

A-Mark Precious Metals, Inc.  
Form 10-Q  
May 13, 2014  
Table of Contents

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, 2014

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-36347

A-MARK PRECIOUS METALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State of Incorporation)

429 Santa Monica Blvd.

Suite 230

Santa Monica, CA 90401

(310) 587-1477

11-2464169

(IRS Employer I.D. No.)

---

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Non-accelerated filer

Large accelerated filer  Accelerated filer  (Do not check if a smaller reporting company) 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 13, 2014, the registrant had 7,402,664 shares of Common Stock outstanding, par value \$0.01 per share.



A-MARK PRECIOUS METALS, INC.  
 FORM 10-Q  
 For the Quarter Ended March 31, 2014

## Table of Contents

	Page
<u>PART I</u> <u>Financial Information</u>	
<u>Item 1.</u> <u>Condensed Consolidated Financial Statements (UNAUDITED)</u>	
<u>Condensed Consolidated Balance Sheets as of March 31, 2013 and June 30, 2013</u>	<u>3</u>
<u>Condensed Consolidated Statements of Income for the Three and Nine Months Ended March 31, 2014 and 2013</u>	<u>4</u>
<u>Condensed Consolidated Statement of Stockholders' Equity for the Nine Months Ended March 31, 2014</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 2014 and 2013</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>35</u>
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>46</u>
<u>Item 4.</u> <u>Controls and Procedures</u>	<u>48</u>
<u>PART II</u> <u>Other Information</u>	
<u>Item 1.</u> <u>Legal Proceedings</u>	<u>48</u>
<u>Item 1A.</u> <u>Risk Factors</u>	<u>49</u>
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>57</u>
<u>Item 3.</u> <u>Defaults Upon Senior Securities</u>	<u>57</u>
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	<u>57</u>
<u>Item 5.</u> <u>Other Information</u>	<u>57</u>
<u>Item 6.</u> <u>Exhibits</u>	<u>58</u>
<u>Signatures</u>	<u>58</u>

Table of Contents

## PART I—FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## A-MARK PRECIOUS METALS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share data)

(unaudited)

	March 31, 2014	June 30, 2013
<b>ASSETS</b>		
Current assets:		
Cash	\$7,873	\$21,565
Receivables, net	81,587	109,947
Inventories:		
Inventories	144,117	123,824
Restricted inventories	49,684	38,554
	193,801	162,378
Deferred tax assets	5,993	5,993
Prepaid expenses and other assets	939	487
Total current assets	290,193	300,370
Property and equipment, net	1,541	1,213
Goodwill	4,884	4,884
Intangibles, net	2,853	3,141
Investments	500	—
Total assets	\$299,971	\$309,608
<b>LIABILITIES, AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Lines of credit	\$119,800	\$95,000
Liability on borrowed metals	8,620	20,117
Product financing arrangement	49,684	38,554
Accounts payable	62,244	86,010
Accrued liabilities	5,904	6,601
Payable to Former Parent	—	1,015
Income taxes payable to Former Parent	5,291	8,505
Total current liabilities	251,543	255,802
Deferred tax liabilities	552	552
Total liabilities	252,095	256,354
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none at March 31, 2014 and June 30, 2013	—	—
Common Stock, par value \$0.01; 40,000,000 authorized; 7,402,664 issued and outstanding at March 31, 2014 and June 30, 2013	74	74
Additional paid-in capital	22,282	24,370
Retaining earnings	25,520	28,810

Edgar Filing: A-Mark Precious Metals, Inc. - Form 10-Q

Total stockholders' equity	47,876	53,254
Total liabilities and stockholders' equity	\$299,971	\$309,608

See accompanying Notes to Condensed Consolidated Financial Statements

3

---

Table of Contents

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, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Revenues	\$1,581,547	\$1,833,454	\$4,566,179	\$5,150,050
Cost of sales	1,574,010	1,825,898	4,543,825	5,131,206
Gross profit	7,537	7,556	22,354	18,844
Selling, general and administrative expenses	(4,351 )	(3,985 )	(12,503 )	(10,072 )
Interest income	1,391	1,953	4,298	6,119
Interest expense	(1,002 )	(775 )	(2,879 )	(2,649 )
Unrealized losses on foreign exchange	(60 )	(46 )	—	(24 )
Net income before provision for income taxes	3,515	4,703	11,270	12,218
Provision for income taxes	(1,419 )	(2,093 )	(4,560 )	(5,437 )
Net income	\$2,096	\$2,610	\$6,710	\$6,781
Basic and diluted income per share:				
Basic - net income	\$0.28	\$0.34	\$0.87	\$0.87
Diluted - net income	\$0.28	\$0.34	\$0.87	\$0.86
Weighted average shares outstanding				
Basic	7,449,050	7,660,113	7,702,529	7,838,972
Diluted	7,515,351	7,723,809	7,748,717	7,891,258

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

## 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, 2013	7,402,644	\$74	\$24,370	\$28,810	\$53,254	
Net income	—	—	—	6,710	6,710	
Share-based compensation	—	—	110	—	110	
Obligation to repurchase common stock	—	—	(2,198	) —	(2,198	)
Dividend declared	—	—	—	(10,000	) (10,000	)
Balance, March 31, 2014	7,402,644	\$74	\$22,282	\$25,520	\$47,876	

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of ContentsA-MARK PRECIOUS METALS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (amounts in thousands)  
 (unaudited)

	Nine Months Ended	
	March 31, 2014	March 31, 2013
Cash flows from operating activities:		
Net Income	\$6,710	\$6,781
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	681	608
Provision for doubtful accounts	—	(700)
Share-based compensation	110	103
Changes in assets and liabilities:		
Receivables	28,360	41,959
Inventories	(31,423)	) 29,604
Prepaid expenses and other current assets	(452)	) 81
Accounts payable	(25,964)	) (38,817)
Liabilities on borrowed metals	(11,497)	) 9,438
Accrued liabilities	(697)	) (805)
Payables to Former Parent	(4,229)	) (3,327)
Net cash (used in) provided by operating activities	(38,401)	) 44,925
Cash flows from investing activities:		
Capital expenditures for property and equipment	(721)	) (446)
Purchase of cost method investment	(500)	) —
Net cash used in investing activities	(1,221)	) (446)
Cash flows from financing activities:		
Product financing arrangement, net	11,130	(5,755)
Dividends paid to Former Parent	(10,000)	) (15,000)
Borrowings (repayments) under lines of credit, net	24,800	(13,500)
Net cash provided by (used in) financing activities	25,930	(34,255)
Net decrease in cash and cash equivalents	(13,692)	) 10,224
Cash and cash equivalents, beginning of period	21,565	11,273
Cash and cash equivalents, end of period	\$7,873	\$21,497
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest expense	\$2,698	\$2,779
Income taxes	\$7,667	\$7,800
Non-cash investing and financing activities:		
Obligation to repurchase common stock	\$2,198	\$—

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

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 in the form of coins, bars, wafers and grain. The Company's trading-related services include financing, consignment, 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 and 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. Spinoff from Spectrum Group International, Inc.

The Company filed a registration statement on Form S-1 in connection with the distribution (the “Distribution”) by Spectrum Group International, Inc. (“SGI” or the “Former Parent”) to its stockholders of all the outstanding shares of common stock of the Company, par value \$0.01 per share. The registration statement was declared effective by the Securities and Exchange Commission (“SEC”) on February 11, 2014. On March 11, 2014, the Company filed a Form 8-A with the SEC to register its shares of common stock under Section 12(b) of the Securities Exchange Act of 1934, as amended. The Distribution, which effected a spinoff of the Company from SGI, was made on March 14, 2014 to SGI stockholders of record on February 12, 2014. On the Distribution date, stockholders of SGI received one share of A-Mark common stock for each four shares of SGI common stock held. Up to and including the Distribution date, the SGI common stock traded on the “regular-way” market; that is, with an entitlement to shares of A-Mark common stock distributed pursuant to the Distribution. SGI common stock did not trade on an ex-distribution market; that is, without an entitlement to shares of A-Mark common stock distributed pursuant to the Distribution.

As a result of the Distribution, the Company is now 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." An aggregate of 7,402,664 shares of A-Mark common stock were distributed in the Distribution. All share and per share information has been retrospectively adjusted to give effect for the Distribution.

In connection with the spinoff, the Company entered into various agreements with SGI, each effective as of March 14, 2014. These agreements are described below.

**Distribution Agreement**

The Distribution Agreement (the "Distribution Agreement") set forth the principal actions to be taken in connection with the Distribution and also governs our ongoing relationship with SGI following the Distribution.

**A-Mark-SGI Arrangements.** All agreements, arrangements, commitments and understandings, including most intercompany accounts payable or accounts receivable, between us and our subsidiaries and other affiliates, on the one hand, and SGI and its other subsidiaries and other affiliates, on the other hand, terminated effective as of the distribution, except certain agreements and arrangements that we and SGI expressly provided will survive the Distribution.

**The Distribution; Conditions.** The Distribution Agreement governed the rights and obligations of the parties regarding the proposed Distribution and set forth the conditions that must be satisfied or waived by SGI in its sole discretion.

Exchange of Information. The Company and SGI have agreed to provide each other with access to information in the other party's possession or control owned by such party and created prior to the Distribution date, or as may be reasonably necessary to comply with reporting, disclosure, filing or other requirements of any national securities exchange or governmental authority, for use in judicial, regulatory, administrative and other proceedings and to satisfy audit, accounting, litigation and other similar requests. The Company and SGI have also agreed to retain such information in accordance with our respective record retention policies as in effect on the date of the Distribution Agreement, but in no event for fewer than seven years from the Distribution date. Until the end of the first full fiscal year following the Distribution, each party has also agreed to use its reasonable best efforts to assist the other with respect to its financial reporting and audit obligations.

## Table of Contents

**Release of Claims.** The Company and SGI agreed to broad releases pursuant to which we released the other and its affiliates, successors and assigns and their respective shareholders, directors, officers, agents and employees from any claims against any of them that arise out of or relate to events, circumstances or actions occurring or failing to occur or any conditions existing at or prior to the time of the Distribution. These releases are subject to certain exceptions set forth in the Distribution Agreement.

**Indemnification.** The Company and SGI agreed to indemnify each other and each other's current and former directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing against certain liabilities in connection with the Distribution and each other's respective businesses.

### **Tax Separation Agreement**

The tax separation agreement (the "Tax Separation Agreement") with SGI governs the respective rights, responsibilities and obligations of SGI and us with respect to, among other things, liabilities for U.S. federal, state, local and other taxes. In addition to the allocation of tax liabilities, the Tax Separation Agreement addresses the preparation and filing of tax returns for such taxes and disputes with taxing authorities regarding such taxes. Under the terms of the Tax Separation Agreement, SGI 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 will include A-Mark and its subsidiaries.

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

### **Secondment Agreement**

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

Neither Mr. Roberts nor Ms. Meltzer will devote more than 20% of their professional working time on a monthly basis to SGI and in no event will the performance of services for SGI interfere with the performance of the duties and responsibilities of Mr. Roberts and Ms. Meltzer to A-Mark. In addition, to the services to be provided under the Secondment Agreement, both Mr. Roberts and Ms. Meltzer are expected to serve as officers and directors of SGI following the spinoff. 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 (to be effective at the time of the spinoff) attributable to pre-tax profits of SGI.

### **Equity Awards**

Holders of share-based awards denominated in and settleable by delivery of shares of Fomer Parent's common stock, are entitled to receive share-based awards denominated in and settleable by delivery of shares of the Company's common stock based on the exchange ratio of one to 4.17, for which the ratio was based on the three-day-average closing stock price of SGI prior to the Distribution compared to the three-day-average closing stock price of A-Mark after the Distribution. As a result, the Company intends to issue 130,646 restricted stock units, 8,990 stock appreciation rights and options to purchase 249,846 shares of common stock. The shares subject to A-Mark equity awards issued as a result of the adjustments described above will not be drawn from A-Mark's 2014 Stock Award and Incentive Plan. Rather, A-Mark will be committed to the issuance and/or delivery of shares under such equity awards

based on its assumption of the rights and obligations under the SGI equity compensation plans under which the pre-distribution SGI awards were granted and related SGI award agreements.

Reclassifications

Certain previously reported amounts have been reclassified to conform to the current fiscal year's condensed consolidated financial statement presentation.

Table of Contents

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 and TDS (collectively the “Company”). All significant inter-company accounts and transactions have been eliminated in consolidation. The condensed consolidated statements of income include all revenues and costs attributable to the Company's operations, including costs for certain functions and services performed by SGI and directly charged or allocated based on usage or other systematic methods. The allocations and estimates are not necessarily indicative of the costs and expenses that would have resulted if the Company's operations had been operated as a separate stand-alone entity. Allocations for inter-company shared service expense are made on a reasonable basis to approximate market costs for such services; these allocations are only applicable for periods prior to the spinoff. Management believes the allocation methods are reasonable.

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 three and nine months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending June 30, 2014 or for any other interim period during such 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 as of June 30, 2012 and 2013 and the three years then ended contained in the Company's Form S-1, with an effective date of February 11, 2014, (the “2013 Consolidated Financial Statements”), as filed with the SEC. Amounts related to disclosure of June 30, 2013 balances within these interim condensed consolidated financial statements were derived from the aforementioned audited consolidated financial statements and notes thereto included in the 2013 Consolidated Financial Statements.

The condensed consolidated financial statements include the accounts of the A-Mark and all of its wholly-owned subsidiaries. All significant inter-company accounts and transactions including inter-company profits and losses, and inter-company balances have been eliminated in consolidation.

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 determinations on deferred tax assets, and revenue recognition judgments. Significant estimates also include the Company's fair value determinations with respect to its financial instruments and precious metals materials. Actual results could materially differ from these estimates.

Concentration of Credit Risk

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

Assets that potentially subject the Company to concentrations of credit risk consist principally of receivables, loans of inventory to customers, and inventory hedging transactions. Concentration of credit risk with respect to receivables is limited due to the large number of customers composing the Company's customer base, the geographic dispersion of the customers, and the collateralization of substantially all receivable balances. Based on an assessment of credit risk, the Company typically grants collateralized credit to its customers. Credit risk with respect to loans of inventory to customers is minimal, as substantially all amounts are secured by letters of credit issued by creditworthy financial institutions. The Company enters

Table of Contents

into inventory hedging transactions, principally utilizing metals commodity futures contracts traded on national futures exchanges or forward contracts with credit worthy financial institutions. All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions. Substantially all of these transactions are secured by the underlying metals positions.

**Cash Equivalents**

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

**Concentration of Suppliers**

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

**Concentration of Customers**

Customers providing 10 percent or more of the Company's revenues for the three and nine months ended March 31, 2014 and 2013 are listed below:

	Three Months Ended				Nine Months Ended			
	March 31, 2014		March 31, 2013		March 31, 2014		March 31, 2013	
in thousands	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total revenue	\$1,581,547	100.0 %	\$1,833,454	100.0 %	\$4,566,179	100.0 %	\$5,150,050	100.0 %
Customer concentrations								
Royal Canadian Mint	\$118,442	7.5 %	\$231,272	12.6 %	\$323,728	7.1 %	\$497,646	9.7 %
HSBC Bank USA	454,899	28.8	301,644	16.5	1,160,592	25.4	559,611	10.9
Johnson Matthey	11,526	0.7	39,988	2.1	68,123	1.5	759,214	14.7
Total	\$584,867	37.0 %	\$572,904	31.2 %	\$1,552,443	34.0 %	\$1,816,471	35.3 %

Customers providing 10 percent or more of the Company's accounts receivable, excluding \$31.9 million and \$35.6 million of secured loans as of March 31, 2014 and June 30, 2013, respectively, are listed below:

	March 31, 2014		June 30, 2013	
	Amount	Percent	Amount	Percent
in thousands				
Total accounts receivable, net (without secured loans)	\$31,957	100.0 %	\$59,028	100.0 %
United States Mint	\$10,234	32.0 %	\$44,185	74.9 %
Royal Canadian Mint	6,837	21.4	8,593	14.6
Total	\$17,071	53.4 %	\$52,778	89.5 %

Customers providing 10 percent or more of the Company's secured loans as of March 31, 2014 and June 30, 2013, respectively, are listed below:

	March 31, 2014		June 30, 2013	
	Amount	Percent	Amount	Percent
in thousands				
Total secured loans, net	\$31,861	100.0 %	\$35,585	100.0 %
Customer A	\$—	—	\$15,800	44.4 %
Customer B	2,346	7.4	3,659	10.3
Customer C	4,200	13.1	2,700	7.6
Total	\$6,546	20.5 %	\$22,159	62.3 %

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



## Table of Contents

### 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 premium component included in inventories as of March 31, 2014 and June 30, 2013 was 3.4 million and \$1.8 million, respectively (See Note 4). Commemorative coins, which are not hedged, are also included in inventory at the lower of cost or market and totaled \$1.8 million and \$0.0 million as of March 31, 2014 and June 30, 2013, respectively.

The Company's inventories are subsequently recorded at their fair market values. Daily changes in fair market value are recorded in the income statement through cost of sales and are offset by hedging derivatives, with changes in fair value of the hedging derivatives also recorded in cost of sales in the condensed consolidated statements of income.

Inventories included amounts borrowed from suppliers under arrangements to purchase precious metals on an unallocated basis. Unallocated or pool metal represents an unsegregated inventory position that is due on demand, in a specified physical form, based on the total ounces of metal held in the position. Amounts under these arrangements require delivery either in the form of precious metals or cash. Corresponding obligations related to liabilities on borrowed metals are reflected on the consolidated balance sheets and totaled \$8.6 million and \$20.1 million, respectively as of March 31, 2014 and June 30, 2013. The Company mitigates market risk of its physical inventories through commodity hedge transactions. The Company also protects substantially all of its physical inventories from market risk through commodity hedge transactions (see Note 11).

The Company periodically loans metals to customers on a short-term consignment basis, charging interest fees based on the value of the metals loaned. Inventories loaned under consignment arrangements to customers as of March 31, 2014 and June 30, 2013 totaled \$7.8 million and \$2.6 million. Such inventories are removed at the time the customers elect to price and purchase the metals, and the Company records a corresponding sale and receivable. Substantially, all inventories loaned under consignment arrangements are collateralized for the benefit of the Company.

Inventory includes amounts for obligations under product financing agreement. A-Mark entered into an agreement for the sale of gold and silver at a fixed price to a third party. This inventory is restricted and the Company is allowed to repurchase the inventory at an agreed-upon price based on the spot price on the repurchase date. The third party charges a monthly fee as percentage of the market value of the outstanding obligation; such monthly charge is classified in interest expense in the condensed consolidated statements of income. 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 obligation under product financing arrangement. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value included as component of cost of precious metals sold. Such obligation totaled \$49.7 million and \$38.6 million as of March 31, 2014 and June 30, 2013, respectively.

### 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 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 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

## Table of Contents

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, 2014 and June 30, 2013, the Company had no impairments.

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

Amortizable intangible assets are being amortized on a straight-line basis which approximates economic use, over periods ranging from four 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. For the nine months ended March 31, 2014 and 2013 management concluded that an impairment write-down was not required.

### Investments

On February 18, 2014, the Company purchased 2.5% of the issued and outstanding class A common stock of a nonpublic entity for \$0.5 million. As of March 31, 2014, the aggregate carrying amount of the Company's cost-method investment was \$0.5 million. The Company assesses all cost-method investments for impairment quarterly. There were no identifiable events or changes in circumstances that may have had a significant adverse effect of the fair value. As a result, no impairment loss was recorded, nor were any dividends received during the fiscal year 2014. For the three months and nine months ended March 31, 2014 the Company had \$23.6 million and \$56.2 million of sales with this customer, respectively. As of March 31, 2014, the balance of advances received from this customer totaled \$1.2 million.

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

### 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.



Table of Contents

## 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, 2014 and June 30, 2013.

in thousands	March 31, 2014		June 30, 2013	
	Carrying Amount	Fair value	Carrying Amount	Fair value
<b>Financial assets:</b>				
Cash	\$7,873	\$7,873	\$21,565	\$21,565
Receivables, advances receivables and secured loans	63,788	63,788	94,509	94,509
Derivative assets - open sales and purchase commitments, net, included in receivable	2,245	2,245	—	—
Derivative assets - futures contracts included in receivable	5,741	5,741	14,967	14,967
Derivative assets - forward contracts included in receivable	9,813	9,813	471	471
<b>Financial liabilities:</b>				
Lines of credit	\$119,800	\$119,800	\$95,000	\$95,000
Liability for borrowed metals	8,620	8,620	20,117	20,117
Product financing obligation	49,684	49,684	38,554	38,554
Obligation to repurchase common stock	2,198	2,198	—	—
Derivative liabilities - open sales and purchase commitments, net, included in payable	10,621	10,621	30,192	30,192
Derivative liabilities - futures contracts included in payables	716	716	—	—
Derivative liabilities - forward foreign currency exchange contracts, included in payable	2	2	—	—
Accounts payable, margin accounts, advances and other payables	48,707	48,707	55,818	55,818
Accrued liabilities	5,904	5,904	6,601	6,601
Payable to Former Parent	5,291	5,291	9,520	9,520

The fair values of the financial instruments shown in the above table as of March 31, 2014 and June 30, 2013 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, receivables and secured loans, accounts receivable and consignor advances, and accounts payable approximated fair value due to their short-term nature. 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.



Table of Contents

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.

There were no transfers in or out of Level 2 or 3 during the nine months ended March 31, 2014.

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

**Inventory.** Inventories principally include bullion and bullion coins and are acquired and initially recorded at fair market value. The fair market value of the bullion and bullion coins is comprised of two components: 1) published market values attributable to the costs of the raw precious metal, and 2) a published premium paid at acquisition of the metal. The premium is attributable to the additional value of the product in its finished goods form and the market value attributable solely to the premium may be 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 sales and purchase commitments are valued at their intrinsic values, based on the difference between the quoted market price and the contractual price, and are included within Level 1 of the valuation hierarchy.

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

**Product Financing Obligations.** Product Financing Obligations consist of 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. Fair value is determined using quoted market pricing and data derived from the markets on which the underlying commodities are traded. Product Financing Obligations are classified in Level 1 of the valuation hierarchy.

Table of Contents

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2014 and June 30, 2013 aggregated by the level in the fair value hierarchy within which the measurements fall:

in thousands	March 31, 2014			Total Balance
	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Inventory <sup>(1)</sup>	\$ 191,997	\$—	\$—	\$ 191,997
Derivative assets — open sales and purchase commitments, net	2,245	—	—	2,245
Derivative assets — futures contracts	5,741	—	—	5,741
Derivative assets — forward contracts	9,813	—	—	9,813
Total assets valued at fair value	\$ 209,796	\$—	\$—	\$ 209,796
<b>Liabilities:</b>				
Liability on borrowed metals	\$ 8,620	\$—	\$—	\$ 8,620
Obligation under product financing arrangement	49,684	—	—	49,684
Liability on margin accounts	7,914	—	—	7,914
Derivative liabilities — open sales and purchase commitments, net	10,621	—	—	10,621
Derivative liabilities — forward contracts	716	—	—	716
Derivative liabilities - forward foreign currency exchange contracts	2	—	—	2
Total liabilities, valued at fair value	\$ 77,557	\$—	\$—	\$ 77,557

(1) = Commemorative coin inventory totaling \$1.8 million is held at lower of cost or market and is thus excluded from this table.

in thousands	June 30, 2013			Total Balance
	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Inventory	\$ 162,378	\$—	\$—	\$ 162,378
Derivative assets — futures contracts	14,967	—	—	14,967
Derivative assets — forward contracts	471	—	—	471
Total assets, valued at fair value	\$ 177,816	\$—	\$—	\$ 177,816
<b>Liabilities:</b>				
Liability on borrowed metals	\$ 20,117	\$—	\$—	\$ 20,117
Obligation under product financing arrangement	38,554	—	—	38,554
Liability on margin accounts	6,636	—	—	6,636
Derivative liabilities — open sales and purchase commitments, net	30,192	—	—	30,192

Total liabilities valued at fair value	\$95,499	\$—	\$—	\$95,499
--	----------	-----	-----	----------

15

---

## Table of Contents

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

Company's goodwill and other intangible assets are measured at fair value on a non-recurring basis. These assets are measured at cost but are written down to fair value if they are impaired. As of March 31, 2014, 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 nine months ended March 31, 2014 and 2013.

The Company's investment in an ownership interest in a noncontrolled entity does not have readily determinable fair value and was initially recorded at cost, \$0.5 million. The quoted price of the investment not available, and the cost of obtaining an independent valuation appears excessive considering the materiality of the instrument to the Company. There were no gains or losses recognized in earnings associated with the Company's ownership interest in a noncontrolled entity during the nine months ended March 31, 2014.

### 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 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 enters into certain types of metals transactions with its customers, where both parties have the capacity to make and take delivery of the metals and neither party has any obligation to settle any transactions by other than making or taking physical delivery of the metal, such as its spot deferred transactions. The Company maintains a security interest in the metals and records financing revenue over the terms of the receivable in a form of interest and related fees.

### Derivative Instruments

The Company's inventory consists of precious metals bearing products, and for which Company regularly enters into commitment transactions to purchase and sell precious metal bearing products. The value of our inventory and these commitments is intimately linked to the prevailing price of the underlying precious metal commodity. The Company seeks to minimize the effect of price changes of the underlying commodity and enters into inventory hedging transactions, principally utilizing metals commodity futures contracts traded on national futures exchanges or forward contracts with only major credit worthy financial institutions. All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions. Substantially all of these transactions are secured by the underlying metals positions. Notional balances of the Company's derivative instruments, consisting of contractual metal quantities, are expressed at current spot prices in Note 11.

Commodity futures and forward contract transactions are recorded at fair value on the trade date.

Open futures and forward contracts are reflected in receivables or payables in the condensed consolidated balance sheet at fair value, which is the difference between the original contract value and the market value. The change in

unrealized gain (loss) on open contracts from one period to the next is reflected in net gain (loss) on derivative instruments, which is a component of cost of sales in the condensed consolidated statements of income. Gains or losses resulting from the termination of hedge contracts are reported as realized gains or losses on commodity contracts. Net gain (loss) on derivative instruments, which is included in the cost of sales, includes amounts recorded on the Company's outstanding metals forwards and futures contracts and on open physical sales and purchase commitments. The

## Table of Contents

Company records changes in the market value of its metals forwards and futures contracts in costs of sales, the effect of which is to offset changes in market values of the underlying metals positions.

The Company records the difference between market value and trade value of the underlying commodity contracts as a derivative asset or liability (see Note 3 and Note 7), as well as recording an unrealized gain or loss on derivative instruments in the Company's condensed consolidated statements of income. During the three and nine months ended March 31, 2014, the Company recorded a net unrealized gain (loss) on open future commodity and forward contracts and open sales and purchase commitments of \$(19.4) million and \$(21.2) million, respectively, and a net realized loss on future commodity contracts of \$(1.7) million and \$(9.9) million, respectively. During the three and nine months ended March 31, 2013, the Company recorded a net unrealized loss on open future commodity and forward contracts and open purchase and sale commitments of \$(3.8) million and \$(43.7) million, respectively, and a net realized gain on future commodity contracts of \$(19.5) million and \$12.3 million, respectively.

### Advertising

Advertising costs are expensed as incurred. Advertising expense was \$0.3 million and \$0.6 million respectively, for the three and nine months ended March 31, 2014 and was \$0.2 million and \$0.5 million, respectively for the three and nine months ended March 31, 2013.

### Shipping and Handling Costs

Shipping and handling costs represent costs associated with shipping product to customers, and receiving product from vendors. Shipping and handling costs incurred totaled \$1.2 million and \$4.2 million respectively, for the three and nine months ended March 31, 2014 and \$1.0 million and \$2.7 million for the three and nine months ended March 31, 2013 respectively, and are included in selling, general and administrative expenses in the condensed consolidated statements of income.

### Share-Based Compensation

Certain key employees of the Company participated in Stock Incentive Plans ("Former Plans") of the Former Parent. The Plans permit the grant of stock options and other equity awards to employees, officers and non-employee directors. 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.

Prior to the Distribution, the equity awards had been settled in shares of SGI stock and A-Mark did not reimburse SGI for the expense, therefore it was treated as a capital contribution to A-Mark. Following the Distribution, the Company will settle share-based awards by the delivery of shares of the Company's common stock (see Note 13).

The equity awards assumed by A-Mark in connection of the spinoff were substantially identical terms, conditions and vesting schedules as the previously outstanding. In accordance with the guidance in ASC 718, the assumption shares qualify as a modification of an equity compensation award. As such, the Company calculated the incremental fair value of the awards immediately prior to and after their modification and determined that there was no positive incremental equity compensation cost that was required to be expensed or amortized. Pertaining to the modified awards of A-Mark's employee and non-employees as of the Distribution date, the Company amortizes the unvested awards based on the the fair value and vesting schedule based on the original grant date, as determined by SGI. Pertaining to the modified awards of SGI's employee and non-employees for which A-Mark assumed, the Company does not expense them.

### 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. 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

Table of Contents

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 income taxes payable.

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 Topic 740 of the ASC. These provisions clarify the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribe a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The provisions also provide guidance on de-recognition, classification, interest, and penalties, accounting in interim periods, disclosure, and transition. The potential interest and/or penalties associated with an uncertain tax position are recorded in provision for income taxes on the condensed consolidated statements of income. Please refer to Note 8 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 the Company's assessment, it appears more likely than not that the net deferred tax assets will be realized through future taxable income. Accordingly, no valuation allowance has been established against any of the deferred tax assets. The Company will continue to assess the need for a valuation allowance 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 rather than a member of the Former Parent's consolidated income tax return group. Current tax payable reflects balances due to the Former Parent for the Company's share of the income tax liabilities of the group.

Following the Distribution, the Company will file federal and state income tax returns that are separate from the SGI tax filings. The Company will recognize current and deferred income taxes as a separate taxpayer for periods ending after the date of Distribution.

Table of Contents

## 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 plan awards, including unexercised stock options, utilizing the treasury stock method.

To determine the weighted average number of common shares outstanding for the periods presented prior to the Distribution, the Former Parent's weighted average number of common shares outstanding was multiplied by distribution ratio of one share of the Company's common stock for every four shares of the Former Parent's common stock. Thereafter, the weighted average number of common shares outstanding was based on the Company's historical basic and fully diluted share figures.

A reconciliation of shares used in calculating basic and diluted earnings per common shares follows. There is no dilutive effect of SARs as such obligations are not settled and were out of the money for the three and nine months ended March 31, 2014 and March 31, 2013.

A reconciliation of basic and diluted shares is as follows:

in thousands	Three Months Ended		Nine Months Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Basic weighted average shares outstanding <sup>(1)</sup>	7,449	7,660	7,703	7,839
Effect of common stock equivalents — stock options and stock issuable under employee compensation plans	66	64	46	52
Diluted weighted average shares outstanding	7,515	7,724	7,749	7,891

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

## Recent Accounting Pronouncements

In December 2011, the FASB issued Accounting Standards Update No. 2011-11, Disclosures about Offsetting Assets and Liabilities. In January 2013, the FASB issued Accounting Standards Update No. 2013-01, Clarifying the Scope about Offsetting Assets and Liabilities, which limited the scope of ASU No. 2011-11 guidance to derivatives, repurchase type agreements, and securities borrowing and lending activity. These ASUs require an entity to disclose gross and net information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. Both ASUs are effective for annual and interim periods beginning on or after January 1, 2013. The adoption of the accounting standards in these updates did not have a material impact on the Company's consolidated financial position or results of operations.

Table of Contents

## 3. RECEIVABLES

Receivables and secured loans consist of the following as of March 31, 2014 and June 30, 2013:

in thousands	March 31, 2014	June 30, 2013
Customer trade receivables	\$12,361	\$38,405
Wholesale trade advances	9,931	20,623
Due from brokers	9,665	—
Subtotal	31,957	59,028
Secured loans	31,861	35,585
Subtotal	63,818	94,613
Less: allowance for doubtful accounts	(30	) (104
Subtotal	63,788	94,509
Derivative assets — open sales and purchase commitments, net	2,245	—
Derivative assets — futures contracts	5,741	14,967
Derivative assets — forward contracts	9,813	471
Receivables, net	\$81,587	\$109,947

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 represent advances of refined materials to customers. These advances are limited to a portion of the unrefined materials received. These advances are unsecured, short-term, non-interest bearing advances made to wholesale metals dealers and government mints.

Due from brokers principally consists of the margin requirements held at brokers related to open futures contracts (see Note 11).

Secured loans represent short term loans made to customers of CFC. Loans are fully secured by bullion, numismatic and semi-numismatic material which are held in safekeeping by CFC. As of March 31, 2014 and June 30, 2013, the loans carried weighted-average effective interest rates of 8.3% and 8.0%, respectively, and mature in periods generally ranging from three months to one year.

Until October 31, 2011, A-Mark maintained a segregated commodities account with M.F. Global, Inc. (“MFGI”). A-Mark used this account to enter into future transactions to hedge the risk related to its positions with counterparties and physical inventories. MFGI filed for bankruptcy protection on October 31, 2011. At the time MFGI filed for bankruptcy, A-Mark had \$20.3 million in funds held at MFGI of which \$14.6 million, or 72%, of A Mark's MFGI Equity was returned to A-Mark in December 2011 pursuant to a bulk transfer approved by the Bankruptcy Court. A-Mark has filed a claim in the bankruptcy proceedings for the remaining \$5.7 million. In July 2012, A-Mark received an additional distribution of \$1.6 million from the trustee for the liquidation of MFGI, bringing the remaining balance to \$4.1 million. On December 31, 2012, A-Mark sold its claim to this balance for \$3.8 million. During quarter ended December 31, 2011, the Company recorded a \$1.0 million reserve for this potential shortfall, which is included in selling, general and administrative expenses. For the nine months ended March 31, 2013, the receipt of proceeds from the sale of the receivable of \$3.8 million resulted in a positive impact to the provision for bad doubtful accounts of \$0.7 million.

On September 27, 2013, CFC paid \$0.35 million to a borrower of CFC in exchange for the right to assume a portfolio of short-term loan receivables totaling \$12.8 million. The loans were used to satisfy the existing outstanding loan totaling \$12.8 million with the borrower of CFC. The receivables were originated by the borrower and this transaction resulted in the assignment of those receivables to CFC. This premium will be amortized ratably as loans pay off. The

loans are due on demand with the option to extend maturities for 180 days. For the three months ended and nine months ended March 31, 2014, a total of \$2.3 million and \$2.3 million in loans were paid off, respectively, and \$0.1 million and \$0.1 million ,respectively, in premium amortization cost was recorded related to this transaction.

Table of Contents

The Company's derivative assets and liabilities represent the net fair value of the difference between market values and trade values at the trade date for open precious metals sales and purchase contracts, as adjusted on a daily basis for changes in market values of the underlying metals, until settled (see Note 11). The Company's derivative assets represent the net fair value of open metals forwards and futures contracts. The precious metals forwards and futures contracts are settled at the contract settlement date.

**Credit Quality of Financing Receivables and Allowance for Credit Losses**

The Company applies a systematic methodology to determine the allowance for credit losses for finance receivables. Based upon the Company's analysis of credit losses and risk factors, secured commercial loans are its sole portfolio segment. This is due to the fact that all loans are very similar in terms of secured material, method of initial and ongoing collateral value determination and assessment of loan to value determination. Typically, the Company's finance receivables within its portfolio have similar credit risk profiles and methods for assessing and monitoring credit risk.

The Company further evaluated its portfolio segments by the class of finance receivables, which is defined as a level of information in which the finance receivables have the same initial measurement attribute and a similar method for assessing and monitoring credit risk. As a result, the Company determined that the secured commercial loans portfolio segment has two classes of receivables, those secured by bullion and those secured by collectibles.

The Company's classes, which align with management reporting, are as follows:

in thousands	March 31, 2014		June 30, 2013			
Bullion	\$13,211	41.5	%	\$21,993	61.8	%
Collectibles	18,650	58.5		13,592	38.2	
Total secured loans	\$31,861	100.0	%	\$35,585	100.0	%

**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 income is suspended and the loan is placed on non-accrual status when management determines that collection of future income is not probable. Accrual is resumed, and previously suspended 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 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.

The Company ceases the accrual of interest on its non-performing loans. There were no impaired loans as of March 31, 2014 and one impaired loan of \$0.07 million as of June 30, 2013.

**Credit quality of loans**

All 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. Loans never 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.

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.

21

---

Table of Contents

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 as follows:

in thousands	March 31, 2014		June 30, 2013		
Loan-to-value of 75% or more	\$19,375	60.8	% \$3,764	10.6	%
Loan-to-value of less than 75%	12,486	39.2	31,821	89.4	
Total secured loans	\$31,861	100.0	% \$35,585	100.0	%

No loans have a loan-to-value in excess of 100% at March 31, 2014 and June 30, 2013.

## Allowance for Doubtful Accounts

Allowances for doubtful accounts are recorded based on specifically identified receivables, which the Company has identified as potentially uncollectible. Activity in the allowance for doubtful accounts for the nine months ended March 31, 2014 and year ended June 30, 2013 is as follows:

in thousands				
Period ended:	Beginning Balance	Provision	Charge-off	Ending Balance
March 31, 2014	\$104	\$—	\$(74	) \$30
June 30, 2013	\$1,118	\$(700	) \$(314	) \$104

## 4. INVENTORIES

The Company's inventories primarily include bullion and bullion coins and are acquired and initially recorded at fair market value. The fair market value of the bullion and bullion coins is comprised of two components: 1) published market values attributable to the cost of the raw precious metal, and 2) a published premium paid at acquisition of the metal. The premium is attributable to the additional value of the product in its finished goods form and the market value attributable solely to the premium may be readily determined, as it is published by multiple reputable sources. The premium is included in the cost of the inventory, paid at acquisition, and is a component of the total fair market value of the inventory. The precious metal component of the inventory may be hedged through the use of precious metal commodity positions, while the premium component of our inventory is not a commodity that may be hedged.

The Company's inventories are subsequently recorded at their fair market values. Daily changes in fair market value are recorded in the income statement through cost of sales and are offset by hedging derivatives, with changes in fair value of the hedging derivatives also recorded in cost of sales in the condensed consolidated statements of income. The premium component of market value included in the inventories as of March 31, 2014 and June 30, 2013 totaled \$3.4 million and \$1.8 million, respectively. Commemorative coins, which are not hedged, are also included in inventory at the lower of cost or market and represent totaled \$1.8 million and \$0.0 million as of March 31, 2014 and June 30, 2013, respectively. For the nine months ended March 31, 2014 and 2013, the unrealized gains (losses) resulting from the difference between market value and cost of physical inventories were \$3.1 million and \$3.8 million, respectively.

Inventories included amounts borrowed from suppliers under arrangements to purchase precious metals on an unallocated basis. Unallocated or pool metal represents an unsegregated inventory position that is due on demand, in a specified physical form, based on the total ounces of metal held in the position. Amounts under these arrangements require delivery either in the form of precious metals or cash. Corresponding obligations related to liabilities on borrowed metals are reflected on the condensed consolidated balance sheets and totaled \$8.6 million and \$20.1 million as of March 31, 2014 and June 30, 2013, respectively. The Company mitigates market risk of its physical inventories through commodity hedge transactions (see Note 11).

Inventory includes amounts for obligations under product financing agreement. A-Mark entered into a product financing agreement for the transfer and subsequent re-acquisition of gold and silver at a fixed price to a third party finance company. This inventory is restricted and is held at a custodial storage facility in exchange for a financing fee, by the third party finance company. During the term of the financing, the third party finance company holds the inventory as collateral, and both parties intend to return the inventory to A-Mark at an agreed-upon price based on the spot price on the finance arrangement termination date, pursuant to the guidance in ASC 470-40 Product Financing Arrangements. The third party charges a monthly fee as percentage of the market

Table of Contents

value of the outstanding obligation; such monthly charge is classified in interest expense. These transactions do not qualify as sales and therefore have been accounted for as financing arrangements and reflected in the consolidated balance sheet within obligation under 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 \$49.7 million and \$38.6 million as of March 31, 2014 and June 30, 2013, respectively (see Note 10).

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, 2014 and June 30, 2013 totaled \$7.8 million and \$2.6 million, respectively. Such inventory is removed at the time the customer elects to price and purchase the metals, and the Company records a corresponding sale and receivable. Substantially all inventories loaned under consignment arrangements are collateralized for the benefit of the Company.

## 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31, 2014 and June 30, 2013:

in thousands	March 31, 2014	June 30, 2013
Office furniture, fixtures and equipment	\$364	\$176
Computer equipment	282	196
Computer software	2,210	1,932
Leasehold improvements	260	92
	3,116	2,396
Less: accumulated depreciation	(1,575)	(1,183)
Property and equipment, net	\$1,541	\$1,213

Depreciation expense for the nine months ended March 31, 2014 and 2013 was \$0.4 million and \$0.3 million, respectively. Depreciation expense for the three months ended March 31, 2014 and 2013 was \$0.1 million and \$0.1 million, respectively.

## 6. GOODWILL AND INTANGIBLE ASSETS

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 an increase 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.

Table of Contents

The carrying value of other purchased intangibles as of March 31, 2014 and June 30, 2013 is as described below:

		March 31, 2014			June 30, 2013		
in thousands	Estimated Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trade-name	Indefinite	\$454	\$—	\$454	\$454	\$—	\$454
Existing Customer relationships	5 - 15	5,747	(3,348 )	2,399	5,747	(3,060 )	2,687
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	(5,543 )	2,399	7,942	(5,255 )	2,687
		\$8,396	\$(5,543 )	\$2,853	\$8,396	\$(5,255 )	\$3,141

The Company's other purchased intangible assets are subject to amortization except for trademarks, which have an indefinite life. Intangible assets subject to amortization are amortized using the straight-line method over their useful lives, which are estimated to be four to fifteen years. Amortization expense related to the Company's intangible assets for the nine months ended March 31, 2014 and 2013 was \$0.3 million and \$0.3 million, respectively.

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

Year ending June 30,	
2014 (remaining three months)	\$96
2015	385
2016	385
2017	385
2018	385
Thereafter	763
Total	\$2,399

## 7. ACCOUNTS PAYABLE

Accounts payable consist of the following:

in thousands	March 31, 2014	June 30, 2013
Trade payable to customers payables	\$409	\$1,531
Advances from customers	34,476	27,548
Liability on deferred revenue	5,079	14,985
Net liability on margin accounts	7,914	6,636
Due to brokers	—	4,655
Obligation to repurchase common stock	2,198	—
Other accounts payable	829	463
Derivative liabilities — open sales and purchase commitments, net	10,621	30,192
Derivative liabilities — futures contracts	716	—
Derivative liabilities — foreign currency exchange forward contracts	2	—
	\$62,244	\$86,010



Table of Contents

## 8. INCOME TAXES

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.

Income tax provision (benefit) for the three and nine months ended March 31, 2014 and 2013 consists of the following:

in thousands	Three Months Ended		Nine Months Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
U.S.	\$ 1,419	\$ 2,093	\$ 4,560	\$ 5,437
Foreign	—	—	—	—
Provision for income taxes	\$ 1,419	\$ 2,093	\$ 4,560	\$ 5,437

The effective tax rate for the three and nine months ended March 31, 2014 and 2013 as follows:

Effective tax rate	Three Months Ended		Nine Months Ended		
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	
	40.4	% 44.5	% 40.5	% 44.5	%

The effective tax rate varies significantly from the federal statutory rate due to permanent adjustments for nondeductible items and state taxes.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. During the nine months ended March 31, 2014, the Company concluded that it was more likely than not that the Company would be able to realize the benefit of the U.S. federal and state deferred tax assets in the future. The Company based this conclusion on historical and projected operating performance, as well as its expectation that its operations will generate sufficient taxable income in future periods to realize the tax benefits associated with the deferred tax assets. Accordingly, no valuation allowance has been established against the deferred tax asset.

The Company will continue to assess the need for a valuation allowance on the deferred tax asset by evaluating both positive and negative evidence that may exist.

As of March 31, 2014, the Company had \$0.7 million of unrecognized tax benefits and \$0.3 million relating to interest and penalties. Of the total unrecognized tax benefits, \$0.7 million would reduce the Company's effective tax rate, if recognized. The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. The Company accrued additional interest and penalties of \$0.04 million and \$0.0 million during the nine months ended March 31, 2014 and March 31, 2013, respectively.

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 rather than a member of the Former Parent's consolidated income tax return group. Current tax payable reflect balances due to the Former Parent for the Company's share of the income tax liabilities of the group. Following the Distribution, the Company will file federal and state income tax returns that are separate from the SGI tax filings. The Company will recognize current and deferred income taxes as a separate taxpayer for periods ending after the date of Distribution.

In connection with the spinoff, the Company entered into a Tax Separation Agreement with SGI. The Tax Separation Agreement governs the respective rights, responsibilities and obligations of SGI and us with respect to, among other things, liabilities for U.S. federal, state, local and other taxes. In addition to the allocation of tax liabilities, the Tax Separation Agreement addresses the preparation and filing of tax returns for such taxes and disputes with taxing authorities regarding such taxes. Under the terms of the Tax Separation Agreement, SGI will have the responsibility to prepare and file tax returns for tax periods ending prior to the Distribution date and for tax periods which include the Distribution date but end after the Distribution date, which will

Table of Contents

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

## 9. RELATED PARTY TRANSACTIONS

During the three and nine months ended March 31, 2014 and 2013, the Company made sales and purchases to the following companies in amounts set forth below. These companies and A-Mark were under common control (common ownership and management) through the date of Distribution and therefore the transactions constitute related party transactions. The companies: Calzona Ventures, LLC ("Calzona"), Spectrum Numismatics International, Inc. ("SNI"), Stack's-Bowers Numismatics, LLC ("Stack's Bower") and Teletrade Inc. ("Teletrade") are entities consolidated by our Former Parent, SGI. All except Calzona, which is considered a variable interest entity, are wholly-owned subsidiaries of SGI.

in thousands	Three Months Ended March 31, 2014		Three Months Ended March 31, 2013	
	Sales	Purchases	Sales	Purchases
Related Party Company				
Calzona	\$1,060	\$110	\$470	\$—
SNI	1,802	1,644	1,324	326
Stack's Bower	541	305	731	700
Teletrade	764	188	2,506	248
Related party, total	\$4,167	\$2,247	\$5,031	\$1,274

in thousands	Nine Months Ended March 31, 2014		Nine Months Ended March 31, 2013	
	Sales	Purchases	Sales	Purchases
Related Party Company				
Calzona	\$3,409	\$464	\$530	\$—
SNI	5,589	3,904	5,445	2,090
Stack's Bower	1,743	2,955	2,548	3,101
Teletrade	1,863	1,673	11,064	1,617
Related party, total	\$12,604	\$8,996	\$19,587	\$6,808

in thousands	March 31, 2014		June 30, 2013	
	Receivable	Payable	Receivable	Payable
Related Party Company				
Calzona	\$—	\$65	\$—	\$171
SNI	2	34	104	—
Stack's Bower	44	—	126	—
Teletrade	—	—	—	73
SGI (Former Parent)	—	5,291	—	9,520
Related party, total	\$46	\$5,390	\$230	\$9,764

## Corporate Overhead Charges

During the three months and nine months ended March 31, 2014, the Company incurred \$0.1 million, and \$0.5 million, respectively, of corporate overhead charges, which were payable monthly to SNI based on the Former Parent's annual budget. During the three months and nine months ended March 31, 2013, the Company incurred \$0.2

million, and \$0.6 million, respectively, of corporate overhead charges, which were payable to SNI.

## Table of Contents

### Transactions with Directors and Officers

Amounts included in accrued liabilities in the condensed consolidated balance sheets as of March 31, 2014 and June 30, 2013 includes \$0.0 million and \$1.0 million, respectively, in respect of executive compensation payable to SGI.

### Dividends Paid to Former Parent

During the three months and nine months ended March 31, 2014, the Company paid \$5.0 million, and \$10.0 million, respectively, of dividends to SGI. During the three months and nine months ended March 31, 2013, the Company paid \$0.0 million, and \$15.0 million, respectively, of dividends to SGI.

### Royalties to Former Owner

As part of the A-Mark sales agreement dated July 1, 2005, the former owner receives a portion of the finance income earned with a specific customer through June 2015. The Company incurred \$0.05 million and \$0.16 million in royalty expense during the three months and nine months ended March 31, 2014, respectively, and incurred \$0.08 million and \$0.26 million in royalty expense during the three months and nine months ended March 31, 2013. The total amount due to the former owner of \$0.16 million and \$0.31 million are included in accrued liabilities as of March 31, 2014 and June 30, 2013, respectively.

### Income Tax Sharing Obligations

The Company paid \$3.7 million and \$7.7 million of income tax sharing obligations during the three months and nine months ended March 31, 2014, respectively, and paid \$3.1 million and \$7.8 million of income tax sharing obligations, during the three months and nine months ended March 31, 2013, respectively, which were payable to SGI.

## 10. FINANCING AGREEMENTS

### Lines of Credit

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

As of March 31, 2014, the maximum of the Trading Credit Facility was \$170.0 million. A-Mark routinely uses the Trading Credit Facility to purchase metals from its suppliers and for operating cash flow purposes. Amounts under the Trading Credit Facility bear interest based on London Interbank Offered Rate (“LIBOR”) plus a margin. The one-month LIBOR rate was approximately 0.15% and 0.19% as of March 31, 2014 and June 30, 2013, respectively. Borrowings are due on demand and totaled \$119.8 million and \$95.0 million for lines of credit and \$0.0 million and \$9.0 million for letters of credit at March 31, 2014 and at June 30, 2013, respectively. The amounts available under the Trading Credit Facility are formula based and totaled \$50.2 million and \$66.0 million at March 31, 2014 and June 30, 2013, respectively. The Trading Credit Facility also limits A-Mark's ability to pay dividends. The Trading Credit Facility is cancelable by written notice from the financial institutions.

The Trading Credit Facility has certain restrictive financial covenants, which require the Company to maintain a minimum tangible net worth, as defined, of \$25.0 million. The Company's tangible net worth as of March 31, 2014 was \$39.2 million. Accordingly, the Company is in compliance with all restrictive financial covenants. The Company's ability to pay dividends, if it were to elect to do so, could be limited as a result of these restrictions.

Separately, A-Mark has another line of credit with this lender (“Collectible Credit Facility”) totaling \$20.0 million, which is a component of A-Mark's Trading Credit Facility. Total borrowing capacity between SNI and A-Mark cannot exceed \$23.0 million with respect to this lender. As of March 31, 2014, the total amount borrowed with this lender

was \$23.0 million, which consisted of \$15.5 million by A-Mark and \$7.5 million by SNI. The A-Mark and SNI lines represent two entirely separate lines of credit under which neither party has a performance obligation for the other should an event of default occur. Amounts available for borrowing under this Collectible Credit Facility as of March 31, 2014 and June 30, 2013 was \$0.0 million.

Interest expense related to A-Mark's borrowing arrangements totaled \$1.0 million and \$2.9 million for the three and nine months ended March 31, 2014, respectively, and \$0.8 million and \$2.6 million for the three and nine months ended March 31, 2013 respectively.

## Table of Contents

### 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 \$8.6 million and \$20.1 million as of March 31, 2014 and June 30, 2013, respectively. Certain of these metals are secured by letters of credit issued under the Trading Credit Facility, which totaled \$0.0 million and \$9.0 million as of March 31, 2014 and June 30, 2013, respectively.

### Obligation Under Product Financing Arrangement

The Company has entered into an agreement with a third party for the sale of gold and silver, at the option of the third party, at a fixed price. Such agreement allows the Company to repurchase this inventory at an agreed-upon price based on the spot price on the repurchase date. The third party charges a monthly fee as percentage of the market value of the outstanding obligation; such monthly charges are classified in interest expense. These transactions do not qualify as sales, and therefore have been accounted for as financing arrangements and reflected in the condensed consolidated balance sheet within product financing obligation. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing obligation and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value recorded as a component of cost of sales in the condensed consolidated statements of income. Such obligation totaled \$49.7 million and \$38.6 million as of March 31, 2014 and June 30, 2013, respectively.

### 11. 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 precious metal's forwards and futures. By policy, the Company historically has not entered into derivative financial instruments for trading purposes or for speculation.

#### 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 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 products such as metal's forwards and futures.

The Company's trading inventories and purchase and sale transactions consist primarily of precious metal bearing products. The value of these assets and liabilities are linked to the prevailing 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 markets. 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 sales 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 sales and purchase commitments that is subject to price risk. The Company regularly enters into precious metals commodity forward and futures contracts with major financial institutions to hedge price changes that would cause changes in the value of its physical metals positions and purchase commitments and sale commitments. The Company has access to all of the precious metals markets, allowing it to place hedges. However, the Company also maintains relationships with major market makers in every major precious metals dealing center.

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 until the contract is executed. Instead, gains or losses resulting from the Company's futures and forward contracts 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 ( a

component of receivables or payables). Gains or losses resulting from the termination of hedge contracts are reported as realized gains or losses on commodity contracts (see Notes 3 and 7). Realized and unrealized net gains (losses) on derivative instruments in the condensed consolidated statements of income totaled \$(21.1) million and \$(31.1) million for the three and nine months ended March 31, 2014, respectively, and \$(23.3) million and \$(31.5) million for the three and nine months ended March 31, 2013 respectively.

Table of Contents

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 purchase and sale transactions that counterparties may engage in from time to time.

A summary of the market values of the Company's physical inventory positions, sales and purchase commitments, and its outstanding forward and futures contracts is as follows at March 31, 2014 and at June 30, 2013:

in thousands	March 31, 2014	June 30, 2013
Inventory	\$193,801	\$162,378
Less unhedgable inventory:		
Commemorative coin inventory, held at lower of cost or market	(1,804	) —
Premium on metals position	(3,435	) (1,787
Premium on inventory	(5,239	) (1,787
Subtotal	188,562	160,591
Commitments at market:		
Open inventory purchase commitments	473,095	461,883
Open inventory sales commitments	(253,818	) (272,044
Margin sale commitments	(13,525	) (13,651
In-transit inventory no longer subject to market risk	(5,768	) (24,221
Unhedgable premiums on open commitment positions	1,555	2,107
Inventory borrowed from suppliers	(8,620	) (20,117
Product financing obligation	(49,684	) (38,554
Advances on industrial metals	(5,678	) 33
Inventory subject to price risk	326,119	256,027
Inventory subject to derivative financial instruments:		
Precious metals forward contracts at market values	149,401	84,999
Precious metals futures contracts at market values	177,093	171,272
Total market value of derivative financial instruments	326,494	256,271
Net inventory subject to commodity price risk	\$(375	) \$(244

As of March 31, 2014 and June 30, 2013, the Company had the following outstanding commitments:

in thousands	March 31, 2014	June 30, 2013
Purchase commitments	\$473,095	\$461,883
Sales commitments	(253,818	) (272,044
Margin sales commitments	(13,525	) (13,651
Open forward contracts	149,401	84,999
Open futures contracts	177,093	171,272

The contract amounts of these forward and futures contracts and the open sales and purchase orders are not reflected in the accompanying condensed consolidated balance sheet. The difference between the market price of the underlying metal or contract and the trade amount is recorded at fair value.

The Company's open sales 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, 2014 are scheduled to settle within 30 days.

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, 2014, the Company believes its risk of counterparty default is mitigated as a result of such evaluation and the short-term duration of these arrangements.



Table of Contents

## Foreign Currency Exchange Rate Management

The Company utilizes foreign currency forwards contracts to manage the effect of foreign currency exchange fluctuations of its purchase and sales 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 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. Realized and unrealized net gains (losses) on foreign exchange derivative instruments in the condensed consolidated statements of income totaled \$60 thousand and \$0 thousand for the three and nine months ended March 31, 2014, respectively, and \$46 thousand and \$24 thousand for the three and nine months ended March 31, 2013 respectively. The market values (fair values) of the Company's foreign exchange forward, related to the Company's open purchase and sales commitments, outstanding at March 31, 2014 was \$2 thousand.

## Offsetting Derivative Instruments

In respect to 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 sales 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, 2014 and June 30, 2013.

in thousands	Type of Hedge	March 31, 2014				June 30, 2013			
		Gross Derivative	Amounts Netted	Cash Collateral Pledge	Net Derivative	Gross Derivative	Amounts Netted	Cash Collateral Pledge	Net Derivative
Nettable derivative receivables:									
Open sales and purchase commitments	COM	\$4,284	\$(2,039)	\$—	\$2,245	\$—	\$—	\$—	\$—
Future contracts	COM	5,741	—	—	5,741	14,967	—	—	14,967
Forward contracts	COM	9,813	—	—	9,813	471	—	—	471
		\$19,838	\$(2,039)	\$—	\$17,799	\$15,438	\$—	\$—	\$15,438
Nettable derivative payables:									
Open sales and purchase commitments	COM	\$11,579	\$(958)	\$—	\$10,621	\$48,015	\$(17,823)	\$—	\$30,192
Margin accounts	COM	13,525	—	(5,611)	7,914	13,651	—	(7,015)	6,636
Future contracts	COM	716	—	—	716	—	—	—	—
Forward contracts	FX	2	—	—	2	—	—	—	—
		\$25,822	\$(958)	\$(5,611)	\$19,253	\$61,666	\$(17,823)	\$(7,015)	\$36,828

COM = Commodity hedge.

FX= Foreign currency exchange hedge.

## 12. COMMITMENTS AND CONTINGENCIES

On January 15, 2013, the Company entered into an agreement with a sovereign mint to purchase a minimum amount of bullion coins in exchange for certain exclusive distribution rights. Under the terms of this agreement, commencing March 7, 2014, the Company is required to purchase 10,000 one ounce gold bullion coins in increments of 2,500 before May 9, 2014. As of March 31, 2014, the Company had purchased 5,000 one ounce gold bullion coins.

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 any legal proceeding that management believes would have a material adverse effect on our consolidated financial position, cash flows or operations. Refer to Note 12 of the Notes to Consolidated Financial Statements in the 2013 Financial Statements for information relating to minimum rental payments under operating and capital leases, consulting and employment contracts, and other commitments.

30

---

Table of Contents

13. STOCKHOLDERS' EQUITY

Effectiveness of Registration Statement and Distribution of Shares

A-Mark filed with the Securities and Exchange Commission a registration statement on Form S-1 relating to the Distribution by SGI to its shareholders of all the shares of common stock of the Company. The registration statement was declared effective by the SEC on February 11, 2014.

The spinoff of the Company from SGI was effected on March 14, 2014 and an aggregate of 7,402,664 shares of A-Mark's common stock were distributed to SGI stockholders. On March 17, 2014, A-Mark's shares began trading on the NASDAQ Global Select Market under the symbol "AMRK".

Obligation to Repurchase Common Shares

On February 26, 2014, A-Mark entered into a Purchase Agreement with Afinsa, Auctentia and SGI pursuant to which SGI agreed to purchase all shares of SGI's common stock held by Afinsa and Auctentia, which includes 44,164 shares held by Afinsa and 2,988,106 shares held by Auctentia, for an aggregate purchase price of \$6.4 million, payable in cash at two closings and plus interest as described below. In addition, Afinsa and Auctentia agreed to sell to A-Mark any shares of common stock of A-Mark received by Afinsa and Auctentia in connection with the spinoff of A-Mark. The first closing under the Purchase Agreement occurred on February 26, 2014. On that date, SGI purchased 50% of the shares of SGI common stock held by Afinsa and Auctentia for \$2.10 per share in cash. The shares purchased by SGI at the first closing include the right to receive the shares of common stock of A-Mark distributed in respect thereof in the spinoff. Accordingly, no shares of A-Mark common stock were issued in respect of the shares of SGI common stock purchased from Afinsa and Auctentia at the first closing.

The second closing under the Purchase Agreement is required to occur on or prior to July 1, 2014. At the second closing, SGI will purchase the remaining 50% of shares of SGI common stock held by Afinsa and Auctentia for an aggregate purchase price of \$1.0 million and A-Mark will purchase the shares of A-Mark common stock distributed with respect to such shares of SGI common stock in the spinoff for an aggregate purchase price of \$2.2 million, in each case together with interest calculated from February 26, 2014 to the date of the second closing at the rate of 4% per annum. The aggregate number of the Company's shares that will be repurchased total 379,033, which will be repurchased at \$5.80 per share.

The Company has reflected the share repurchase obligation as a liability in accordance with ASC Topic 480 Distinguishing Liabilities from Equity in our third quarter condensed consolidated balance sheet as a component of accounts payable. The accrued interest totaled \$0.01 million for the three and nine months ended March 31, 2014 and was reflected on the condensed consolidated statements of income as interest expense.

Payment of Dividends to Former Parent

On July 1, 2013, the Board of Directors of the Company declared a dividend to SGI in the aggregate amount of \$5.0 million. This dividend was paid on July 5, 2013. On February 12, 2014, the Board of Directors of the Company declared a dividend to SGI in the aggregate amount of \$5.0 million. This dividend was paid on February 26, 2014.

2014 Stock Award and Incentive Plan

Prior to the Distribution, the Company's Board of Directors ("Board") adopted and the Company's shareholders 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, SARs, restricted stock, restricted stock units, dividend equivalent rights and other stock-based awards (which may include outright grants of shares). The 2014 Plan is administered by the Compensation Committee of the Board of Directors, which may in its discretion select officers and other employees, directors (including non-employee directors) and consultants to the Company and its

subsidiaries to receive grants of awards.

Under the 2014 Plan, the exercise price of options and base price of SARs may be set at the discretion of the Board, 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 ten years. The 2014 Plan limits the number of share-denominated awards that may be granted to any one employee to

31

---

Table of Contents

250,000 shares in any year. Also, the 2014 Plan limits the maximum grant-date fair value at \$300 thousand of stock-denominated awards granted to any one of the non-employee directors, except for a non-employee Chairman of the Board whose grant-date fair value maximum is \$600 thousand. The 2014 Plan will terminate when no shares remain available for issuance and no awards remain outstanding.

At March 31, 2014, there were no shares available for issuance under the 2014 Plan. However, the Company intends to file a Form S-8 to authorize for future issuance 625,000 shares in connection with 2014 Plan.

Equity Awards Assumed in Connection with the Spinoff

Prior to the Distribution Date, the SGI Board of Directors and the Compensation Committee of the SGI Board of Directors, and the Board of Directors of A-Mark, had taken action to provide that the holders of share-based awards, outstanding as of March 14, 2014, denominated in and settleable by delivery of shares of SGI common stock, would have their SGI share-based awards canceled upon the effectiveness of the Distribution, and in place of the canceled awards would become entitled to receive share-based awards denominated in and settleable by delivery of shares of the Company's common stock. The exchange ratio was based on the average closing market price of SGI's common stock in the final three trading days on which SGI common stock traded before trading ex-dividend with respect to the Distribution, and the average closing market price of A-Mark's common stock on its first three trading days in the NASDAQ Global Select Market (the "Exchange Ratio"). This resulted in an Exchange Ratio of 0.2397, based on an average closing price for SGI shares of \$3.32 and an average closing price for A-Mark shares of \$13.85. (For reference, the closing SGI price per share on March 14, 2014 was \$3.37 per share and the closing A-Mark price per share on March 17, 2014 was \$13.30 and on March 19, 2014 was \$14.00.)

Accordingly, to provide for the equitable treatment of holders of then outstanding SGI equity awards in connection with the spin-off, the Company modified (reduced) the number of shares underlying each affected SGI award in the form of stock options, stock appreciation rights ("SARs") or restricted stock units ("RSUs") by a factor of 0.2397 to one (with the number of shares rounded up to the next whole share for the entire award, with rounding up of previously vested tranches first and rounding down (where necessary) of later vested tranches). For stock options and SARs, the Company modified (increased) the holders' award exercise price or base price by a factor 4.1717 to one (the inverse of the Exchange Ratio), with per share exercise prices or base prices then rounded up to the next whole cent. These actions were taken pursuant to the anti-dilution assumption and adjustments approved by SGI and A-Mark. As a result, the Company granted, on March 19, 2014 (the date as of which the exchange ratio became determinable based on the average closing market price of A-Mark common stock), 130,646 RSUs, 8,990 SARs and options to purchase 249,846 shares of common stock. These awards are deemed to be granted under the original plans and arrangements of SGI that have been assumed by the Company, not under the 2014 Plan. However, the Company has not assumed those SGI plans and arrangements insofar as they authorize future grants of share-based compensation (as distinguished from the grants of replacement awards described above).

The cancellation and reissuance of share-based awards are accounted for as modifications in accordance with ASC 718, Compensation-Stock Compensation. The Company compared the fair value of each award immediately before and after modification and determined that the modification did not create any incremental compensation costs.

Accordingly, there were no changes to the compensation costs of these awards, as determined using the Black-Scholes fair value model for stock options and SARs, and the common stock value for RSUs, on the original grant dates of each award.

Of the 249,846 stock options, 130,646 RSUs and 8,990 SARs issued in connection with the spin-off, 217,123 stock options, 50,340 RSUs and 8,990 SARs were issued to employees of the Company and the remainder were issued to employees of SGI. After the spin-off, A-Mark will recognize remaining compensation costs related to awards held by employees of the Company, including SGI employees who transferred to the Company in conjunction with the spin-off, over the remaining service period for each award. The Company will recognize compensation expense of \$0.5 million, \$0.2 million and \$0.0 million, related to stock-options, RSUs and SARs, respectively, over weighted average periods 7.9 years, 8.4 years and 0.0 years, respectively. The Company will not recognize compensation costs for awards held by employees of SGI, as they are not providing any services to the Company.



Table of Contents

## Employee Stock Options

The Former Parent had granted employee stock options to certain members of management, key employees, and directors, including to A-Mark personnel, that were denominated in and settleable by delivery of share of SGI common stock. Effective with the Distribution, the SGI share-based awards were canceled and in place of the canceled awards the holders of the awards were entitled to receive share-based awards denominated in and settleable by deliver of shares of the Company's stock. During the nine months ended March 31, 2014 the Company issued 249,846 employee stock options in connection with the spinoff at a weighted average exercise price of \$13.75. Aside from the stock options issued in connection with the spinoff, no stock options were granted during the nine months ended March 31, 2014.

During the three and nine months ended March 31, 2014 and 2013, the Company incurred compensation expense related to stock options granted to the employees that were settleable in shares of SGI common stock (prior to the date of Distribution) and settleable in shares of Company's common stock (subsequent to the date of Distribution and award modification) as set forth below (amounts in thousands).

in thousands	Three Months Ended		Nine Months Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Stock option-based Compensation Cost related to Share Settleable in:				
SGI common stock	\$—	\$—	\$—	\$—
A-Mark common stock	8.0	—	8.0	—
Total stock option based compensation costs	\$8.0	\$—	\$8.0	\$—

As of March 31, 2014, there was total remaining compensation expense of \$0.5 million related to employee stock options, which will be recorded over a weighted average period of approximately 7.9 years.

The following table summarizes the stock option activity for the nine months ended March 31, 2014:

	Options	Weighted Average Exercise Price	Intrinsic Value (in thousands)	Weighted Average per share Grant Date Fair Value
Outstanding at June 30, 2013	—	\$—		
Granted through stock option plan	—	—		
Stock options issued in spinoff	249,846	13.75		
Exercised	—	—		
Cancellations, expirations and forfeitures	—	—		
Outstanding at March 31, 2014	249,846	13.75	\$779	6.15
Shares exercisable at March 31, 2014	146,770	17.52	\$289	6.07

Following is a summary of the status of stock options outstanding at March 31, 2014:

Exercise Price Ranges		Options Outstanding			Options Exercisable		
		Number of Shares Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
From	To						
\$0.01	\$10.00	134,239	8.61	\$8.39	31,163	8.64	\$8.44
10.01	15.00	95,888	8.46	12.00	95,888	8.46	12.00
15.01	50.00	660	0.35	48.02	660	0.35	48.02
50.01	60.00	19,059	0.01	59.10	19,059	0.01	59.10
		249,846	7.87	13.75	146,770	7.36	17.52



Table of Contents

## Restricted Stock Units

The Former Parent had issued RSUs to certain members of management, key employees, and directors, including to A-Mark personnel. During the nine months ended March 31, 2014 the Company issued 130,646 of RSUs in connection with the spinoff. The RSUs had a weighted average issuance price of \$2.22, determined based upon the fair value of SGI's common stock on the original date of grant. Such shares generally vest after 2.0 years from the date of grant. Aside from the RSUs issued in connection with the spin-off, no RSUs were granted during the nine months ended March 31, 2014.

During the three and nine months ended March 31, 2014 and 2013, the Company incurred compensation expense related to RSUs granted to the employees that were settleable in shares of SGI common stock (prior to the date of Distribution) and settleable in shares of Company's common stock (subsequent to the date of Distribution and award modification) as set forth below (amounts in thousands).

in thousands	Three Months Ended		Nine Months Ended	
RSUs-based Compensation Cost related to Share Settleable in:	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
SGI common stock	\$24.6	\$42.3	\$98.2	\$102.5
A-Mark common stock	4.3	—	4.3	—
Total RSUs based compensation costs	\$28.8	\$42.3	\$102.5	\$102.5

The remaining compensation expense that will be recorded under restricted stock grants totals \$0.2 million, which will be recorded over a weighted average period of approximately 8.4 years

The following table summarizes the RSU activity for the nine months ended March 31, 2014:

	Shares	Weighted Average Share Price at Grant Date
Outstanding at June 30, 2013	—	\$—
Shares granted	—	—
Shares issued in spinoff	130,646	2.22
Shares issued	—	—
Shares forfeited	—	—
Outstanding at March 31, 2013	130,646	2.22
Vested but unissued at March 31, 2013	—	—

No tax benefit was recognized in the condensed consolidated statements of operations related to share-based compensation for the nine months ended March 31, 2014 and 2013. No share-based compensation was capitalized for the nine months ended March 31, 2014 and 2013.

## 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 three 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, 2014, the Company had issued 8,990 SARs with an average base price of \$50.31, in connection with the spinoff. At March 31, 2014, there was no intrinsic value associated with these arrangements. The Company did not recognize any compensation expense related to these awards during the three and nine months ended March 31, 2014 and 2013. There is no remaining compensation expense that will be recorded for these awards.

## 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

34

---

Table of Contents

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.

## 14. GEOGRAPHIC INFORMATION

Revenues are attributed to geographic location based on where the revenue generating product is shipped. The Company's geographic operations are as follows:

in thousands	Three Months Ended		Nine Months Ended	
Revenue by geographic region:	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
United States	\$1,366,031	\$1,570,432	\$3,895,709	\$4,389,566
Europe	106,687	47,673	326,251	172,703
North America, excluding United States	78,978	171,326	289,604	437,186
Asia Pacific	25,213	43,779	45,568	149,003
Africa	12	—	12	3
Australia	3,911	203	8,288	1,491
South America	715	41	747	98
Total revenue	\$1,581,547	\$1,833,454	\$4,566,179	\$5,150,050

in thousands	March 31, 2014	June 30, 2013
Inventories by geographic region:		
United States	\$171,432	\$148,336
Europe	15,251	9,504
North America, excluding United States	4,867	4,423
Asia	2,251	115
Total inventories	\$193,801	\$162,378
in thousands	March 31, 2014	June 30, 2013
Total assets by geographic region:		
United States	\$274,889	\$293,093
Europe	17,964	11,977
North America, excluding United States	4,867	4,423
Asia	2,251	115
Total assets	\$299,971	\$309,608
in thousands	March 31, 2014	June 30, 2013
Total long term assets by segment/geographic region:		
United States	\$9,684	\$9,148
Europe	94	90
Total long-term assets	\$9,778	\$9,238

## 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



## Table of Contents

forward-looking statements. The words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “may,” “plan,” and 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 our condensed consolidated financial statements and related notes that appear elsewhere in this Form 10-Q. In addition to historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Form 10-Q.

The following discussion should be read in conjunction with the consolidated financial statements and notes contained elsewhere in this is 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 Prospectus, particularly in “Risk Factors” and “Cautionary Statement Concerning Forward-Looking Statements.”

### Introduction

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

**Executive overview.** This section provides a general description of our business, as well as recent significant transactions and events that we believe are important in understanding the results of operations, as well as to anticipate future trends in those operations.

**Results of operations.** This section provides an analysis of our results of operations presented in the accompanying condensed consolidated statements of operations by comparing the results for the three and nine months ended March 31, 2014 and 2013.

**Financial condition and liquidity and capital resources.** This section provides an analysis of our cash flows, as well as a discussion of our outstanding debt that existed as of March 31, 2014. 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 consolidated financial statements, if any.

### Executive Overview

#### Our Business



## Table of Contents

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 and trading activity, A-Mark offers its customers a variety of services, including financing, consignment 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 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 storage business generates less than 1% of total revenues for each of the periods presented. 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 Strategy

The Company has grown from a small numismatics firm in 1965 to a significant participant in the bullion and coin markets, with over \$7 billion in revenues for the year ended June 30, 2013. Our strategy continues to focus on growth, including the volume of our business, our geographic presence, particularly in Europe, and the scope of complementary products and services that we offer to our customers. We intend to promote our growth by leveraging off of our existing, integrated operations; the depth of our customer relations; our access to market makers, suppliers and government 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 logistical capabilities; our trading expertise; and the quality and experience of our management team.

### Our Business Operations

The Company sells gold, silver, platinum and palladium products to a wide array of customers, including financial institutions, bullion retailers, industrial manufacturers, and sovereign mints. The Company makes a two way market, which results in many customers also operating as our suppliers. This diverse base of customers purchases a variety of products from the Company in a multitude grades primarily in the form of coins and bars.

### Factors Affecting Revenues and Gross Profits

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

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

Volatility also affects our gross profits. Greater volatility typically causes the trading spreads to widen resulting in an increase in the gross profit.

The Company has also been able recently to increase incremental margins, with a corresponding increase in 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.

Table of Contents

## Fiscal Year

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

## RESULTS OF OPERATIONS

Overview of Results of Operations for the Three and Nine Months Ended March 31, 2014 and 2013

## Condensed Consolidated Results of Operations

The operating results of our business for the three months ended March 31, 2014 and 2013 are as follows:

in thousands	Three Months Ended March 31, 2014		Three Months Ended March 31, 2013		\$	%	Increase/(decrease)	%	Increase/(decrease)
	\$	% of revenue	\$	% of revenue					
Revenue	\$ 1,581,547	100.0	% \$ 1,833,454	100.0	%	\$ (251,907 )	(13.7 )	%	
Gross profit	7,537	0.5	% 7,556	0.4	%	(19 )	(0.3 )	%	
General and administrative expenses	(4,351 )	(0.3 )	% (3,985 )	(0.2 )	%	366	9.2	%	
Interest income	1,391	0.1	% 1,953	0.1	%	(562 )	(28.8 )	%	
Interest expense	(1,002 )	(0.1 )	% (775 )	—	%	227	29.3	%	
Unrealized loss on foreign exchange	(60 )	—	% (46 )	—	%	(14 )	NM		
Net income before provision for income taxes	3,515	0.2	% 4,703	0.3	%	(1,188 )	(25.3 )	%	
Provision for income taxes	(1,419 )	(0.1 )	% (2,093 )	(0.1 )	%	674	(32.2 )	%	
Net income	\$ 2,096	0.1	% \$ 2,610	0.1	%	\$ (514 )	(19.7 )	%	

NM = Not meaningful.

in whole amounts	Three Months Ended March 31,		Increase / (decrease)	% of Increase / (decrease)
	2014	2013		
Basic and diluted weighted average income per common share				
Basic - net income <sup>(1)</sup>	\$0.28	\$0.34	\$(0.06 )	(17.6 )%
Diluted - net income <sup>(1)</sup>	\$0.28	\$0.34	\$(0.06 )	(17.6 )%

(1) = Basic and diluted income per share was based on historical SGI basic and fully diluted share figures through March 14, 2014, the distribution date. Amounts shown were retroactively adjusted to give effect for the share distribution in connection with the spinoff, on the basis of one share of A-Mark stock issued for every four shares of SGI stock held through the distribution date. Thereafter, basic and diluted income per share was based on the Company's historical basic and fully diluted share figures.

Table of Contents

The operating results of our business for the nine months ended March 31, 2014 and 2013 are as follows:

in thousands	Nine Months Ended March 31, 2014		Nine Months Ended March 31, 2013		\$	%	Increase/(decrease)	%	Increase/(decrease)
	\$	% of revenue	\$	% of revenue					
Revenue	\$4,566,179	100.0	% \$5,150,050	100.0	% \$ (583,871 )	(11.3	)	%	
Gross profit	22,354	0.5	% 18,844	0.4	% 3,510	18.6		%	
General and administrative expenses	(12,503 )	(0.3 )	% (10,072 )	(0.2 )	% 2,431	24.1		%	
Interest income	4,298	0.1	% 6,119	0.1	% (1,821 )	(29.8	)	%	
Interest expense	(2,879 )	(0.1 )	% (2,649 )	(0.1 )	% 230	8.7		%	
Unrealized loss on foreign exchange	—	—	% (24 )	—	% 24	NM			
Net income before provision for income taxes	11,270	0.2	% 12,218	0.2	% (948 )	(7.8	)	%	
Provision for income taxes	(4,560 )	(0.1 )	% (5,437 )	(0.1 )	% 877	(16.1	)	%	
Net income	\$6,710	0.1	% \$6,781	0.1	% \$ (71 )	(1.0	)	%	

NM = Not meaningful.

in whole amounts	Nine Months Ended March 31,		Increase / (decrease)	% of Increase / (decrease)	%
	2014	2013			
Basic and diluted weighted average income per common share					
Basic - net income <sup>(1)</sup>	\$0.87	\$0.87	\$—	—	%
Diluted - net income <sup>(1)</sup>	\$0.87	\$0.86	\$0.01	1.2	%

(1) = Basic and diluted income per share was based on historical SGI basic and fully diluted share figures through March 14, 2014, the distribution date. Amounts shown were retroactively adjusted to give effect for the share distribution in connection with the spinoff, on the basis of one share of A-Mark stock issued for every four shares of SGI stock held through the distribution date. Thereafter, basic and diluted income per share was based on the Company's historical basic and fully diluted share figures.

#### Revenues

Revenues for the three months ended March 31, 2014 decreased \$251.9 million, or 13.7%, to \$1.6 billion from \$1.8 billion in 2013. Revenues for the nine months ended March 31, 2014 decreased \$583.9 million, or 11.3%, to \$4.6 billion from \$5.2 billion in 2013. Our revenues decreased primarily due to a decline in the commodity price for gold and silver. The Company also reported a decrease in ounces of gold sold largely offset by an increase in silver ounces sold during the three and nine months ended March 31, 2014 compared to 2013.

#### Gross Profit

Gross profit for the three months ended March 31, 2014 decreased by \$0.02 million, or 0.3%, to \$7.54 million from \$7.56 million in 2013. For the nine months ended March 31, 2014, gross profit increased by \$3.5 million, or 18.6% to \$22.4 million from \$18.8 million in 2013. The Company's gross profit and profit margin percentage improved as a result of higher demand for silver custom products, which carry larger premiums and gross profit, through certain distribution contracts. Sales of unique bullion products to distributors for marketing to the retail public provide the Company with higher margins than its ordinary trading activities during both periods.

#### General and Administrative Expenses

General and administrative expenses increased \$0.4 million, or 9.2%, to \$4.4 million in the three months ended March 31, 2014 from \$4.0 million in 2013. For the nine months ended March 31, 2014, general and administrative expenses increased \$2.4 million, or 24.1%, to \$12.5 million from \$10.1 million in 2013. For the nine months ended March 31, 2014, the increase is primarily due to higher administrative expenses, such as the addition of key personnel, legal charges, and accounting fees. Additionally, the Company incurred a one-time \$0.7 million favorable adjustment in the nine months ended March 31, 2014 which reduced general

Table of Contents

and administrative expenses in the prior year. For the three months ended March 31, 2014, the increase is primarily due to higher administrative expenses, such as the addition of key personnel, legal charges, accounting fees, and ongoing public company costs.

**Interest Income**

Interest income decreased \$0.6 million, or 28.8%, to \$1.4 million for the three months ended March 31, 2014 from \$2.0 million in 2013. For the nine months ended March 31, 2014, interest income decreased \$1.8 million, or 29.8%, to \$4.3 million from \$6.1 million in 2013. The decreases were primarily due to lesser financing and liquidity business. This decrease was due primarily to the decrease in precious metals prices year over year which reduces the value of the finance services on which finance income is based.

**Interest Expense**

Interest expense for the three months ended March 31, 2014 increased \$0.23 million, or 29.3% to \$1.00 million from \$0.78 million in 2013. For the nine months ended March 31, 2014, interest expense increased \$0.2 million, or 8.7% to \$2.9 million from \$2.6 million in 2013. The increase was related primarily to usage of our line of credit (the "Trading Credit Facility"). We believe the interest rates paid on borrowings under our Trading Credit Facility are consistent with current market interest rates for first lien demand loans secured by inventory and receivables. We utilize our lines of credit extensively for working capital requirements.

**Provision for Income Taxes**

Our provision for income taxes was \$1.4 million and \$2.1 million for the three months ended March 31, 2014 and 2013, respectively. Our effective tax rate was approximately 40.4% and 44.5% for the three months ended March 31, 2014 and 2013, respectively. Our provision for income taxes was \$4.6 million and \$5.4 million for the nine months ended March 31, 2014 and 2013, respectively. Our effective tax rate was approximately 40.5% and 44.5% for the nine months ended March 31, 2014 and 2013, respectively. The primary difference in the effective tax rate between the nine months ended March 31, 2014 and 2013 is the result of adjustments to the estimated effective state tax rate. Our effective tax rate differs from the federal statutory rate due to permanent adjustments for nondeductible items and state taxes.

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

**Earnings per Share**

Basic earnings per share decreased \$0.06 to \$0.28 for the three months ended March 31, 2014, from \$0.34 in 2013, and diluted earnings per share decreased \$0.06 to \$0.28 from \$0.34 in 2013. For the nine months ended March 31, 2014, basic earnings per share decreased \$0.00 to \$0.87 from \$0.87, and diluted earnings per share increased by \$0.01 to \$0.87 from \$0.86 in 2013. The change in both basic and diluted earnings per share was primarily due to the increase in our net earnings from the factors mentioned above.

**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

The following summarizes cash flow components for the nine months ended March 31, 2014 and 2013:

in thousands	Nine Months Ended March 31,	
	2014	2013
Cash (used in) provided by operating activities	\$(38,401	) \$44,925
Cash used in investing activities	\$(1,221	) \$(446
Cash provided by (used in) financing activities	\$25,930	\$(34,255

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 commodities.

Operating activities used \$38.4 million in cash for the nine months ended March 31, 2014 and provided \$44.9 million in cash for the nine months ended March 31, 2013, respectively. Primary sources of cash in our operating cash flows from operations for the nine months ended March 31, 2014 include the impact related to changes in receivables of \$28.4 million . This was partially offset by a use of cash for the nine months ended March 31, 2014 related to changes in payables to SGI, accounts payable, accrued expenses, liabilities on borrowed metals, and inventory balances of \$4.2 million, \$26.0 million, \$0.7 million , \$11.5 million, and \$31.4 million, respectively. Primary sources of cash in operating cash flows for the nine months ended March 31, 2013 include

## Table of Contents

the impact related to changes in receivables, inventory, and liabilities on borrowed metals balances, of \$42.0 million, \$29.6 million and \$9.4 million, respectively. This was partially offset by a use of cash for the nine months ended March 31, 2013 related to changes in accounts payable, accrued liabilities and payables to SGI balances, of \$38.8 million, \$0.8 million and \$3.3 million, respectively.

Our investing activities used cash in the nine months ended March 31, 2014 of \$1.2 million and used cash of \$0.4 million in the nine months ended March 31, 2013. A primary use of cash in the nine months ended March 31, 2014 was for capital expenditures for property and equipment of \$0.7 million and the purchase of cost method investments of \$0.5 million. Cash flows used by investing activities of \$0.4 million during the nine months ended March 31, 2013 was primarily attributable to capital expenditures for property and equipment.

Our financing activities provided \$25.9 million for the nine months ended March 31, 2014 and used \$34.3 million for the nine months ended March 31, 2013. We had net borrowings \$24.8 million under lines of credit for the nine months ended March 31, 2014 compared to net repayments of \$13.5 million in the nine months ended March 31, 2013.

Additionally, we paid \$10.0 million of dividends for the nine months ended March 31, 2014 compared to payments of \$15.0 million in the nine months ended March 31, 2013. Furthermore, during the nine months ended March 31, 2014, we had a net increase in our product financing arrangement obligations of \$11.1 million. During the nine months ended March 31, 2013, we also had net reduction in our product financing arrangement obligations of \$5.8 million.

### Liability on Borrowed Metals

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 \$8.6 million and \$20.1 million at March 31, 2014 and at June 30, 2013, respectively. Certain of these metals are secured by letters of credit issued under the Trading Credit Facility, which totaled \$0.0 million and \$9.0 million as of March 31, 2014 and June 30, 2013, respectively.

### Obligation Under Product Financing Agreement

We have entered into an agreement for the sale of gold and silver at a fixed price to a third party. Such agreement allows the Company to repurchase this inventory at an agreed-upon price based on the spot price on the repurchase date. The third party charges monthly interest as a percentage of the market value of the outstanding obligation; such monthly charges are classified in interest expense. These transactions do not qualify as sales and therefore have been accounted for as financing arrangements and reflected in the consolidated balance sheet within product financing obligation. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the obligation under product financing arrangement and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value included as component of cost of sales. Such obligation totaled \$49.7 million and \$38.6 million as of March 31, 2014 and June 30, 2013, respectively.

### Lines of Credit

The Company has a Trading Credit Facility is with a group of financial institutions under an inter-creditor agreement, which provides for lines of credit including a sub-facility for letters of credit up to the maximum of the credit facility. As of March 31, 2014, the maximum of the Trading Credit Facility was \$170.0 million. We routinely uses the Trading Credit Facility to purchase precious metals from its suppliers and for operating cash flow purposes. Amounts under the Trading Credit Facility bear interest based on the one month London Interbank Offered Rate (“LIBOR”) plus a margin. The one month LIBOR rate was approximately 0.15% and 0.19% as of March 31, 2014 and June 30, 2013, respectively. Borrowings are due on demand and totaled \$119.8 million and \$95.0 million for lines of credit and \$0.0 million and \$9.0 million for letters of credit at March 31, 2014 and at June 30, 2013, respectively. Amounts borrowed under the Trading Credit Facility are secured by A-Mark’s receivables and inventories. 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 amounts available under the Trading Credit Facility are formula based and totaled \$50.2 million and \$66.0 million at March 31, 2014 and June 30, 2013, respectively. A

financial institution may cancel its participation in the Trading Credit Facility at any time by written notice to the Company.

As of March 31, 2014, the Trading Credit Facility had certain restrictive financial covenants, which required the Company and SGI to maintain a minimum tangible net worth, as defined, of \$25.0 million. The Company's tangible net worth as of March 31, 2014 was \$39.2 million, respectively. The minimum tangible net worth requirement of SGI was eliminated as of the effective date of the spinoff.

Separately, A-Mark has another line of credit with this lender totaling \$20.0 million, which is a component of A-Mark's Trading Credit Facility. Total borrowing capacity between SNI, a related party, and A-Mark cannot exceed \$23.0 million with

## Table of Contents

respect to this lender. As of March 31, 2014, the total amount borrowed with this lender was \$23.0 million, which consisted of \$15.5 million by A-Mark and \$7.5 million by SNI. The A-Mark and SNI lines represent two entirely separate lines of credit under which neither party has a performance obligation for the other should an event of default occur. Amounts available for borrowing under this Collectible Credit Facility as of March 31, 2014 was \$0.0 million. As of June 30, 2013, the total amount borrowed was \$23.0 million, \$5.0 million by SNI and \$18.0 million by A-Mark.

### Dividends

The Company has not made a determination regarding our policy on the payment of dividends. Our board or directors will make a determination on the payment of regular dividends based upon our financial performance, need for operating liquidity, applicable covenants in our financing agreements, business development and expansion programs, market expectations and other relevant factors.

### Contractual Obligations, Contingent Liabilities, and Commitments

#### 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 and Quantitative and Qualitative Disclosure about Market Risk. Our inventories consist of, and our trading activities involve, precious metals and precious metal products, whose prices are linked to the corresponding precious metals prices. Inventories purchased or borrowed by us are subject to price changes. Inventories borrowed are considered natural hedges, since changes in value of the metal held are offset by the obligation to return the metal to the supplier.

Open sales 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 policy is to substantially hedge our underlying precious metal commodity inventory position, net of open sales and purchase commitments, which is subject to price risk. 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.

Due to the nature of our global hedging strategy, we are not using hedge accounting as defined under ASC 815, Derivatives and Hedging. Gains or losses resulting from our futures and forward contracts are reported as cost of sales with the related unrealized amounts due from or to counterparties reflected as a derivative asset or liability (see Notes 3, 7 and 11 to the accompanying condensed consolidated financial statements). Gains or losses resulting from the termination of hedge contracts are reported as cost of sales. Realized and unrealized net gains (losses) on derivative instruments in the condensed consolidated statements of income for the three and nine months ended March 31, 2014 were \$(21.1) million and \$(31.1) million, respectively. Realized and unrealized net gains (losses) on derivative instruments in the condensed consolidated statements of operations for the three and nine months ended March 31, 2013 were \$(23.3) million and \$(31.5) million, respectively.

The contract amounts of these forward and futures contracts and the open sales and purchase orders are not reflected in the accompanying condensed consolidated balance sheets. The contracts are recorded at fair value, which is the difference between the market price of the underlying metal or contract and the trade amount is recorded at fair value. Our open sales 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. Futures and forwards contracts open at March 31, 2014 are scheduled to settle within 30 days.

We are exposed to the risk of failure 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, 2014, 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.

Table of Contents

The following table summarizes the results of our hedging activities as follows at March 31, 2014 and at June 30, 2013:

in thousands	March 31, 2014	June 30, 2013	
Inventory	\$193,801	\$162,378	
Less unhedgable inventory:			
Commemorative coin inventory, held at lower of cost or market	(1,804	) —	
Premium on metals position	(3,435	) (1,787	)
Premium on inventory	(5,239	) (1,787	)
Subtotal	188,562	160,591	
Commitments at market:			
Open inventory purchase commitments	473,095	461,883	
Open inventory sales commitments	(253,818	) (272,044	)
Margin sale commitments	(13,525	) (13,651	)
In-transit inventory no longer subject to market risk	(5,768	) (24,221	)
Unhedgable premiums on open commitment positions	1,555	2,107	
Inventory borrowed from suppliers	(8,620	) (20,117	)
Product financing obligation	(49,684	) (38,554	)
Advances on industrial metals	(5,678	) 33	
Inventory subject to price risk	326,119	256,027	
Inventory subject to derivative financial instruments:			
Precious metals forward contracts at market values	149,401	84,999	
Precious metals futures contracts at market values	177,093	171,272	
Total market value of derivative financial instruments	326,494	256,271	
Net inventory subject to commodity price risk	\$(375	) \$(244	)

As of March 31, 2014 and June 30, 2013, we had the following outstanding sales and purchase commitments:

in thousands	March 31, 2014	June 30, 2013	
Purchase commitments	\$473,095	\$461,883	
Sales commitments	(253,818	) (272,044	)
Margin sale commitments	(13,525	) (13,651	)
Open forward contracts	149,401	84,999	
Open futures contracts	177,093	171,272	

**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 sales and purchase transactions that counter parties may engage in from time to time.

**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.

\* \* \*



Table of Contents

**CRITICAL ACCOUNTING ESTIMATES**

Our 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 consolidated financial statements are prepared. On a regular basis, we review our accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could materially differ from our estimates.

Our significant accounting policies are discussed in Notes 1 and 2, Description of Business and Summary of Significant Accounting Policies, respectively, of the Notes to the accompanying consolidated financial statements that are included in Item 8, Consolidated Financial Statements and Supplementary Data, of this Form S-1. We believe that the following accounting policies are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. We have reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

**Revenue Recognition**

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

We account for our metals and sales contracts using settlement date accounting. Pursuant to such accounting, we recognize the sales or purchases of the metals at the settlement date. During the period between trade and settlement dates, we have essentially entered into a forward contract that meets the definition of a derivative in accordance with the Derivatives and Hedging Topic 815 of the ASC. We records the derivatives at the trade date with corresponding unrealized gains or losses which are reflected in the cost of precious metals sold in the consolidated statements of income. We adjust the carrying value of the derivatives to fair value on a daily basis until the transactions are physically settled. Sales which are physically settled are recognized at the gross amount in the condensed consolidated statements of income.

**Inventories**

The Company's inventories primarily include bullion and bullion coins and are acquired and initially recorded at fair market value. The fair market value of the bullion and bullion coins is comprised of two components: 1) published market values attributable to the cost of the raw precious metal, and 2) a published premium paid at acquisition of the metal. The premium is attributable to the additional value of the product in its finished goods form and the market value attributable solely to the premium may be readily determined, as it is published by multiple reputable sources. The premium is included in the cost of the inventory, paid at acquisition, and is a component of the total fair market value of the inventory. The precious metal component of the inventory may be hedged through the use of precious metal commodity positions, while the premium component of our inventory is not a commodity that may be hedged.

The Company's inventories are subsequently recorded at their fair market values. Daily changes in fair market value are recorded in the income statement through cost of sales and are offset by hedging derivatives, with changes in fair value of the hedging derivatives also recorded in cost of sales in the condensed consolidated statements of income. The premium component of market value included in the inventories as of March 31, 2014 and June 30, 2013 totaled 3.4 million and \$1.8 million, respectively. Commemorative coins, which are not hedged, are also included in inventory at the lower of cost or market and totaled \$1.8 million and \$0.0 million as of March 31, 2014 and June 30,

2013, respectively. For the nine months ended March 31, 2014 and March 31, 2013, the unrealized gains (losses) resulting from the difference between market value and cost of physical inventories were \$3.1 million and \$3.8 million, respectively.

Inventories included amounts borrowed from suppliers under arrangements to purchase precious metals on an unallocated basis. Unallocated or pool metal represents an unsegregated inventory position that is due on demand, in a specified physical form, based on the total ounces of metal held in the position. Amounts under these arrangements require delivery either in the form of precious metals or cash. Corresponding obligations related to liabilities on borrowed metals are reflected on the condensed consolidated balance sheets and totaled \$8.6 million and \$20.1 million as of March 31, 2014 and June 30, 2013, respectively. The Company mitigates market risk of its physical inventories through commodity hedge transactions (see Note 11).

## Table of Contents

Inventory includes amounts for obligations under product financing agreement. A-Mark entered into a product financing agreement for the transfer and subsequent re-acquisition of gold and silver at a fixed price to a third party finance company. This inventory is restricted and is held at a custodial storage facility in exchange for a financing fee, by the third party finance company. During the term of the financing, the third party finance company holds the inventory as collateral, and both parties intend to return the inventory to A-Mark at an agreed-upon price based on the spot price on the finance arrangement termination date, pursuant to the guidance in ASC 470-40 Product Financing Arrangements. The third party charges a monthly fee as percentage of the market value of the outstanding obligation; such monthly charge is classified in interest expense. These transactions do not qualify as sales and therefore have been accounted for as financing arrangements and reflected in the consolidated balance sheet within obligation under 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 \$49.7 million and \$38.6 million as of March 31, 2014 and June 30, 2013, respectively (see Note 10).

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, 2014 and June 30, 2013 totaled \$7.8 million and \$2.6 million, respectively. Such inventory is removed at the time the customer elects to price and purchase the metals, and the Company records a corresponding sale and receivable. Substantially all inventory loaned under consignment arrangements is secured by letters of credit issued by major financial institutions for the benefit of the Company or under an all-risk insurance policy with the Company as the loss-payee.

### Goodwill and Other Purchased Intangible Assets

We evaluate goodwill and other indefinite life intangibles for impairment annually in the fourth quarter of the fiscal year (or more frequently if indicators of potential impairment exist) in accordance with the Intangibles - Goodwill and Other Topic 350 of the ASC. Other finite life intangible assets are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. We may first qualitatively assess whether relevant events and circumstances make it more likely than not that the fair value of the reporting unit's goodwill is less than its carrying value. If, based on this qualitative assessment, we determine that goodwill is more likely than not to be impaired, a two-step impairment test is performed. This first step in this test involves comparing the fair value of each reporting unit to its carrying value, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step in the test is performed, which is measurement of the impairment loss. The impairment loss is calculated by comparing the implied fair value of goodwill, as if the reporting unit has been acquired in a business combination, to its carrying amount. In accordance with ASU 2011-08, we performed a Step 0 assessment on our goodwill, totaling \$4.9 million, and determined no impairment was necessary as of June 30, 2013.

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

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

### Income Taxes

As part of the process of preparing our consolidated financial statements, we required to estimate our provision for income taxes in each of the tax jurisdictions in which we conduct business, in accordance with the Income Taxes Topic 740 of the ASC. We compute our annual tax rate based on the statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we earn income. Significant judgment is required in determining our annual tax rate and in evaluating uncertainty in its tax positions. We recognize a benefit for tax positions that we believe will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that we believe has more than a 50% probability of being realized upon settlement. We regularly monitor our tax positions and adjust the amount of recognized tax benefit based on our evaluation of information that has become available since the end of our last financial reporting period. The annual tax rate includes the impact of these changes in recognized tax benefits. When adjusting the amount of recognized tax benefits, we do not consider information that has become available after the balance sheet date, but do disclose the effects of new information whenever those effects would be material to our 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

## Table of Contents

benefits. These unrecognized tax benefits are presented in the consolidated balance sheet principally within income taxes payable. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. Significant judgment is applied when assessing the need for valuation allowances. Areas of estimation include our consideration of future taxable income and ongoing prudent and feasible tax planning strategies.

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

We account for uncertainty in income taxes under the provisions of Topic 740 of the ASC. These provisions clarify the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribe a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The provisions also provide guidance on de-recognition, classification, interest, and penalties, accounting in interim periods, disclosure, and transition. The potential interest and/or penalties associated with an uncertain tax position are recorded in provision for income taxes on the consolidated statements of income. Please refer to Note 8 to the accompanying consolidated financial statements for further discussion regarding these provisions.

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

Based on our assessment it appears more likely than not that the net deferred tax assets will be realized through future taxable income. Accordingly, no valuation allowance has been established against any of the deferred tax assets. We will continue to assess the need for a valuation allowance for our remaining deferred tax assets in the future

## RECENT ACCOUNTING PRONOUNCEMENTS

In December 2011, the FASB issued Accounting Standards Update No. 2011-11, Disclosures about Offsetting Assets and Liabilities. In January 2013, the FASB issued Accounting Standards Update No. 2013-01, Clarifying the Scope about Offsetting Assets and Liabilities, which limited the scope of ASU No. 2011-11 guidance to derivatives, repurchase type agreements, and securities borrowing and lending activity. These ASUs require an entity to disclose gross and net information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. Both ASUs are effective for annual and interim periods beginning on or after January 1, 2013. The adoption of the accounting standards in these updates did not have a material impact on the Company's consolidated financial position or results of operations.

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

### Commodity Price Risk

We are subject to commodity price risk through our principal business, the purchase and sale of precious metals in the form of gold, silver platinum and palladium. We enter in to a combination of futures and forward transactions to substantially hedge our net exposure to changes in the underlying commodity prices. Consistent with the use of these contracts to neutralize the effect of commodity price fluctuations, such unrealized losses or gains are offset by corresponding gains or losses, respectively, in the remeasurement of the underlying transactions being hedged. When taken together, these forward and futures contracts and the offsetting underlying commitments do not create material market risk. As of March 31, 2014, we had \$326.1 million in commodity price risk related entirely to our inventories and related commitments and \$326.5 million in corresponding forwards and futures contracts. As of June 30, 2013, we had \$256.0 million in commodity price risk related entirely to our inventories and related commitments and \$256.3 million in corresponding forwards and futures contracts.

Table of Contents

Foreign Currency Exchange Rate Risk

We are subject to foreign currency exchange rate risk relating to the sale of precious metals priced in foreign currencies. We use foreign currency forward contracts to hedge the price risk associated with firmly committed denominated receipts related to our ongoing business. Foreign currency forward contracts are sensitive to changes in foreign currency exchange rates. Consistent with the use of these contracts to neutralize the effect of exchange rate fluctuations, such unrealized losses or gains are offset by corresponding gains or losses, respectively, in the remeasurement of the underlying transactions being hedged. When taken together, these forward currency contracts and the offsetting underlying commitments do not create material market risk. As of March 31, 2014, we had \$6.6 million in foreign currency denominated transactions and \$2.5 million in foreign currency forward contracts. As of June 30, 2013, we had \$0.1 million in foreign currency denominated transactions and \$0.3 million in foreign currency forward contracts.

Interest Rate Risk

Interest under our Trading Credit Facility is based on short term (primarily LIBOR) based interest rates. An increase in LIBOR rates would increase our underlying interest expense. Such increases would likely be substantially offset by an increase in the rates charged for our finance products and services. Market risk is further mitigated due to the highly liquid nature of our inventories which allow us to significantly reduce our borrowings in a short period of time. As a result, an increase in interest rates does not create material market risk.

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have established disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Our principal executive officer and principal financial officer, with the assistance of other members of our management, have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Based upon this evaluation, our Chief Executive Officer and Chief Accounting Officer, which position constitutes our principal financial officer within the meaning of SEC regulations, concluded that, as of that date, our disclosure controls and procedures were not effective.

Our principal executive officer and principal financial officer have also concluded that there was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. The Company operated with inadequate and insufficient accounting and finance resources to ensure timely and reliable financial reporting. As a result of this material weakness, the Company's management has concluded that, as of March 31, 2014, its internal control over financial reporting was not effective. To remediate this material weakness, during fiscal 2014, we intend to:

• Determine the appropriate complement of corporate accounting and finance personnel required to ensure timely and reliable financial reporting, and;

• Hire the requisite additional personnel and/or contractors with public company accounting and reporting experience, and;

• Organize and design our internal review and evaluation process to include more formal management oversight of the methods and review procedures utilized and the conclusions reached, including for purposes of evaluating and ensuring the sufficiency of accounting resources.

We can give no assurance that the measures we take will remediate the material weakness that we identified or that any additional material weaknesses will not arise in the future. We will continue to monitor the effectiveness of these and other processes, procedures and controls and will make any further changes management determines appropriate.

The existence of one or more other material weaknesses or significant deficiencies could result in errors in our financial statements, and substantial costs and resources may be required to rectify any internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of our stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be adversely affected.

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 any legal proceeding that management believes would have a material adverse effect on our consolidated financial position, cash flows or operations.



Table of Contents

ITEM 1A. RISK FACTORS

Risks Relating to Our Business Generally

Our business is heavily dependent on our credit facility.

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

An institutional participant in the Trading Credit facility can withdraw at any time on written notice to the Company. The loss of one or more of the lines under the Trading Credit Facility, and the failure of A-Mark to replace those lines, would reduce the financing available to the Company and could limit our ability to conduct our business, including the lending activity of our CFC subsidiary. There can be no assurance that we could procure replacement financing if all or part of the Trading Credit Facility were terminated, on commercially acceptable terms and on a timely basis, or at all.

Because the Trading Credit Facility is a demand facility, the lenders may require us to repay the indebtedness outstanding under the facility at any time. They may require repayment of the indebtedness even if we are in compliance with the financial and other covenants under the Trading Credit Facility. If the lenders were to demand repayment, we may not at the time have the financial resources to comply. As of March 31, 2014, the maximum available amount to borrow under the Trading Credit Facility was \$170.0 million. Borrowings totaled \$119.8 million so that the amounts available under the Trading Credit Facility was \$50.2 million.

Because interest under the Trading Credit Facility is variable, we are subject to fluctuations in interest rates and we may not be able to pass along to our customers and borrowers some or any part of an increase in the interest that we are required to pay under the facility. Amounts under the Trading Credit Facility bear interest based on one month LIBOR plus a margin and vary by financial institution. The LIBOR rate was approximately 0.15% and 0.19% as of March 31, 2014 and June 30, 2013, respectively.

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

The prices that we charge our trading customers include an interest carrying factor that reflects our cost of funds. The trading business is highly price competitive, and characterized by narrow margins. If our cost of funds increases and we cannot pass on the increase to our customers, we will lose sales.

We borrow to finance, in part, our inventory of precious metals and coins. If our interest costs increase, we would either have to absorb the increased costs, cutting into our margins, or reduce our inventory levels, which could adversely impact our ability to service our customers.

In certain cases, our ability to offer customers financing for their purchases of precious metals and coins at competitive rates is an important factor the customers' decision to transact with us. The financing we provide to our customers is funded, in part, through the borrowings under our credit facility. If our borrowing costs increase, and our customers are unwilling to finance their purchases at the higher rates, we would lose sales.

We could suffer losses with our financing operations.

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

Receivables from our customers with whom we trade in precious metal products are effectively short-term, non-interest bearing extensions of credit that are, in most cases, secured by the related products maintained in the

Company's possession or by a letter of credit issued on behalf of the customer. On average, these receivables are outstanding for periods of between 8 and 9 days.

The Company operates a financing business through CFC that makes secured loans at loan to value ratios—principal loan amount divided by the "liquidation value", as conservatively estimated by management, of the collateral—of, in most cases, 50% to 80%. These loans are both variable and fixed interest rate loans, with maturities from six to twelve months.

Table of Contents

We make advances to our customers on unrefined metals secured by materials received from the customer. These advances are limited to a portion of the materials received.

The Company makes unsecured, short-term, non-interest bearing advances to wholesale metals dealers and government mints.

The Company periodically extends short-term credit through the issuance of notes receivable to approved customers at interest rates determined on a customer-by-customer basis.

Our ability to minimize losses on the credit that we extend to our customers depends on a variety of factors, including: our loan underwriting and other credit policies and controls designed to assure repayment, which may prove inadequate to prevent losses;

our ability to sell collateral upon customer defaults for amounts sufficient to offset credit losses, which can be affected by a number of factors outside of our control, including (i) changes in economic conditions, (ii) increases in market rates of interest and (iii) changes in the condition or value of the collateral; and

the reserves we establish for loan losses, which may prove inadequate.

Our business is dependent on a concentrated customer base.

One of A-Mark's key assets is its customer base. This customer base provides deep distribution of product and makes A-Mark a desirable trading partner for precious metals product manufacturers, including sovereign mints seeking to distribute precious metals coinage or large refiners seeking to sell large volumes of physical precious metals.

A-Mark's top two customers represented 25.4% and 7.1%, respectively, of trading revenues for the nine months ended March 31, 2014. For the fiscal year ended June 30, 2013, A-Mark's top three customers represented 11.4%, 11.2% and 10.7%, respectively of our revenues. If our relationships with these customers deteriorated, or if we were to lose one or more of 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 gold could be restricted by natural events (such as an earthquake) or human actions (such as a terrorist attack). Although we maintain insurance on terms and conditions that we consider appropriate, we may not have adequate sources of recovery if our precious metals inventory is lost, damaged, stolen or destroyed, and recovery may be limited. Among other things, our insurance policies exclude coverage in the event of loss as a result of terrorist attacks or civil unrest.

Our 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

Table of Contents

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 15% of our revenues from business outside the United States, including from customers in developing countries. Business operations outside the U.S. are subject to political, economic and other risks inherent in operating in foreign countries. These include risks of general applicability, such as the need to comply with multiple regulatory regimes; trade protection measures and import or export licensing requirements; and fluctuations in equity, revenues and profits due to changes in foreign currency exchange rates. Currently, we do not conduct substantial business with customers in developing countries. However, if our business in these areas of the world were to increase, we would also face risks that are particular to developing countries, including the difficulty of enforcing agreements, collecting receivables; protecting inventory and other assets through foreign legal systems; limitations on the repatriation of earnings; currency devaluation and manipulation of exchange rates; and high levels of inflation.

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

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

Our performance is dependent on our senior management and certain other key employees. We have employment agreements with Greg Roberts, our CEO, and with three other employees, our president, a senior vice president and our chief operating officer. These employment agreements all expire at the end of fiscal 2016. These and other employees have expertise in the trading markets, have industry-wide reputations, and perform critical functions for our business. We cannot offer assurance that we will be able to negotiate acceptable terms for the renewal of the employment agreements or otherwise retain our key employees. Also, there is significant competition for skilled precious metals traders and other industry professionals. The loss of our current key officers and employees, without the ability to replace them, would materially and adversely affect our business.

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

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

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.

51

---

Table of Contents

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 government regulations, and the cost of compliance could increase.

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 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 first conflict minerals report required by the new rules is due by May 31, 2014 and annually thereafter. 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.

We operate in a highly competitive industry.

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

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

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

We are in the process of developing an electronic trading platform that will allow our customers to place orders with us using a computerized interface. While we believe that this platform will offer many advantages to us and our

customers in terms of efficiency and ease of operation, there can be no assurance that we will be successful in implementing this platform, in a manner that will be attractive to our customers or at all. Also, as in any new systems, we may experience operational difficulties with the platform in the early stages of its use, which could adversely affect relationships with our customers.

Table of Contents

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 lead 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 sales 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 sales 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.

## Table of Contents

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

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

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

The Company buys and sells precious metals contracts on commodity exchanges around the world, both in support of its customer operations and to hedge its inventory and transactional exposure against fluctuations in commodity prices. The Company's ability to engage in these activities would be compromised if the exchanges on which the Company trades or any of their clearinghouses were to discontinue operations or to experience disruptions in trading, due to computer problems, unsettled markets or other factors. The Company may also experience risk of loss if futures commission merchants or commodity brokers with whom the Company deals were to become insolvent or bankrupt.

### Risks Relating to Our Common Stock

Public company costs will increase 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 will incur 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 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 will require annual management assessments of the effectiveness of our internal control over financial reporting, beginning with our annual report on Form 10-K for the year ending June 30, 2015.

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

Table of Contents

financial reporting, then investors could lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our common stock. In addition, if we do not maintain effective internal controls, we may not be able to accurately report our financial information on a timely basis, which could harm the trading price of our common stock, impair our ability to raise additional capital, or jeopardize our continued listing on the NASDAQ Global Select Market or any other stock exchange on which common stock may be listed. We are in the process of enhancing our internal controls over financial reporting but there can be no assurance that our controls will function as intended.

We have identified a material weakness in our internal control over financial reporting, and our business and stock price may be adversely affected if we do not adequately address this weakness or if we have other material weaknesses or significant deficiencies in our internal control over financial reporting.

The Company has in the past operated with inadequate and insufficient accounting and finance resources to ensure timely and reliable financial reporting. As a result of this material weakness, the Company's management has concluded that, as of June 30, 2013, its internal control over financial reporting was not effective, which has not been remediated as of March 31, 2014. To remediate this material weakness, during fiscal 2014, we intend to:

- Determine the appropriate complement of corporate accounting and finance personnel required to ensure timely and reliable financial reporting;
- Hire the requisite additional personnel and/or contractors with public company accounting and reporting experience, and;
- Organize and design our internal review and evaluation process to include more formal management oversight of the methods and review procedures utilized and the conclusions reached, including for purposes of evaluating and ensuring the sufficiency of accounting resources.

We can give no assurance that the measures we take will remediate the material weakness that we identified or that any additional material weaknesses will not arise in the future. We will continue to monitor the effectiveness of these and other processes, procedures and controls and will make any further changes management determines appropriate.

The existence of one or more other material weaknesses or significant deficiencies could result in errors in our financial statements, and substantial costs and resources may be required to rectify any internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of our stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be adversely affected.

We may not be able to or may choose not to pay dividends.

We expect that our board of directors will make a determination concerning the Company's dividend policy, and we cannot at this time predict whether our board will institute a policy of regular dividends. Further, our current credit arrangements contain restrictions on the payment of dividends. As a result, shareholders may not receive any 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

Table of Contents

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 will 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 and because of equity awards we intend to grant as part of the replacement and adjustment of outstanding SGI equity awards held by SGI and A-Mark employees and directors. 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 will likely beneficially own a sizeable percentage of our common stock and will therefore have the ability to exert substantial influence as shareholders.

Members of our board and management beneficially own over 42% 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 to the effect that the spinoff will qualify 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 will be recognized by SGI upon the distribution of our common stock in the spinoff, and (ii) no gain or loss will be recognized by, and no amount will be 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 will rely on certain representations and covenants to be delivered by SGI and us. If, notwithstanding the conclusions included in the opinion, it is ultimately determined that the distribution does not qualify as tax-free for U.S. federal income tax purposes, each SGI shareholder that is subject to U.S. federal income tax and that received shares of our common stock in the distribution could be treated as receiving a taxable distribution in an amount equal to the fair market value of such shares. In addition, if the distribution were not to qualify as tax-free for U.S. federal income tax purposes, then SGI would recognize gain in an amount equal to the excess of the fair market value of our common stock distributed to SGI shareholders on the date of the distribution over SGI's tax basis in such shares. Also, we could have an indemnification obligation to SGI related to its tax liability. We might not be able to engage in desirable strategic transactions and equity issuances because of restrictions relating to U.S. federal income tax requirements for tax-free distributions.

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

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

Table of Contents

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

SGI has obtained the opinion of its financial advisor that, subject to the limitations and qualifications contained in the opinion, following the distribution, the assets of SGI will exceed its debts (including contingent liabilities) at a fair valuation; SGI should be able to pay its debts (including contingent liabilities) as they become due; and SGI will not have an unreasonably small amount of assets (or capital) for the businesses in which it is engaged or in which its management has indicated it intends to engage. There is no assurance, however, 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. In July 2013, the Spanish judicial authorities determined to bring formal charges of indictment against certain persons formerly associated with Afinsa and SGI, including Mr. Manning. The charges include a civil demand for substantial monetary damages. On October 7, 2013, the Spanish court issued an order naming SGI as a party, on a secondary civil liability basis, to the proceedings. 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**

**Unregistered Sales of Equity Securities**

During the quarter ended March 31, 2014, the Company did not issue any unregistered common shares.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**ITEM 5. OTHER INFORMATION**

None.



Table of Contents

## ITEM 6. EXHIBITS

## Regulation S-K

## Exhibit Table

## Item No.

## Description of Exhibit

31.1	**	Certification by the Chief Executive Officer Under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	**	Certification by the Chief Financial Officer Under Section 302 of the Sarbanes-Oxley Act of 2002
32.1	**	Certification by Chief Executive Officer Under Section 906 of the Sarbanes-Oxley Act of 2002
32.2	**	Certification by Chief Financial Officer Under Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	**	XBRL Instance Document
101.SCH	**	XBRL Taxonomy Extension Calculation Schema Document
101.CAL	**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	**	XBRL Taxonomy Extension Presentation Linkbase Document

---

\*\* Filed herewith

## SIGNATURES

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

Date: May 13, 2014

A-MARK PRECIOUS METALS, INC.

By: /s/ Gregory N. Roberts

Name: Gregory N. Roberts

Title: Chief Executive 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 13, 2014
/s/ Gianluca Marzola Gianluca Marzola	Chief Accounting Officer (Principal Financial Officer)	May 13, 2014