

A-Mark Precious Metals, Inc.
Form 10-Q
May 11, 2016
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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 March 31, 2016

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 11-2464169
(State of Incorporation) (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 Name of each exchange on which registered

Common Stock, \$0.01 par value 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

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company” in Rule 12b-2 of the Exchange Act:

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

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

As of May 10, 2016, the registrant had 6,996,964 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 March 31, 2016

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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 for share data)
 (unaudited)

	March 31, 2016	June 30, 2015
ASSETS		
Current assets:		
Cash	\$ 12,972	\$ 20,927
Receivables, net	25,928	30,025
Derivative assets	11,086	11,364
Secured loans receivable	64,227	48,666
Inventories:		
Inventories	180,805	152,076
Restricted inventories	93,168	39,425
	273,973	191,501
Income taxes receivable	8,845	7,846
Income taxes receivable from Former Parent	—	1,095
Prepaid expenses and other assets	1,662	1,202
Total current assets	398,693	312,626
Property and equipment, net	3,338	2,850
Goodwill	4,884	4,884
Intangibles, net	2,082	2,369
Long-term secured loans receivable	600	650
Long-term investments	7,785	2,500
Deferred tax assets - non-current	—	23
Total assets	\$ 417,382	\$ 325,902
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 190,000	\$ 147,000
Liability on borrowed metals	5,573	9,500
Product financing arrangement	93,168	39,425
Accounts payable	42,838	50,639
Derivative liabilities	11,073	17,897
Accrued liabilities	6,600	5,330
Income taxes payable to Former Parent	510	—
Deferred tax liability - current	4,398	149
Total current liabilities	354,160	269,940
Deferred tax liabilities - non-current	268	—
Total liabilities	354,428	269,940
Commitments and contingencies		
Stockholders' equity:		
	—	—

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Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of March 31, 2016 and June 30, 2015

Common Stock, par value \$0.01; 40,000,000 shares authorized; 6,996,964 and 6,973,549 shares issued and outstanding as of March 31, 2016 and June 30, 2015, respectively	70	70
Additional paid-in capital	22,444	22,470
Retaining earnings	40,440	33,422
Total stockholders' equity	62,954	55,962
Total liabilities and stockholders' equity	\$417,382	\$325,902

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended		Nine Months Ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Revenues	\$1,512,750	\$1,624,495	\$5,048,829	\$4,616,832
Cost of sales	1,505,892	1,618,871	5,021,871	4,598,285
Gross profit	6,858	5,624	26,958	18,547
Selling, general and administrative expenses	(5,366)	(4,089)	(16,302)	(13,062)
Interest income	2,250	1,607	6,365	4,482
Interest expense	(1,658)	(1,157)	(4,214)	(3,189)
Other income	107	—	613	—
Unrealized (losses) gains on foreign exchange	(102)	(123)	9	(207)
Net income before provision for income taxes	2,089	1,862	13,429	6,571
Provision for income taxes	(894)	(177)	(5,226)	(2,086)
Net income	\$1,195	\$1,685	\$8,203	\$4,485
Basic and diluted income per share:				
Basic - net income	\$0.17	\$0.24	\$1.18	\$0.64
Diluted - net income	\$0.17	\$0.24	\$1.15	\$0.64
Weighted average shares outstanding:				
Basic	6,983,400	6,962,742	6,976,800	6,962,742
Diluted	7,146,100	7,061,600	7,111,900	7,061,700

See accompanying Notes to Condensed Consolidated Financial Statements

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A-MARK PRECIOUS METALS, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in thousands, except for share data)

(unaudited)

	Common Stock (Shares)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Balance, June 30, 2015	6,973,549	\$ 70	\$ 22,470	\$ 33,422	\$ 55,962
Net income	—	—	—	8,203	8,203
Share-based compensation	—	—	224	—	224
Release of restricted stock units	35,957	—	—	—	—
Repurchase and retirement of restricted stock units for payroll taxes	(12,542)	—	(250)	—	(250)
Dividends declared	—	—	—	(1,185)	(1,185)
Balance, March 31, 2016	6,996,964	\$ 70	\$ 22,444	\$ 40,440	\$ 62,954

See accompanying Notes to Condensed Consolidated Financial Statements

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A-MARK PRECIOUS METALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

(unaudited)

Nine Months Ended	March 31, 2016	March 31, 2015
Cash flows from operating activities:		
Net income	\$ 8,203	\$ 4,485
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	911	678
Deferred income taxes	4,540	(747)
Interest added to principal of secured loans	(65)	(181)
Share-based compensation	224	180
Earnings from equity method investment	(613)	—
Changes in assets and liabilities:		
Receivables	4,097	(16,453)
Secured loans	2,404	381
Secured loans to Former Parent	(1,363)	538
Derivative assets	278	15,794
Income tax receivable	(999)	(5,643)
Inventories	(82,472)	(11,018)
Prepaid expenses and other current assets	(460)	(1,868)
Accounts payable	(7,801)	30,182
Derivative liabilities	(6,824)	(20,277)
Liabilities on borrowed metals	(3,927)	(2,214)
Accrued liabilities	1,270	(1,595)
Receivable from/payables to Former Parent	1,605	(877)
Income taxes payable	—	(2,178)
Net cash used in operating activities	(80,992)	(10,813)
Cash flows from investing activities:		
Capital expenditures for property and equipment	(1,112)	(87)
Purchase of long-term investments	(4,672)	(1,111)
Secured loans, net	(16,487)	(5,736)
Net cash used in investing activities	(22,271)	(6,934)
Cash flows from financing activities:		
Product financing arrangement, net	53,743	23,504
Dividends paid	(1,185)	(349)
Borrowings (repayments) under lines of credit, net	43,000	(2,400)
Repurchase and retirement of restricted stock for payroll taxes	(250)	—
Net cash provided by financing activities	95,308	20,755
Net (decrease) increase in cash and cash equivalents	(7,955)	3,008
Cash and cash equivalents, beginning of period	20,927	13,193
Cash and cash equivalents, end of period	\$ 12,972	\$ 16,201
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest expense	\$ 3,997	\$ 3,038

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Income taxes	\$ 151	\$ 11,751
Non-cash investing and financing activities:		
Interest added to principal of secured loans	\$ 65	\$ 181

See accompanying Notes to Condensed Consolidated Financial Statements

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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 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 statement of stockholders’ equity, and condensed consolidated statements of cash flows for the periods presented in accordance with U.S. GAAP. Operating results for the nine months ended March 31, 2016 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.

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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 not experienced any losses related to these balances.

Assets that potentially subject the Company to concentrations of credit risk consist principally of receivables, loans of inventory to customers, and inventory hedging transactions. Concentration of credit risk with respect to receivables is limited due to the large number of customers composing the Company's customer base, the geographic dispersion of the customers, and the collateralization of substantially all receivable balances. Based on an assessment of credit risk, the Company typically grants collateralized credit to its customers. 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

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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 March 31, 2016 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 three 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 March 31, 2016 and June 30, 2015, management concluded that an impairment was not required.

Long-term Investments

Investments in privately-held entities that are at least 20% but less than 50% owned by the Company are accounted for using the equity method. Under the equity method the carrying value of the investment is adjusted for the Company's proportionate share of the investee's earnings or losses, with the corresponding share of earnings or losses reported in other income (expense), net. The carrying value of the investment is reduced by the amount of the dividends received

from the equity-method investee, as they are considered as a return of capital.

Investments in privately-held entities that are less than 20% owned by the Company are accounted for using the cost method, unless the Company can exercise significant influence or the investee is economically dependent upon the Company, in which case the equity method is used. Under the cost method, investments are carried at cost and other income is recorded when dividends are received from the cost-method investee.

We evaluate our long-term investments for impairment quarterly or whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable.

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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.)

Also, the Company enters into repurchases agreements, whereby the Company sells products at the prevailing spot price plus a premium, and then repurchases the products back from the customer at the prevailing spot price, thereby earning a fee (recorded as interest income) based on a calculated premium over the spot price, resulting in an open sales commitment to deliver products at the agreed upon date and price.

Interest Expense

The Company incurs interest expense and related fees as a result of usage under its lines of credit, product financing arrangement 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 arrangement 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 designated inventory, 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.

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Derivative Instruments

The Company's inventory, and purchase and sale commitment transactions consist of precious metals products. The value of our inventory and these commitments is 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 11.)

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 \$137,000 and \$206,000, respectively, for the three months ended March 31, 2016 and 2015. Advertising expense was \$463,000 and \$456,000, respectively, for the nine months ended March 31, 2016 and 2015.

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 \$1.5 million and \$2.1 million, respectively, for the three months ended March 31, 2016 and 2015. Shipping and handling costs incurred totaled \$5.6 million and \$5.3 million, respectively, for the nine months ended March 31, 2016 and 2015.

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.

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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 12 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 payable to Former Parent reflects balances due to 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. Income taxes receivable from Former Parent reflects balance 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.

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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 and nine months ended March 31, 2016 and 2015.

in

thousands

	Three Months Ended March 31, 2016		Nine Months Ended March 31, 2016	
Basic weighted average shares outstanding (1)	6,983	6,963	6,977	6,963
Effect of common stock equivalents — stock issuable under outstanding equity awards	63	99	135	99
Diluted weighted average shares outstanding	7,146	7,062	7,112	7,062

Basic weighted average shares

(1) outstanding include the effect of vested but unissued restricted stock grants.

Recent Accounting Pronouncements Not Yet Adopted

In March 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-09, ("ASU 2016-09"), Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments in this update simplify several aspects of the accounting for share-based payment award transactions including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. For public entities, ASU 2016-09 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We do not expect the adoption of this standard will have a material effect on our consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, ("ASU 2016-02"), Leases (Topic 842). The amendments in this update require lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases at the commencement date. For public entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, and is to be applied using a modified retrospective

transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We are evaluating the new guidelines to see if they will have a significant impact on our consolidated results of operation, financial condition or cash flows.

In November 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-17, Income Taxes: Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"), which simplifies the presentation of deferred taxes by requiring deferred tax assets and liabilities be classified as non-current on the balance sheet. This update is effective for fiscal years beginning after December 15, 2016. The guidance may be adopted prospectively or retrospectively and early adoption is permitted. We have not early adopted ASU, and the adoption of this update is not expected to have a material impact on our results of operations, financial position or cash flows.

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.

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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 March 31, 2016 and June 30, 2015.

in thousands

	March 31, 2016		June 30, 2015	
	Carrying	Fair	Carrying	Fair
	Amount	value	Amount	value
Financial assets:				
Cash	\$12,972	\$12,972	\$20,927	\$20,927
Receivables and advances, net	25,928	25,928	30,025	30,025
Secured loans	64,827	64,827	49,316	49,316
Derivative assets - open sale and purchase commitments, net	9,834	9,834	1,722	1,722
Derivative assets - futures contracts	1,226	1,226	5,363	5,363
Derivative assets - forward contracts	26	26	4,279	4,279
Income taxes receivable from Former Parent	—	—	1,095	1,095
Financial liabilities:				
Lines of credit	\$190,000	\$190,000	\$147,000	\$147,000
Liability on borrowed metals	5,573	5,573	9,500	9,500
Product financing arrangement	93,168	93,168	39,425	39,425
Derivative liabilities - liability on margin accounts	6,788	6,788	6,908	6,908
Derivative liabilities - open sale and purchase commitments, net	159	159	10,989	10,989
Derivative liabilities - futures contracts	1,163	1,163	—	—
Derivative liabilities - forward contracts	2,963	2,963	—	—
Accounts payable, advances and other payables	42,838	42,838	50,639	50,639
Accrued liabilities	6,600	6,600	5,330	5,330
Income taxes payable to Former Parent	510	510	—	—

The fair values of the financial instruments shown in the above table as of March 31, 2016 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:

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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 Arrangement. Product financing arrangement consists 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 arrangement is classified in Level 1 of the valuation hierarchy.

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and June 30, 2015 aggregated by the level in the fair value hierarchy within which the measurements fall:

	March 31, 2016			Total
	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
in thousands				
Assets:				
Inventory ⁽¹⁾	\$273,967	\$	—\$	—\$273,967
Derivative assets — open sale and purchase commitments, net	9,834	—	—	9,834
Derivative assets — futures contracts	1,226	—	—	1,226
Derivative assets — forward contracts	26	—	—	26
Total assets, valued at fair value	\$285,053	\$	—\$	—\$285,053
Liabilities:				
Liability on borrowed metals	\$5,573	\$	—\$	—\$5,573
Product financing arrangement	93,168	—	—	93,168
Derivative liabilities — liability on margin accounts	6,788	—	—	6,788
Derivative liabilities — open sales and purchase commitments, net	159	—	—	159
Derivative liabilities — future contracts	1,163	—	—	1,163

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Derivative liabilities — forward contracts	2,963	—	—	2,963
Total liabilities, valued at fair value	\$109,814	\$	—\$	—\$109,814

⁽¹⁾ Commemorative coin inventory totaling \$6,000 is held at lower of cost or market and is thus excluded from this table.

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	June 30, 2015			
	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
in thousands				
Assets:				
Inventory ⁽¹⁾	\$ 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	\$ 201,347	\$ —	\$ —	\$ 201,347
Liabilities:				
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	\$ 66,822	\$ —	\$ —	\$ 66,822

⁽¹⁾ 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 reported periods.

Assets Measured at Fair Value on a Non-Recurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only under certain circumstances. These include cost method and equity 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 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 initially recorded at cost, \$7.2 million, in aggregate, as of March 31, 2016. 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. For the Company's equity method investment, it recognized \$0.1 million and \$0.6 million earnings associated with the Company's ownership interests in this noncontrolled entities during the three and nine months ended March 31, 2016, respectively. As of March 31, 2016 and June 30, 2015, the carrying value of the Company's investments totaled \$7.8 million and \$2.5 million, respectively.

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 March 31, 2016, 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 and nine months ended March 31, 2016 and 2015.

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4. RECEIVABLES

Receivables consist of the following as of March 31, 2016 and June 30, 2015:
in thousands

	March 31, 2016	June 30, 2015
Customer trade receivables	\$ 3,207	\$ 11,835
Wholesale trade advances	16,425	12,164
Due from brokers	6,326	6,056
Subtotal	25,958	30,055
Less: allowance for doubtful accounts	(30)	(30)
Receivables, net	\$ 25,928	\$ 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 11](#)).

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
Nine Months Ended March 31, 2016	\$ 30	\$ —	—	\$ 30
Year Ended June 30, 2015	\$ 30	\$ —	—	\$ 30

5. SECURED LOANS RECEIVABLE

Below is a summary of the carrying-value of our secured loans as of March 31, 2016 and June 30, 2015:
in thousands

	March 31, 2016	June 30, 2015
Secured loans originated	\$ 40,756	\$ 36,778
Secured loans originated - with a related party	1,363	—
	42,119	36,778
Secured loans acquired	22,708	(1) 12,538 (2)
Secured loans (current and long-term)	\$ 64,827	\$ 49,316

(1) Includes \$86,000 of amortized loan premium as of March 31, 2016.

(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., secured loans - originated). 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 13](#), for further information regarding our secured loans made to related parties.)

Secured loans - acquired: Secured loans also include short-term loans, which include a combination of on-demand lines and short term facilities that are purchased from our customers (i.e., secured loans - acquired). The Company

acquires a portfolio

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of their loan receivables at a 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 March 31, 2016 and June 30, 2015, our secured loans carried weighted-average effective interest rates of 8.2% 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

	March 31, 2016		June 30, 2015	
Bullion	\$25,212	38.9 %	\$16,250	33.0 %
Numismatic and semi numismatic	38,815	59.9	32,216	65.3
Subtotal	64,027	98.8	48,466	98.3
Other pledged assets ⁽¹⁾	800	1.2	850	1.7
Total secured loans	\$64,827	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 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.

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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

	March 31, 2016	June 30, 2015
Loan-to-value of 75% or more ⁽¹⁾	\$15,303 23.9 %	\$17,153 35.4 %
Loan-to-value of less than 75% ⁽¹⁾	48,724 76.1	31,313 64.6
Secured loans collateralized by precious metal products ⁽¹⁾	\$64,027 100.0%	\$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 no loans with a loan-to-value ratio in excess of 100% at March 31, 2016. 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 overall secured loan balance.

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 and nine months ended March 31, 2016 and 2015, the Company incurred no loan impairment costs.

6. INVENTORIES

Our inventory consists of the precious metals that the Company has physically received, and inventory held by third-parties, which, at the Company's option, it may or may not receive. Below, our inventory is summarized by classification at March 31, 2016 and June 30, 2015:

in thousands

	March 31, 2016	June 30, 2015
Inventory held for sale	\$92,698	\$86,353
Repurchase arrangements with customers	76,191	49,117
Consignment arrangements with customers	6,337	5,588
Commemorative coins, held at lower of cost or market	6	1,518
Borrowed precious metals from suppliers	5,573	9,500
Product financing arrangement, restricted	93,168	39,425
	\$273,973	\$191,501

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 March 31, 2016 and June 30, 2015, the inventory held for sale totaled \$92.7 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

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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 March 31, 2016 and June 30, 2015, included within inventory is \$76.2 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 March 31, 2016 and June 30, 2015 totaled \$6.3 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.

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 \$6,000 and \$1.5 million as of March 31, 2016 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 \$5.6 million and \$9.5 million as of March 31, 2016 and June 30, 2015, respectively.

Product Financing Arrangement. Inventories include amounts for obligations under product financing arrangement. 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 sheets 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 \$93.2 million and \$39.4 million as of March 31, 2016 and June 30, 2015, respectively.

The Company mitigates market risk of its physical inventories and open commitments through commodity hedge transactions (see [Note 11](#).)

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 March 31, 2016 and June 30, 2015 totaled \$5.5 million and \$3.3 million, respectively. As of March 31, 2016 and June 30, 2015, the unrealized gains (losses) resulting from the difference between market value and cost of physical inventories were \$2.1 million and \$(3.9) million, respectively.

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7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31, 2016 and June 30, 2015:
in thousands

	March 31, June 30,	
	2016	2015
Office furniture, fixtures and equipment	\$ 1,099	\$616
Computer equipment	368	368
Computer software	2,731	2,376
Leasehold improvements	1,974	1,700
Subtotal	6,172	5,060
Less: accumulated depreciation	(2,834)	(2,210)
Property and equipment, net	\$ 3,338	\$2,850

Depreciation expense for the three months ended March 31, 2016 and 2015 was \$209,000 and \$127,000, respectively. Depreciation expense for the nine months ended March 31, 2016 and 2015 was \$624,000 and \$390,000, 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 March 31, 2016 and June 30, 2015 is as described below:
dollar amounts in thousands

	Estimated Useful Lives (Years)	March 31, 2016			June 30, 2015		
		Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Existing customer relationships	5 - 15	5,747	(4,119)	1,628	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	(6,314)	1,628	7,942	(6,027)	1,915
Trade-name	Indefinite	\$454	\$ —	\$454	\$454	\$ —	\$454
		\$8,396	\$(6,314)	\$2,082	\$8,396	\$(6,027)	\$2,369

The Company's other purchased intangible assets are subject to amortization except for trade-names, 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 three to fifteen years. Amortization expense related to the Company's intangible assets for the three months ended March 31, 2016 and 2015 was \$96,000 and \$96,000, respectively. Amortization expense related to the Company's intangible assets for the nine months ended March 31, 2016 and 2015 was \$287,000 and \$287,000, respectively.

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

Fiscal year ending June 30,	Amount
2016 (3 months remaining)	\$ 98
2017	385
2018	385
2019	385
2020	375
Thereafter	—
Total	\$ 1,628

9. INVESTMENTS

The Company has two investments in privately-held entities, both of which are online precious metals retailers and customers of the Company. The Company has exclusive supplier agreements with each entity, for which these customers have agreed to purchase all bullion products required for their businesses exclusively from A-Mark, subject to certain limitations. The Company also provides fulfillment services to both of these customers. The following table shows the carrying value of the Company's investments in the privately held companies, categorized by type of investment:

in thousands

	March 31, June 30,	
	2016	2015
Equity method investment	\$ 7,285	\$ 2,000
Cost method investment	500	500
	\$ 7,785	\$ 2,500

Equity Method Investment

Effective January 15, 2016, the Company purchased additional shares of its investee's common stock for \$2.3 million, thereby increasing the Company's aggregate ownership interest from 15.0% to 20.0%, and increasing the aggregate purchase price of the shares acquired to \$6.7 million. Due to the Company's increased ownership interest and other relevant factors, the Company determined it was necessary to change the accounting of this investment from the cost method to the equity method. Under the equity method of accounting, the Company is required to record its proportional interest in the investee's reported net income or loss for each reporting period, and is required to present its prior period financial results to reflect the equity method of accounting from the date of its initial investment in the investee.

During the quarter ended March 31, 2016, the Company recorded its proportionate share of the investee's net income, which totaled \$107,000 and \$613,000 for the three and nine months ended March 31, 2016, respectively. The Company's share of these earnings is shown as "other income" on the condensed consolidated statements of income. No proportionate share of the investee's earnings was recognized for the three and nine months ended March 31, 2015. As of March 31, 2016, the Company increased the value of this investment by approximately \$0.6 million, representing the Company's proportionate share of the investee's earnings. As of March 31, 2016 and June 30, 2015, the net carrying balance of this equity method investment totaled \$7.3 million and \$2.0 million, respectively, which has been included as a component of long-term investments in the condensed consolidated balance sheets.

Cost Method Investment

The Company's other investment has been recorded using the cost method. As of March 31, 2016 and June 30, 2015, the Company's ownership percentage, based on the number of fully dilutive common shares outstanding, was 2.5%, and the aggregate carrying balance of this investment was \$0.5 million. This cost method investment has been included as a component of long-term investments in the condensed consolidated balance sheets.

Impairment

The Company reviews its investments accounted for under the equity method and cost method for a decline in value that may be other than temporary. During the nine months ended March 31, 2016 and March 31, 2015, the Company did not record any write-downs related to its investments. There were no identified events or changes in circumstances

that may have had a significant adverse effect on the fair value of these investments.

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10. ACCOUNTS PAYABLE

Accounts payable consist of the following:
in thousands

	March 31, June 30,	
	2016	2015
Trade payable to customers	\$ 2,508	\$ 128
Advances from customers	32,089	38,039
Liability on deferred revenue	6,522	11,039
Other accounts payable	1,719	1,433
	\$ 42,838	\$ 50,639

11. 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 of hedging substantially all of Company's market exposure to precious metals prices, and not for speculative purposes.

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 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 are 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 its inventory subject to price risk, and not for speculative market purposes. Due to the nature of the Company's global hedging strategy, the Company is not using hedge accounting as defined under Topic 815 of the ASC, whereby the gains or losses would be deferred and included as a component of other comprehensive income. Instead, gains or losses resulting from the Company's futures and forward contracts and open sale and purchase commitments are reported 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 on the condensed consolidated balance sheets.

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 March 31, 2016 and June 30, 2015.

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	March 31, 2016			June 30, 2015				
in thousands	Gross Derivatives	Amounts Netted	Cash Collateral Pledge	Net Derivative	Gross Derivatives	Amounts Netted	Cash Collateral Pledge	Net Derivative
Nettable derivative assets:								
Open sale and purchase commitments	\$ 11,124	\$(1,290)	\$ —	\$ 9,834	\$ 2,815	\$(1,093)	\$ —	\$ 1,722
Future contracts	1,226	—	—	1,226	11,159	(5,796)	—	5,363
Forward contracts	26	—	—	26	4,279	—	—	4,279
	\$ 12,376	\$(1,290)	\$ —	\$ 11,086	\$ 18,253	\$(6,889)	\$ —	\$ 11,364
Nettable derivative liabilities:								
Open sale and purchase commitments	\$ 1,500	\$(1,341)	\$ —	\$ 159	\$ 11,723	\$(734)	\$ —	\$ 10,989
Margin accounts	10,913	—	(4,125)	6,788	12,430	—	(5,522)	6,908
Future contracts	1,163	—	—	1,163	—	—	—	—
Forward contracts	2,963	—	—	2,963	—	—	—	—
	\$ 16,539	\$(1,341)	\$(4,125)	\$ 11,073	\$ 24,153	\$(734)	\$(5,522)	\$ 17,897

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 gains (losses) on derivative instruments for the three and nine months ended March 31, 2016 and 2015.

in thousands

	Three Months Ended		Nine Months Ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Gain (loss) on derivative instruments:				
Unrealized loss on open future commodity and forward contracts and open sale and purchase commitments, net	\$(5,262)	\$(12,866)	\$(8,482)	\$(2,582)
Realized gain (loss) on future commodity contracts, net	7,992	2,557	(5,796)	(42,249)
Total	\$ 2,730	\$(10,309)	\$(14,278)	\$(44,831)

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 March 31 typically settle within 30 days.

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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 March 31, 2016 and at June 30, 2015.

in thousands

	March 31, 2016	June 30, 2015
Inventory	\$273,973	\$191,501
Less unhedgable inventory:		
Commemorative coin inventory, held at lower of cost or market	(6)	(1,518)
Premium on metals position	(5,463)	(3,255)
Inventory value not hedged	(5,469)	(4,773)
Subtotal	268,504	186,728
Commitments at market:		
Open inventory purchase commitments	436,000	444,023
Open inventory sales commitments	(248,658)	(249,081)
Margin sale commitments	(10,913)	(12,430)
In-transit inventory no longer subject to market risk	(7,813)	(13,807)
Unhedgable premiums on open commitment positions	1,555	528
Inventory borrowed from suppliers	(5,573)	(9,500)
Product financing arrangements	(93,168)	(39,425)
Advances on industrial metals	4,163	3,340
Inventory subject to price risk	344,097	310,376
Inventory subject to derivative financial instruments:		
Precious metals forward contracts at market values	217,961	202,323
Precious metals futures contracts at market values	125,145	107,993
Total market value of derivative financial instruments	343,106	310,316
Net inventory subject to commodity price risk	\$991	\$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 March 31, 2016 and June 30, 2015, the Company had the following outstanding commitments and open forward and future contracts:

in thousands

	March 31, 2016	June 30, 2015
Purchase commitments	\$436,000	\$444,023
Sales commitments	(248,658)	(249,081)
Margin sales commitments	(10,913)	(12,430)
Open forward contracts	217,961	202,323
Open futures contracts	125,145	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 properly not reflected in the accompanying condensed consolidated balance sheet, the Company records the difference between the market price of the underlying metal or contract and the trade amount at fair value.

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The Company is exposed to the risk of failure of the counterparties to its derivative contracts. Significant judgment is applied by the Company when evaluating the fair value implications. The Company regularly reviews the creditworthiness of its major counterparties and monitors its exposure to concentrations. At March 31, 2016, 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 \$(102,000) and \$(123,000) for the three months ended March 31, 2016 and 2015, respectively. Unrealized net gains (losses) on foreign exchange derivative instruments shown on the face of the condensed consolidated statements of income totaled \$9,000 and \$(207,000) for the nine months ended March 31, 2016 and 2015, 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 March 31, 2016 was \$4.6 million and \$5.6 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.

12. INCOME TAXES

The Company files a consolidated federal income tax return based on a June 30 tax year end. The provision for income taxes for the three and nine months ended March 31, 2016 and 2015 consists of the following:
in thousands

	Three Months Ended March 31, 2016		Nine Months Ended March 31, 2015	
Current:				
Federal	778	694	4,783	2,366
State and local	116	(517)	443	(280)
Provision for income taxes	\$ 894	\$ 177	\$ 5,226	\$ 2,086

The effective tax rate for the three and nine months ended March 31, 2016 and 2015 is as follows:
in thousands

	Three Months Ended March 31, 2016		Nine Months Ended March 31, 2015	
Effective tax rate	42.8%	9.5%	38.9%	31.7%

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 from the federal statutory rate due to permanent adjustments for nondeductible items and state taxes.

Transition of Tax Filing Obligation Due to the Spinoff

The Company files income tax returns in the U.S., various states and Austria. Prior to the Distribution, the Company was included in the consolidated federal and state tax filings of the Former Parent. In connection with the spinoff, the

Company entered into a tax separation agreement with the Former Parent (the "Tax Separation Agreement"). The Tax Separation Agreement governs the respective rights, responsibilities and obligations of the Former Parent and the Company 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, the Former Parent has 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 includes A-Mark and its subsidiaries.

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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 income tax payable due to the Former Parent reflects balances due to the Former Parent for taxable income generated as if the Company were a separate taxpaying entity prior to the Distribution, net of amounts related to balances due from the Former Parent for its share of income tax assets of the group. Current income tax receivable due from the Former Parent reflects balances due to A-Mark for its share of the income tax assets of the group.

As of March 31, 2016 and June 30, 2015, the amount payable under the Company's income tax sharing obligation due to Former Parent totaled \$0.5 million, and \$0 million, respectively, and is shown on the face of the condensed consolidated balance sheets as income taxes payable to Former Parent. As of March 31, 2016 and June 30, 2015, the amount receivable under the Company's income tax sharing obligation due from Former Parent totaled \$0.0 million, and \$1.1 million, respectively, and is shown on the face of the condensed consolidated balance sheets as income taxes receivable from Former Parent.

Tax Balances and Activity

The tax returns filed by the Company since the spinoff have been prepared on a basis consistent with past practices. Income taxes receivable represents amounts paid to federal and state jurisdictions in excess of amounts due to taxing authorities based upon taxable income generated following the close of the transaction. Our deferred tax assets and liabilities represent tax effected balances that were assumed in the spinoff and generated since the spinoff.

As of March 31, 2016 and June 30, 2015, the income tax receivable totaled \$8.8 million and \$7.8 million, respectively. As of March 31, 2016 and June 30, 2015, the deferred tax assets (non-current) totaled \$0 and \$23,000, respectively, the deferred tax liabilities (current) totaled \$4.4 million and \$0.1 million, respectively, and the deferred tax liabilities (non-current) totaled \$0.3 million and \$0.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized by evaluating both positive and negative evidence. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. As of March 31, 2016 and June 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. 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 March 31, 2016 and June 30, 2015, the Company has state and city net operating loss carryforwards of approximately \$15.3 million and \$17.6 million, respectively, which expire beginning with the year ending June 30, 2030. These state and city net operating loss carryforwards were allocated pursuant to the terms of the Tax Separation Agreement. As of March 31, 2016 and June 30, 2015, the tax effect of the state and city net operating loss carryforwards included in the Company's deferred tax assets is \$0.4 million and \$0.9 million, respectively. As of March 31, 2016 and June 30, 2015, the Company had \$42,000 and \$114,000, respectively, of valuation allowance for certain state and city net operating loss carryforwards, based on the Company's quarterly assessment of the realizability of its deferred tax assets.

As of March 31, 2016, the Company has recorded \$243,000 of tax expense related to unrecognized tax positions. In addition, the Company had associated balances of \$114,000 of accrued interest expense and \$72,000 of accrued penalties related to uncertain tax positions. Of the total unrecognized tax benefits, \$429,000 would reduce the Company's effective tax rate, if recognized. For the three months ended March 31, 2016 and 2015, the Company recognized approximately \$5,000 and \$7,000 of interest expense, respectively, and \$0 and \$0 of penalties related to uncertain tax positions, respectively. For the nine months ended March 31, 2016 and 2015, the Company recognized approximately \$14,000 and \$21,000 of interest expense \$0 and \$0 of penalties related to uncertain tax positions, respectively.

Tax Examinations

Prior to the Distribution, the Company was included in the consolidated federal and state tax filings 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 for the year ended June 30, 2013. 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 2006.

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13. RELATED PARTY TRANSACTIONS

Sales and Purchases Made to Affiliated Companies

During the three and nine months ended March 31, 2016 and 2015, the Company made sales and purchases to various companies, which have been deemed to be related parties; one of these companies is an equity method investee of the Company and the others have been deemed to be under common control with A-Mark.

in thousands

	Three Months Ended				Nine Months Ended			
	March 31, 2016		March 31, 2015		March 31, 2016		March 31, 2015	
	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases
Calzona Ventures, LLC	\$—	\$—	\$—	\$—	\$—	\$—	\$157	\$—
Stack's Bowers Numismatics, LLC	6,695	1,242	2,365	1,740	25,595	31,810	5,290	8,278
Equity method investee	154,848	1,170	99,006	77	558,804	5,595	281,653	117
	\$161,543	\$ 2,412	\$101,371	\$ 1,817	\$584,399	\$ 37,405	\$287,100	\$ 8,395

As of March 31, 2016 and June 30, 2015, the Company had related party receivables (including secured loans and income taxes receivable from Former Parent) and payables (including income taxes payable to Former Parent)

balances as set forth below:

in thousands

	March 31, 2016		June 30, 2015	
	Receivable	Payable	Receivable	Payable
Stack's Bowers Numismatics, LLC	\$1,360	\$ 40	\$2	\$ 10
Equity method investee	777	—	279	—
SGI (Former Parent)	38	760	1,095	—
	\$2,175	\$ 800	\$1,376	\$ 10

Secured Loans Made to Affiliated Companies

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 March 31, 2016, 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 March 31, 2016, 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 March 31, 2016, the aggregate carrying value of this loan was \$1.4 million.

Interest Income Earned from Affiliated Companies

During the three and nine months ended March 31, 2016 and 2015, the Company earned interest income related to loans made to Stack's Bowers and related to financing products sold to Stack's Bower and to the equity method investee, as set forth below:

in thousands

	Three Months Ended	Nine Months Ended

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	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Interest income from loan receivables	\$ 16	\$ 99	\$ 48	\$ 222
Interest income from finance products	577	299	1,725	637
	\$ 593	\$ 398	\$ 1,773	\$ 859

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Other Income Earned from Equity Method Investee

During the three and nine months ended March 31, 2016, the Company recorded its proportional share of its equity method investee's net income as other income that total \$107,000 and \$613,000, respectively. No amounts were recorded during the three and nine months ended March 31, 2015. As of March 31, 2016 and June 30, 2015 the carrying balance of the equity method investment was \$7.3 million and \$2.0 million, respectively.

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 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 March 31, 2016 and 2015 the Company recognized approximately \$38,000 and \$0, respectively, of secondment fees. During the nine months ended March 31, 2016 and 2015, the Company recognized approximately \$113,000 and \$75,000, respectively, of secondment fees. As of March 31, 2016 and June 30, 2015 the outstanding balance of secondment fees due from SGI was \$38,000 and \$0, respectively.

Income Tax Sharing Obligations

The amount payable under the Company's income tax sharing obligation due from SGI totaled \$0.5 million, and \$0 million as of March 31, 2016 and June 30, 2015, respectively, and is shown on the face of the condensed consolidated balance sheets as income taxes payable to Former Parent. The amount receivable under the Company's income tax sharing obligation due from SGI, totaled \$0.0 million, and \$1.1 million as of March 31, 2016 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 12.)

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 spouse of the Chairman of the Company's Audit Committee, Ellis Landau, is an owner and a managing member of WAR. The agreements were amended in January 2016. The amounts involved under the WAR contract, as amended, are approximately \$1.5 million. WAR is entitled to a fee equal to 5.0% of the contract work.

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 \$0 and \$62,000 in selling, general and administrative expenses (royalty expense) during the three months ended March 31, 2016 and 2015, respectively. The Company incurred \$21,000 and \$194,000 in selling, general and administrative expenses (royalty expense) during the nine months ended March 31, 2016 and 2015, respectively. The total amount due to the former owner of \$0 and \$254,000 are included in accrued liabilities as of March 31, 2016 and June 30, 2015, respectively.

14. FINANCING AGREEMENTS

Lines of Credit

On March 31, 2016, the Company established a new borrowing facility ("Trading Credit Facility") with a syndicate of banks, with Coöperatieve Rabobank U.A. ("Rabobank") acting as lead lender and administrative agent for the syndicate. The Trading Credit Facility, which replaced the Company's previous borrowing facility with a group of financial institutions under an inter-creditor agreement, provides the Company with access up to \$275.0 million, featuring a \$225.0 million base with a \$50.0 million accordion option. The Trading Credit Facility has a one-year maturity. Simultaneously with the effectiveness of the new Trading Credit Facility, the Company entered into a security agreement with the banks securing the Trading Credit Facility with substantially all of the Company's assets on a first priority basis.

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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 2.50% margin for revolving credit line loans and a 4.50% margin for bridge loans (that is, for loans that exceed the available revolving credit line). The one-month LIBOR rate was approximately 0.44% and 0.19% as of March 31, 2016 and June 30, 2015, respectively. Borrowings are due on demand and totaled \$190.0 million and \$147.0 million at March 31, 2016 and at June 30, 2015, respectively. The amounts available under the respective borrowing facilities 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 borrowing facilities and lender approval of the revised borrowing base calculation. Based on the latest approved borrowing bases in effect, the amounts available under the Trading Credit Facility after taking into account current borrowings, totaled \$28.8 million and \$20.9 million at March 31, 2016 and June 30, 2015, respectively.

The Trading Credit Facility has certain restrictive financial covenants, including one which requires the Company to maintain a minimum tangible net worth. As of March 31, 2016 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 March 31, 2016.

Interest expense related to the Company's current and preceding borrowing arrangements totaled \$1.3 million and \$0.9 million, which represents 76.7% and 80.8% of the total interest expense recognized, for the three months ended March 31, 2016 and 2015, respectively. Interest expense related to the Company's borrowing arrangements totaled \$3.6 million and \$2.7 million, which represents 84.4% and 85.2% of the total interest expense recognized, for the nine months ended March 31, 2016 and 2015, respectively. Our borrowing arrangements carried a daily weighted average effective interest rate of 2.82% and 2.82%, respectively, for the three months ended March 31, 2016 and 2015. Our borrowing arrangements carried a daily weighted average effective interest rate of 2.79% and 2.94%, respectively, for the nine months ended March 31, 2016 and 2015.

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 \$5.6 million and \$9.5 million as of March 31, 2016 and June 30, 2015, respectively.

Product Financing Arrangement

The Company has agreements with financial institutions (third party) that allows the Company to transfer its gold and silver inventory at a fixed price to this third party. Such agreements allow the Company to repurchase this inventory at an agreed-upon price based on the spot price on the repurchase date. The third parties 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 \$93.2 million and \$39.4 million as of March 31, 2016 and June 30, 2015, respectively.

15. 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. We strongly disagree with and intend to challenge the position taken by City of Santa Monica with respect to this matter. 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.

16. STOCKHOLDERS' EQUITY

Payment of Dividends

In fiscal 2015, the Board of Directors of the Company initiated a cash dividend policy that calls for the payment of quarterly dividends. The table below summarizes the quarterly dividends declared pursuant to this policy:

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Dividend Declaration Date	Record Date (at close of Business)	Type of Dividend	Basis of Payment	Payment Date
February 6, 2015	March 12, 2015	Cash	\$0.05 per common share	March 20, 2015
May 1, 2015	May 14, 2015	Cash	\$0.05 per common share	May 25, 2015
September 11, 2015	September 24, 2015	Cash	\$0.05 per common share	October 5, 2015
October 30, 2015	November 13, 2015	Cash	\$0.05 per common share	November 25, 2015
February 2, 2016	February 15, 2016	Cash	\$0.07 per common share	February 29, 2016

On April 29, 2016, the Board of Directors of the Company declared a quarterly cash dividend of \$0.07 per common share to stockholders of record at the close of business on May 13, 2016, which is scheduled to be paid on or about May 27, 2016.

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 Compensation 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 March 31, 2016, 322,000 shares were available for grant under the 2014 Plan.

Stock Options

During the three months ended March 31, 2016 and 2015, the Company incurred \$102,705 and \$35,499 of compensation expense related to stock options, respectively. During the nine months ended March 31, 2016 and 2015, the Company incurred \$180,046 and \$112,719 of compensation expense related to stock options, respectively. As of March 31, 2016, there was total remaining compensation expense of \$2.1 million related to employee stock options, which will be recorded over a weighted average period of approximately 0.7 years.

The following table summarizes the stock option activity for the nine months ended March 31, 2016.

Options	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value (in thousands)	Weighted Average Grant Date Fair Value Per Award ⁽¹⁾
233,127	\$ 9.89	\$ 283	\$ 5.96

Outstanding at June 30, 2015	300,000	23.03		
Outstanding at March 31, 2016	533,127	17.29	\$ 2,343	\$ 6.25
Exercisable at March 31, 2016	183,184	10.30	\$ 1,759	\$ 5.91

-
- (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.

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Following is a summary of the status of stock options outstanding at March 31, 2016:

Exercise Price Ranges	Options Outstanding		Options Exercisable			Weighted Average Exercise Price
	Number of Shares Outstanding	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Contractual Life (Years)	
\$-\$10.00	134,239	6.60	\$ 8.39	86,296	6.62	\$ 8.41
10.01-15.00	98,888	6.53	11.94	96,888	6.48	12.00
15.01-20.00	300,000	9.90	23.03	—	0.00	—
	533,127	8.44	17.29	183,184	6.55	10.30

Restricted Stock Units

During the three months ended March 31, 2016 and 2015, the Company incurred \$14,804 and \$22,561 of compensation expense related to RSUs, respectively. During the nine months ended March 31, 2016 and 2015, the Company incurred \$44,412 and \$67,682 of compensation expense related to RSUs, respectively. The remaining compensation expense that will be recorded under restricted stock grants totals \$16,948, which will be recorded over a weighted average period of approximately 0.6 years.

The following table summarizes the RSU activity for the nine months ended March 31, 2016:

	Shares	Weighted Average Share Price at Grant Date ⁽¹⁾
Outstanding at June 30, 2015	86,298	\$ 2.34
Shares released	(23,415)	—
Shares surrendered to cover employee minimum withholding taxes ⁽²⁾	(12,542)	—
Outstanding at March 31, 2016	50,341	\$ 4.02
Vested but unissued at March 31, 2016	—	\$ —

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 (1) 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.

(2) The value of the shares surrendered totaled \$249,707.

No tax benefit was recognized in the condensed consolidated statements of income related to share-based compensation for the three and nine months ended March 31, 2016 and 2015. No share-based compensation was capitalized for the three and nine months ended March 31, 2016 and 2015.

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 March 31, 2016 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 March 31, 2016 and 2015.

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.

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17. CUSTOMER AND SUPPLIER CONCENTRATIONS

Customer Concentration

Customers providing 10 percent or more of the Company's revenues for the three and nine months ended March 31, 2016 and 2015 are listed below:

in thousands

	Three Months Ended				Nine Months Ended			
	March 31, 2016		March 31, 2015		March 31, 2016		March 31, 2015	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total revenue	\$1,512,750	100.0%	\$1,624,495	100.0%	\$5,048,829	100.0%	\$4,616,832	100.0%
Customer concentrations								
HSBC Bank USA	\$245,022	16.2 %	\$481,036	29.6 %	\$860,048	17.0 %	\$1,464,027	31.7 %
JM Bullion	154,848	10.2	99,006	6.1	558,804	11.1	281,653	6.1
Total	\$399,870	26.4 %	\$580,042	35.7 %	\$1,418,852	28.1 %	\$1,745,680	37.8 %

Customers providing 10 percent or more of the Company's accounts receivable as of March 31, 2016 and June 30, 2015, respectively, are listed below:

in thousands

	March 31, 2016		June 30, 2015	
	Amount	Percent	Amount	Percent
Total accounts receivable, net	\$25,928	100.0%	\$30,025	100.0%
Customer concentrations				
China Great Wall Coins	\$2,958	11.4 %	\$—	— %
Jerrit Canyon	5,050	19.5	1,435	4.8
Republic Metals Corporation	6,185	23.9	—	—
Total	\$14,193	54.8 %	\$1,435	4.8 %

Customers providing 10 percent or more of the Company's secured loans as of March 31, 2016 and June 30, 2015, respectively, are listed below:

in thousands

	March 31, 2016		June 30, 2015	
	Amount	Percent	Amount	Percent
Total secured loans	\$64,827	100.0%	\$49,316	100.0%
Customer concentrations				
Customer A	\$6,800	10.5 %	\$—	— %
Total	\$6,800	10.5 %	\$—	— %

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

Supplier Concentration

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

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18. GEOGRAPHIC INFORMATION

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

in thousands

	Three Months Ended		Nine Months Ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Revenue by geographic region:				
United States	\$1,367,127	\$1,477,702	\$4,623,259	\$4,136,616
Europe	62,623	69,563	157,371	188,973
North America, excluding United States	72,092	57,910	232,737	239,746
Asia Pacific	10,020	9,156	32,285	39,200
Africa	—	27	63	52
Australia	888	10,137	3,082	12,243
South America	—	—	32	2
Total revenue	\$1,512,750	\$1,624,495	\$5,048,829	\$4,616,832

in thousands

	March 31, 2016	June 30, 2015
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Inventories by geographic region:

United States	\$245,523	\$173,939
Europe	5,055	4,374
North America, excluding United States	21,695	12,287
Asia	1,700	901
Total inventories	\$273,973	\$191,501

in thousands

	March 31, 2016	June 30, 2015
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Assets by geographic region:

United States	\$386,848	\$302,046
Europe	7,139	10,668
North America, excluding United States	21,695	12,287
Asia	1,700	901
Total assets	\$417,382	\$325,902

in thousands

	March 31, 2016	June 30, 2015
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Long term assets by geographic region:

United States	\$18,625	\$13,204
Europe	64	72
Total long-term assets	\$18,689	\$13,276

19. SUBSEQUENT EVENTS

Dividend Declaration

On April 29, 2016, the Board of Directors of the Company declared a quarterly cash dividend of \$0.07 per common share to stockholders of record at the close of business on May 13, 2016, which is scheduled to be paid on or about May 27, 2016.

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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 three and nine months ended March 31, 2016 and 2015. Included in our analysis is a discussion of five performance metrics: (i) ounces of gold sold, (ii) ounces of silver sold, (iii) trading ticket volume, (iv) inventory turnover ratio and (v) number of secured loans at period-end.

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 as of March 31, 2016. 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.

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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, storage, 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 the strengths 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

Our customers include financial institutions, bullion retailers, industrial manufacturers and fabricators, sovereign mints, refiners, coin and metal dealers, jewelers, investors and collectors. 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, Gross Profits, Interest Income and Interest Expense

Revenues. The Company enters into transactions to sell and deliver gold, silver, platinum and palladium to coin fabricators, such as mints, industrial manufacturers and fabricators, including electronics, and component parts companies, jewelry manufacturers and refiners in investment or industrial grade, in a variety shapes and sizes. The Company also sells precious metals on forward contracts at a fixed price based on current prevailing precious metal spot prices with a certain delivery date in the future (up to six months from date of the forward contract.) Typically, these forward contracts are net settled against our other positions or are settled in cash, whereby no physical product is delivered. Sales on forward contracts can range, approximately, between 20% to 35% of our total revenues in any given period. We enter into these forward contracts as part of our hedging strategy to mitigate our price risk of holding inventory; they are not entered into for speculative purposes.

The Company also engages in lending transactions of precious metal products and other customized financial transactions related to precious metal products with or on behalf of our customers and other counterparties, whereby the Company earns a fee based on the underlying value of the precious metal.

In addition, the Company earns revenue by providing storage solutions for precious metals and numismatic coins for financial institutions, dealers, investors and collectors worldwide and by providing storage and order-fulfillment services to our retail customers. These revenue streams are complementary to our trading activity, and represents less than 1% of our revenues.

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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 Profits. 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.

Recently, the Company has also been able 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.

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.

Interest Expense. The Company incurs interest expense as a result of usage under its lines of credit, product financing arrangement and liability on borrowed metals. 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. The Company incurs interest expense when we borrow precious metals from our suppliers under short-term arrangements, which bear interest at a designated rate.

Performance Metrics

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

We look at the number of ounces of gold and silver sold and delivered to our customers (excluding ounces recorded on forward contracts). These numbers reflect the volume of the business that we are doing without regard to changes in commodity pricing which figure into revenues and can mask actual business trends.

Another measure of our business volume, unaffected by changes in commodity pricing, is what we refer to as trading ticket volume, which is the total number orders processed by our trading desks in Santa Monica and Vienna. In periods of higher volatility, there is generally increased trading in the commodity markets, and increased demand for our products, which translates into higher business volume.

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

Finally, as a measure of the size of our lending business, we look at the number of secured loans at the end of the fiscal quarter.

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.

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RESULTS OF OPERATIONS

Overview of Results of Operations for the Three Months Ended March 31, 2016 and 2015

Condensed Consolidated Results of Operations

The operating results of our business for the three months ended March 31, 2016 and 2015 are as follows: in thousands, except per share data and performance metrics

	Three Months Ended March 31, 2016		2015		\$	%	Increase/(decrease)	%
	\$	% of revenue	\$	% of revenue				
Revenues	\$1,512,750	100.000 %	\$1,624,495	100.000 %	\$ (111,745)	(6.9)		%
Gross profit	6,858	0.453 %	5,624	0.346 %	\$ 1,234	21.9		%
Selling, general and administrative expenses	(5,366)	(0.355) %	(4,089)	(0.251) %	\$ 1,277	31.2		%
Interest income	2,250	0.149 %	1,607	0.099 %	\$ 643	40.0		%
Interest expense	(1,658)	(0.110) %	(1,157)	(0.071) %	\$ 501	43.3		%
Other income	107	0.007 %	—	— %	\$ 107	—		%
Unrealized losses on foreign exchange	(102)	(0.007) %	(123)	(0.008) %	\$ (21)	NM		
Net income before provision for income taxes	2,089	0.138 %	1,862	0.115 %	\$ 227	12.2		%
Provision for income taxes	(894)	(0.059) %	(177)	(0.011) %	\$ 717	405.1		%
Net income	\$1,195	0.079 %	\$1,685	0.104 %	\$ (490)	(29.1)		%
Per Share Data:								
Basic	\$0.17		\$0.24		\$ (0.07)	(29.2)		%
Diluted	\$0.17		\$0.24		\$ (0.07)	(29.2)		%
Performance Metrics:								
Gold ounces sold ⁽¹⁾	662,000		574,000		88,000	15.3		%
Silver ounces sold ⁽²⁾	27,253,000		22,488,000		4,765,000	21.2		%
Trading ticket volume ⁽³⁾	21,807		20,785		1,022	4.9		%
Inventory turnover ratio ⁽⁴⁾	5.9		7.9		(2.0)	(25.3)		%
Number of secured loans at quarter end ⁽⁵⁾	775		194		581	299.5		%

NM Not meaningful.

- (1) Gold product ounces sold represents the ounces of gold sold and delivered to the customer during the quarter, excluding ounces of gold recorded on forward contracts.
- (2) Silver ounces sold represents the ounces of silver product sold and delivered to the customer during the quarter, excluding ounces of silver recorded on forward contracts.
- (3) Trading ticket volume represents the total number of product orders processed by our trading desks in Santa Monica and Vienna during the quarter.
- (4) Inventory turnover ratio is the cost of sales divided by average inventory, measured at recorded fair value.

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

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Overview of Results of Operations for the Nine Months Ended March 31, 2016 and 2015

Condensed Consolidated Results of Operations

The operating results of our business for the nine months ended March 31, 2016 and 2015 are as follows:
in thousands, except per share data and performance metrics

Nine Months Ended March 31,	2016		2015		\$	%	Increase/(decrease)	%	
	\$	% of revenue	\$	% of revenue					Increase/(decrease)
Revenues	\$5,048,829	100.000 %	\$4,616,832	100.000 %	\$ 431,997		9.4	%	
Gross profit	26,958	0.534 %	18,547	0.402 %	\$ 8,411		45.3	%	
Selling, general and administrative expenses	(16,302)	(0.323)%	(13,062)	(0.284)%	\$ 3,240		24.8	%	
Interest income	6,365	0.126 %	4,482	0.097 %	\$ 1,883		42.0	%	
Interest expense	(4,214)	(0.083)%	(3,189)	(0.069)%	\$ 1,025		32.1	%	
Other income	613	0.012 %	—	—	\$ 613		—	%	
Unrealized gains (losses) on foreign exchange	9	—	(207)	(0.004)%	\$ 216		NM		
Net income before provision for income taxes	13,429	0.266 %	6,571	0.142 %	\$ 6,858		104.4	%	
Provision for income taxes	(5,226)	(0.104)%	(2,086)	(0.045)%	\$ 3,140		150.5	%	
Net income	\$8,203	0.162 %	\$4,485	0.097 %	\$ 3,718		82.9	%	
Per Share Data:									
Basic	\$1.18		\$0.64		\$ 0.54		84.4	%	
Diluted	\$1.15		\$0.64		\$ 0.51		79.7	%	
Performance Metrics:									
Gold ounces sold ⁽¹⁾	2,257,000		1,572,000		685,000		43.6	%	
Silver ounces sold ⁽²⁾	100,553,000		66,462,000		34,091,000		51.3	%	
Trading ticket volume ⁽³⁾	67,522		62,364		5,158		8.3	%	
Inventory turnover ratio ⁽⁴⁾	21.6		25.4		(3.8)	(15.0)%			
Number of secured loans at period end ⁽⁵⁾	775		194		581		299.5	%	

NM Not meaningful.

(1) Gold ounces sold represents the ounces of gold product sold and delivered to the customer during the nine-month period, excluding ounces of gold recorded on forward contracts.

(2) Silver ounces sold represents the ounces of silver product sold and delivered to the customer during the nine-month period, excluding ounces of silver recorded on forward contracts.

(3) Trading ticket volume represents the total number of product orders processed by our trading desks in Santa Monica and Vienna during the nine-month period.

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

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

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Revenues

Three Months Ended March 31, 2016 Compared to Three Months Ended March 31, 2015

Three Months Ended March 31, in thousands, except performance metrics	2016 \$	% of revenue	2015 \$	% of revenue	\$	%	Increase/(decrease)	Increase/(decrease)
Revenues	\$1,512,750	100.000%	\$1,624,495	100.000%	\$ (111,745) (6.9)	%
Performance Metrics								
Gold ounces sold	662,000		574,000		88,000	15.3		%
Silver ounces sold	27,253,000		22,488,000		4,765,000	21.2		%

Revenues for the three months ended March 31, 2016 decreased \$111.7 million, or 6.9%, to \$1.513 billion from \$1.624 billion in 2015. Gold ounces sold for the three months ended March 31, 2016 increased 88,000 ounces, or 15.3%, to 662,000 ounces from 574,000 ounces in 2015. Silver ounces sold for the three months ended March 31, 2016 increased 4,765,000 ounces, or 21.2%, to 27,253,000 ounces from 22,488,000 ounces in 2015.

Our revenues decreased primarily due to a 2.9% decline of average spot prices for gold and a 11.0% decline in the average spot prices for silver, as well as lower forward sales for the three months ended March 31, 2016. The revenue decrease was partially offset by the increase in the total amount of gold ounces and silver ounces sold during the three months ended March 31, 2016 as compared to 2015.

Ounce volumes for gold and silver products increased by 15.3% and 21.2%, respectively, as compared to the same year-ago period. The increase in ounce volumes was primarily driven by higher demand for the Company's primary products as compared to the same year ago period. These higher volumes, as compared to the same period a year ago, were due in part to upward trends in precious metals prices compared to quarter ended December 31, 2015, as the Company continued to see strong demand for its sovereign mint products.

Nine Months Ended March 31, 2016 Compared to Nine Months Ended March 31, 2015

Nine Months Ended March 31, in thousands, except performance metrics	2016 \$	% of revenue	2015 \$	% of revenue	\$	%	Increase/(decrease)	Increase/(decrease)
Revenues	\$5,048,829	100.000%	\$4,616,832	100.000%	\$ 431,997	9.4		%
Performance Metrics								
Gold ounces sold	2,257,000		1,572,000		685,000	43.6		%
Silver ounces sold	100,553,000		66,462,000		34,091,000	51.3		%

Revenues for the nine months ended March 31, 2016 increased \$432.0 million, or 9.4%, to \$5.049 billion from \$4.617 billion in 2015. Our revenues increased primarily due to an increase in the total amount of gold ounces and silver ounces sold during the nine months ended March 31, 2016 as compared to 2015.

Gold ounces sold for the nine months ended March 31, 2016 increased 685,000 ounces, or 43.6%, to 2,257,000 ounces from 1,572,000 ounces in 2015. Silver ounces sold for the nine months ended March 31, 2016 increased 34,091,000 ounces, or 51.3%, to 100,553,000 ounces from 66,462,000 ounces in 2015.

Key factors contributing to the increase in demand were the volatility and decrease in commodity prices during our first fiscal quarter. The average spot prices for gold declined 7.9% and average spot prices for silver declined 15.6% during the nine months ended March 31, 2016 as compared to 2015. The increase in volatility was due in part to macro-economic factors which created an increase in demand at lower prices. However, prices began to increase during the third quarter from a two-year low in average spot prices. 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. This combination of factors was especially pronounced in the first quarter of this fiscal year.

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Gross Profit

Three Months Ended March 31, 2016 Compared to Three Months Ended March 31, 2015

Three Months Ended March 31,	2016		2015		\$	%	
in thousands, except performance metrics	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)	
Gross profit	\$6,858	0.453 %	\$5,624	0.346 %	\$ 1,234	21.9	%
Performance Metrics							
Trading-ticket volume	21,807		20,785		1,022	4.9	%
Inventory turnover ratio	5.9		7.9		(2) (25.3)%

Gross profit for the three months ended March 31, 2016 increased by \$1.2 million, or 21.9%, to \$6.8 million from \$5.6 million in 2015. The Company's profit margin percentage increased by 30.9% to 0.453% from 0.346% in 2015. Trading-ticket volume for the three months ended March 31, 2016 increased by 1,022 tickets, or 4.9%, to 21,807 tickets from 20,785 tickets in 2015. Our inventory turnover rate for the three months ended March 31, 2016 decreased 25.3%, to 5.9 from 7.9 in 2015.

The Company's profit margin increased primarily due to a change in product mix. The Company sold fewer ounces of lower-margin industrial products and more ounces of higher-margin custom coin products, as compared to 2015. The Company experienced higher volatility and demand compared to 2015, which resulted in higher volumes in the Company's primary products. Our trading-ticket volume rose slightly by 4.9% as compared to the same year ago period. The higher volumes during the period were not associated with significant supply constraints, with the result that trading spreads remained stable. The decrease in our inventory turnover rate was primarily due to certain product finance arrangements, a service for which the Company charges a fee, and the longer carry periods associated with our higher margin custom products, which resulted in the Company carrying higher inventory levels at lower turnover rates as compared to 2015.

Nine Months Ended March 31, 2016 Compared to Nine Months Ended March 31, 2015

Nine Months Ended March 31, 2016		2015		\$	%		
in thousands	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)	
Gross profit	\$26,958	0.534 %	\$18,547	0.402 %	\$ 8,411	45.3	%
Performance Metrics							
Trading-ticket volume	67,522		62,364		5,158	8.3	%
Inventory turnover ratio	21.6		25.4		(3.8) (15.0)%

Gross profit for the nine months ended March 31, 2016 increased by \$8.4 million, or 45.3%, to \$27.0 million from \$18.6 million in 2015. The Company's profit margin percentage increased by 32.8% to 0.534% from 0.402% in 2015. The Company's profit margin increase was primarily due to higher premium spreads on the Company's primary products, in particular during the quarter ended September 30, 2015. The Company experienced higher volatility and greater supply constraints compared to 2014, which resulted in a widening of trading spreads.

The trading-ticket volume for the nine months ended March 31, 2016 increased by 5,158 tickets, or 8.3%, to 67,522 tickets from 62,364 tickets in 2015. The increase in our trading-ticket volume was primarily the result of unusually strong market conditions and demand in the three months ended September 30, 2015, partially offset by a reduction in volatility and demand through the subsequent six month period.

Our inventory turnover rate for the nine months ended March 31, 2016 decreased by 15.0%, to 21.6 from 25.4 in 2015. The decrease in our inventory turnover rate primarily due to certain product finance arrangements, a service for which the Company charges a fee, and the longer carry periods associated with our higher margin custom products, which resulted in the Company carrying higher inventory levels at lower turnover rates as compared to 2015.

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Selling, General and Administrative Expenses

Three Months Ended March 31, 2016 Compared to Three Months Ended March 31, 2015

Three Months Ended March 31,	2016		2015		\$	%	
in thousands	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)	
Selling, general and administrative expenses	\$ (5,366)	(0.355)%	\$ (4,089)	(0.251)%	\$ 1,277	31.2	%

Selling, general and administrative expenses for the three months ended March 31, 2016 increased \$1.3 million, or 31.2%, to \$5.4 million from \$4.1 million in 2015. The increase is primarily due to performance-based compensation accruals and the operational cost of our logistics facility, which began operations in July of 2015, that was established to provide fulfillment services to our customers.

Nine Months Ended March 31, 2016 Compared to Nine Months Ended March 31, 2015

Nine Months Ended March 31,	2016		2015		\$	%	
in thousands	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)	
Selling, general and administrative expenses	\$ (16,302)	(0.323)%	\$ (13,062)	(0.284)%	\$ 3,240	24.8	%

Selling, general and administrative expenses for the nine months ended March 31, 2016 increased \$3.2 million, or 24.8%, to \$16.3 million from \$13.1 million in 2015. The increase is primarily due to performance-based compensation accruals and the operational cost of a logistics facility 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 in July of 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

Three Months Ended March 31, 2016 Compared to Three Months Ended March 31, 2015

Three Months Ended March 31,	2016		2015		\$	%	
in thousands, except performance metrics	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)	
Interest income	\$ 2,250	0.149 %	\$ 1,607	0.099 %	\$ 643	40.0	%

Performance Metrics

Number of secured loans at quarter-end	775		194		581	299.5	%
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Interest income for the three months ended March 31, 2016 increased \$0.6 million, or 40.0%, to \$2.2 million from \$1.6 million in 2015. Interest income increased primarily due to an increase in the size of our loan portfolio as well as improvement in certain finance products. The improvement in the value of loans outstanding, which resulted in higher interest income, was due primarily to an increase in the number of secured loans. Secured loans increased by 299.5% to 775 from 194 in 2015, primarily due to the acquisition of bullion-based loan portfolios from a retail customer. In addition, finance fees earned related to certain product finance arrangements increased by 61.2% in comparison to the same year-ago quarter.

Nine Months Ended March 31, 2016 Compared to Nine Months Ended March 31, 2015

Nine Months Ended March 31,	2016		2015		\$	%	
in thousands, except performance metrics	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)	
Interest income	\$ 6,365	0.126 %	\$ 4,482	0.097 %	\$ 1,883	42.0	%
Number of secured loans at quarter-end	775		194		581	299.5	%

Interest income for the nine months ended March 31, 2016 increased \$1.9 million, or 42.0%, to \$6.4 million from \$4.5 million in 2015. Interest income increased primarily due to an increase in the size of the CFC loan portfolio as well as improvement in certain finance products. The improvement in the value of loans outstanding, which resulted in higher interest income, was due

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primarily to an increase in the number of secured loans. Secured loans increased by 299.5% to 775 from 194 in 2015, primarily due to the acquisition of bullion-based loan portfolios from a retail customer. In addition, finance fees earned related to certain product finance arrangements increased by 100.6% in comparison to the same year-ago period.

Interest Expense

Three Months Ended March 31, 2016 Compared to Three Months Ended March 31, 2015

	Three Months Ended March 31, 2016		2015		\$	%
in thousands	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)
Interest expense	\$(1,658)	(0.110)%	\$(1,157)	(0.071)%	\$ 501	43.3 %

Interest expense for the three months ended March 31, 2016 increased \$0.5 million, or 43.3% to \$1.7 million from \$1.2 million in 2015. The increase was related primarily to greater usage of our lines of credit, and higher LIBOR interest rates that went in to effect subsequent to the Federal Reserve rate increase on December 16, 2015.

Nine Months Ended March 31, 2016 Compared to Nine Months Ended March 31, 2015

	Nine Months Ended March 31, 2016		2015		\$	%
in thousands	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)
Interest expense	\$(4,214)	(0.083)%	\$(3,189)	(0.069)%	\$ 1,025	32.1 %

Interest expense for the nine months ended March 31, 2016 increased \$1.0 million, or 32.1% to \$4.2 million from \$3.2 million in 2015. The increase was related primarily to greater usage of our lines of credit, resulting from continued growth in the Company's finance products, as well as higher inventory levels, and higher LIBOR interest rates that went in to effect subsequent to the Federal Reserve rate increase on December 16, 2015. 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. The Company utilizes its 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 the Company's operate. The Company is also subject to changing tax laws, regulations and interpretations in multiple jurisdictions in which we operate. The Company's 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 March 31, 2016 Compared to Three Months Ended March 31, 2015

	Three Months Ended March 31, 2016		2015		\$	%
in thousands	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)
Provision for income taxes	\$(894)	(0.059)%	\$(177)	(0.011)%	\$ 717	405.1 %

Our provision for income taxes was \$0.9 million and \$0.2 million for the three months ended March 31, 2016 and 2015, respectively. Our effective tax rate was approximately 42.8% and 9.5% for the three months ended March 31, 2016 and 2015, respectively. Our effective tax rate differs from the federal statutory rate due to permanent adjustments for nondeductible items. The 2016 effective tax rate reflects a more normalized tax rate on the company's operations, excluding non-recurring discrete events. The change in the effective tax rate was primarily due to various non-recurring state tax provision benefits recorded in the 2015.

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Nine Months Ended March 31, 2016 Compared to Nine Months Ended March 31, 2015

Nine Months Ended March 31, 2016		2015		\$	%	
in thousands	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)
Provision for income taxes	\$(5,226)	(0.104)%	\$(2,086)	(0.045)%	\$ 3,140	150.5 %

Our provision for income taxes was \$5.2 million and \$2.1 million for the nine months ended March 31, 2016 and 2015, respectively. Our effective tax rate was approximately 38.9% and 31.7% for the nine months ended March 31, 2016 and 2015, 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. The change in the effective tax rate was primarily due to various non-recurring state tax provision benefits recorded in the 2015.

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 March 31, 2016, approximately 93% 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, the Company acquires its 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

		March 31, 2016	Compared to June 30, 2015
March 31, June 30, 2016	2015		

Lines of credit \$190,000 \$147,000 \$43,000

A-Mark has a borrowing facility ("Trading Credit Facility") with a syndicate of banks, Coöperatieve Rabobank U.A. ("Rabobank") acting as lead lender and administrative agent for the syndicate. The Trading Credit Facility, which replaced the Company's previous borrowing facility with a group of financial institutions under an inter-creditor agreement, provides the Company with access up to \$275.0 million, featuring a \$225.0 million base with a \$50.0

million accordion option. The Trading Credit Facility has a one-year maturity. The Company believes that the Trading Credit Facility provides adequate means to capital for its operations.

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 2.50% margin for revolving credit line loans and a 4.50% margin for bridge loans (that is, for loans that exceed the available revolving credit line). The one-month LIBOR rate was approximately 0.44% and 0.19% as of March 31, 2016 and June 30, 2015, respectively. Borrowings are due on demand and totaled \$190.0 million and \$147.0 million at March 31, 2016 and at June 30, 2015, respectively. The amounts available under the respective borrowing facilities are determined at the end of each week following

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a specified borrowing base formula. The Company is able to access additional credit as needed to finance operations, subject to the overall limits of the borrowing facilities and lender approval of the revised borrowing base calculation. Based on the latest approved borrowing bases in effect, the amounts available under the Trading Credit Facility after taking into account current borrowings, totaled \$28.8 million and \$20.9 million at March 31, 2016 and June 30, 2015, respectively.

Liability on Borrowed Metals

in thousands

	March 31, 2016	June 30, 2015	Compared to
			June 30, 2015

Liability on borrowed metals	\$5,573	\$9,500	\$(3,927)
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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 \$5.6 million and \$9.5 million at March 31, 2016 and at June 30, 2015, respectively.

Product Financing Agreement

in thousands

	March 31, 2016	June 30, 2015	Compared to
			June 30, 2015

Product financing agreement	\$93,168	\$39,425	\$53,743
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The Company has an agreement with financial institutions (third party) that allows the Company to transfer its gold and silver inventory at a fixed price to this third party, which provides alternative sources of liquidity. 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 agreement. 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 a component of cost of sales. Such obligation totaled \$93.2 million and \$39.4 million as of March 31, 2016 and June 30, 2015, respectively.

Secured Loans

in thousands

	March 31, 2016	June 30, 2015	Compared to
			June 30, 2015

Secured loans	\$64,827	\$49,316	\$15,511
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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 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

	March 31, 2016	June 30, 2015	Compared to June 30, 2015
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Dividends, declared \$1,185 \$ 698 \$ 487

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. In fiscal 2016, the Board of Directors modified the policy by increasing the quarterly cash dividend to \$0.07 per common share.

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On April 29, 2016, the Board of Directors of the Company declared a quarterly cash dividend of \$0.07 per common share to stockholders of record at the close of business on May 13, 2016, which is scheduled to be paid on or about May 27, 2016.

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 nine months ended March 31, 2016 and 2015:

in thousands

Nine Months Ended	March 31, 2016	March 31, 2015	Nine Months Ended March 31, 2016 Compared to Nine Months Ended March 31, 2015
Net cash used in operating activities	\$(80,992)	\$(10,813)	(70,179)
Net cash used in investing activities	\$(22,271)	\$(6,934)	(15,337)
Net cash provided by financing activities	\$95,308	\$20,755	74,553

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 operating activities

Operating activities used \$81.0 million and used \$10.8 million in cash for the nine months ended March 31, 2016 and 2015, respectively, representing a \$70.2 million increase in the use of cash compared to nine months ended March 31, 2015. This period over period increase in the of use of funds in operating activities was primarily due to changes in the balances of inventory, accounts payable and derivative assets, offset by changes in the balances of receivables, and deferred income taxes.

Net cash used in investing activities

Investing activities used \$22.3 million and used \$6.9 million in cash for the nine months ended March 31, 2016 and 2015, respectively, representing a \$15.3 million increase in the use of cash compared to nine months ended March 31, 2015. This period over period increase is the result of the change in balance of secured loans of \$10.8 million that was primarily due to more acquisitions of loan portfolios, and an increase in investments of \$3.6 million made in the current comparable period.

Net cash provided by financing activities

Financing activities provided \$95.3 million and provided \$20.8 million in cash for the nine months ended March 31, 2016 and 2015, respectively, representing an increase of \$74.6 million in the in funds provided by financing activities compared to nine months ended March 31, 2015. This period over period increase of funds provided by financing activities was primarily due to changes in the balance of product financing arrangement of \$30.2 million and from

increases in borrowings drawn from the Trading Credit Facility of \$45.4 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.

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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 11 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 metal commodity 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 March 31, 2016 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 Note 11 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 and losses on derivative instruments in the condensed consolidated statements of income totaled \$2.7 million and \$(10.3) million for the three months ended March 31, 2016 and 2015, respectively. Net losses on derivative instruments in the condensed consolidated statements of income totaled \$14.3 million and \$44.8 million for the nine months ended March 31, 2016 and 2015, respectively (see Note 11.)

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. We strongly disagree with and intend to

challenge the position taken by City of Santa Monica with respect to this matter. 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.

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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 March 31, 2016 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:

	March 31, 2016	June 30, 2015
Inventory	\$273,973	\$191,501
Less unhedgable inventory:		
Commemorative coin inventory, held at lower of cost or market	(6)	(1,518)
Premium on metals position	(5,463)	(3,255)
Inventory value not hedged	(5,469)	(4,773)
Subtotal	268,504	186,728
Commitments at market:		
Open inventory purchase commitments	436,000	444,023
Open inventory sales commitments	(248,658)	(249,081)
Margin sale commitments	(10,913)	(12,430)
In-transit inventory no longer subject to market risk	(7,813)	(13,807)
Unhedgable premiums on open commitment positions	1,555	528
Inventory borrowed from suppliers	(5,573)	(9,500)
Product financing arrangements	(93,168)	(39,425)
Advances on industrial metals	4,163	3,340
Inventory subject to price risk	344,097	310,376
Inventory subject to derivative financial instruments:		
Precious metals forward contracts at market values	217,961	202,323
Precious metals futures contracts at market values	125,145	107,993
Total market value of derivative financial instruments	343,106	310,316
Net inventory subject to commodity price risk	\$991	\$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 March 31, 2016, 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 March 31, 2016 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:

in thousands	March 31, 2016	June 30, 2015
Purchase commitments	\$436,000	\$444,023
Sales commitments	\$(248,658)	\$(249,081)
Margin sale commitments	\$(10,913)	\$(12,430)
Open forward contracts	\$217,961	\$202,323
Open futures contracts	\$125,145	\$107,993
Foreign exchange forward contracts	\$4,626	\$6,242

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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 11.) 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 11). 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.

There were no changes made by management to the critical accounting policies in the nine months ended March 31, 2016. For a description of our critical accounting estimates, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates" in our 2015 Annual Report on Form 10-K.

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 in Part I, Item 1 of this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

During the quarter ended March 31, 2016, Cary Dickson, who was appointed as Chief Financial Officer and Executive Vice President of the Company on February 2, 2016, assumed the role of principal financial officer for purposes of the Exchange Act.

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

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

Changes in Internal Control over Financial Reporting

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.

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PART II — OTHER INFORMATION

ITEM 1. 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 the Company with the liquidity to buy and sell billions of dollars of precious metals annually. The Trading Credit Facility is an uncommitted facility with a syndicate of banks and has a one-year maturity. 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.

The Trading Credit Facility requires us to maintain certain financial ratios and to comply with various operational and other covenants. If there were an event of default under the Trading Credit Facility that was not cured or waived, the lenders could cause all amounts outstanding with respect to that debt to be due and payable immediately. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments, either upon maturity or if accelerated, upon an event of default, or that we would be able to refinance or restructure the payments on under the Trading Credit Facility. The failure of A-Mark to renew or replace the Trading Credit Facility under such circumstances would reduce the financing available to us and could limit our ability to conduct our business, including the lending activity of our CFC subsidiary. There can be no assurance that we could procure replacement financing on commercially acceptable terms and on a timely basis, or at all.

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 2.50% margin for revolving credit line loans and a 4.50% margin for bridge loans (that is, for loans that exceed the available revolving credit line). The LIBOR rate was approximately 0.44% and 0.19% as of March 31, 2016 and June 30, 2015, respectively.

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;

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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 28.1% of A-Mark's revenues for the nine months ended March 31, 2016. 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

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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. The employment agreements with Mr. Gjerdrum and our senior vice president 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

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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. We strongly disagree with and intend to challenge the position taken by City of Santa Monica with respect to this matter. 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

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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

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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 and 2015. As such, it is not categorized as an accelerated filer for the fiscal year ended June 30, 2015 and 2016. 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.

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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. The policy was amended on February 2, 2016 to provide for a quarterly cash dividend of \$0.07 per common share. 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

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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.

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ITEM 6. EXHIBITS

Regulation

S-K

Exhibit Description of Exhibit

Table

Item No.

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.
10.1	** Uncommitted Credit Agreement, dated March 31, 2016, by and among Coöperatieve Rabobank U.A., New York Branch, Coöperatieve Rabobank U.A., New York Branch, Brown Brothers Harriman & CO., BNP Paribas, Natixis, New York Branch, Bank Hapoalim B.M., and A-Mark Precious Metals, Inc. Incorporated by reference to Exhibit 10.1 to the Report on Form 8-K dated March 31, 2016.
10.2	** Security Agreement, dated March 31, 2016, between Coöperatieve Rabobank U.A., New York Branch, and A-Mark Precious Metals, Inc. Incorporated by reference to Exhibit 10.2 to the Report on Form 8-K dated March 31, 2016.
10.3	** Form of Promissory Note. Incorporated by reference to Exhibit 10.3 to the Report on Form 8-K dated March 31, 2016.
10.40	** Employment Agreement, executed February 19, 2016, between A-Mark Precious Metals, Inc. and Gregory N. Roberts. Incorporated by reference to Exhibit 10.1 to the Report on Form 8-K dated February 19, 2016
101.INS	* XBRL Instance Document.
101.SCH	* XBRL Taxonomy Extension Calculation Schema Document.
101.CAL	* XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	* XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	* XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	* XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith

** Previously filed

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SIGNATURES

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

Date: May 10, 2016 A-MARK PRECIOUS METALS, INC.

By: /s/ Gregory N. Roberts
Name: Gregory N. Roberts
Title: Chief Executive Officer
(Principal Executive Officer)

May 10, 2016 A-MARK PRECIOUS METALS, INC.

By: /s/ Cary Dickson
Name: Cary Dickson
Title: Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title(s)	Date
/s/ Gregory N. Roberts Gregory N. Roberts	Chief Executive Officer and Director (Principal Executive Officer)	May 10, 2016
/s/ Cary Dickson Cary Dickson	Chief Financial Officer (Principal Financial Officer)	May 10, 2016