accounting 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>	<b>November 12, 2015</b>
<u>/s/ Gianluca Marzola</u> Gianluca Marzola	Chief Accounting Officer <i>(Principal Financial Officer)</i>	<b>November 12, 2015</b>

**Exhibit 31.1**

**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 12, 2015

/s/ Gregory N. Roberts

Name: Gregory N. Roberts

Title: Chief Executive Officer

**Exhibit 31.2**  
**CERTIFICATION**

I, Gianluca Marzola, 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 12, 2015

/s/ Gianluca Marzola

Name: Gianluca Marzola

Title: Chief Accounting Officer

**Exhibit 32.1**

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 year ended September 30, 2015, 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 12, 2015

*/s/ Gregory N. Roberts*

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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.



**Exhibit 32.2**

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 year ended September 30, 2015, 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 12, 2015

*/s/ Gianluca Marzola*

Name: Gianluca Marzola

Title: Chief Accounting 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.