A-Mark Precious Metals, Inc.
Form 10-Q
November 13, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2018
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________

Commission File Number: 001-36347

A-MARK PRECIOUS METALS, INC.
(Exact name of registrant as specified in its charter)

Delaware	11-2464169
(State of Incorporation)	(IRS Employer I.D. No.)

2121 Rosecrans Ave. Suite 6300
El Segundo, CA 90245
(Address of principal executive offices)(Zip Code)
(310) 587-1477
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	NASDAQ Global Select Market

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

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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. þ 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. þ No. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company 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 þ	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

As of November 1, 2018, the registrant had 7,031,450 shares of common stock outstanding, par value $0.01 per share.

A-MARK PRECIOUS METALS, INC.

QUARTERLY REPORT ON FORM 10-Q
For the Three Months Ended September 30, 2018

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to the Condensed Consolidated Financial Statements

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

	September 30, 2018	June 30, 2018
ASSETS		
Current assets:		
Cash [(1)]	$ 22,714	$ 6,291
Receivables, net	57,332	35,856
Derivative assets	2,706	7,395
Secured loans receivable [(1)]	81,891	110,424
Precious metals held under financing arrangements	232,476	262,566
Inventories:		
Inventories [(1)]	236,679	166,176
Restricted inventories	53,126	113,940
	289,805	280,116
Income taxes receivable	1,561	1,553
Prepaid expenses and other assets	2,830	2,782
Total current assets	691,315	706,983
Plant, property and equipment, net	7,694	8,018
Goodwill	8,881	8,881
Intangibles, net	6,609	6,861
Long-term investments	8,636	8,388
Deferred tax assets - non-current	3,417	3,870
Total assets	$ 726,552	$ 743,001
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	$ 179,000	$ 200,000
Liability on borrowed metals	227,198	280,346
Product financing arrangements	53,126	113,940
Accounts payable	60,993	45,997
Derivative liabilities [(1)]	35,974	20,457
Accrued liabilities [(1)]	4,838	5,129
Total current liabilities	561,129	665,869
Debt obligation (related party)	7,257	7,226
Notes payable [(1)]	87,056	—
Other long-term liabilities (related party)	296	798
Total liabilities	655,738	673,893
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of September 30, 2018 and June 30, 2018	—	—
Common stock, par value $0.01; 40,000,000 shares authorized; 7,031,450 shares issued and outstanding as of September 30, 2018 and June 30, 2018	71	71

Additional paid-in capital	25,628	24,717
Retained earnings	42,391	40,910
Total A-Mark Precious Metals, Inc. stockholders’ equity	68,090	65,698
Non-controlling interest	2,724	3,410
Total stockholders’ equity	70,814	69,108
Total liabilities, non-controlling interest and stockholders’ equity	$ 726,552	$743,001

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

See accompanying Notes to Condensed Consolidated Financial Statements

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

The following table presents the assets and liabilities of the Company's consolidated variable interest entity ("VIE"), which is included in the condensed consolidated balance sheets above. The noteholders have first priority to the assets as shown in the table below, which are in excess of the notes' aggregate principal amount. Additionally, the liabilities of the VIE include intercompany balances, which are eliminated in consolidation. See Note 14 for additional information.

	September 30, 2018	June 30, 2018
ASSETS OF THE CONSOLIDATED VIE		
Cash	$ 17,710	$ —
Secured loans receivable	41,295	—
Inventories	62,300	—
Total assets of consolidated variable interest entities	$ 121,305	$ —
LIABILITIES OF THE CONSOLIDATED VIE		
Deferred payment obligations (1)	$ 21,588	$ —
Accrued liabilities	234	—
Derivative liabilities	2,163	—
Notes payable (2)	97,056	—
Total liabilities of consolidated variable interest entities	$ 121,041	$ —

(1) This is an intercompany balance, which is eliminated in consolidation and hence not shown on the condensed consolidated balance sheets.
(2) $10.0 million of the Notes are held by A-Mark, which is eliminated in consolidation and hence not shown on the condensed consolidated balance sheets.

See accompanying Notes to Condensed Consolidated Financial Statements

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

Three Months Ended September 30,	2018	2017
Revenues	$1,565,090	$2,163,790
Cost of sales	1,556,615	2,156,484
Gross profit	8,475	7,306
Selling, general and administrative expenses	(7,719)	(6,976)
Interest income	4,551	3,161
Interest expense	(3,552)	(2,733)
Other income	248	61
Unrealized loss on foreign exchange	(70)	(101)
Net income before provision for income taxes	1,933	718
Income tax expense	(499)	(274)
Net income	1,434	444
Add: Net loss attributable to non-controlling interest	(47)	(34)
Net income attributable to the Company	$1,481	$478
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:		
Basic	$0.21	$0.07
Diluted	$0.21	$0.07
Dividends per share	$—	$0.08
Weighted average shares outstanding:		
Basic	7,031,400	7,031,400
Diluted	7,091,900	7,122,400

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Common Stock (Shares)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total A-Mark Precious Metals, Inc. Stockholders' Equity	Non-Controlling Interest	Total Stockholders' Equity
Balance, June 30, 2018	7,031,450	$ 71	$ 24,717	$ 40,910	$ 65,698	$ 3,410	$ 69,108
Net income	—	—	—	1,481	1,481	(47)	1,434
Share-based compensation	—	—	272	—	272	—	272
Transactions with non-controlling interest	—	—	639	—	639	(639)	—
Balance, September 30, 2018	7,031,450	$ 71	$ 25,628	$ 42,391	$ 68,090	$ 2,724	$ 70,814

See accompanying Notes to Condensed Consolidated Financial Statements

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

Three Months Ended September 30,	2018	2017
Cash flows from operating activities:		
Net income	$1,434	$444
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	697	529
Amortization of loan cost	211	233
Deferred income taxes	453	4,687
Interest added to principal of secured loans	(5)	(15)
Share-based compensation	272	436
Earnings from equity method investment	(248)	(57)
Changes in assets and liabilities:		
Receivables	(21,476)	(1,792)
Secured loans	93	(77)
Secured loans to Former Parent	6,824	(2,215)
Derivative assets	4,689	(1,914)
Income tax receivable	(8)	(5,881)
Precious metals held under financing arrangements	30,090	—
Inventories	(9,689)	(14,384)
Prepaid expenses and other assets	(208)	(802)
Accounts payable	14,996	1,417
Derivative liabilities	15,517	(10,593)
Liabilities on borrowed metals	(53,148)	436
Accrued liabilities	(792)	(3,147)
Earn-out payment related to acquisition of joint venture	—	(208)
Income taxes payable	—	(1,418)
Net cash used in operating activities	(10,298)	(34,321)
Cash flows from investing activities:		
Capital expenditures for property and equipment	(122)	(318)
Secured loans, net	21,621	4,674
Acquisition of subsidiary, net of cash	—	(9,548)
Net cash provided by (used in) investing activities	21,499	(5,192)
Cash flows from financing activities:		
Product financing arrangements, net	(60,814)	(10,478)
Dividends	—	(562)
Borrowings and repayments under lines of credit, net	(21,000)	39,000
Proceeds from issuance of debt obligation payable to related party	—	7,500
Repayments on notes payable to related party	—	(500)
Proceeds from issuance of notes payable	90,000	—
Debt funding issuance costs	(2,964)	(149)
Net cash provided by financing activities	5,222	34,811
Net increase (decrease) in cash, cash equivalents, and restricted cash	16,423	(4,702)
Cash, cash equivalents, and restricted cash, beginning of period	6,291	13,059

Cash, cash equivalents, and restricted cash, end of period	$22,714	$8,357

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

Three Months Ended September 30,	2018	2017
(- Continued from preceding page -)		
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$2,963	$1,856
Income taxes	$47	$2,869
Non-cash investing and financing activities:		
Interest added to principal of secured loans	$5	$15
Debt funding issuance costs	$—	$534
Investment transactions with non-controlling interest	$639	$—

See accompanying Notes to Condensed Consolidated Financial Statements

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

1. DESCRIPTION OF BUSINESS

Basis of Presentation

The condensed consolidated financial statements comprise those of A-Mark Precious Metals, Inc. ("A-Mark" or the "Company") and its consolidated subsidiaries, which includes a variable interest entity ("VIE"). Intercompany accounts and transactions have been eliminated.

Business Segments

The Company conducts its operations in three reportable segments: (1) Wholesale Trading & Ancillary Services, (2) Secured Lending and (3) Direct Sales. Each of these reportable segments represents an aggregation of operating segments that meets the aggregation criteria set forth in the Segment Reporting Topic 280 of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") (See Note 18).

Wholesale Trading & Ancillary Services

The Wholesale Trading & Ancillary Services segment operates as a full-service precious metals trading company. The products that this segment sells include gold, silver, platinum and palladium for storage and delivery primarily in the form of coins, bars, wafers and grain. Also, this segment's trading-related services include financing, consignment, logistics, hedging and various customized financial programs.

Through its wholly owned subsidiary, A-Mark Trading AG ("AMTAG"), the Company promotes A-Mark bullion products throughout the European continent. Transcontinental Depository Services ("TDS"), also a wholly owned subsidiary of the Company, offers worldwide storage solutions to institutions, dealers and consumers.

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

In August 2016, the Company formed AM&ST Associates, LLC ("AMST"), a joint venture with SilverTowne, L.P., referred to as SilverTowne, an Indiana-based producer of minted silver that resulted in the Company and SilverTowne, L.P. owning 55% and 45%, respectively, of AMST. During the three months ended September 30, 2018, the Company increased its ownership interest in AMST, with the result that as of September 30, 2018 the Company and SilverTowne, L.P. own 69% and 31%, respectively, of AMST. The Company acquired its interest in AMST to provide greater product selection to our customers and greater pricing stability within the supply chain, as well as to gain increased access to silver during volatile market environments.

Secured Lending

The Company operates its Secured Lending segment through its wholly-owned subsidiary, CFC. CFC has been in operation since 2005. CFC is a California licensed finance lender that originates and acquires commercial loans secured by bullion and numismatic coins. CFC's customers include coin and precious metal dealers, investors and collectors.

On September 14, 2018, AM Capital Funding, LLC ("AMCF"), a wholly owned subsidiary of CFC, completed an issuance of Secured Senior Term Notes, Series 2018-1, Class A in the aggregate principal amount of $72.0 million and Secured Subordinated Term Notes, Series 2018-1, Class B in the aggregate principal amount of $28 million. The Class A Notes bear interest at a rate of 4.98% and the Class B Notes bear interest at a rate of 5.98%. The Notes have a maturity date of December 15, 2023.

The Notes were issued under a Master Indenture and the Series 2018-1 Supplement thereto, each dated as of the Closing Date, between AMCF and Citibank, N.A., as trustee. The Company holds $10.0 million of the Notes. The Notes are not insured or guaranteed by A-Mark or CFC. CFC acts as servicer with respect to the Notes.

AMCF applied the net proceeds from the sale of the Notes to purchase loans and precious metals inventory, and to pay certain costs and expenses.

AMCF is a special purpose entity whose sole activity consists of operating, owning, and financing indentured assets. The Notes are primarily payable from, and secured by, (i) precious metals obtained by AMCF from third parties, and

(ii) a portfolio of loans collateralized by precious metals, which loans were originated by either CFC or acquired by CFC from third parties and conveyed by CFC to AMCF. The indenture requires AMCF to maintain a specified level of collateral. The indenture also provides that AMCF's assets are not to be commingled with those of CFC or A-Mark (or any affiliate), and that AMCF is to maintain separate books and records.

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CFC and A-Mark may from time to time also contribute cash or sell precious metals to AMCF in exchange for cash or subordinated, deferred payment obligations from AMCF. In addition, AMCF may from time to time sell precious metals to A-Mark for cash. For additional information regarding this securitization, see Note 14, "Notes Payable".

Direct Sales

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

The Company entered into the Direct Sales segment through its acquisition of substantially all of the assets of Goldline, LLC ("Goldline, LLC" or the "Seller"), pursuant to the terms of an Asset Purchase Agreement (the "Purchase Agreement"), dated August 14, 2017, between Goldline (then known as Goldline Acquisition Corp.) and the Seller. The transaction closed on August 28, 2017 (the "Closing Date"). On the Closing Date, the estimated purchase price for the net assets was approximately \$10.0 million (the "Initial Provisional Purchase Price"), which was based on the Seller's preliminary balance sheet dated as of July 31, 2017. The net assets acquired consisted of both intangible assets, which the parties agreed had an aggregate fair value of \$6.4 million, and specified net tangible assets of the Seller, which the parties initially agreed had an estimated aggregate fair value of \$3.6 million, subject to post-closing adjustment as described below. In connection with the closing, Goldline paid to the Seller an amount equal to the Initial Provisional Purchase Price less \$1.5 million (the "Holdback Amount"), which amount was held back and deposited into escrow to serve as security for the Seller's indemnification obligations under the Purchase Agreement. As of September 30, 2018, pursuant to the terms of Purchase Agreement, \$0.8 million of the Holdback Amount was allowed to be released to the Seller.

From the Closing Date and through September 30, 2018, the Company conducted net tangible asset value adjustment procedures pursuant to the terms of the Purchase Agreement. As a result of these procedures, the Company has adjusted the estimated total purchase price for the net assets from \$10.0 million to \$9.5 million (the "Revised Provisional Purchase Price"). The fair value of the acquired net tangible assets as of the Closing Date is still being reviewed by the Company and the Seller and therefore the total purchase price is subject to further adjustment. Under the terms of the Purchase Agreement, any amounts due back to the Company from the Seller as a result of the final determination of the fair value of the acquired net tangible assets is to be paid within three business days following such determination. Refer to Note 1 of the Notes to Consolidated Financial Statements reported on Form 10-K for the fiscal year ended 2018, for information relating to purchase price allocation of the provisional purchase price of \$9.5 million to the acquired net assets purchased based on their fair values.

Pro-Forma Information

The following table compares the unaudited consolidated financial information for the three months ended September 30, 2018 to unaudited pro-forma consolidated financial information for the three months ended September 30, 2017 , whereby the Company assumed that the acquisition of the net assets of Goldline, LLC occurred on July 1, 2017, that is, on the first day of fiscal year 2018, rather than on the actual acquisition date of August 28, 2017.

in thousands, except for EPS	(Unaudited)	
Three Months Ended September 30,	2018	2017
Pro-forma revenue	\$1,565,090	\$2,166,054
Pro-forma net income	\$1,481	\$216
Pro-forma basic earnings per share	\$0.21	\$0.03
Pro-forma dilutive earnings per share	\$0.21	\$0.03

The above pro-forma supplemental information does not purport to be indicative of what the Company's operations would have been had these transactions occurred on July 1, 2017 and should not be considered indicative of future operating results. The Company believes the assumptions used provide a reasonable basis for reflecting the significant pro-forma effects directly attributable to the acquisition of Goldline. The unaudited pro-forma information accounts for amortization of acquired intangible assets (based on the preliminary purchase price allocation and an estimate of their useful lives), incremental financing costs resulting from the acquisition, elimination of prior sales and purchases between the entities, elimination of acquisition costs and an application of the Company's tax rate. For the three

months ended September 30, 2018 and 2017 the Company used the tax rate of 25.8% and 37.5%, respectively. The unaudited pro-forma results do not include any anticipated cost savings or other effects of the integration of Goldline.
Related Agreements
In connection with the closing of the acquisition, Goldline entered into a privately placed credit facility in the amount of $7.5 million (the “Goldline Credit Facility”) with various lenders (the "Goldline Lenders"), which include some directors from

the Company's Board, effective August 28, 2017 (see Note 14). Borrowings under the Goldline Credit Facility were used to finance a portion of the consideration payable under the Purchase Agreement.

On the Closing Date, the Seller and Goldline entered into a transition services agreement, pursuant to which Goldline will provide reasonable assistance to the Seller at no cost to the Seller (including access to records and services of transferring employees) for a period of two years following the closing date in connection with assisting the Seller with its continuing obligations for its retained liabilities that were not assumed by Goldline.

Also on the Closing Date, the Seller and the former CEO of the Seller also agreed that, for the period commencing on the closing date until the third anniversary thereof, neither they nor any of their affiliates will, directly or indirectly own, manage, operate, join, control, participate in, invest in or otherwise provide assistance to, in any manner, any “competing business” (as defined in the Purchase Agreement).

Spinoff from Spectrum Group International, Inc.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The condensed consolidated financial statements reflect the financial condition, results of operations, statement of stockholder equity and cash flows of the Company, and were prepared using accounting principles generally accepted in the United States (“U.S. GAAP”). These condensed consolidated financial statements include the accounts of A-Mark, and its wholly owned subsidiaries, CFC, AMTAG, TDS, Logistics, Goldline, its majority owned affiliate AMST, and its variable interest entity ("VIE") AMCF (collectively the “Company”). For the three months ended September 30, 2018 and 2017, net income equaled comprehensive income as there were no items of comprehensive income.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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, allowances for doubtful accounts, impairment assessments of plant, property and equipment and intangible assets, valuation allowance determination on deferred tax assets, contingent earn-out liabilities, contingent interest liabilities, and revenue recognition judgments. Significant estimates also include the Company's fair value determination with respect to its financial instruments and precious metals inventory. Actual results could materially differ from these estimates.

Unaudited Interim Financial Information

The accompanying interim condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial reporting. These interim condensed consolidated financial statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary to present fairly the condensed consolidated balance sheets, condensed consolidated statements of operations, 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 months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2019 or for any other interim period during such fiscal year. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations of the SEC. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended 2018 (the “2018 Annual Report”), as filed with the SEC. Amounts related to disclosure of June 30, 2018 balances within these interim condensed consolidated financial statements were derived from the aforementioned audited consolidated financial statements and notes thereto included in the 2018 Annual Report.

Concentration of Credit Risk

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

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

Foreign Currency

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

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

Business Combinations

The Company accounts for business combinations by applying the acquisition method in accordance with Accounting Standards Codification (“ASC”) 805, Business Combinations. The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. Transaction costs related to the acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred. The identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity are recognized and measured at their estimated fair values. The excess of the fair value of consideration transferred over the fair values of identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets and liabilities.

Contingent consideration is classified as a liability or equity, as applicable. Contingent consideration in connection with the acquisition of a business is measured at fair value on the acquisition date, and unless classified as equity, is remeasured at fair value each reporting period thereafter until the consideration is settled, with changes in fair value included in net income.

Net cash paid to acquire a business is classified as investing activities on the accompanying condensed consolidated statements of cash flow.

Variable Interest Entities

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

The most common type of VIE is a special purpose entity ("SPE"). SPEs are commonly used in securitization transactions in order to isolate certain assets and distribute the cash flows from those assets to investors. SPEs are generally structured to insulate investors from claims on the SPE’s assets by creditors of other entities, including the creditors of the seller of the assets.

A VIE is consolidated for accounting purposes by its primary beneficiary, which is the party that has both the power to direct the activities that most significantly impact the VIE’s economic performance, and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company consolidates VIEs when it is deemed to be the primary beneficiary.

Management regularly reviews and reconsiders its previous conclusions regarding whether it holds a variable interest in potential VIEs, the status of an entity as a VIE, and whether the Company is required to consolidate such VIEs in the consolidated financial statements.

The Company has various forms of ongoing involvement with AMCF, which may include (i) holding senior or subordinated interests in AMCF; (ii) acting as loan servicer for a portfolio of loans held by AMCF; and (iii) providing administrative services to AMCF (see Note 14).

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents. The Company does not have any cash equivalents as of September 30, 2018 and June 30, 2018.

As of September 30, 2018 and June 30, 2018, the Company has $0.4 million and $0.4 million, respectively, in a bank account that is restricted and serves as collateral against a standby letter of credit issued by the bank in favor of the landlord for our office space in Los Angeles, California (see Note 15).

Precious Metals held under Financing Arrangements

The Company enters into arrangements with certain customers under which A-Mark purchases precious metals from the customers which are subject to repurchase by the customer at the spot value of the product on the repurchase date. The substance of these transactions are precious metals owned by the Company that generate financing income from customers and are not metals held as inventory for sale. As such, the Company has classified this material as "precious metals held under financing arrangements", rather than as "inventory - repurchase arrangements with customers". In these repurchase arrangements, the Company holds legal title to the metals and earns financing income for the duration of the agreement.

These arrangements are typically terminable by either party upon 14 days' notice. Upon termination, the customer's right to repurchase any remaining precious metal is forfeited, and the related precious metals are reclassified as inventory held for sale. As of September 30, 2018 and June 30, 2018, precious metals held under financing arrangements totaled $232.5 million and $262.6 million respectively.

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

Inventories

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

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

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

Plant, Property and Equipment

Plant, property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using a straight line method based on the estimated useful lives of the related assets, ranging from three years to twenty-five years. Depreciation commences when the related assets are placed into service. Internal-use software development costs are capitalized during the application development stage. Internal-use software costs incurred during the preliminary project stage are expensed as incurred. Land is recorded at historical cost, and is not depreciated. Repair and maintenance costs are expensed as incurred. We have no major planned maintenance activities related to our plant assets associated with our minting operations.

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

Finite-lived Intangible Assets

Finite-lived intangible assets consist primarily of customer relationships, non-compete agreements and employment contracts which are amortized on a straight-line basis over their economic useful lives ranging from three years to fifteen years. We review our finite-lived intangible assets for impairment under the same policy described above for plant, property, and equipment; that is, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill and Indefinite-lived Intangible Assets

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Goodwill and other indefinite-lived intangibles (such as trade names) are not subject to amortization, but are evaluated for impairment at least annually. However, for tax purposes, goodwill acquired in connection with a taxable asset acquisition is generally deductible.

The Company evaluates its goodwill and other indefinite-lived intangibles for impairment in the fourth quarter of the fiscal year (or more frequently if indicators of potential impairment exist) in accordance with the Intangibles - Goodwill and Other Topic 350 of the ASC. Goodwill is reviewed for impairment at a reporting unit level, which in our case, corresponds to the Company's reportable operating segments.

Evaluation of goodwill for impairment

The Company has the option to first qualitatively assess whether relevant events and circumstances make it more likely than not that the fair value of the reporting unit's goodwill is less than its carrying value. A qualitative assessment includes analyzing current economic indicators associated with a particular reporting unit such as changes in economic, market and industry conditions, business strategy, cost factors, and financial performance, among others, to determine if there would be a significant decline to the fair value of a particular reporting unit. If the qualitative assessment indicates a stable or improved fair value, no further testing is required.

If, based on this qualitative assessment, management concludes that goodwill is more likely than not to be impaired, or elects not to perform the qualitative assessment, then it is required to perform a quantitative analysis to determine the fair value of the business, and compare the calculated fair value of the reporting unit with its carrying amount, including goodwill. If through this quantitative analysis the Company determines the fair value of a reporting unit exceeds its carrying amount, the goodwill of the reporting unit is considered not to be impaired. If the Company concludes that the fair value of the reporting unit is less than its carrying value, a goodwill impairment loss will be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value (see Note 8).

Evaluation of indefinite-lived intangible assets for impairment

The Company evaluates its indefinite-lived intangible assets (i.e., trademarks and trade-names) for impairment. In assessing its indefinite-lived intangible assets for impairment, the Company has the option to first perform a qualitative assessment to determine whether events or circumstances exist that lead to a determination that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If the Company determines that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, the Company is not required to perform any additional tests in assessing the asset for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform a quantitative analysis to determine if the fair value of an indefinite-lived intangible asset is less than its carrying value. If through this quantitative analysis the Company determines the fair value of an indefinite-lived intangible asset exceeds its carrying amount, the indefinite-lived intangible asset is considered not to be impaired. If the Company concludes that the fair value of an indefinite-lived intangible asset is less than its carrying value, an impairment loss will be recognized for the amount by which the carrying amount exceeds the indefinite-lived intangible asset's fair value.

The methods used to estimate the fair value measurements of the Company's reporting units and indefinite-lived intangible assets include those based on the income approach (including the discounted cash flow, and relief-from-royalty methods) and those based on the market approach (primarily the guideline transaction and guideline public company methods) (see Note 8).

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Long-Term Investments

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

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

We evaluate our long-term investments for impairment quarterly or whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. As of September 30, 2018 and June 30, 2018, the Company did not identify any impairments.

Fair Value Measurement

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

Contingent Earn-out Liability

We record an estimate of the fair value of contingent consideration related to the earn-out obligation to SilverTowne LP related to the SilverTowne Mint acquisition. On a quarterly basis, we revalue the liability and record increases or decreases in the fair value as an adjustment to earnings. Changes to the contingent consideration liability can result from adjustments to the discount rate, or from changes to the estimates of future throughput activity of AMST, which are considered Level 3 inputs (see Note 3). Consequentially, the assumptions used in estimating fair value require significant judgment. The use of different assumptions and judgments could result in a materially different estimate of fair value. As of September 30, 2018 and June 30, 2018 the balance of the contingent liability was $588,000 and $588,000 respectively, and the non-current portion of this liability is shown as a component in other long-term liabilities. The remaining two annual contingent payout obligations, if achieved, would become due on August 31, 2019 and on October 30, 2019. Below is a reconciliation of the contingent earn out liability for the three months ended September 30, 2018.

in thousands

Liabilities at fair value, based on Level 3 inputs:	Contingent Consideration
Balance at June 30, 2018	$ 588
Revaluation adjustment	—
Amount paid to SilverTowne	—
Balance at September 30, 2018	$ 588

Revenue Recognition

Settlement Date Accounting

Substantially all of the Company's sales of precious metals are conducted using sales contracts that meet the definition of derivative instruments in accordance with the Derivatives and Hedging Topic 815 of the ASC ("ASC 815"). The contract underlying A-Mark's commitment to deliver precious metals is referred to as a "fixed-price forward commodity contract" because the price of the commodity is fixed at the time the order is placed. Revenue is recognized on the settlement date, which is defined as the date on which: (1) the quantity, price and specific items being purchased have been established, (2) metals have been delivered to the customer, and (3) payment has been received or is covered by the customer's established credit limit with the Company.

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

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Types of Trades Orders that are Physically Delivered

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

- Traditional physical trade orders — The quantity, specific product, and price are determined on the trade date. Payment or sufficient credit is verified prior to delivery of the metals on the settlement date.
- Consignment trade orders — The Company delivers the items requested by the customer prior to establishing a firm trade order with a price. Settlement occurs and revenue is recognized once the customer confirms its order (quantity, specific product and price) and remits full payment for the sale.
- Provisional trade orders — The quantity and type of metal is established at the trade date, but the price is not set. The customer commits to purchasing the metals within a specified time period, usually within one year, at the then-current market price. The Company delivers the metal to the customer after receiving the customer’s deposit, which is typically based on 110% of the prevailing current spot price. The unpriced metal is subject to a margin call if the deposit falls below 105% of the value of the unpriced metal. The purchase price is established and revenue is recognized at the time the customer notifies the Company that it desires to purchase the metal.
- Margin trade orders — The quantity, specific product and price are determined at trade date; however, the customer is allowed to finance the transaction through the Company and to defer delivery by committing to remit a partial payment (approximately 20%) of the total order price. With the remittance of the partial payment, the customer locks in the purchase price for a specified time period (usually up to two years from the trade date). Revenue on margin trade orders is recognized when the order is paid in full and delivered to the customer.
- Borrowed precious metals trade orders for unallocated positions — Customers may purchase unallocated metal positions in the Company's inventory. The quantity and type of metal is established at the trade date, but the specific product is not yet determined. Revenue is not recognized until the customer selects the specific precious metal product it wishes to purchase, full payment is received, and the product is delivered to the customer.

Hedging Activities

The value of our inventory and our purchase and sale commitments are linked to the prevailing price of the underlying precious metal commodity. The Company seeks to minimize the effect of price changes of the underlying commodity and enters into inventory hedging transactions, principally utilizing metals commodity futures contracts traded on national futures exchanges or forward contracts with credit worthy financial institutions. The Company hedges by each commodity type (gold, silver, platinum, and palladium). All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions.

Commodity forward, futures and option contracts entered into for hedging purposes are recorded at fair value on the trade date and are marked to market each period. The difference between the original contract values and the market values of these contracts are reflected as derivative assets or derivative liabilities in the condensed consolidated balance sheets at fair value, with the corresponding unrealized gain or losses included as a component of cost of sales. When these contracts are net settled, the unrealized gains and losses are reversed and the realized gains and losses for forward contracts are recorded in revenue and cost of sales and the net realized gains and losses for futures and option contracts are recorded in cost of sales.

The Company enters into futures, forward and option contracts solely for the purpose of hedging our inventory holding risk and our liability on price protection programs, and not for speculative market purposes. The Company’s gains (losses) on derivative instruments are substantially offset by the changes in the fair market value of the underlying precious metals inventory, which is also recorded in cost of sales in the condensed consolidated statements of operations (see Note 11.)

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Other Sources of Revenue

The Company recognizes its storage, logistics and other services revenues in accordance with the FASB's release ASU 2014-09 Revenue From Contracts With Customers Topic 606 ("ASC 606"), which requires that five basic criteria be met before revenue can be recognized: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company recognizes revenue when it satisfies its obligation by transferring control of the good or service to the customer. This is either satisfied over time or at a point in time. A performance obligation is satisfied over time if one of the following criteria are met: (1) the customer simultaneously receives and consumes the benefits as the Company performs, (2) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or (3) the Company's performance does not create an asset with an alternative use to the Company, and the Company has an enforceable right for payment of performance completed-to-date. When none of those are met, a performance obligation is satisfied at a point-in-time.

The Company recognizes storage revenue over time, as the customer simultaneously receives and consumes the storage services (e.g., fixed storage fees based on the passage of time). The Company recognizes logistics (i.e., fulfillment) revenue at a point-in-time, when the customer receives the benefit of the services (e.g., stated number of packages are shipped on behalf of the customer during a month). In aggregate, these types of service revenues account for less than 1% of the Company's combined revenue from all revenue streams.

Interest Income

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

- Secured Loans -- The Company uses the effective interest method to recognize interest income on its secured loans transactions. The Company maintains a security interest in the precious metals and records interest income over the terms of the secured loan receivable. Recognition of interest income is suspended and the loan is placed on non-accrual status when management determines that collection of future interest income is not probable. The interest income accrual is resumed, and previously suspended interest income is recognized, when the loan becomes contractually current and/or collection doubts are resolved. Cash receipts on impaired loans are recorded first against the principal and then to any unrecognized interest income (see Note 5.)
- Margin accounts -- The Company earns a fee (interest income) under financing arrangements related to margin trade orders over the period during which customers have opted to defer making full payment on the purchase of metals.
- Repurchase agreements -- Repurchase agreements represent a form of secured financing whereby the Company sets aside specific metals for a customer and charges a fee on the outstanding value of these metals. The customer is granted the option (but not the obligation) to repurchase these metals at any time during the open reacquisition period. This fee is earned over the duration of the open reacquisition period and is classified as interest income.
- Spot deferred trade orders -- Spot deferred trade orders are a special type of forward delivery trade that enable customers to purchase or sell certain precious metals from/to the Company at an agreed upon price but, are allowed to delay remitting or taking delivery up to a maximum of two years from the date of trade. Even though the contract allows for physical delivery, it rarely occurs for this type of trade. As a result, revenue is not recorded from these transactions, because no product is delivered to the customer. Spot deferred trades are considered a type of financing transaction, where the Company earns a fee (interest income) under spot deferred arrangements over the period in which the trade is open.

Interest Expense

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

- Borrowings -- The Company incurs interest expense from its lines of credit, its debt obligations and notes payable using the effective interest method (see Note 14.) Additionally, the Company amortizes capitalized loan costs to interest expense over the period of the loan agreement.
- Loan servicing fees -- When the Company purchases loan portfolios, the Company may have the seller service the loans that were purchased. The Company incurs a fee based on total interest charged to borrowers over the period the

loans are outstanding. The servicing fee incurred by the Company is charged to interest expense.

- Product financing arrangements -- The Company incurs financing fees (classified as interest expense) from its product financing arrangements (also referred to as reverse-repurchase arrangements) with third party finance companies for the transfer and subsequent option to reacquire its precious metal inventory at a later date. These arrangements are accounted for as secured borrowings. During the term of this type of agreement, the third party charges a monthly fee as a percentage of the market value of the designated inventory, which the Company intends to reacquire in the future. No revenue is generated from these trades. The Company enters this type of transaction for additional liquidity.

- Borrowed metals fees -- The Company may incur financing costs from its liabilities on borrowed metal arrangements. The Company borrows precious metals (usually in the form of pool metals) from its suppliers and customers under short-term arrangements using other precious metals as collateral. Typically, during the term of these arrangements, the third party charges a monthly fee as a percentage of the market value of the collateral (determined at the spot price) plus certain processing and other fees. The Company enters this type of transaction as an additional source of liquidity, and usually monetizes the metals received under such arrangements. Repayment is usually required in the same form as the metals advanced, or in cash.

Other Income

The Company's other income is derived from the Company's proportional interest in the reported net income or net loss in an investee accounted for under the equity method of accounting and the gains or losses associated with revaluation adjustments to the contingent earn-out liability associated with its AMST investment.

The Company's proportional interest in the investee's reported net income (loss) from its equity method investment was $248,000 and $57,000 for the three months ended September 30, 2018 and 2017, respectively.

Advertising

Advertising expense was $590,000 and $517,000, respectively, for the three months ended September 30, 2018 and 2017.

Shipping and Handling Costs

Shipping and handling costs represent costs associated with shipping product to customers, and receiving product from vendors and are included in cost of sales in the condensed consolidated statements of operations. Shipping and handling costs incurred totaled $1,740,000 and $1,084,000, respectively, for the three months ended September 30, 2018 and 2017.

Share-Based Compensation

The Company accounts for equity awards under the provisions of the Compensation - Stock Compensation Topic 718 of the ASC ("ASC 718"), which establishes fair value-based accounting requirements for share-based compensation to employees. ASC 718 requires the Company to recognize the grant-date fair value of stock options and other equity-based compensation issued to employees as expense over the service period in the Company's condensed consolidated financial statements. The expense is adjusted for actual forfeitures of unvested awards as they occur.

Income Taxes

As part of the process of preparing its condensed consolidated financial statements, the Company is required to estimate its provision for income taxes in each of the tax jurisdictions in which it conducts business, in accordance with the Income Taxes Topic 740 of the ASC ("ASC 740"). The Company computes its annual tax rate based on the statutory tax rates and tax planning opportunities available to it in the various jurisdictions in which it earns income. Significant judgment is required in determining the Company's annual tax rate and in evaluating uncertainty in its tax positions. The Company recognizes a benefit for tax positions that it believes will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that the Company believes has more than a 50% probability of being realized upon settlement. The Company regularly monitors its tax positions and adjusts the amount of recognized tax benefit based on its evaluation of information that has become available since the end of its last financial reporting period. The annual tax rate includes the impact of these changes in recognized tax benefits. When adjusting the amount of recognized tax benefits, the Company does not consider new 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 sheets principally within accrued liabilities.

The Company accounts for uncertainty in income taxes under the provisions of ASC 740. These provisions clarify the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribe a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The provisions also provide guidance on de-recognition, classification, interest, and penalties, accounting in interim periods, disclosure, and transition. The potential interest and/or penalties associated with an uncertain tax position are recorded in provision for income taxes on the condensed consolidated statements of operations. Please refer to Note 12 for further discussion regarding these provisions.

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

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

Earnings per Share ("EPS")

The Company computes and reports both basic EPS and diluted EPS. Basic EPS is computed by dividing net earnings (losses) by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings (losses) by the sum of the weighted average number of common shares and dilutive common stock equivalents outstanding during the period. Diluted EPS reflects the total potential dilution that could occur from outstanding equity awards, including unexercised stock options, utilizing the treasury stock method.

A reconciliation of shares used in calculating basic and diluted earnings per common shares for the three months ended September 30, 2018 and 2017, is presented below.

in thousands Three Months Ended September 30,	2018	2017
Basic weighted average shares outstanding	7,031	7,031
Effect of common stock equivalents — stock issuable under outstanding equity	61	91

awards		
Diluted weighted average shares outstanding	7,092	7,122

Dividends

Dividends are recorded if and when they are declared by the Board of Directors. See Note 16 for a schedule showing dividends that have been declared.

Recently Adopted Accounting Pronouncements

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

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, (“ASU 2017-01”). The objective of ASU 2017-01 is to clarify the definition of a business in order to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill and consolidation.

In August 2016 the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). This new standard makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU No. 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers

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(Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (“ASU 2016-08”). The amendments in ASU 2016-08 clarify the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing (“ASU 2016-10”). The amendments in ASU 2016-10 clarify aspects relating to the identification of performance obligations and improve the operability and understandability of the licensing implementation guidance. In May 2016, the FASB issued ASU No. 2016-12("ASU 2016-12"), Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. The amendments in ASU 2016-12 address certain issues identified on assessing collectability, presentation of sales taxes, non-cash consideration, and completed contracts and contract modifications at transition. The Company implemented these pronouncements in this quarter, which did not have a significant effect on the financial results of the Company since a substantially all of the Company's revenue in fiscal years 2018 and 2017, fell under the authoritative guidance of ASC 815, which is outside the scope of ASC 606.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, FASB issued ASU No. 2016-02, (“ASU 2016-02”), Leases (Topic 842). The amendments in this update require lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases at the commencement date. This update is effective for the Company, on July 1, 2019 (for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years), and is to be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We are evaluating the new guidelines, but believe that adoption will not have a material impact on our consolidated financial position, results of operations or cash flows and related disclosures, as the Company has minimal lease commitments.

In June 2016, the FASB issued ASU No. 2016-13, (“ASU 2016-13”), Financial Instruments - Credit Loss(Topic 326), which updates the guidance on recognition and measurement of credit losses for financial assets. The new requirements, known as the current expected credit loss model ("CECL") will require entities to adopt an impairment model based on expected losses rather than incurred losses. This update is effective for the Company, on July 1, 2020 (for fiscal years beginning after December 15, 2019 including interim periods within those fiscal years.) The Company is currently evaluating the potential impact of the adoption of the new standard on its consolidated statements of financial condition and results of operations.

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3. ASSETS AND LIABILITIES, AT FAIR VALUE
Fair Value of Financial Instruments
The following table presents the carrying amounts and estimated fair values of the Company's financial instruments as of September 30, 2018 and June 30, 2018.
in thousands

	September 30, 2018		June 30, 2018	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial assets:				
Cash	$22,714	$22,714	$6,291	$6,291
Receivables, net	57,332	57,332	35,856	35,856
Secured loans receivable	81,891	81,891	110,424	110,424
Derivative asset on open sale and purchase commitments, net	1,981	1,981	2,274	2,274
Derivative asset on option contracts	392	392	390	390
Derivative asset on futures contracts	140	140	238	238
Derivative asset on forward contracts	193	193	4,493	4,493
Income taxes receivable	1,561	1,561	1,553	1,553
Financial liabilities:				
Lines of credit	$179,000	$179,000	$200,000	$200,000
Debt obligation (related party)	7,257	7,257	7,226	7,226
Liability on borrowed metals	227,198	227,198	280,346	280,346
Product financing arrangements	53,126	53,126	113,940	113,940
Derivative liability on margin accounts	3,728	3,728	3,804	3,804
Derivative liability on price protection programs	116	116	168	168
Derivative liability on open sale and purchase commitments, net	25,488	25,488	16,485	16,485
Derivative liability on futures contracts	2,163	2,163	—	—
Derivative liability on forward contracts	4,479	4,479	—	—
Accounts payable	60,993	60,993	45,997	45,997
Accrued liabilities	4,838	4,838	5,129	5,129
Other long-term liabilities (related party) (1)	296	296	798	798
Notes payable	87,056	87,056	—	—

(1) Includes estimated contingent amounts due to SilverTowne.

The fair values of the financial instruments shown in the above table as of September 30, 2018 and June 30, 2018 represent the amounts that would be received upon the sale of those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk adjusted discount rates, and available observable and unobservable inputs.
The carrying amounts of cash, secured loans receivable, receivables, income taxes receivable, accounts payable, income taxes payable, note payable, and accrued liabilities approximate fair value due to their short-term nature. The carrying amounts of derivative assets and derivative liabilities, liability on borrowed metals and product financing arrangements are marked-to-market on a daily basis to fair value. The carrying amounts of lines of credit and debt obligation approximate fair value based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities. The carrying value of other long-term liabilities represents the long-term portion

of contingent earn-out liabilities that are remeasured on a quarterly basis.

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Valuation Hierarchy

Topic 820 of the ASC established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The significant assumptions used to determine the carrying value and the related fair value of the assets and liabilities measured at fair value on a recurring basis are described below:

Inventory. Inventories, principally include bullion and bullion coins, are acquired and initially recorded at fair market value. The fair market value of the bullion and bullion coins are comprised of two components: 1) published market values attributable to the costs of the raw precious metal, and 2) a published premium paid at acquisition of the metal. The premium is attributable to the additional value of the product in its finished goods form and the market value attributable solely to the premium is readily determined, as it is published by multiple reputable sources. Except for commemorative coin inventory, which are included in inventory at the lower of cost or market, the Company's inventories are subsequently recorded at their fair market values on a daily basis. The fair value for commodities inventory (i.e., inventory excluding commemorative coins) is determined using pricing 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.

Precious Metals held under Financing Arrangements. The Company enters into arrangements with certain customers under which A-Mark purchases precious metals from the customers which are subject to repurchase by the customer at the spot value of the product on the repurchase date. The substance of these transactions are precious metals owned by the Company that generate financing income from customers and are not metals held as inventory for sale. As such, the Company has classified this material as "precious metals held under financing arrangements", rather than as "inventory - repurchase arrangements with customers". In these repurchase arrangements, the Company holds legal title to the metals and earns financing income for the duration of the agreement. The fair value for precious metals held under financing arrangements, (a commodity, like inventory above) is determined using pricing data derived from the markets on which the underlying commodities are traded. Precious metals commodities inventory are classified in Level 1 of the valuation hierarchy.

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

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

Product Financing Arrangements. Product financing arrangements consist of financing agreements for the transfer and subsequent re-acquisition of the sale of gold and silver at an agreed-upon price based on the spot price with a third party. Such transactions allow the Company to repurchase this inventory on the termination (repurchase) date. The third party charges monthly interest as a percentage of the market value of the outstanding obligation, which is carried at fair value. The obligation is stated at the amount required to repurchase the outstanding inventory. Fair value is determined using quoted market pricing and data derived from the markets on which the underlying commodities are traded. Product financing arrangements are classified in Level 1 of the valuation hierarchy.

Liability on Price Protection Programs. The Company records an estimate of the fair value of the liability on price protection programs based on the difference between the contractual price at trade date and the retail price at the remeasurement date (i.e., quarter-end) based on the expected redemption rate of each program. As of September 30, 2018, the Company used the quoted market price based on the current spot rate and used an expected redemption rate of 100% for the price shield program, the most significant of the price protection programs. The use of a throughput rate of each program ignores the future price volatility that would affect the timing and rate of redemption under these programs, and, as a result, the liability on price protection programs is classified in Level 3 of the valuation hierarchy.

Contingent Earn-out Liability. The Company records an estimate of the fair value of contingent consideration related to the earn-out obligation to SilverTowne LP related to the SilverTowne Mint transaction. On a quarterly basis, the liability is remeasured and increases or decreases in the fair value are recorded as an adjustment to other income on the condensed consolidated

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statements of operations. Changes to the contingent consideration liability can result from adjustments to the discount rate, or from changes to the estimates of future throughput activity of AMST. The assumptions used in estimating fair value require significant judgment. The use of different assumptions and judgments could result in a materially different estimate of fair value. The key inputs in determining fair value of our contingent consideration obligations include the changes in the assumed timing and amounts of future throughputs (i.e., operating income, operating cost per unit, and production volume) which affects the timing and amount of future earn-out payments. Contingent earn-out liability is classified in Level 3 of the valuation hierarchy.

The Company values the contingent obligation by determining the likelihood that the company has achieved the following targeted amount of performance thresholds for each annual earn-out period. Such thresholds include (1) Producing a targeted amount of silver ounces, (2) Earning a targeted amount of operating income, and (3) Generating an operating cost per ounce that is less than a targeted level. Each category triggers a different annual payout obligation if achieved over a 3 year period, and as of September 30, 2018, the remaining two annual contingent payout obligations, if achieved, would become due on August 31, 2019 and on October 30, 2019. The company re-assesses this contingent obligation each quarter based on the most current facts and market conditions. The obligation continues to remain as a liability at its original recorded value unless, based on each quarterly evaluation, it becomes evident the Company will not achieve all or part of the threshold performance targets. In such case, the obligation is adjusted to its more current estimated value.

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2018 and June 30, 2018, aggregated by the level in the fair value hierarchy within which the measurements fall:

	September 30, 2018			
in thousands	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Inventory [1]	$289,719	$ —	$ —	$289,719
Precious metals held under financing arrangements	232,476			232,476
Derivative assets — open sale and purchase commitments, net	1,981	—	—	1,981
Derivative assets — option contracts	392	—	—	392
Derivative assets — futures contracts	140	—	—	140
Derivative assets — forward contracts	193	—	—	193
Total assets, valued at fair value	$524,901	$ —	$ —	$524,901
Liabilities:				
Liability on borrowed metals	$227,198	$ —	$ —	$227,198
Product financing arrangements	53,126	—	—	53,126
Derivative liabilities — price protection programs	—	—	116	116
Derivative liabilities — liability on margin accounts	3,728	—	—	3,728
Derivative liabilities — open sale and purchase commitments, net	25,488	—	—	25,488
Derivative liabilities — future contracts	2,163	—	—	2,163
Derivative liabilities — forward contracts	4,479	—	—	4,479
Contingent earn-out liability	$—	$ —	$ 588	$588
Total liabilities, valued at fair value	$316,182	$ —	$ 704	$316,886

(1) Commemorative coin inventory totaling $86,000 is held at lower of cost or market and is thus excluded from this table.

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	June 30, 2018			
in thousands	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Inventory [1]	$280,017	$ —	$ —	$280,017
Precious metals held under financing arrangements	262,566	—	—	262,566
Derivative assets — open sale and purchase commitments, net	2,274	—	—	2,274
Derivative assets — option contracts	390	—	—	390
Derivative assets — futures contracts	238	—	—	238
Derivative assets — forward contracts	4,493	—	—	4,493
Total assets, valued at fair value	$549,978	$ —	$ —	$549,978
Liabilities:				
Liability on borrowed metals	$280,346	$ —	$ —	$280,346
Product financing arrangements	113,940	—	—	113,940
Derivative liabilities — price protection programs	—	—	168	168
Derivative liabilities — liability on margin accounts	3,804	—	—	3,804
Derivative liabilities — open sale and purchase commitments, net	16,485	—	—	16,485
Contingent earn-out liability	—	—	588	588
Total liabilities, valued at fair value	$414,575	$ —	$ 756	$415,331

[1] Commemorative coin inventory totaling $99,000 is held at lower of cost or market and is thus excluded from this table.

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

Assets Measured at Fair Value on a Non-Recurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only under certain circumstances. These include: cost method and equity method investments that are written down to fair value when a decline in the fair value is determined to be other-than-temporary, and plant, property and equipment, intangibles or goodwill, which are written down to fair value when they are held for sale or determined to be impaired. The resulting fair value measurements of the assets are considered to be Level 3 measurements. Determining fair value requires the exercise of significant judgments, including judgments about appropriate discount rates, long-term growth rates, relevant comparable company earnings multiples and the amount and timing of expected future cash flows. The cash flows employed in the analyses are based on the Company’s estimated outlook and various growth rates. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective reporting units. In assessing the reasonableness of its determined fair values, the Company evaluates its results against other value indicators, such as comparable transactions and comparable public company trading values.

The Company evaluates its goodwill and other indefinite-lived intangibles for impairment on non-recurring basis in the fourth quarter of the fiscal year, or more frequently if indicators of potential impairment exist. As of June 30, 2018, the carrying value of the Company's indefinite-lived intangible and goodwill assets totaled $3.2 million and $8.9 million, respectively. In the fourth quarter of fiscal 2018, the Company recorded an impairment loss of $1.3 million and $1.4 million to indefinite-lived intangible and goodwill assets, respectively, based on our quantitative assessment of the fair value of the Direct Sales segment (i.e., Goldline). As of September 30, 2018 , the carrying value of the

Company's indefinite-lived intangible and goodwill assets totaled $3.2 million and $8.9 million, respectively (see Note 8).

The Company's two investments in noncontrolled entities do not have readily determinable fair values. Quoted prices of the investments are not available, and the Company identified no impairment indicators that may affect the carrying value of these investments. Based on the Company's assessment of the carrying value of these assets, during the three months ended September 30, 2018 and 2017 the Company did not record any impairments related to these investments. As of September 30, 2018 and June 30, 2018, the carrying value of the Company's investments totaled $8.6 million and $8.4 million, respectively.

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4. RECEIVABLES

Receivables consist of the following as of September 30, 2018 and June 30, 2018:
in thousands

	September 30, 2018	June 30, 2018
Customer trade receivables	$ 31,006	$22,813
Wholesale trade advances	25,423	10,722
Due from brokers	933	2,351
Subtotal	57,362	35,886
Less: allowance for doubtful accounts	(30)	(30)
Receivables, net	$ 57,332	$35,856

Customer Trade Receivables. Customer trade receivables represent short-term, non-interest bearing amounts due from precious metal sales, advances related to financing products, and other secured interests in assets of the customer.
Wholesale Trade Advances. Wholesale trade advances represent advances of various bullion products and cash advances for purchase commitments of precious metal inventory. Typically, these advances are unsecured, short-term, and non-interest bearing, and are made to wholesale metals dealers and government mints.
Due from Brokers. Due from brokers principally consists of the margin requirements held at brokers related to open futures contracts (see Note 11).
Allowance for Doubtful Accounts
An allowance for doubtful accounts is a reduction of the total amount of receivables appearing on the Company's condensed consolidated balance sheets. The allowance for doubtful accounts represents our estimate of the amount of accounts receivable that may not be paid by customers. A summary of the activity in the allowance for doubtful accounts is as follows:
in thousands

Period ended:	Beginning Balance	Provision	Charge-off	Ending Balance
Three Months Ended September 30, 2018	$ 30	$ —	$ —	$ 30
Year Ended June 30, 2018	$ 30	$ —	$ —	$ 30

5. SECURED LOANS RECEIVABLE

Below is a summary of the carrying value of our secured loans as of September 30, 2018 and June 30, 2018:
in thousands

	September 30, 2018	June 30, 2018
Secured loans originated	$ 25,951	$23,300
Secured loans originated - with a related party	5,699	12,523
	31,650	35,823
Secured loans acquired	50,241 (1)	74,601 (2)
Secured loans	$ 81,891	$110,424

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(1) Includes $29,000 of loan premium as of September 30, 2018.
(2) Includes $54,000 of loan premium as of June 30, 2018.

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

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Secured Loans - Acquired: Secured loans also include short-term loans, which include a combination of on-demand lines and short term facilities that are purchased from our customers. The Company acquires a portfolio of their loan receivables at a price that approximates the aggregate carrying value of each loan in the portfolio, as determined on the effective transaction date. Each loan in the portfolio is fully secured by the borrowers' assets, which include bullion, numismatic and semi-numismatic material that are held in safekeeping by the Company. Typically, the seller of the loan portfolio retains the responsibility for the servicing and administration of the loans.

As of September 30, 2018 and June 30, 2018, our secured loans carried weighted-average effective interest rates of 9.6% and 9.6%, respectively, and mature in periods generally ranging typically from on-demand to one year.

The secured loans that the Company generates with active customers of A-Mark are reflected as an operating activity on the condensed consolidated statements of cash flows. The secured loans that the Company generates with borrowers who are not active customers of A-Mark are reflected as an investing activity on the condensed consolidated statements of cash flows as secured loans, net. For the secured loans that (i) are reflected as an investing activity and have terms that allow the borrowers to increase their loan balance (at the discretion of the Company) based on the excess value of their collateral compared to their aggregate principal balance of loan, and (ii) are repayable on demand or in the short-term, the borrowings and repayments are netted on the condensed consolidated statements of cash flows.

Credit Quality of Secured Loans Receivables and Allowance for Credit Losses

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

The Company evaluates its loan portfolio in one of two classes of secured loan receivables: those loans secured by: 1) bullion items, and 2) numismatic and semi-numismatic coins. The Company's secured loans by portfolio class, which align with management reporting, are as follows:

in thousands

	September 30, 2018			June 30, 2018		
Bullion	$51,015	62.3	%	$72,128	65.3	%
Numismatic and semi-numismatic	30,876	37.7		38,296	34.7	
	$81,891	100.0	%	$110,424	100.0	%

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

Credit Quality of Loans and Non-Performing Status

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

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

Non-performing loans have the highest probability for credit loss. The allowance for credit losses attributable to non-performing loans is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, the Company estimates the current market value of the collateral and considers credit enhancements such as additional collateral and third-party guarantees. Due to the accelerated liquidation terms of the Company's loan portfolio, all past due loans are generally liquidated within 90 days of default.

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

in thousands

	September 30, 2018			June 30, 2018		
Loan-to-value of 75% or more	$50,307	61.4	%	$69,629	63.1	%
Loan-to-value of less than 75%	31,584	38.6		40,795	36.9	
Secured loans collateralized by precious metal products	$81,891	100.0	%	$110,424	100.0	%

The Company had no loans with a loan-to-value ratio in excess of 100% at September 30, 2018 or June 30, 2018.

Impaired loans

A loan is considered impaired if it is probable, based on current information and events, that the Company will be unable to collect all amounts due according to the contractual terms of the loan. Customer loans are reviewed for impairment and include loans that are past due, non-performing or in bankruptcy. Recognition of interest income is suspended and the loan is placed on non-accrual status when management determines that collection of future interest income is not probable. Accrual is resumed, and previously suspended interest income is recognized, when the loan becomes contractually current and/or collection doubts are removed. Cash receipts on impaired loans are recorded first against the receivable and then to any unrecognized interest income.

All loans are contractually subject to margin calls. 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 liquidate the loan collateral in the event of a default. The collateral material is highly liquid and can easily be sold by the Company to pay off the loan. In such circumstances, this would result in a short term impairment that would typically result in full repayment of the loan and fees due to the Company.

For the three months ended September 30, 2018 and 2017, the Company incurred no loan impairment costs.

6. INVENTORIES

Our inventory consists of the precious metals that the Company has physically received, and inventory held by third-parties, which, at the Company's option, it may or may not receive. Below, our inventory is summarized by classification at September 30, 2018 and June 30, 2018:

in thousands

	September 30, 2018	June 30, 2018
Inventory held for sale	$ 127,986	$32,605
Repurchase arrangements with customers	82,495	104,907
Consignment arrangements with customers	7,507	10,785
Commemorative coins, held at lower of cost or market	86	99
Borrowed precious metals	18,605	17,780
Product financing arrangements, restricted	53,126	113,940
	$ 289,805	$280,116

Inventory Held for Sale. Inventory held for sale represents precious metals, excluding commemorative coin inventory, that have been received by the Company that is not subject to repurchase or consignment arrangements with third parties. As of September 30, 2018 and June 30, 2018, the inventory held for sale totaled $128.0 million and $32.6 million, respectively.

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

These arrangements are typically terminable by either party upon 14 days' notice. Upon termination, the customer's rights to repurchase any remaining inventory is forfeited. As of September 30, 2018 and June 30, 2018, included within inventory is $82.5 million and $104.9 million, respectively, of precious metals products subject to repurchase arrangements with customers.

Consignment Arrangements with Customers. The Company periodically loans metals to customers on a short-term consignment basis. Inventories loaned under consignment arrangements to customers as of September 30, 2018 and June 30, 2018

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totaled $7.5 million and $10.8 million, respectively. Such transactions are recorded as sales and are removed from the Company's inventory at the time the customer elects to price and purchase the precious metals.
Commemorative Coins. Our commemorative coin inventory, including its premium component, is held at the lower of cost or market, because the value of commemorative coins is influenced more by supply and demand determinants than on the underlying spot price of the precious metal content of the commemorative coins. Unlike our bullion coins, the value of commemorative coins is not subject to the same level of volatility as bullion coins because our commemorative coins typically carry a substantially higher premium over the spot metal price than bullion coins. Our commemorative coins are not hedged, and are included in inventory at the lower of cost or market and totaled $86,000 and $99,000 as of September 30, 2018 and June 30, 2018, respectively.
Borrowed Precious Metals. Borrowed precious metals inventories include: (1) metals held by suppliers as collateral on advanced pool metals, (2) amounts due to suppliers for the use of consigned inventory, (3) unallocated metal positions held by customers in the Company's inventory, and (4) shortages in unallocated metal positions held by the Company in the supplier's inventory. Unallocated or pool metal represents an unsegregated inventory position that is due on demand, in a specified physical form, based on the total ounces of metal held in the position. Amounts due under these arrangements require delivery either in the form of precious metals, or cash. The Company's inventories included borrowed precious metals with market values totaling $18.6 million and $17.8 million as of September 30, 2018 and June 30, 2018, respectively, with a corresponding offsetting obligation reflected as liabilities on borrowed metals on the condensed consolidated balance sheets.
Product Financing Arrangements. In substance, these inventories represent amounts held as security by lenders for obligations under product financing arrangements. The Company enters into a product financing agreement for the transfer and subsequent re-acquisition of gold and silver at an agreed-upon price based on the spot price with a third party finance company. This inventory is restricted and is held at a custodial storage facility in exchange for a financing fee, paid to the third party finance company. During the term of the financing, the third party finance company holds the inventory as collateral, and both parties intend for the inventory to be returned to the Company at an agreed-upon price based on the spot price on the finance arrangement termination date. These transactions do not qualify as sales and have been accounted for as financing arrangements in accordance with ASC 470-40 Product Financing Arrangements. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing and the underlying inventory are carried at fair value, with changes in fair value included in cost of sales in the condensed consolidated statements of operations. Such obligations totaled $53.1 million and $113.9 million as of September 30, 2018 and June 30, 2018, respectively.
The Company mitigates market risk of its physical inventories and open commitments through commodity hedge transactions (see Note 11.) As of September 30, 2018 and June 30, 2018, the unrealized losses resulting from the difference between market value and cost of physical inventories were $6.5 million and $5.4 million, respectively.
Premium component of inventory
The Company's inventories primarily include bullion and bullion coins and are acquired and initially recorded at fair market value. The fair market value of the bullion and bullion coins is comprised of two components: (1) published market values attributable to the cost of the raw precious metal, and (2) a published premium paid at acquisition of the metal. The premium is attributable to the additional value of the product in its finished goods form and the market value attributable solely to the premium is readily determined, as it is published by multiple reputable sources. The premium is included in the cost of the inventory, paid at acquisition, and is a component of the total fair market value of the inventory. The precious metal component of the inventory may be hedged through the use of precious metal commodity positions, while the premium component of our inventory is not a commodity that may be hedged.
The Company's inventories are subsequently recorded at their fair market values, that is, "marked-to-market", except for our commemorative coin inventory. The daily changes in the fair market value of our inventory are offset by daily changes in fair market value of hedging derivatives that are taken with respects to our inventory positions; both the change in the fair market value of the inventory and the change in the fair market value of these derivative instruments are recorded in cost of sales in the condensed consolidated statements of operations.
The premium component, at market value, included in the inventories as of September 30, 2018 and June 30, 2018 totaled $4.0 million and $3.5 million, respectively.

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7. PLANT, PROPERTY AND EQUIPMENT

Plant, property and equipment consists of the following at September 30, 2018 and June 30, 2018:

in thousands	September 30, 2018	June 30, 2018
Office furniture, and fixtures	$ 2,056	$ 2,056
Computer equipment	757	757
Computer software	3,471	3,471
Plant equipment	2,821	2,701
Building	315	315
Leasehold improvements	2,798	2,796
Total depreciable assets	12,218	12,096
Less: accumulated depreciation	(6,043)	(5,597)
Property and equipment not placed in service	1,483	1,483
Land	36	36
Plant, property and equipment, net	$ 7,694	$ 8,018

Depreciation expense for the three months ended September 30, 2018 and 2017 was $445,000 and $374,000, respectively.

8. GOODWILL AND INTANGIBLE ASSETS

In connection with the acquisition of A-Mark by Former Parent 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.

Due to the Company's business combination with AMST that closed on August 31, 2016, the Company recorded an additional $2.5 million and $4.3 million of identifiable intangible assets and goodwill, respectively; these values were based upon an independent appraisal. The Company’s investment in AMST has resulted in synergies between the acquired minting operation and the Company’s established distribution network by providing a more steady and

reliable fabricated source of silver during times of market volatility. The Company considers that much of the acquired goodwill relates to the “ready state” of AMST's established minting operation with existing quality processes, procedures and ability to scale production to meet market needs.
Due to the Company's acquisition of Goldline (see Note 1), the Company recorded $5.0 million and $1.4 million of additional identifiable intangible assets and goodwill, respectively; these values were based upon an independent appraisal and represents their fair values at the acquisition date. The Company’s investment in Goldline created synergies between Goldline's direct marketing operation and the Company’s established distribution network, secured storage and lending operations that is expected to lead to increased product margin spreads, lower distribution and storage costs for Goldline, and a larger customer base for the Company's secured lending operations.

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The carrying value of goodwill and other purchased intangibles as of September 30, 2018 and June 30, 2018 is as described below:
dollar amounts in thousands

		September 30, 2018				June 30, 2018			
	Estimated Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Book Value
Identifiable intangible assets:									
Existing customer relationships	5 - 15	8,848	(5,694)	—	3,154	8,848	(5,467)	—	3,381
Non-compete and other	3 - 5	2,300	(2,072)	—	228	2,300	(2,056)	—	244
Employment agreement	3	295	(231)	—	64	295	(222)	—	73
Intangibles subject to amortization		11,443	(7,997)	—	3,446	11,443	(7,745)	—	3,698
Trade name	Indefinite	$4,454	$ —	$ (1,291)	$3,163	$4,454	$ —	$ (1,291)	$3,163
Identifiable intangible assets		$15,897	$ (7,997)	$ (1,291)	$6,609	$15,897	$ (7,745)	$ (1,291)	$6,861
Goodwill	Indefinite	$10,245	$ —	$ (1,364)	$8,881	$10,245	$ —	$ (1,364)	$8,881

The Company's intangible assets are subject to amortization except for trade-names, which have an indefinite life. Intangible assets subject to amortization are amortized using the straight-line method over their useful lives, which are estimated to be three to fifteen years. Amortization expense related to the Company's intangible assets for the three months ended September 30, 2018 and 2017 was $252,000 and $157,000, respectively.

Impairment

The accumulated impairment charge of $2.7 million (goodwill and indefinite-lived intangible assets) was a one-time charge for fiscal 2018. No further impairment of goodwill or intangible assets has occurred for the three months ended September 30, 2018.

Estimated Amortization

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

Fiscal Year Ending June 30,	Amount
2019 (9 months remaining)	$ 759
2020	1,011
2021	599
2022	571
2023	128
Thereafter	378
Total	$ 3,446

9. LONG-TERM INVESTMENTS

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

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in thousands

	September 30, 2018	June 30, 2018
Equity method investment	$ 8,136	$ 7,888
Cost method investment	500	500
	$ 8,636	$ 8,388

Equity Method Investment

The Company applies the equity method of accounting for its investment in which it has aggregate ownership interest of 20.6%. Under the equity method of accounting, the carrying value of the investment is adjusted for the Company's proportional share of the investee's reported earnings or losses with the corresponding share of earnings or losses reported in other income (expense) on the condensed consolidated statements of operations. The Company's proportionate share of the investee's net income totaled $248,000 and $57,000 for the three months ended September 30, 2018 and 2017, respectively.

Cost Method Investment

The Company applies the cost method to its investment in which its ownership percentage, based on the number of fully dilutive common shares outstanding, was 2.5% as of September 30, 2018 and June 30, 2018. As of September 30, 2018 and June 30, 2018, the aggregate carrying balance of this investment was $0.5 million.

10. ACCOUNTS PAYABLE

Accounts payable consists of the following:

in thousands

	September 30, 2018	June 30, 2018
Trade payables to customers	$ 866	$ 175
Advances from customers	56,710	42,615
Deferred revenue	2,074	2,107
Other accounts payable	1,343	1,100
	$ 60,993	$ 45,997

11. DERIVATIVE INSTRUMENTS AND HEDGING TRANSACTIONS

The Company is exposed to market risk, such as changes in commodity prices, and foreign exchange rates. To manage the volatility relating to these exposures, the Company enters into various derivative products, such as forwards and futures contracts. By policy, the Company historically has entered into derivative financial instruments for the purpose of hedging substantially all of Company's market exposure to precious metals prices, and not for speculative purposes. The Company's gains (losses) on derivative instruments are substantially offset by the changes in the fair market value of the underlying precious metals inventory, both of which are recorded in cost of sales in the consolidated statements of operations.

Commodity Price Management

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

The Company enters into derivative transactions solely for the purpose of hedging its inventory subject to price risk, and not for speculative market purposes. Due to the nature of the Company's global hedging strategy, the Company is not using hedge accounting as defined under Topic 815 of the ASC, whereby the gains or losses would be deferred and included as a component of other comprehensive income. Instead, gains or losses resulting from the Company's futures and forward contracts and open sale and purchase commitments are reported in the condensed consolidated statement of operations as unrealized gains or losses on commodity contracts (a component of cost of sales) with the related unrealized amounts due from or to counterparties reflected as a derivative asset or liability on the condensed consolidated balance sheets.

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

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

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

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

Derivative Assets and Liabilities

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

All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions (i.e., offsetting derivative instruments). As such, for the Company's derivative contracts with the same counterparty, the receivables and payables have been netted on the condensed consolidated balance sheets. Such derivative contracts include open sale and purchase commitments, futures, forwards and margin accounts. In the table below, the aggregate gross and net derivative receivables and payables balances are presented by contract type and type of hedge, as of September 30, 2018 and June 30, 2018.

	September 30, 2018				June 30, 2018			
in thousands	Gross Derivative	Amounts Netted	Cash Collateral Pledge	Net Derivative	Gross Derivative	Amounts Netted	Cash Collateral Pledge	Net Derivative
Nettable derivative assets:								
Open sale and purchase commitments	$3,144	$(1,163)	$—	$ 1,981	$2,602	$ (328)	$—	$ 2,274
Option contracts	392	—	—	392	390	—	—	390
Future contracts	140	—	—	140	238	—	—	238
Forward contracts	193	—	—	193	4,577	(84)	—	4,493
	$3,869	$(1,163)	$—	$ 2,706	$7,807	$ (412)	$—	$ 7,395
Nettable derivative liabilities:								
Open sale and purchase commitments	$25,875	$(387)	$—	$ 25,488	$17,132	$ (647)	$—	$ 16,485
Margin accounts	5,629	—	(1,901)	3,728	5,988	—	(2,184)	3,804
Liability of price protection programs	116	—	—	116	168	—	—	168
Future contracts	2,163	—	—	2,163	—	—	—	—
Forward contracts	5,216	(737)	—	4,479	—	—	—	—
	$38,999	$(1,124)	$ (1,901)	$ 35,974	$23,288	$ (647)	$ (2,184)	$ 20,457

Gains or Losses on Derivative Instruments

The Company records the derivative at the trade date with a corresponding unrealized gain (loss), shown as a component of cost of sales in the condensed consolidated statements of operations. The Company adjusts the derivatives to fair value on a daily basis until the transactions are settled. When these contracts are net settled, the unrealized gains and losses are reversed and the realized gains and losses for forward contracts are recorded in revenue and cost of sales, and the net realized gains and losses for futures and option contacts are recorded in cost of sales.

Below is a summary of the net gains (losses) on derivative instruments for the three months ended September 30, 2018 and 2017.

in thousands		
Three Months Ended September 30,	2018	2017
Gains (losses) on derivative instruments:		
Unrealized gains (losses) on open future commodity and forward contracts and open sale and purchase commitments, net	$(19,898)	$12,257
Realized gains on future commodity contracts, net	4,765	2,387
	$(15,133)	$14,644

The Company’s net gains on derivative instruments, as shown in the table above, were substantially offset by the changes in fair market value of the underlying precious metals inventory and open sale and purchase commitments, which were also recorded in cost of sales in the condensed consolidated statements of operations.

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Summary of Hedging Positions
In a hedging relationship, the change in the value of the derivative financial instrument is offset to a great extent by the change in the value of the underlying hedged item. The following table summarizes the results of our hedging activities, which shows the precious metal commodity inventory position, net of open sale and purchase commitments, that is subject to price risk as of September 30, 2018 and at June 30, 2018.
in thousands

	September 30, 2018	June 30, 2018
Inventory	$ 289,805	$280,116
Precious metals held under financing arrangements	232,476	262,566
	522,281	542,682
Less unhedgeable inventory:		
Commemorative coin inventory, held at lower of cost or market	(86)	(99)
Premium on metals position	(3,970)	(3,530)
Precious metal value not hedged	(4,056)	(3,629)
	518,225	539,053
Commitments at market:		
Open inventory purchase commitments	264,037	342,287
Open inventory sales commitments	(215,464)	(138,022)
Margin sale commitments	(5,674)	(5,988)
In-transit inventory no longer subject to market risk	(1,334)	(1,060)
Unhedgeable premiums on open commitment positions	910	541
Borrowed precious metals	(227,198)	(280,346)
Product financing arrangements	(53,126)	(113,940)
Advances on industrial metals	7,489	6,044
	(230,360)	(190,484)
Precious metal subject to price risk	287,865	348,569
Precious metal subject to derivative financial instruments:		
Precious metals forward contracts at market values	197,419	274,994
Precious metals futures contracts at market values	90,828	72,421
Total market value of derivative financial instruments	288,247	347,415
Net precious metals subject to commodity price risk	$ (382)	$1,154

Notional Balances of Derivatives
The notional balances of the Company's derivative instruments, consisting of contractual metal quantities, are expressed at current spot prices of the underlying precious metal commodity. As of September 30, 2018 and June 30, 2018, the Company had the following outstanding commitments and open forward and future contracts:

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in thousands	September 30, 2018	June 30, 2018
Purchase commitments	$ 264,037	$ 342,287
Sales commitments	$ (215,464)	$ (138,022)
Margin sales commitments	$ (5,674)	$ (5,988)
Open forward contracts	$ 197,419	$ 274,994
Open futures contracts	$ 90,828	$ 72,421

The contract amounts (i.e., notional balances) of the Company's forward and futures contracts and the open sales and purchase commitments are not reflected in the accompanying condensed consolidated balance sheet. The Company records the difference between the market price of the underlying metal or contract and the trade amount at fair value. The Company is exposed to the risk of failure of the counterparties to its derivative contracts. Significant judgment is applied by the Company when evaluating the fair value implications. The Company regularly reviews the creditworthiness of its major counterparties and monitors its exposure to concentrations. At September 30, 2018, the Company believes its risk of counterparty default is mitigated as a result of such evaluation and the short-term duration of these arrangements.

Foreign Currency Exchange Rate Management

The Company utilizes foreign currency forward contracts to manage the effect of foreign currency exchange fluctuations on its sale and purchase transactions. These contracts generally have maturities of less than one week. The accounting treatment of our foreign currency exchange derivative instruments is similar to the accounting treatment of our commodity derivative instruments, that is, the change in the value in the financial instrument is immediately recognized as a component of cost of sales. Unrealized losses on foreign exchange derivative instruments shown on the face of the condensed consolidated statements of operations totaled $70,000 and $101,000 for the three months ended September 30, 2018 and 2017, respectively. The market values (fair values) of the Company's foreign exchange forward contracts and the net open sale and purchase commitment transactions, denominated in foreign currencies, outstanding are as follows:

in thousands	September 30, 2018	June 30, 2018
Foreign exchange forward contracts	$ 4,104	$ 4,130
Open sale and purchase commitment transactions, net	$ 6,271	$ 3,026

12. INCOME TAXES

Income (loss) from operations before provision for income taxes is shown below:

in thousands	Year Ended	
Three Months Ended September 30,	2018	2017
U.S.	$ 1,925	$ 684
Foreign	8	34
Net income before provision for income taxes	$ 1,933	$ 718

The Company files a consolidated federal income tax return based on a June 30 tax year end. The expense from provision for income taxes for the three months ended September 30, 2018 and 2017 consists of the following:

in thousands	Year Ended	
Three Months Ended September 30,	2018	2017
Federal	$ 419	$ 252
State and local	78	21
Foreign	2	1
Provision for income taxes	$ 499	$ 274

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The effective tax rate for the three months ended September 30, 2018 and 2017 are set forth below:

in thousands

Three Months Ended September 30,	2018	2017
Effective tax rate	25.8%	38.2%

Tax Cuts and Jobs Act

The comparability of our effective tax rate in the first quarter of fiscal 2019 compared to the corresponding prior year period was impacted by the U.S. Tax Cuts and Jobs Act of 2017 (the Tax Act), which was effective for the Company starting in our second quarter of fiscal 2018. Information regarding our adoption and prospective impacts of the Tax Act on our tax is included in our Annual Report on Form 10-K for our fiscal year ended June 30, 2018. The initial one-time tax expense related to the enactment of the Tax Act has been accounted for in the prior fiscal year ended June 30,2018 based on provisional estimates pursuant to ASU 2018-05. Subsequent adjustments, if any, related to our enactment of the Tax Act will be accounted for within the measurement period in accordance with SAB 118 in the period such adjustments are identified. This one-time provisional tax expense incorporate, among other factors, assumptions made based on interpretations of the Tax Act and existing tax laws along with a range of historical financial and tax-specific facts and information, including estimates of deferred tax balances pending finalization of those balances.

Tax Balances and Activity

Income Taxes Receivable and Payable

As of September 30, 2018 and June 30, 2018, income taxes receivable totaled $1.6 million and $1.6 million, respectively.

Deferred Tax Assets and Liabilities

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized by evaluating both positive and negative evidence. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. As of September 30, 2018 and June 30, 2018, management concluded that it was more likely than not that the Company would be able to realize the benefit of the U.S. federal and state deferred tax assets. We based this conclusion on historical and projected operating performance, as well as our expectation that our operations will generate sufficient taxable income in future periods to realize the tax benefits associated with the deferred tax assets.

As of September 30, 2018, the consolidated balance sheet reflects the deferred tax items for each tax-paying component (i.e., federal and state), resulting in a state deferred tax asset of $1.6 million and a federal deferred tax asset of $1.8 million. As of June 30, 2018, the consolidated balance sheet reflects the deferred tax items for each tax-paying component (i.e., federal and state), resulting in a state deferred tax asset of $1.7 million and a federal deferred tax asset of $2.2 million.

Net Operating Loss Carryforwards

As of September 30, 2018 and June 30, 2018, the Company has approximately $3.3 million and $2.9 million of federal net operating loss carryforwards and approximately $15.6 million and $15.5 million, state and city net operating loss carryforwards, respectively. The Company's combined federal, state and city tax-effected net operating loss carryforwards totaled, as of September 30, 2018 and June 30, 2018, $1.8 million and $1.7 million, respectively. These net operating loss carryforwards start to expire in the year ending June 30, 2022.

Unrecognized Tax Benefits

The Company has taken or expects to take certain tax benefits on its income tax return filings that it has not recognized a tax benefit (i.e., an unrecognized tax benefit) on its consolidated statements of operations. The Company's measurement of its uncertain tax positions is based on management's assessment of all relevant information, including, but not limited to prior audit experience, audit settlement, or lapse of the applicable statute of limitations. For the three months ended September 30, 2018 there was no material movement in unrecognized tax benefits including interest and penalties.

Tax Examinations

There has been no material change to our open tax examinations, except for the closing of the IRS examination of the Company's fiscal 2015 federal income tax return. Information related to open tax examinations is included in our 2018 Annual Report on Form 10-K for fiscal year ended June 30, 2018.

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13. RELATED PARTY TRANSACTIONS

Former Parent and its Subsidiaries

In addition to transactions with other affiliates as indicated below, the Company engages with Stack’s Bowers Numismatics LLC ("Stack's Bowers"), a wholly owned subsidiary of the Former Parent, in (i) sales and purchase transactions, and (ii) transactions in which the Company assists Stack’s Bowers in financing the purchase of rare coins and precious metals products, both through precious metal repurchase arrangements in which the Company receives a fee based upon the commodity value of the coins, and through loans to Stack’s Bowers from CFC secured by the coins or precious metal. The effect of these transactions is included in the following tables.

Balances with Affiliated Companies or Persons

As of September 30, 2018 and June 30, 2018, the Company had related party receivables and payables balances as set forth below:

in thousands

	September 30, 2018			June 30, 2018	
	Receivables	Payables		Receivables	Payables
Former Parent/Stack's Bowers	$6,226 (1)	$ —		$13,240	$ —
Equity method investee	—	1,265	(2)	—	920
SilverTowne	—	332	(3)	—	242
Goldline Lenders	—	7,712	(4)	—	7,710
	$6,226	$ 9,309		13,240	$ 8,872

(1) Balance principally includes two secured lines of credit with a balance of $3.7 million and $2.0 million (shown as a component of secured loans receivables). See "Secured Lines of Credit with Stack's Bowers", below.

(2) Balance represents primarily open trade payables.

(3) Balance (net) includes (a) a trade receivables of $0.3 million (shown as a component of receivables), and (b) a contingent earn-out liability of $0.6 million (shown as a component of other long-term liabilities).

(4) Balance includes the face value of the Goldline Credit Facility of $7.5 million, and the associated estimated debt funding fees payable of $0.2 million (shown as debt obligation - related party). The Goldline Credit facility and the debt funding fee are payable in August 2020.

Secured Lines of Credit with Stack's Bowers

On September 19, 2017, CFC entered into a loan agreement with Stack's Bowers providing a secured line of credit, bearing interest at a competitive rate per annum, with a maximum borrowing line of $5.3 million. The loan is secured by precious metals and numismatic products. As of September 30, 2018 and June 30, 2018, the aggregate carrying value of this loan was $3.7 million and $3.0 million, respectively.

On March 1, 2018, CFC entered into a loan agreement with Stack's-Bowers providing a secured line of credit on the wholesale value (i.e., the excess over the spot value of the metal), of numismatic products bearing interest at a competitive rate per annum, with a maximum borrowing line of $10.0 million. In addition to the annual rate of interest, the Company is entitled to receive a participation interest equal to 10% of the net profits realized by Stack's Bowers on the ultimate sale of the products. As of September 30, 2018 and June 30, 2018, the aggregate carrying value of this loan was $2.0 million and $9.5 million, respectively.

Long Term Debt Obligation with Goldline Lenders

As of September 30, 2018, the carrying value of the long term debt obligation payable to Goldline Lenders totaled $7.3 million, and is shown in the condensed consolidated balance sheets as debt obligation (related party). The face value of this debt obligation is $7.5 million and the related unamortized loan funding fee, a contra-liability, totaled $243,000 as of September 30, 2018 (see Note 14). The estimated loan funding fee payable to Goldline Lenders as of September 30, 2018 totaled $212,000 and is shown on the condensed consolidated balance sheets as component of other long-term liabilities.

Activity with Affiliated Companies or Persons

Sales and Purchases Made to Affiliated Companies

During the three months ended September 30, 2018 and 2017, the Company made sales and purchases to various companies, which have been deemed to be related parties, as follows:

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in thousands

Three Months Ended September 30,	2018		2017	
	Sales	Purchases	Sales	Purchases
Former Parent/Stack's Bowers	$17,475	$ 16,772	$4,432	$ 2,389
Equity method investee	100,564	2,362	81,971	358
SilverTowne	4,138	461	3,150	99
	$122,177	$ 19,595	$89,553	$ 2,846

Interest Income Earned from Affiliated Companies

During the three months ended September 30, 2018 and 2017, the Company earned interest income related to loans made to Stack's Bowers and related to financing arrangements (including repurchase agreements) with affiliated companies, as set forth below:

in thousands

Three Months Ended September 30,	2018	2017
Interest income from secured loans receivables	$214	$2
Interest income from finance products and repurchase arrangements	1,723	544
	$1,937	$546

Interest Expense Incurred Related to Notes Payable and Long-Term Debt Obligation

During the three months ended September 30, 2018 and 2017, the Company incurred interest expense (including debt amortization costs) related to the debt payable to SilverTowne and the Goldline Lenders, as set forth below:

in thousands

Three Months Ended September 30,	2018	2017
Interest expense incurred related to notes payable	$—	$ 2
Interest expense incurred related to long-term debt obligation	$195	$ 73
	$195	$ 75

Other Income Earned from Equity Method Investee

During the three months ended September 30, 2018 and 2017, the Company recorded its proportional share of its equity method investee's net income as other income that total $248,000 and $57,000, respectively. As of September 30, 2018 and June 30, 2018, the carrying balance of the equity method investment was $8.1 million and $7.9 million, respectively.

14. FINANCING AGREEMENTS

Lines of Credit

The Company has an uncommitted demand revolving credit facility ("Trading Credit Facility") provided to the Company by a syndicate of financial institutions, with Coöperatieve Rabobank U.A. ("Rabobank") acting as lead lender and administrative agent and Natixis, New York Branch acting as syndication agent. The Trading Credit Facility is secured by substantially all of the Company's assets on a first priority basis. As of September 30, 2018, the Trading Credit Facility provided the Company with access up to $260.0 million, featuring a $210.0 million base, with a $50.0 million accordion option. The Trading Credit Facility is scheduled to mature on March 29, 2019. As of September 30, 2018, the Company incurred $2.6 million of loan costs in connection with the Trading Credit Facility, which was capitalized and is being amortized over the term of the Trading Credit Facility. As of September 30, 2018 and June 30, 2018, the remaining unamortized balance was approximately $0.3 million and $0.5 million, respectively. The Company routinely uses the Trading Credit Facility to purchase and finance precious metals and for operating cash flow purposes. Amounts under the Trading Credit Facility bear interest based on London Interbank Offered Rate ("LIBOR") plus a 2.50% margin for revolving credit line loans and a 4.50% margin for bridge loans (that is, for loans that exceed the available revolving credit line). The one-month LIBOR rate was approximately 2.26% and 2.09% as of September 30, 2018 and June 30, 2018, respectively. Borrowings are due on demand and totaled $179.0 million and $200.0 million at September 30, 2018 and at June 30, 2018, respectively. The amounts available under the respective borrowing facilities are determined at the end of each week following a specified borrowing base formula. The Company is able to access additional credit as needed to finance operations, subject to the overall limits of the borrowing facilities and lender approval of the revised borrowing base calculation. Based on the latest approved borrowing bases in effect, the amounts available under the Trading Credit Facility after taking into account current borrowings, totaled $3.5 million and $22.1 million as determined on the Friday before September 30, 2018 and on Friday, June 30, 2018, respectively.

The Trading Credit Facility has certain restrictive financial covenants, including one requiring the Company to maintain a minimum tangible net worth. As of September 30, 2018 the minimum tangible net worth financial covenant under the Trading Credit Facility was $47.5 million. The Company is in compliance with all restrictive financial covenants as of September 30, 2018.

Interest expense related to the Company's lines of credit totaled $2.0 million and $1.7 million, which represents 57.2% and 63.5% of the total interest expense recognized, for the three months ended September 30, 2018 and 2017, respectively. Our lines of credit carried a daily weighted average effective interest rate of 4.54% and 3.75%, respectively, for the three months ended September 30, 2018 and 2017.

Debt obligation with Goldline Lenders

On August 28, 2017, in connection with the closing of the Goldline acquisition (see Note 1), Goldline, then known as Goldline Acquisition Corp., entered into a privately placed credit facility in the amount of $7.5 million (the "Goldline Credit Facility") with various lenders (the "Goldline Lenders"). Borrowings under the Goldline Credit Facility were used to finance a portion of the consideration payable pursuant to the Goldline acquisition.

The Goldline Credit Facility is secured by a first priority lien on substantially all of the assets of Goldline , and is guaranteed by the Company. Interest on the Goldline Credit Facility is payable quarterly in arrears at the rate of 8.5% per annum, and the Goldline Lenders under the Goldline Credit Facility are entitled to an additional funding fee payment at maturity equal to the greater of 3.0% of the principal amount of the Goldline Credit Facility and 10.0% of cumulative EBITDA (for the periods ending June 30, 2018, 2019 and 2020) of Goldline in excess of $10.0 million, on a pro rata basis. The Goldline Credit Facility has a three-year maturity, and all outstanding principal and unpaid interest is due upon maturity (August 28, 2020).

As of September 30, 2018 and June 30, 2018, the carrying balance of the Goldline Credit facility was $7.3 million and $7.2 million, respectively, and the remaining unamortized loan cost balance was approximately $0.2 million and $0.3 million, respectively, which is amortized ratably through the maturity date. As of September 30, 2018, the balance of the loan fee payable was $0.2 million.

Interest expense related to the Goldline Credit Facility (including debt loan amortization costs) totaled $195,000 which represents 5.5% of the total interest expense recognized, for the three months ended September 30, 2018. The

Goldline Credit Facility's weighted average effective interest rate was 8.84% for the three months ended September 30, 2018. Interest expense related to the Goldline Credit Facility (including debt loan amortization costs) totaled $79,000 which represents 2.9% of the total interest expense recognized, for the three months ended September 30, 2017. The Goldline Credit Facility's weighted average effective interest rate was 9.38% for the three months ended September 30, 2017.

The obligations of Goldline and the Company under the Goldline Credit Facility are subordinated to the Company's obligations under the Trading Credit Facility (see Lines of Credit, above in Note 14). Under the subordination agreements, the

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Goldline Lenders are permitted to collect quarterly interest-only payments and a balloon payment of principal and accrued interest at the end of the loan term, provided that no event of default is continuing under the Trading Credit Facility and the Company is in pro-forma compliance with the financial covenants under the Trading Credit Facility.
Goldline Lenders

The following table shows the directors, executive officer and principal stockholder that participated in the Goldline Credit Facility transaction, and provides related information:

Goldline Lenders	Position/Relationship		Amount of Company Indebtedness Acquired (1)	
Gregory N. Roberts	Chief Executive Officer, Director and principal stockholder	(2)	$ 587,500	(2)
William D. Richardson	Principal stockholder	(3)	587,500	(3)
Jeffrey D. Benjamin	Chairman of the Board and Director		1,000,000	
Ellis Landau	Director		375,000	
William Montgomery	Director		1,500,000	
Jess Ravich	Director		500,000	(4)
			4,550,000	
7 other persons	Non-affiliated members		2,950,000	
			$ 7,500,000	

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(1) The amount shown is expected to remain outstanding throughout the term of the Goldline Credit Facility, with repayment due in August 2020.

(2) Silver Bow Ventures LLC ("Silver Bow") is the Lender. Mr. Roberts holds 50% of the ownership interests in and controls Silver Bow. Accordingly, the amount of indebtedness shown, and the interest amounts potentially payable on such indebtedness shown, represent 50% of the aggregate amounts of indebtedness held by and potential interest payable to Silver Bow.

(3) Silver Bow is the Lender. Mr. Richardson holds 50% of the ownership interests in and controls Silver Bow. Accordingly, the amount of indebtedness shown, and the interest amounts potentially payable on such indebtedness shown, represent 50% of the aggregate amounts of indebtedness held by and potential interest payable to Silver Bow.

(4) Libra Securities Holdings, LLC is the Lender. Mr. Ravich and a trust for his family members holds 100% of the ownership interests and controls Libra Securities Holdings, LLC.

Notes Payable

Securitization/Variable Interest Entity

On September 14, 2018, AM Capital Funding, LLC ("AMCF"), a wholly owned subsidiary of CFC, completed an issuance of Secured Senior Term Notes, Series 2018-1, Class A (the "Class A Notes") in the aggregate principal amount of $72.0 million and Secured Subordinated Term Notes, Series 2018-1, Class B (the "Class B Notes" and together with the Class A Notes, the "Notes") in the aggregate principal amount of $28 million. The Class A Notes bear interest at a rate of 4.98% and the Class B Notes bear interest at a rate of 5.98%. The Notes have a maturity date of December 15, 2023. The Notes were issued under a Master Indenture and the Series 2018-1 Supplement thereto, each dated as of the Closing Date, between AMCF and Citibank, N.A., as trustee. The Company holds $10.0 million of the Notes. The Notes are not insured or guaranteed by A-Mark or CFC. CFC acts as servicer with respect to the Notes.

AMCF applied the net proceeds from the sale of the Notes to purchase loans and precious metals inventory, and to pay certain costs and expenses.

AMCF is a special purpose entity whose sole activity consists of operating, owning, and financing indenture assets. The Notes are primarily payable from, and secured by, (i) precious metals obtained by AMCF from third parties, and (ii) a portfolio of loans collateralized by precious metals, which loans were originated by either CFC or acquired by CFC from third parties and conveyed by CFC to AMCF. The indenture requires AMCF to maintain a specified level of collateral. The indenture also provides that AMCF's assets are not to be commingled with those of CFC or A-Mark (or any affiliate), and that AMCF is to maintain separate books and records.

CFC and A-Mark may from time to time also contribute cash or sell precious metals to AMCF in exchange for cash or subordinated, deferred payment obligations from AMCF. In addition, AMCF may from time to time sell precious metals to A-Mark for cash.

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As of September 30, 2018, the carrying balance of the Note was $87.1 million (which excludes the $10.0 million note that the Company retained) , and the remaining unamortized loan cost balance was approximately $2.9 million, which is amortized using the effective interest method through the maturity date. As of September 30, 2018, the balance of the interest payable was $234,000.

Interest on the Note is payable monthly in arrears at the aggregate rate of 5.26% per annum. The interest expense related to the Note (including debt loan amortization costs) totaled $254,000 which represents 7.2% of the total interest expense recognized by the Company, for the three months ended September 30, 2018. The Notes' weighted average effective interest rate was 5.88% for the three months ended September 30, 2018

The Company has both the power to direct the activities that most significantly impact AMCF's economic performance, and the obligation to absorb losses or the right to receive benefits of AMCF that could potentially be significant to AMCF. Therefore, the Company has determined AMCF is a variable interest entity ("VIE") and that the Company is the primary beneficiary of the VIE. Therefore, the Company consolidates AMCF for accounting purposes. See Note 2 for additional information about our VIE policy.

The assets and liabilities of the VIE are shown on the face of the condensed consolidated balance sheets of the Company at September 30, 2018 and June 30, 2018.

Liability on Borrowed Metals

The Company recorded liabilities on borrowed precious metals with market values totaling $227.2 million and $280.3 million as of September 30, 2018 and June 30, 2018, respectively, with the corresponding metals reflected on the condensed consolidated balance sheets.

Advanced pool metals

The Company borrows precious metals (usually in the form of pool metals) from its suppliers and customers under short-term agreements using other precious metals from its inventory as collateral. Amounts under these arrangements require repayment either in the same form of the metals borrowed or in cash. The Company has the ability to sell the metals and to repurchase similar metals as needed, under the terms of the arrangement, in order to repay the obligation. Once the obligation is repaid, the metals held as collateral are released back to the Company.

Liability on borrowed metals — Other

Liabilities may also arise from: (1) unallocated metal positions held by customers in the Company's inventory, (2) amounts due to suppliers for the use of consigned inventory, and (3) shortages in unallocated metal positions held by the Company in the supplier's inventory. Unallocated or pool metal represent an unsegregated inventory position that is due on demand, is a specified physical form, based on the total ounces of metal held in the position. Amounts due under these arrangements require delivery either in the form of precious metals, or in cash.

Product Financing Arrangements

The Company has agreements with financial institutions (third parties) that allows the Company to transfer its gold and silver inventory at an agreed-upon price based on the spot price with these third parties. Such agreements allow the Company to repurchase this inventory at an agreed-upon price based on the spot price on the repurchase date. The third party charges a monthly fee as a percentage of the market value of the outstanding obligation; such monthly charges are classified in interest expense. These transactions do not qualify as sales, and therefore have been accounted for as financing arrangements and are reflected in the condensed consolidated balance sheet as product financing arrangements. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing obligation and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value recorded as a component of cost of sales in the condensed consolidated statements of operations. Such obligation totaled $53.1 million and $113.9 million as of September 30, 2018 and June 30, 2018, respectively.

15. COMMITMENTS AND CONTINGENCIES

Refer to Note 15 of the Notes to Consolidated Financial Statements in the 2018 Annual Report for information relating to minimum rental payments under operating and capital leases, consulting and employment contracts, and other commitments. The Company is not aware of any material changes to commitments as summarized the 2018

Annual Report.

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16. STOCKHOLDERS’ EQUITY

Payment of Dividends

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

Dividend Declaration Date	Record Date (at close of Business)	Type of Dividend	Basis of Payment		Payment Date
April 29, 2016	May 13, 2016	Cash	$0.07	per common share	May 27, 2016
September 7, 2016	September 19, 2016	Cash	$0.07	per common share	October 7, 2016
November 1, 2016	November 14, 2016	Cash	$0.07	per common share	December 1, 2016
January 26, 2017	February 8, 2017	Cash	$0.08	per common share	February 24, 2017
May 2, 2017	May 15, 2017	Cash	$0.08	per common share	May 25, 2017
August 30, 2017	September 18, 2017	Cash	$0.08	per common share	September 27, 2017
November 13, 2017	November 24, 2017	Cash	$0.08	per common share	December 13, 2017
January 30, 2018	February 13, 2018	Cash	$0.08	per common share	February 27, 2018

The Board of Directors has determined to suspend the Company's quarterly dividend in order to increase its financial flexibility and strengthen its balance sheet. Going forward, the Board of Directors will re-assess its capital resources and may or may not determine to reinstate the dividend based on that assessment.

2014 Stock Award and Incentive Plan

Prior to the Distribution, the Company’s Board of Directors ("Board") adopted and the Company's then sole stockholder approved the 2014 Stock Award and Incentive Plan, which was approved by the Company's stockholders in February 2015. On November 2, 2017, the Company's stockholders approved the amended and restated 2014 Stock Award and Incentive Plan (the "2014 Plan"), to (i) increase the available shares authorized for issuance under the plan by 525,000 shares, (ii) extend the term of the 2014 Plan until 2027, an additional five years, and (iii) eliminate provisions that add back to the share reserve shares surrendered or withheld to pay the exercise price of an option or withheld to cover tax withholding obligations for any type of award, and shares as to which a stock appreciation right is exercised that exceed the number of shares actually delivered.

Under the 2014 Plan, the Company may grant options and other equity awards as a means of attracting and retaining officers, employees, non-employee directors and consultants, to provide incentives to such persons, and to align the interests of such persons with the interests of stockholders by providing compensation based on the value of the Company's stock. Awards under the 2014 Plan may be granted in the form of incentive or non-qualified stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units, dividend equivalent rights and other stock-based awards (which may include outright grants of shares). The 2014 Plan also authorizes grants of performance-based cash incentive awards. The 2014 Plan is administered by the Compensation Committee of the Board of Directors, which, in its discretion, may select officers and other employees, directors (including non-employee directors) and consultants to the Company and its subsidiaries to receive grants of awards. The Board of Directors itself may perform any of the functions of the Compensation Committee under the 2014 Plan.

Under the 2014 Plan, the exercise price of options and base price of SARs, as set by the Compensation Committee, generally may not be less than the fair market value of the shares on the date of grant, and the maximum term of stock options and SARs is 10 years. The 2014 Plan limits the number of share-denominated awards that may be granted to any one eligible person to 250,000 shares in any fiscal year. Also, in the case of non-employee directors, the 2014 Plan limits the maximum grant-date fair value at $300,000 of stock-denominated awards granted to a director in a given fiscal year, except for a non-employee Chairman of the Board whose grant-date fair value maximum is $600,000 per fiscal year. The 2014 Plan will terminate when no shares remain available for issuance and no awards remain outstanding; however, the authority to grant new awards will terminate on December 13, 2022.

As of September 30, 2018, 428,395 shares were available for grant under the 2014 Plan.

Valuation and Significant Assumptions of Equity Awards Issued

The Company uses the Black-Scholes option pricing model, which uses various inputs such as the estimated common share price, the risk-free interest rate, volatility, expected life and dividend yield, all of which are estimates.

Stock Options

During the three months ended September 30, 2018 and 2017, the Company incurred $272,681 and $436,407 of compensation expense related to stock options, respectively. As of September 30, 2018, there was total remaining compensation expense of $1.7 million related to employee stock options, which will be recorded over a weighted average period of approximately 2.1 years.

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The following table summarizes the stock option activity for the three months ended September 30, 2018.

	Options	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value (in thousands)	Weighted Average Grant Date Fair Value Per Award
Outstanding at June 30, 2018	842,515	$ 17.59	$ 821	$ 5.99
Granted	95,050	$ 13.6		
Cancellations, expirations and forfeitures	(400)	$ 16.52		
Outstanding at September 30, 2018	937,165	$ 17.18	$ 767	$ 6.12
Exercisable at September 30, 2018	554,281	$ 17.18	$ 767	$ 5.90

Following is a summary of the status of stock options outstanding at September 30, 2018

Exercise Price Ranges		Options Outstanding			Options Exercisable		
From	To	Number of Shares Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$—	$10.00	134,239	4.10	$ 8.39	134,239	4.10	$ 8.39
$10.01	$15.00	233,938	7.36	$ 12.78	98,888	4.03	$ 11.94
$15.01	$25.00	468,988	7.89	$ 20.12	271,154	7.78	$ 20.26
$25.01	$60.00	100,000	7.39	$ 25.50	50,000	7.39	$ 25.50
		937,165	7.16	$ 17.18	554,281	6.19	$ 16.37

Certain Anti-Takeover Provisions

The Company’s certificate of incorporation and by-laws contain certain anti-takeover provisions that could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company without negotiating with its Board. Such provisions could limit the price that certain investors might be willing to pay in the future for the Company’s securities. Certain of such provisions provide for a Board with staggered terms, allow the Company to issue preferred stock with rights senior to those of the common stock, or impose various procedural and other requirements which could make it more difficult for stockholders to effect certain corporate actions.

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17. CUSTOMER AND SUPPLIER CONCENTRATIONS

Customer Concentration

Customers providing 10 percent or more of the Company's revenues for the three months ended September 30, 2018 and 2017 are presented on a comparative basis in the table below:

in thousands

Three Months Ended September 30,	2018		2017	
	Amount	Percent	Amount	Percent
Total revenue	$1,565,090	100.0%	$2,163,790	100.0%
Customer concentrations				
HSBC Bank USA [1]	$380,122	24.3 %	$511,264	23.6 %
Mitsubishi Intl. Corp. [1]	250,906	16.0	537,113	24.9
	$631,028	40.3 %	$1,048,377	48.5 %

(1) Sales with this trading partner is primarily comprised of sales on forward contracts that entered into for hedging purposes rather than sales characterized with the physical delivery of precious metal product.

Customers providing 10 percent or more of the Company's accounts receivable as of September 30, 2018 and June 30, 2018 are presented on a comparative basis in the table below:

in thousands

	September 30, 2018		June 30, 2018	
	Amount	Percent	Amount	Percent
Total accounts receivable, net	$57,332	100.0%	$35,856	100.0%
Customer concentrations				
Customer A	$25,354	44.2 %	$14,967	41.7 %
Customer B	6,915	12.1	7,468	20.8
	$32,269	56.3 %	$22,435	62.5 %

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

Supplier Concentration

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

18. SEGMENTS AND GEOGRAPHIC INFORMATION

The Company evaluates segment reporting in accordance with FASB ASC 280, Segment Reporting, each reporting period, including evaluating the organizational structure and the reporting package that is reviewed by the Chief Operating Decision Makers ("CODM"). The Company's operations are organized under three business segments — Wholesale Trading & Ancillary Services, Secured Lending, and Direct Sales.

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Revenue

in thousands		
Three Months Ended September 30,	2018	2017
Revenue by segment		
Wholesale Trading & Ancillary Services	$1,554,313	$2,153,420
Direct Sales	10,777 (1)	10,370 (2)
Total revenue	$1,565,090	$2,163,790

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(1) Includes $0.8 million of intercompany sales from the Direct Sales segment to the Wholesale Trading & Ancillary Services segment. The elimination of these intercompany sales are reflected in the Wholesale Trading & Ancillary Services segment. Intercompany sales are transacted at prices consistent with arms-length transactions with third-parties.

(2) Includes $6.9 million of intercompany sales from the Direct Sales segment to the Wholesale Trading & Ancillary Services segment. The elimination of these intercompany sales are reflected in the Wholesale Trading & Ancillary Services segment. Intercompany sales are transacted at prices consistent with arms-length transactions with third-parties.

in thousands		
Three Months Ended September 30,	2018	2017
Revenue by geographic region		
(as determined by the shipping address or where the services were performed):		
United States	$1,375,636	$2,051,921
Europe	90,152	54,358
North America, excluding United States	96,384	54,878
Asia Pacific	2,343	1,352
Africa	1	—
Australia	574	1,281
Total revenue	$1,565,090	$2,163,790

Gross Profit and Gross Margin Percentage

in thousands		
Three Months Ended September 30,	2018	2017
Gross profit by segment		
Wholesale Trading & Ancillary Services	$7,412	$5,645
Direct Sales	1,063	1,661
Total gross profit	$8,475	$7,306
Gross margin percentage by segment		
Wholesale Trading & Ancillary Services	0.477 %	0.262 %
Direct Sales	9.864 %	16.017 %
Weighted average gross margin percentage	0.542 %	0.338 %

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Operating income and (expenses) in thousands		
Three Months Ended September 30,	2018	2017
Operating income and expenses by segment		
Wholesale Trading & Ancillary Services		
Selling, general and administrative expenses	$(5,258)	$(5,410)
Interest income	$2,052	$1,058
Interest expense	$(1,880)	$(1,519)
Other income, net	$178	$(40)
Secured Lending		
Selling, general and administrative expenses	$(345)	$(383)
Interest income	$2,499	$2,103
Interest expense	$(1,477)	$(1,135)
Direct Sales		
Selling, general and administrative expenses	$(2,116)	$(1,183)
Interest expense	$(195)	$(79)

Net (loss) income before provision for income taxes in thousands		
Three Months Ended September 30,	2018	2017
Net (loss) income before provision for income taxes by segment		
Wholesale Trading & Ancillary Services	$2,504	$(266)
Secured Lending	677	585
Direct Sales	(1,248)	399
Total net (loss) income before provision for income taxes	$1,933	$718

Depreciation and Amortization in thousands		
Three Months Ended September 30,	2018	2017
Depreciation and amortization by segment		
Wholesale Trading & Ancillary Services	$(396)	$(391)
Direct Sales	(301)	(138)
Total depreciation and amortization	$(697)	$(529)

Advertising expense in thousands		
Three Months Ended September 30,	2018	2017
Advertising expense by segment		
Wholesale Trading & Ancillary Services	$(107)	$(101)
Secured Lending	(3)	(11)
Direct Sales	(480)	(405)
Total advertising expense	$(590)	$(517)

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Precious metals held under financing arrangements
in thousands

	September 30, 2018	June 30, 2018
Precious metals held under financing arrangements by segment		
Wholesale Trading & Ancillary Services	$ 232,476	$262,566
Total precious metals held under financing arrangements	$ 232,476	$262,566

Inventory
in thousands

	September 30, 2018	June 30, 2018
Inventories by segment		
Wholesale Trading & Ancillary Services	$ 282,420	$272,034
Direct Sales	7,385	8,082
Total inventories	$ 289,805	$280,116

in thousands

	September 30, 2018	June 30, 2018
Inventories by geographic region		
United States	$ 281,101	$273,008
Europe	2,604	1,965
North America, excluding United States	5,991	4,976
Asia	109	167
Total inventories	$ 289,805	$280,116

Assets
in thousands

	September 30, 2018	June 30, 2018
Assets by segment		
Wholesale Trading & Ancillary Services	$ 629,231	$616,522
Secured Lending	83,019	111,304
Direct Sales	14,302	15,175
Total assets	$ 726,552	$743,001

in thousands

	September 30, 2018	June 30, 2018
Assets by geographic region		
United States	$ 711,048	$733,131
Europe	9,404	4,727
North America, excluding United States	5,991	4,976
Asia	109	167
Total assets	$ 726,552	$743,001

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Long-term Assets

in thousands

	September 30, 2018	June 30, 2018
Long-term assets by segment		
Wholesale Trading & Ancillary Services	$ 30,871	$31,328
Secured Lending	103	102
Direct Sales	4,263	4,588
Total long-term assets	$ 35,237	$36,018

in thousands

	September 30, 2018	June 30, 2018
Long-term assets by geographic region		
United States	$ 35,184	$35,965
Europe	53	53
Total long-term assets	$ 35,237	$36,018

Capital Expenditures for Property and Equipment

in thousands

Three Months Ended September 30,	2018	2017
Capital expenditures on plant, property and equipment by segment		
Wholesale Trading & Ancillary Services	$122	$194
Direct Sales	—	124
Total capital expenditures on property and equipment	$122	$318

Goodwill and Intangible Assets

in thousands

	September 30, 2018	June 30, 2018
Goodwill and Intangibles by segment		
Wholesale Trading & Ancillary Services	$ 12,409	$12,516
Direct Sales	3,081	3,226
Total goodwill and intangible assets	$ 15,490	$15,742

19. SUBSEQUENT EVENTS

None.

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

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

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes contained elsewhere in this Form 10-Q. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those factors discussed below and elsewhere in this Quarterly Report, particularly in "Risk Factors."

INTRODUCTION

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

- Executive overview. This section provides a general description of our business, as well as significant transactions and events that we believe are important in understanding the results of operations.
- Results of operations. This section provides an analysis of our results of operations presented in the accompanying condensed consolidated statements of operations by comparing the results for the respective years. Included in our analysis is a discussion of five performance metrics: (i) ounces of gold and silver sold, (ii) Wholesale trading ticket volume, (iii) Direct Sales ticket volume, (iv) inventory turnover ratio and (v) number of secured loans at period-end.
- Results of Segments. This section provides an analysis of our results of operations presented for our three segments: Wholesale Trading and Ancillary Services, Secured Lending, and Direct Sales for the respective years.
- Financial condition and liquidity and capital resources. This section provides an analysis of our cash flows, as well as a discussion of our outstanding debt as of September 30, 2018. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to fund our future commitments, as well as a discussion of other financing arrangements.
- Critical accounting estimates. This section discusses those accounting policies that both are considered important to our financial condition and results, and require significant judgment and estimates on the part of management in their application. In addition, all of our policies, including critical accounting policies, are summarized in Note 2 to the

accompanying condensed consolidated financial statements.

- Recent accounting pronouncements. This section discusses new accounting pronouncements, dates of implementation and impact on our accompanying condensed consolidated financial statements.

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EXECUTIVE OVERVIEW
Our Business
We conduct our operations in three reportable segments: (1) Wholesale Trading & Ancillary Services, (2) Secured Lending and (3) Direct Sales.
Wholesale Trading & Ancillary Services Segment
The Wholesale Trading & Ancillary Services segment operates as a full-service precious metals trading company. We offer gold, silver, platinum and palladium in the form of bars, plates, powder, wafers, grain, ingots and coins. Our Industrial unit services manufacturers and fabricators of products utilizing or incorporating precious metals. Our Coin and Bar unit deals in over 200 coin and bar products in a variety of weights, shapes and sizes for distribution to dealers and other qualified purchasers. We have trading centers in El Segundo, California and Vienna, Austria for buying and selling precious metals, which are open 24 hours each trading day, even when many major world commodity markets are closed. In addition to wholesale trading activity, A-Mark offers its customers a variety of services, including financing, storage, consignment, logistics and various customized financial programs. As a U.S. Mint-authorized purchaser of gold, silver and platinum coins, A-Mark purchases product directly from the U.S. Mint and other sovereign mints for sale to its customers.
Through our wholly-owned subsidiary Transcontinental Depository Services, 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. Our storage business generated less than 1% of total revenues for each of the periods presented.
The Company's wholly-owned subsidiary, A-M Global Logistics, LLC, referred to as Logistics, commenced operations as a logistics fulfillment center in July 2015. Logistics, based in Las Vegas, Nevada, provides our customers an array of complementary services, including receiving, handling, inventorying, processing, packing, and shipping of precious metals and custom coins on a secure basis. Our logistics business generated less than 1% of the total revenues for each of the periods presented.
In August 2016, the Company formed AMST, a joint venture with SilverTowne, L.P., referred to as SilverTowne, an Indiana-based producer of minted silver. As of September 30, 2018, the Company and SilverTowne, L.P. own 69% and 31%, respectively, of AMST. AMST acquired the entire minting operations (referred to as SilverTowne Mint) of SilverTowne, L.P., with the goal of providing greater product selection to our customers and greater pricing stability within the supply chain, as well as to gain increased access to silver during volatile market environments, which have historically resulted in higher demand for precious metals products.
Secured Lending Segment
The Company operates its Secured Lending segment through its wholly-owned subsidiary, CFC. CFC has been in operation since 2005.
CFC is a California licensed finance lender that originates and acquires commercial loans secured by bullion and numismatic coins. CFC's customers include coin and precious metal dealers, investors and collectors. As of September 30, 2018, CFC had approximately $81.9 million in secured loans outstanding, of which approximately 61.4% was originated by third parties and acquired by CFC and approximately 38.6% was originated by CFC.
On September 14, 2018, AM Capital Funding, LLC, referred to as AMCF, a wholly owned subsidiary of CFC, completed an issuance of Secured Senior Term Notes, Series 2018-1, Class A in the aggregate principal amount of $72.0 million and Secured Subordinated Term Notes, Series 2018-1, Class B in the aggregate principal amount of $28 million. The Class A Notes bear interest at a rate of 4.98% and the Class B Notes bear interest at a rate of 5.98%. The Notes have a maturity date of December 15, 2023. For additional information regarding this securitization, see Note 14, "Notes Payable".
Prior to fiscal quarter ended June 30, 2018, the operations of CFC, which now comprise our Secured Lending segment, had been considered part of the Wholesale Trading and & Ancillary Services segment.
Direct Sales Segment
The Company operates its Direct Sales segment through its wholly-owned subsidiary Goldline Inc. (“Goldline”). The Company acquired the business in August 2017 through an asset purchase transaction with Goldline LLC (see Note 1.) Goldline LLC had been in operation since 1960.

Goldline is a direct retailer of precious metals to the investor community. Goldline markets its precious metal products primarily on radio, the internet and television, as well as through telephonic sales efforts, particularly to Goldline's repeat customers. The Company acquired the Goldline business with the objective of enhancing the Company's distribution capabilities by adding a direct-to-client distribution channel. The Company also anticipated that the acquisition would diversify the product and services offering to Goldline customers, through access to the Company's wider assortment of precious metal coins and bars, including CFC's secured lending services and TDS's storage and asset protection services.

Our Strategy

The Company has grown from a small numismatics firm in 1965 to a significant participant in the bullion and coin markets, with approximately $7.6 billion and $7.0 billion in revenues for fiscal years 2018 and 2017, respectively. 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, services and technological tools that we offer to our customers. We intend to promote our growth by leveraging off the strengths of our existing integrated operations: the depth of our customer relations; our access to market makers, suppliers and government mints and other mints; our trading systems in the U.S. and Europe, are available 24 hours a day 7 days a week; our expansive precious metals dealer network; our depository relationships around the world; our knowledge of secured lending; our logistics capabilities; our trading expertise; and the quality and experience of our management team.

Our Customers

Our customers include financial institutions, bullion retailers, industrial manufacturers and fabricators, sovereign mints, refiners, coin and metal dealers, investors and collectors. The Company makes a two way market, which results in many customers also operating as our suppliers. This diverse base of customers purchases a variety of products from the Company in a multitude of grades, primarily in the form of coins and bars.

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

Revenues. The Company enters into transactions to sell and deliver gold, silver, platinum and palladium to industrial and commercial users, coin and bullion dealers, mints, and financial institutions. The metals are investment or industrial grade and are sold in a variety of shapes and sizes.

The Company also sells precious metals on forward contracts at a fixed price based on current prevailing precious metal spot prices with a certain delivery date in the future (up to six months from date of the forward contract.) Typically, these forward contracts are net settled against our other forward positions or are settled in cash, whereby no physical product is delivered. Sales on forward contracts can be a substantial portion of revenues in any given period. We enter into these forward contacts as part of our hedging strategy to mitigate our price risk of holding inventory; they are not entered into for speculative purposes.

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

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

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

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

Interest Income. The Company enters into secured loans and secured financing structures with its customers under which it charges interest. Through its wholly owned subsidiary, CFC, the Company also enters into loans secured by precious metals and numismatic material owned by the borrowers and held by the Company for the term of the loan. The Company offers a number of secured financing options to its customers to finance their precious metals purchases including consignments and other structured inventory finance products whereby the Company earns a fee based on the underlying value of the precious metal.

Interest Expense. The Company incurs interest expense as a result of usage under its lines of credit, notes and related-party debt. The Company also incurs interest expense as a result of its product financing agreements for the transfer and subsequent

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re-acquisition of gold and silver at a fixed price with a third-party finance company, and may incur interest expense when we borrow precious metals from our suppliers under short-term arrangements, which can bear interest at a designated rate.

Performance Metrics

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

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

Another measure of our business volume, unaffected by changes in commodity pricing, is Wholesale Trading & Ancillary Services segment ticket volume and Direct Sales segment ticket volume, which is the total number of orders processed by our trading desks in El Segundo, California and Vienna, Austria. In periods of higher volatility, there is generally increased trading in the commodity markets, and increased demand for our products, which translates into higher business volume. Generally, the ounces sold on a per-trading-ticket basis is substantially higher for orders placed telephonically compared to those placed on our online portal platform.

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

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

Fiscal Year

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

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RESULTS OF OPERATIONS

Overview of Results of Operations for the Three Months Ended September 30, 2018 and 2017

Condensed Consolidated Results of Operations

The operating results of our business for the three months ended September 30, 2018 and 2017 are as follows:

in thousands, except per share data and performance metrics

Three Months Ended September 30,	2018		2017		$	%
	$	% of revenue	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Revenues	$1,565,090	100.000 %	$2,163,790	100.000 %	$ (598,700)	(27.7)%
Gross profit	8,475	0.542 %	7,306	0.338 %	$ 1,169	16.0 %
Selling, general and administrative expenses	(7,719)	(0.493)%	(6,976)	(0.322)%	$ 743	10.7 %
Interest income	4,551	0.291 %	3,161	0.146 %	$ 1,390	44.0 %
Interest expense	(3,552)	(0.227)%	(2,733)	(0.126)%	$ 819	30.0 %
Other income	248	0.016 %	61	0.003 %	$ 187	306.6 %
Unrealized loss on foreign exchange	(70)	(0.005)%	(101)	(0.005)%	$ 31	NM
Net income before provision for income taxes	1,933	0.124 %	718	0.033 %	$ 1,215	169.2 %
Income tax expense	(499)	(0.032)%	(274)	(0.013)%	$ 225	82.1 %
Net income	1,434	0.092 %	444	0.021 %	$ 990	223.0 %
Add: Net loss attributable to non-controlling interest	(47)	(0.003)%	(34)	(0.002)%	$ (13)	38.2 %
Net income attributable to the Company	$1,481	0.095 %	$478	0.022 %	$ 1,003	209.8 %
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:						
Per Share Data:						
Basic	$0.21		$0.07		$ 0.14	200.0 %
Diluted	$0.21		$0.07		$ 0.14	200.0 %
Performance Metrics:[1]						
Gold ounces sold[2]	535,000		332,000		203,000	61.1 %
Silver ounces sold[3]	18,279,000		14,531,000		3,748,000	25.8 %
Inventory turnover ratio[4]	5.5		7.2		(1.7)	(23.6)%
Number of secured loans at period end[5]	1,705		2,454		(749)	(30.5)%

NM Not meaningful.

(1) See "Results of Segments" for ticket count volume by segment.

(2) Gold ounces sold represents the ounces of gold product sold and delivered to the customer during the periods, which excludes ounces of gold recorded on forward contracts.

(3) Silver ounces sold represents the ounces of silver product sold and delivered to the customer during the periods, which excludes ounces of silver recorded on forward contracts.

(4) Inventory turnover ratio is the cost of sales divided by average inventory. This calculation excludes precious metals held under financing arrangements, which are not classified as inventory on the consolidated balance sheets.

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

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Revenues

Three Months Ended September 30,	2018		2017		$	%
in thousands, except performance metrics	$	% of revenue	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Revenues	$1,565,090	100.000%	$2,163,790	100.000%	$ (598,700)	(27.7)%
Performance Metrics						
Gold ounces sold	535,000		332,000		203,000	61.1%
Silver ounces sold	18,279,000		14,531,000		3,748,000	25.8%

Revenues for the three months ended September 30, 2018 decreased $598.7 million, or 27.7%, to $1.565 billion from $2.164 billion in 2017. Our revenues decreased primarily due to lower forward sales and lower gold and silver prices, offset by an increase in the total amount of gold and silver ounces sold.

Gold ounces sold for the three months ended September 30, 2018 increased 203,000 ounces, or 61.1%, to 535,000 ounces from 332,000 ounces in 2017. Silver ounces sold for the three months ended September 30, 2018 increased 3,748,000 ounces, or 25.8%, to 18,279,000 ounces from 14,531,000 ounces in 2017. On average, the prices for gold decreased by 5.2% and prices for silver decreased by 9.2% during the three months ended September 30, 2018 as compared to 2017.

Gross Profit

Three Months Ended September 30,	2018		2017		$	%
in thousands, except performance metric	$	% of revenue	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Gross profit	$8,475	0.542 %	$7,306	0.338 %	$ 1,169	16.0 %
Performance Metric						
Inventory turnover ratio	5.5		7.2		(1.7)	(23.6)%

Gross profit for the three months ended September 30, 2018 increased by $1.2 million, or 16.0%, to $8.5 million from $7.3 million in 2017. Overall gross profit increased due to improved market conditions (e.g., overall increased volumes and margins offset by lower trading profits and gross profit of the Direct Sales segment (i.e., Goldline).

The Company’s gross margin percentage increased by 60.4% to 0.542% from 0.338% in 2017. The increase in gross margin percentage was largely attributable to increased margins from improved market conditions, and lower forward sales, which increase revenues but are associated with negligible gross margin percentages, offset by gross margin from the Direct Sales segment. The Company enters into forward contracts to hedge its precious metals price risk exposure and not for speculative purposes.

Our inventory turnover rate for the three months ended September 30, 2018 decreased by 23.6%, to 5.5 from 7.2 in 2017. The decrease in our inventory turnover rate was primarily due to the lower volume of ounces sold on forward contracts; offset by higher average product financing arrangements inventory balances during the three months ended September 30, 2018 as compared to 2017.

Selling, General and Administrative Expense

Three Months Ended September 30,	2018		2017		$	%
in thousands	$	% of revenue	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Selling, general and administrative expenses	$(7,719)	(0.493)%	$(6,976)	(0.322)%	$ 743	10.7 %

Selling, general and administrative expenses for the three months ended September 30, 2018 increased $0.7 million, or 10.7%, to $7.7 million from $7.0 million in 2017. The change was primarily due to new selling, general and administrative expenses related to our Direct Sales segment that was only owned for one month in the prior year quarter of $0.9 million and increased overall compensation costs of $0.5 million, partially offset by a reduction of $0.5 million of investigatory acquisition costs.

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Interest Income

Three Months Ended September 30,	2018		2017		$	%
in thousands, except performance metric	$	% of revenue	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Interest income	$4,551	0.291 %	$3,161	0.146 %	$ 1,390	44.0 %
Performance Metric						
Number of secured loans at period-end	1,705		2,454		(749)	(30.5)%

Interest income for the three months ended September 30, 2018 increased $1.4 million, or 44.0%, to $4.6 million from $3.2 million in 2017. Interest income from our Secured Lending segment increased by $0.4 million or by 18.9% in comparison to the same year-ago period, which represents 28.6% of the aggregate increase. This increase in interest from secured loans was primarily due to increases in interest rates and an increase in the weighted-average value of the secured loan portfolio. The number of secured loans outstanding decreased by 30.5% to 1,705 from 2,454 in 2017. This decrease was due lower gold and silver prices during the current quarter that lowered the customer's collateral value, which lead to loans being liquidated. The Company did not incur any loan losses from the liquidations.
The aggregate increase in interest income also increased due to other finance product income. Our finance fees earned related to repurchase arrangements with customers increased by 83.7% or by $0.8 million in comparison to the same year-ago period, which represent approximately 60.7% of the aggregate increase.

Interest Expense

Three Months Ended September 30,	2018		2017		$	%
in thousands	$	% of revenue	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Interest expense	$(3,552)	(0.227)%	$(2,733)	(0.126)%	$ 819	30.0 %

Interest expense for the three months ended September 30, 2018 increased $0.8 million, or 30.0% to $3.6 million from $2.7 million in 2017. The increase was related primarily to a greater usage of our Trading Credit Facility, our related-party debt financing agreement associated with our acquisition of Goldline, our newly issued note payable related to our Secured Lending segment, and higher LIBOR interest rates (which went in to effect subsequent to the Federal Reserve rate increases). As compared to the same year-ago period, the following interest expense components increased by (i) $0.3 million related to the Trading Credit Facility (including debt amortization costs), (ii) $0.1 million related to the Goldline Credit Facility, and (iii) $0.3 million, related to our newly issued notes payable.

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Provision for Income Taxes

Three Months Ended September 30,	2018		2017		$	%
in thousands	$	% of revenue	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Income tax expense	$(499)	(0.032)%	$(274)	(0.013)%	$ 225	82.1 %

Our provision for income taxes was $0.5 million and $0.3 million for the three months ended September 30, 2018 and 2017, respectively. Our effective tax rate was approximately 25.8% and 38.2% for the three months ended September 30, 2018 and 2017, respectively. Our effective tax rate differs from federal statutory rate primarily due to state taxes (net of federal tax benefit) and the exclusion of profits related to the Company's minority interest in the SilverTowne Mint. The lower effective tax rate, for the three months ended September 30, 2018, was primarily due to a lower federal statutory rate at the reduced corporate tax rate under the Tax Cuts and Jobs Act (the "Tax Act"). Information regarding our adoption and prospective impacts of the Tax Act on our tax is included in our Annual Report on Form 10-K for our fiscal year ended June 30, 2018.

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Segment Results of Operations

The Company conducts its operations in three reportable segments: (1) Wholesale Trading & Ancillary Services, (2) Secured Lending and (3) Direct Sales. Each of these reportable segments represents an aggregation of operating segments that meets the aggregation criteria set forth in the Segment Reporting Topic 280 of the FASB Accounting Standards Codification (“ASC”).

Results of Operations — Wholesale Trading & Ancillary Services Segment

Overview of Results of Operations for the Three Months Ended September 30, 2018 and 2017

The operating results of our Wholesale Trading & Ancillary Services segment for the three months ended September 30, 2018 and 2017 are as follows:

in thousands, except performance metrics

Three Months Ended September 30,	2018		2017		$	%
	$	% of revenue	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Revenues	$1,554,313	100.000 %	$2,153,420	100.000 %	$ (599,107)	(27.8)%
Gross profit	7,412	0.477 %	5,645	0.262 %	$ 1,767	31.3 %
Selling, general and administrative expenses	(5,258)	(0.338)%	(5,410)	(0.251)%	$ (152)	(2.8)%
Interest income	2,052	0.132 %	1,058	0.049 %	$ 994	94.0 %
Interest expense	(1,880)	(0.121)%	(1,519)	(0.071)%	$ 361	23.8 %
Other income	248	0.016 %	61	0.003 %	$ 187	306.6 %
Unrealized loss on foreign exchange	(70)	(0.005)%	(101)	(0.005)%	$ 31	NM
Net income (loss) before provision for income taxes	$2,504	0.161 %	$(266)	(0.012)%	$ 2,770	(1,041.4)%
Performance Metrics:						
Gold ounces	532,000		330,000		202,000	61.2 %

sold[1]					
Silver ounces sold[2]	18,015,000	14,511,000	3,504,000	24.1	%
Wholesale Trading & Ancillary Services segment ticket volume[3]	32,013	29,883	2,130	7.1	%

NM Not meaningful.

(1) Gold ounces sold represents the ounces of gold product sold and delivered to the customer during the fiscal years, which excludes ounces of gold recorded on forward contracts.

(2) Silver ounces sold represents the ounces of silver product sold and delivered to the customer during the fiscal years, which excludes ounces of silver recorded on forward contracts.

(3) Trading ticket volume represents the total number of product orders processed by our trading desks in El Segundo, California and Vienna, Austria, for the Wholesale Trading & Ancillary Services segment.

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Revenues — Wholesale Trading & Ancillary Services

Three Months Ended September 30,	2018		2017		$		%	
in thousands, except performance metrics	$	% of revenue	$	% of revenue	Increase/(decrease)		Increase/(decrease)	
Revenues	$1,554,313	100.000%	$2,153,420	100.000%	$ (599,107	)	(27.8	)%
Performance Metrics								
Gold ounces sold	532,000		330,000		202,000		61.2	%
Silver ounces sold	18,015,000		14,511,000		3,504,000		24.1	%

Revenues for the three months ended September 30, 2018 decreased $599.1 million, or 27.8%, to $1.554 billion from $2.153 billion in 2017. Our revenues decreased primarily due to lower forward sales and lower gold and silver prices, offset by an increase in the total amount of gold and silver ounces sold.

Gold ounces sold for the three months ended September 30, 2018 increased 202,000 ounces, or 61.2%, to 532,000 ounces from 330,000 ounces in 2017. Silver ounces sold for the three months ended September 30, 2018 increased 3,504,000 ounces, or 24.1%, to 18,015,000 ounces from 14,511,000 ounces in 2017. On average, the prices for gold decreased by 5.0% and prices for silver decreased by 9.7% during the three months ended September 30, 2018 as compared to 2017.

Gross Profit — Wholesale Trading & Ancillary Services

Three Months Ended September 30,	2018		2017		$	%	
in thousands, except performance metric	$	% of revenue	$	% of revenue	Increase/(decrease)	Increase/(decrease)	
Gross profit	$7,412	0.477 %	$5,645	0.262 %	$ 1,767	31.3	%
Performance Metric							
Wholesale trading ticket volume	32,013		29,883		2,130	7.1	%

Gross profit for the three months ended September 30, 2018 increased by $1.8 million, or 31.3%, to $7.4 million from $5.6 million in 2017. Overall gross profit increased due to improved market conditions (e.g., overall increased volumes and margins offset by lower trading profits).

The Company’s profit margin percentage increased by 82.0% to 0.477% from 0.262% in 2018 and was largely attributable increased margins from improved market conditions and lower forward sales, which increase revenues but have negligible impact on the gross margin (i.e. near zero). The Company enters into forward contracts to hedge its precious metals price risk exposure and not for speculative purposes.

The wholesale trading ticket volume for the three months ended September 30, 2018 increased by 2,130 tickets, or 7.1%, to 32,013 tickets from 29,883 tickets in 2017. The increase in our trading ticket volume is indicative of of higher trading activity as compared to 2017.

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

Three Months Ended September 30,	2018		2017		$		%	
in thousands	$	% of revenue	$	% of revenue	Increase/(decrease)		Increase/(decrease)	
Selling, general and administrative expenses	$(5,258)	(0.338)%	$(5,410)	(0.251)%	$ (152	)	(2.8	)%

Selling, general and administrative expenses for the three months ended September 30, 2018 decreased $0.2 million, or 2.8%, to $5.3 million from $5.4 million in 2017. The decrease was insignificant in comparison to the same year-ago period.

Interest Income — Wholesale Trading & Ancillary Services

Three Months Ended September 30,	2018		2017		$	%
in thousands	$	% of revenue	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Interest income	$2,052	0.132 %	$1,058	0.049 %	$ 994	94.0 %

Interest income for the three months ended September 30, 2018 increased $1.0 million, or 94.0%, to $2.1 million from $1.1 million in 2017. The aggregate increase in interest income increased due to other finance product income. Our finance fees

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earned from repurchase arrangements with customers increased by 83.7% or by $0.8 million in comparison to the same year-ago period.

Interest Expense — Wholesale Trading & Ancillary Services

Three Months Ended September 30,	2018		2017		$	%
in thousands	$	% of revenue	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Interest expense	$(1,880)	(0.121)%	$(1,519)	(0.071)%	$ 361	23.8 %

Interest expense for the three months ended September 30, 2018 increased $0.4 million, or 23.8% to $1.9 million from $1.5 million in 2017. The increase was related primarily to a greater usage of our lines of credit, and higher LIBOR interest rates that went in to effect subsequent to the Federal Reserve rate increases. As compared to the same year-ago period, the following interest expense components increased by (i) $0.1 million related to our liability on borrowed metal balances, and (iii) $0.2 million related to notes payable (including debt amortization costs).

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Results of Operations — Secured Lending Segment

The operating results of our Secured Lending segment for the three months ended September 30, 2018 and 2017 are as follows:

in thousands, except performance metrics

Three Months Ended September 30,	2018		2017		$	%
	$	% of interest income	$	% of interest income	Increase/(decrease)	Increase/(decrease)
Interest income	2,499	100.000 %	2,103	100.000 %	$ 396	18.8 %
Interest expense	(1,477)	(59.104)%	(1,135)	(53.971)%	$ 342	30.1 %
Selling, general and administrative expenses	(345)	(13.806)%	(383)	(18.212)%	$ (38)	(9.9)%
Net income before provision for income taxes	677	27.091 %	585	27.817 %	$ 92	15.7 %
Performance Metrics:						
Number of secured loans at period end	1,705		2,454		(749)	(30.5)%

Interest Income — Secured Lending

Three Months Ended September 30,	2018		2017		$	%
in thousands, except performance metrics	$	% of interest income	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Interest income	$2,499	100.000%	$2,103	100.000%	$ 396	18.8 %
Performance Metrics						
Number of secured loans at period-end	1,705		2,454		(749)	(30.5)%

Interest income for the three months ended September 30, 2018 increased $0.4 million, or 18.8%, to $2.5 million from $2.1 million in 2017. This increase was primarily due to increases in interest rates and aggregate value of the secured loan portfolio. The number of secured loans outstanding decreased by 30.5% to 1,705 from 2,454 in 2017.

Interest Expense — Secured Lending

Three Months Ended September 30,	2018		2017		$	%
in thousands	$	% of interest income	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Interest expense	$(1,477)	(59.104)%	$(1,135)	(53.971)%	$ 342	30.1 %

Interest expense for the three months ended September 30, 2018 increased $0.342 million, or 30.1% to $1.5 million from $1.1 million in 2017. The increase was related primarily to a greater usage of the Company's Trading Credit Facility, higher LIBOR interest rates that went in to effect subsequent to the Federal Reserve rate increases, and increased third-party loan servicing fees. As compared to the same year-ago period, the following interest expense components increased / (decreased) by (i) $0.3 million or 31.7% related to Trading Credit Facility (including debt amortization costs), and (ii) $0.1 million related to notes payable ((including debt amortization costs).

Selling, General and Administrative Expenses — Secured Lending

Three Months Ended September 30,	2018		2017		$	%
in thousands	$	% of interest income	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Selling, general and administrative expenses	$(345)	(13.806)%	$(383)	(18.212)%	$ (38)	(9.9)%

Selling, general and administrative expenses for the three months ended September 30, 2018 decreased $0.0 million, or (9.9)%, to $0.3 million from $0.4 million in 2017. The decrease was insignificant in comparison to the same year-ago period.

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Results of Operations — Direct Sales Segment

Overview of Results of Operations for the Three Months Ended September 30, 2018 and 2017

The Direct Sales segment was created on August 28, 2017 as a result of the Goldline acquisition. Accordingly, comparative prior period data only contains approximately one month of activity. The operating results of our Direct Sales segment for the three months ended September 30, 2018 are as follows:

in thousands, except performance metrics

Three Months Ended September 30,	2018		2017		$	%
	$	% of revenue	$	% of revenue	Increase/(decrease)	Increase/(decrease)
Revenues	$10,777 [a]	100.000 %	$10,370 [c]	100.000 %	$ 407	3.9 %
Gross profit	1,063	9.864 % [b]	1,661	16.017 %	$ (598)	(36.0)%
Selling, general and administrative expenses	(2,116)	(19.634)%	(1,183)	(11.408)%	$ (933)	78.9 %
Interest expense	(195)	(1.809)%	(79)	(0.762)%	$ 116	146.8 %
Net (loss) income before provision for income taxes	$(1,248)	(11.580)%	$399	3.848 %	$ (1,647)	(412.8)%
Performance Metrics:						
Gold ounces sold[1]	3,000		2,000		1,000	50.0 %
Silver ounces sold[2]	264,000		20,000		244,000	1,220.0 %
Direct Sales ticket volume[3]	4,461		2,911		1,550	53.2 %

(a) Includes $0.8 million of intercompany sales from the Direct Sales segment to the Wholesale Trading & Ancillary Services segment.

(b) Gross profit percentage, excluding intercompany sales from the Direct Sales segment to the Wholesale Trading & Ancillary Services segment, is 10.06% for the three-month period.

(c) Includes $6.9 million of intercompany sales from the Direct Sales segment to the Wholesale Trading & Ancillary Services segment.

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

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

(3) Direct Sales segment trading ticket volume represents the total number of product orders processed.

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Segment Results — Direct Sales

Revenues for the three months ended September 30, 2018 increased $0.4 million, or 3.9%, to $10.8 million from $10.4 million in 2017. Gold ounces sold for the three months ended September 30, 2018 increased 1,000 ounces, or 50.0%, to 3,000 ounces from 2,000 ounces in 2017. Silver ounces sold for the three months ended September 30, 2018 increased 244,000 ounces, or 1,220.0%, to 264,000 ounces from 20,000 ounces in 2017.

Gross profit for the three months ended September 30, 2018 decreased by 0.6 million, or 36.0%, to $1.1 million from $1.7 million in 2017. The Company’s profit margin percentage decreased by 36.0% to 9.9% from 16.0% in 2017.

Selling, general and administrative expenses for the three months ended September 30, 2018 increased $0.9 million, or 78.9%, to $2.1 million from $1.2 million in 2017.

Interest expense for the three months ended September 30, 2018 increased $0.1 million, or 146.8% to $0.2 million from $0.1 million in 2017.

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LIQUIDITY AND FINANCIAL CONDITION

Primary Sources and Uses of Cash

Overview

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

A substantial portion of our assets are liquid. As of September 30, 2018, approximately 95% of our assets consisted of cash, customer receivables, derivative assets, secured loans receivables, precious metals held under financing arrangements and inventory, measured at fair value. Cash generated from the sales of our precious metals products is our primary source of operating liquidity.

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

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

We continually review our overall credit and capital needs to ensure that our capital base, both stockholders' equity and available credit facilities, can appropriately support our anticipated financing needs. The Company also continually monitors its current and forecasted cash requirements, and draws upon and pays down its lines of credit so as to minimize interest expense.

Lines of Credit

in thousands

	September 30, 2018	June 30, 2018	September 30, 2018 Compared to June 30, 2018
Lines of credit	$179,000	$200,000	$(21,000)

A-Mark has a borrowing facility ("Trading Credit Facility") with a syndicate of banks, Coöperatieve Rabobank U.A. ("Rabobank") acting as lead lender and administrative agent for the syndicate. As of September 30, 2018, the Trading Credit Facility provided the Company with access up to $260.0 million, featuring a $210.0 million base, with a $50.0 million accordion option. The Trading Credit Facility is scheduled to mature on March 29, 2019. The Company believes that the Trading Credit Facility provides adequate means to capital for its operations (see Note 14).

Debt Obligation (Related Party)

in thousands

	September 30, 2018	June 30, 2018	September 30, 2018 Compared to June 30, 2018
Debt Obligation - related party	$7,257	$7,226	$ 31

The Company entered into a privately placed credit facility in the amount of $7.5 million (the "Goldline Credit Facility") with various lenders (see Note 14). The outstanding principal and unpaid interest is due upon maturity

(August 28, 2020). Borrowings under the Goldline Credit Facility were used to finance a portion of the consideration payable pursuant to the Goldline acquisition (see Note 1).

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Liability on Borrowed Metals
in thousands

	September 30, 2018	June 30, 2018	September 30, 2018 Compared to June 30, 2018
Liability on borrowed metals	$227,198	$280,346	$(53,148)

We borrow precious metals (usually in the form of pool metals) from our suppliers and customers under short-term arrangements using other precious metal from our inventory as collateral. Amounts under these arrangements require repayment either in the form of precious metals or cash. Liabilities also arise from unallocated metal positions held by customers in our inventory. Typically, these positions are due on demand, in a specified physical form, based on the total ounces of metal held in the position.

Product Financing Arrangements
in thousands

	September 30, 2018	June 30, 2018	September 30, 2018 Compared to June 30, 2018
Product financing arrangements	$53,126	$113,940	$(60,814)

The Company has agreements with financial institutions and other third parties that allows the Company to transfer its gold and silver inventory to the third party at an agreed-upon price based on the spot price, which provides alternative sources of liquidity. During the term of the agreement both parties intend for inventory to be returned at an agreed-upon price based on the spot price on the termination (repurchase) date. The third parties charge monthly interest as a percentage of the market value of the outstanding obligation; such monthly charges are classified 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 as product financing arrangements. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing arrangements and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value included as a component of cost of sales.

Notes Payable
in thousands

	September 30, 2018	June 30, 2018	September 30, 2018 Compared to June 30, 2018
Notes payable	$ 87,056	$ —	$ 87,056

On September 14, 2018, AM Capital Funding, LLC ("AMCF"), a wholly owned subsidiary of CFC, completed an issuance of Secured Senior Term Notes, Series 2018-1, Class A in the aggregate principal amount of $72.0 million and Secured Subordinated Term Notes, Series 2018-1, Class B in the aggregate principal amount of $28.0 million. The Class A Notes bear interest at a rate of 4.98% and the Class B Notes bear interest at a rate of 5.98%. The Notes have a maturity date of December 15, 2023.

As of September 30, 2018, the carrying balance of the Note was $87.1 million (which excludes the $10.0 million note that the Company retained) , and the remaining unamortized loan cost balance was approximately $2.9 million, which is amortized ratably through the maturity date (see Note 14).

Secured Loans
in thousands

	September 30, 2018	June 30, 2018	September 30, 2018 Compared to June 30, 2018
Secured loans	$81,891	$110,424	$(28,533)

CFC is a California licensed finance lender that makes and acquires commercial loans secured by bullion and numismatic coins that affords our customers a convenient means of financing their inventory or collections (see Note 5). Most of the Company's secured loans are short-term in nature. The renewal of these instruments is at the discretion of the Company and, as such, provides us with some flexibility in regards to our capital deployment strategies.

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Dividends

In fiscal 2015, the Board of Directors of the Company initiated a cash dividend policy that called for the payment of a quarterly cash dividend of $0.05 per common share. In fiscal 2016, the Board of Directors modified the policy by increasing the quarterly cash dividend to $0.07 per common share, and in fiscal 2017 the quarterly cash dividend was increased to $0.08 per common share (see Note 16).

The Board of Directors determined to suspend the Company's quarterly dividend to increase its financial flexibility and strengthen its balance sheet. Going forward, the Board of Directors will re-assess its capital resources and may or may not determine to reinstate the dividend based on that assessment.

Cash Flows

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

The following summarizes components of our condensed consolidated statements of cash flows for the three months ended September 30, 2018 and 2017:

in thousands

Three Months Ended	September 30, 2018	September 30, 2017	Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017
Net cash used in operating activities	$(10,298)	$ (34,321)	$ 24,023
Net cash provided by (used in) investing activities	$21,499	$ (5,192)	$ 26,691
Net cash provided by financing activities	$5,222	$ 34,811	$ (29,589)

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

Net cash used in operating activities

Operating activities used $10.3 million and used $34.3 million in cash for the three months ended September 30, 2018 and 2017, respectively, representing a $24.0 million decrease in the use of cash compared to the three months ended September 30, 2017. This period over period decrease in the of use of funds in operating activities was primarily due to changes in the balances of secured loans to Former Parent, derivative assets, precious metals held under financing arrangements, inventory, accounts payable, accrued liabilities, derivative liabilities, income taxes receivables; offset by changes in the balances of liability on borrowed metals, receivables and deferred income taxes.

Net cash provided by (used in) investing activities

Investing activities provided $21.5 million and used $5.2 million in cash for the three months ended September 30, 2018 and 2017, respectively, representing a $26.7 million increase in the source of cash compared to the three months ended September 30, 2017. This period over period increase in the source of cash is the result of the change in balance of secured loans of $16.9 million compared to the comparable prior period, and due to the prior fiscal year's acquisition activity of $9.5 million.

Net cash provided by financing activities

Financing activities provided $5.2 million and provided $34.8 million in cash for the three months ended September 30, 2018 and 2017, respectively, representing a decrease of $29.6 million in funds provided by financing activities compared to the three months ended September 30, 2017. This period over period decrease in funds provided by financing activities was primarily due to changes in the balance of product financing arrangements of $50.3 million, change in the balances in the Trading Credit Facility of $60.0 million and a related party debt obligation of $7.5 million, offset by a $90.0 million increase in funds from the proceeds from the issuance of notes payable.

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CAPITAL RESOURCES

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

CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND COMMITMENTS

Counterparty Risk

We manage our counterparty risk by setting credit and position risk limits with our trading counterparties. These limits include gross position limits for counterparties engaged in sales and purchase transactions and inventory consignment transactions with us. They also include collateral limits for different types of sale and purchase transactions that counterparties may engage in from time to time.

Commodities Risk and Derivatives

We use a variety of strategies to manage our risk including fluctuations in commodity prices for precious metals. Our inventories consist of, and our trading activities involve, precious metals and precious metal products, whose prices are linked to the corresponding precious metal commodity prices. Inventories purchased or borrowed by us are subject to price changes. Inventories borrowed are considered natural hedges, since changes in value of the metal held are offset by the obligation to return the metal to the supplier or deliver metals to the customer.

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

Our policy is to substantially hedge our underlying precious metal commodity inventory position. We regularly enter into metals commodity forward and futures contracts with financial institutions to hedge price changes that would cause changes in the value of our physical metals positions and purchase commitments and sale commitments. We have access to all of the precious metals markets, allowing us to place hedges. However, we also maintain relationships with major market makers in every major precious metals dealing center, which allows us to enter into contracts with market makers. Our forwards contracts open at September 30, 2018 are scheduled to settle within 60 days. Futures positions do not have settlement dates, although the Company typically closes its future positions within a week.

The Company enters into these derivative transactions solely for the purpose of hedging our inventory holding risk, and not for speculative market purposes. Due to the nature of our hedging strategy, we are not using hedge accounting as defined under, Derivatives and Hedging Topic 815 of the Accounting Standards Codification ("ASC".) Unrealized gains or losses resulting from our futures and forward contracts are reported as cost of sales with the related amounts due from or to counterparties reflected as a derivative asset or liability. The Company adjusts the derivatives to fair value on a daily basis until the transactions are settled. When these contracts are net settled, the unrealized gains and losses are reversed and the realized gains and losses for forward contracts are recorded in revenue and cost of sales and the net realized gains and losses for futures and option contacts are recorded in cost of sales. The Company's net gains (losses) on derivative instruments for the three months ended September 30, 2018 and 2017, totaled $(15.1) million and $14.6 million, respectively. These net gains (losses) on derivative instruments were substantially offset by the changes in fair market value of the underlying precious metals inventory and open sale and purchase commitments, which is also recorded in cost of sales in the condensed consolidated statements of operations.

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The purpose of the Company's hedging policy is to substantially match the change in the value of the derivative financial instrument to the change in the value of the underlying hedged item. The following table summarizes the results of our hedging activities, showing the precious metal commodity inventory position, net of open sale and purchase commitments, which is subject to price risk, compared to change in the value of the derivative instruments as of September 30, 2018 and at June 30, 2018:

in thousands	September 30, 2018	June 30, 2018
Inventory	$ 289,805	$280,116
Precious metals held under financing arrangements	232,476	262,566
	522,281	542,682
Less unhedgeable inventory:		
Commemorative coin inventory, held at lower of cost or market	(86)	(99)
Premium on metals position	(3,970)	(3,530)
Precious metal value not hedged	(4,056)	(3,629)
	518,225	539,053
Commitments at market:		
Open inventory purchase commitments	264,037	342,287
Open inventory sales commitments	(215,464)	(138,022)
Margin sale commitments	(5,674)	(5,988)
In-transit inventory no longer subject to market risk	(1,334)	(1,060)
Unhedgeable premiums on open commitment positions	910	541
Borrowed precious metals	(227,198)	(280,346)
Product financing arrangements	(53,126)	(113,940)
Advances on industrial metals	7,489	6,044
	(230,360)	(190,484)
Precious metal subject to price risk	287,865	348,569
Precious metal subject to derivative financial instruments:		
Precious metals forward contracts at market values	197,419	274,994
Precious metals futures contracts at market values	90,828	72,421
Total market value of derivative financial instruments	288,247	347,415
Net precious metals subject to commodity price risk	$ (382)	$1,154

We are exposed to the risk of default of the counterparties to our derivative contracts. Significant judgment is applied by us when evaluating the fair value implications. We regularly review the creditworthiness of our major counterparties and monitor our exposure to concentrations. At September 30, 2018, we believe our risk of counterparty default is mitigated based on our evaluation of the creditworthiness of our major counterparties, the strong financial condition of our counterparties, and the short-term duration of these arrangements.

Commitments and Contingencies

Refer to Note 15 of the Notes to Consolidated Financial Statements in the 2018 Annual Report for information relating Company's commitments and contingencies.

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OFF-BALANCE SHEET ARRANGEMENTS

As of September 30, 2018 and June 30, 2018, we had the following outstanding sale and purchase commitments and open forward and future contracts, which are normal and recurring, in nature:

in thousands	September 30, 2018	June 30, 2018
Purchase commitments	$ 264,037	$ 342,287
Sales commitments	$ (215,464)	$ (138,022)
Margin sale commitments	$ (5,674)	$ (5,988)
Open forward contracts	$ 197,419	$ 274,994
Open futures contracts	$ 90,828	$ 72,421
Foreign exchange forward contracts	$ 4,104	$ 4,130

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

Revenue Recognition

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

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Inventories

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

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

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

Inventories include amounts borrowed from suppliers and customers arising from various arrangements including unallocated metal positions held by customers in the Company’s inventory, amounts due to suppliers for the use of consigned inventory, metals held by suppliers as collateral on advanced pool metals, as well as shortages in unallocated metal positions held by the Company in the supplier’s inventory. Unallocated or pool metal represents an unsegregated inventory position that is due on demand, in a specified physical form, based on the total ounces of metal held in the position. Amounts under these arrangements require delivery either in the form of precious metals or cash. The Company mitigates market risk of its physical inventories and open commitments through commodity hedge transactions (see Note 11.)

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

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

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

Goodwill and Other Purchased Intangible Assets

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

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for the amount by which the carrying amount exceeds the reporting unit's fair value.

The Company also performs impairment reviews on its indefinite-lived intangible assets (i.e., trademarks and trade-names). In assessing its indefinite-lived intangible assets for impairment, the Company has the option to first perform a qualitative assessment to determine whether events or circumstances exist that lead to a determination that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If the Company determines that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, the Company is not required to perform any additional tests in assessing the asset for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform a quantitative analysis to determine if the fair value of an indefinite-lived intangible asset is less than its carrying value. If through a quantitative analysis the Company determines the fair value of an indefinite-lived intangible asset exceeds its carrying amount, the indefinite-lived intangible asset is considered not to be impaired. If the Company concludes that the fair value of an indefinite-lived intangible asset is less than its carrying value, an impairment will be recognized for the amount by which the carrying amount exceeds the indefinite-lived intangible asset's fair value.

Income Taxes

As part of the process of preparing its condensed consolidated financial statements, the Company is required to estimate its provision for income taxes in each of the tax jurisdictions in which it conducts business, in accordance with the Income Taxes Topic 740 of the ASC ("ASC 740"). The Company computes its annual tax rate based on the statutory tax rates and tax planning opportunities available to it in the various jurisdictions in which it earns income. Significant judgment is required in determining the Company's annual tax rate and in evaluating uncertainty in its tax positions. The Company recognizes a benefit for tax positions that it believes will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that the Company believes has more than a 50% probability of being realized upon settlement. The Company regularly monitors its tax positions and adjusts the amount of recognized tax benefit based on its evaluation of information that has become available since the end of its last financial reporting period. The annual tax rate includes the impact of these changes in recognized tax benefits. When adjusting the amount of recognized tax benefits, the Company does not consider information that has become available after the balance sheet date, but does disclose the effects of new information whenever those effects would be material to the Company's condensed consolidated financial statements. The difference between the amount of benefit taken or expected to be taken in a tax return and the amount of benefit recognized for financial reporting represents unrecognized tax benefits. These unrecognized tax benefits are presented in the condensed consolidated balance sheets principally within accrued liabilities.

The Company accounts for uncertainty in income taxes under the provisions of ASC 740. These provisions clarify the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribe a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The provisions also provide guidance on de-recognition, classification, interest, and penalties, accounting in interim periods, disclosure, and transition. The potential interest and/or penalties associated with an uncertain tax position are recorded in provision for income taxes on the condensed consolidated statements of operations. Please refer to Note 12 for further discussion regarding these provisions.

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

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

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Business Combinations
The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. The Company accounts for business combinations by applying the acquisition method in accordance with "ASC 805, Business Combinations. Transaction costs related to acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred. The identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity are recognized and measured at their estimated fair values. The excess of the fair value of consideration transferred over the fair values of identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity, net of fair value of any previously held interest in the acquired entity, is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets and liabilities.
Contingent Earn-out Liability
Contingent consideration is classified as a liability or equity, as applicable. Contingent consideration in connection with the acquisition of a business is measured at fair value on acquisition date, and unless classified as equity, is remeasured at fair value each reporting period thereafter until the consideration is settled, with changes in fair value included in net income.
We record an estimate of the fair value of contingent consideration, related to the earn-out obligations to SilverTowne LP related to SilverTowne Mint transaction. On a quarterly basis, we revalue the liability and record increases or decreases in the fair value as an adjustment to earnings. Changes to the contingent consideration liability can result from adjustments to the discount rate, or from changes to the estimates of future throughput activity of AMST, which are considered Level 3 inputs (see Note 3). Consequentially, the assumptions used in estimating fair value require significant judgment. The use of different assumptions and judgments could result in a materially different estimate of fair value.
RECENT ACCOUNTING PRONOUNCEMENTS
For a description of accounting changes and recent accounting standards, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements, see Note 2.
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
Not applicable to smaller reporting companies.
ITEM 9A. CONTROLS AND PROCEDURES
Disclosure Controls and Procedures
Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on the foregoing, our Certifying Officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report.
Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Certifying Officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.
Changes in Internal Control over Financial Reporting
There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.
PART II — OTHER INFORMATION
ITEM 3. LEGAL PROCEEDINGS
We are not currently a party to any material legal proceedings.
ITEM 1A. RISK FACTORS

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Risks Relating to Our Business Generally

Our business is heavily dependent on our credit facility.

Our business depends substantially on our ability to obtain financing for our operations. The Trading Credit Facility (as further described and defined below) provides the Company with the liquidity to buy and sell billions of dollars of precious metals annually. The Trading Credit Facility is an uncommitted demand facility provided by a syndicate of financial institutions (the "Trading Credit Lenders"), and is currently scheduled to mature on March 29, 2019. A-Mark routinely uses funds drawn under the Trading Credit Facility to purchase metals from its suppliers and for operating cash flow purposes. Our CFC subsidiary also uses the funds drawn under the Trading Credit Facility to finance its lending activities.

Pursuant to the terms of the Trading Credit Facility, each Trading Credit Lender may, at any time in its sole discretion (subject to certain notice requirements), decline to make loans to us. If we are unable to access funds under the Trading Credit Facility, we may be limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs.

The Trading Credit Facility requires us to maintain certain financial ratios and to comply with various operational and other covenants. Upon the occurrence of an event of default under the Trading Credit Facility that was not cured or waived pursuant to the terms of the Trading Credit Facility, the Trading Credit Lenders could elect to declare all amounts outstanding under the Trading Credit Facility to be due and payable immediately. Further, Trading Credit Lenders holding 50% or more of the indebtedness under the Trading Credit Facility may require us to repay all outstanding indebtedness under the Trading Credit Facility at any time, even if we are in compliance with the financial and other covenants under the Trading Credit Facility.

We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments, including the Trading Credit Facility, upon demand or acceleration, or at maturity, or that we would be able to refinance or restructure the payments under the Trading Credit Facility. The failure of A-Mark to renew or replace the Trading Credit Facility under such circumstances would reduce the financing available to us and could limit our ability to conduct our business, including the lending activity of our CFC subsidiary. There can be no assurance that we could procure replacement financing on commercially acceptable terms on a timely basis, or at all.

We have pledged a significant portion of our assets as collateral under the Trading Credit Facility, and if we were unable to repay the amounts outstanding thereunder, the administrative agent under the Trading Credit Facility could proceed against the collateral granted to secure such indebtedness.

We are subject to fluctuations in interest rates based on the variable interest terms of the Trading Credit Facility and we may not be able to pass along to our customers and borrowers some or any part of an increase in the interest that we are required to pay under the Trading Credit Facility. Amounts under the Trading Credit Facility bear interest based on one month LIBOR plus (i) 2.50% for revolving credit line loans and (ii) 4.50% for loans extended in excess of the then-available revolving credit line. The LIBOR was approximately 2.26% as of September 30, 2018.

In addition to the Trading Credit Facility, we have incurred the Goldline Credit Facility to finance the Goldline acquisition. The obligations of the Company and Goldline pursuant to the Goldline Credit Facility are subordinated to the obligations of the Company pursuant to the Trading Credit Facility as set forth in certain subordination agreements executed in connection with the Goldline Credit Facility (the "Goldline Subordination Agreements"), and the Goldline Credit Facility requires us to comply with various operational and other covenants. Upon the occurrence of an event of default under the Goldline Credit Facility that is not cured or waived pursuant to the terms of the Goldline Credit Facility, the lenders holding a majority of the loans under the Goldline Credit Facility then outstanding could elect to declare all amounts outstanding under the Goldline Credit Facility to be due and payable immediately, subject to the requirements of the Goldline Subordination Agreements, as applicable. We have pledged substantially all of the assets of Goldline as collateral under the Goldline Credit Facility, and if we were unable to repay the amounts outstanding thereunder, the lenders under the Goldline Credit Facility could proceed against the collateral granted to secure such indebtedness, subject to the Goldline Subordination Agreements, as applicable. We cannot assure you that the assets or cash flow available to Goldline would be sufficient to fully repay the borrowings under the Goldline Credit Facility, upon demand or acceleration, or at maturity, or that we would be able to refinance or restructure the payments under the Goldline Credit Facility. Further, the incurrence of the Goldline Credit Facility increases the risks as a result of our leverage.

We could suffer losses with our financing operations.

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

- Receivables from our customers with whom we trade in precious metal products are effectively short-term, non-interest bearing extensions of credit that are, in certain cases, secured by the related products maintained in the Company’s possession or by a letter of credit issued on behalf of the customer. On average, these receivables are outstanding for periods of between 8 and 9 days.

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- The Company operates a financing business through CFC that makes secured loans at loan-to-value ratios—principal loan amount divided by the liquidation value, as conservatively estimated by management, of the collateral—of, in most cases, 50% to 85%. These loans are both variable and fixed interest rate loans, with some maturities on-demand and others from three to twelve months.
- We make advances to our customers on unrefined metals secured by materials received from the customer. These advances are limited to a portion of the materials received.
- The Company makes unsecured, short-term, non-interest bearing advances to wholesale metals dealers and government mints.
- The Company periodically extends short-term credit through the issuance of notes receivable to approved customers at interest rates determined on a customer-by-customer basis.

Our ability to minimize losses on the credit that we extend to our customers depends on a variety of factors, including:

- our loan underwriting and other credit policies and controls designed to assure repayment, which may prove inadequate to prevent losses;
- our ability to sell collateral upon customer defaults for amounts sufficient to offset credit losses, which can be affected by a number of factors outside of our control, including (i) changes in economic conditions, (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.

CFC May in Certain Circumstances Be Required to Repurchase Loans that It Has Securitized.

CFC has entered into a securitization financing whereby it has transferred, and may continue from time to time to transfer, to its subsidiary AMCF loans secured by precious metal coins or bullion. AMCF has issued 4.98% Class A Notes due 2023 and 5.98% Class B Notes due 2023 which are secured by these loans and related assets. While the notes are not recourse to the Company or CFC, CFC is required to provide certain warranties concerning the loans and the security interest in the metals collateral securing the loans. In the event the warranties made with respect to any loan are breached and the breach materially and adversely affects the interests of the noteholders, CFC is required to either cure the breach or repurchase the loan within specified a timeframe. If CFC were to default on its repurchase obligations, this could materially adversely affect the business of CFC, and could adversely affect the Company's future ability to access the credit markets.

CFC and the Company have exposure to the performance of AM Capital Funding.

Regulation RR of the SEC requires the sponsor of an asset-backed securitization transaction, or certain of its affiliates, to retain an economic interest in the transaction. In compliance with this rule, CFC retained the equity interest in AMCF and the Company purchased $10,000,000 of Class B Notes, which are subordinated to the Class A Notes. In addition, CFC and the Company may, from time to time, also contribute cash or sell precious metals to AMCF in exchange for subordinated, deferred payment obligations from AMCF. If the performance of AMCF were to suffer such that AMCF were unable to service its notes, CFC and the Company could lose part or all of their investments in AMCF.

Under the terms of the servicing arrangements for the precious metals loan securitization, CFC may be required to liquidate the collateral securing securitized loans, even if this would impair relationships with its customers.

CFC is the servicer for the loans transferred to AMCF in the securitization transaction. If, under certain circumstances, the equity levels of the obligors on particular loans falls below a specified level and those obligors fail to pay in additional equity, CFC is required to liquidate the metals collateral securing those loans within a specified time period. CFC does not have the flexibility to defer or refrain from the liquidation, even if CFC were to determine that it would be in its best interests to do so. This requirement could impair valuable relationships that the Company may otherwise have with its customers whose loans have been securitized.

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Our business is dependent on a concentrated customer base.
One of A-Mark's key assets is its customer base. This customer base provides deep distribution of product and makes A-Mark a desirable trading partner for precious metals product manufacturers, including sovereign mints seeking to distribute precious metals coinage or large refiners seeking to sell large volumes of physical precious metals. Two customers represented 40.3% of A-Mark's revenues for the three months ended September 30, 2018. Those same two customers represented 48.5% of A-Mark's revenues for the three months ended September 30, 2017. If our relationship with these customers deteriorated, or if we were to lose these customers, our business would be materially adversely affected.
The loss of a government purchaser/distributorship arrangement could materially adversely affect our business.
A-Mark's business is heavily dependent on its purchaser/distributorship arrangements with various governmental mints. Our ability to offer numismatic coins and bars to our customers on a competitive basis is based on the ability to purchase products directly from a government source. The arrangements with the governmental mints may be discontinued by them at any time. The loss of an authorized purchaser/distributor relationship, including with the U.S. Mint could have a material adverse effect on our business.
The materials held by A-Mark are subject to loss, damage, theft or restriction on access.
A-Mark has significant quantities of high-value precious metals on site, at third-party depositories and in transit. There is a risk that part or all of the gold and other precious metals held by A-Mark, whether on its own behalf or on behalf of its customers, could be lost, damaged or stolen. In addition, access to A-Mark's precious metals could be restricted by natural events (such as an earthquake) or human actions (such as a terrorist attack). Although we maintain insurance on terms and conditions that we consider appropriate, we may not have adequate sources of recovery if our precious metals inventory is lost, damaged, stolen or destroyed, and recovery may be limited. Among other things, our insurance policies exclude coverage in the event of loss as a result of terrorist attacks or civil unrest. In addition, with the establishment of our Logistics facility and the transfer of our wholesale storage operations from third party depositories to that facility, we are assuming greater potential liability for any loss suffered in connection with the stored inventory. Among other things, our insurance, rather than the third-party depository's, is now the primary risk policy. While we believe we have adequate insurance coverage covering these operations, in the event of any loss in excess of our coverage, we may be held liable for that excess.
Our business is subject to the risk of fraud and counterfeiting.
The precious metals (particularly bullion) business is exposed to the risk of loss as a result of "materials fraud" in its various forms. We seek to minimize our exposure to this type of fraud through a number of means, including third-party authentication and verification, reliance on our internal experts and the establishment of procedures designed to detect fraud. However, there can be no assurance that we will be successful in preventing or identifying this type of fraud, or in obtaining redress in the event such fraud is detected.
Our business is influenced by political conditions and world events.
The precious metals business is especially subject to global political conditions and world events. Precious metals are viewed by some as a secure financial investment in times of political upheaval or unrest, particularly in developing economies, which may drive up pricing. The volatility of the commodity prices for precious metals is also likely to increase in politically uncertain times. Conversely, during periods of relative international calm precious metal volatility is likely to decrease, along with demand, and the prices of precious metals may retreat. Because our business is dependent on the volatility and pricing of precious metals, we are likely to be influenced by world events more than businesses in other economic sectors.
We have significant operations outside the United States.
We derive about 5% to 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.

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

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

Our performance is dependent on our senior management and certain other key employees. We have employment agreements with Greg Roberts, our CEO, and Thor Gjerdrum, our President, which expire on June 30, 2020 and June 30, 2019, respectively. 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 have a materially adverse effect on our business.

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

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

Liquidity constraints may limit our ability to grow our business.

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

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 entail certain risks, including: unrecorded liabilities of acquired companies that we fail to discover during our due diligence investigations; difficulty in assimilating the operations and personnel of the acquired company within our existing operations or in maintaining uniform standards; loss of key employees of the acquired company; and strains on management and other personnel time and resources both to research and integrate acquisitions.

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

Our Logistics depository is subject to authorization.

Our Trading Credit Lenders have approved our Logistics facility as an authorized depository. If that approval were to be withdrawn for any reason, we would no longer be able to keep inventory at that location, which would substantially limit our ability to conduct business from that facility.

We are subject to laws and regulations.

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

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in federal and state tax laws, which may increase our tax liabilities. An increase in our tax liabilities could adversely affect our results of operations. We are also regularly involved in various litigation matters that arise in the ordinary course of business. Litigation or regulatory developments could adversely affect our business and financial condition.
There are various federal, state, local and foreign laws, ordinances and regulations that affect our trading business. For example, we are required to comply with the Foreign Corrupt Practices Act and a variety of anti-money laundering and know-your-customer rules in response to the USA Patriot Act.
The SEC has promulgated rules mandated by the Dodd-Frank Act regarding disclosure, on an annual basis, of the use of tin, tantalum, tungsten and gold, known as conflict minerals, in products manufactured by public companies. These rules require due diligence to determine whether such minerals originated from the Democratic Republic of Congo (the "DRC") or an adjoining country and whether such minerals helped finance the armed conflict in the DRC.
The Company has concluded that it is not currently subject to the conflict minerals rules because it is not a manufacturer of conflict minerals under the definitions set forth in the rules. Depending on developments in the Company's business, it could become subject to the rules at some point in the future. In that event, there will be costs associated with complying with these disclosure requirements, including costs to determine the origin of gold used in our products. In addition, the implementation of these rules could adversely affect the sourcing, supply and pricing of gold used in our products. Also, we may face disqualification as a supplier for customers and reputational challenges if the due diligence procedures we implement do not enable us to verify the origins for the gold used in our products or to determine that the gold is conflict free.
CFC operates under a California Finance Lenders License issued by the California Department of 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.
The recently passed Tax Cuts and Jobs Act is expected to have a significant impact on us.
Significant judgment is required in determining our provision for income taxes. Various internal and external factors may have favorable or unfavorable effects on our future provision for income taxes, income taxes receivable, and our effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, including the Tax Cuts and Jobs Act. The Tax Act significantly changes how the U.S. taxes corporations. The Tax Act requires complex computations to be performed, significant judgments to be made in interpretation of the provisions of the Tax Act and significant estimates in calculations, and the preparation and analysis of information not previously relevant or regularly produced. The U.S. Treasury Department, the IRS, and other standard-setting bodies could interpret or issue guidance on how provisions of the Tax Act will be applied or otherwise administered that is different from our interpretation. Further, subsequent adjustments, if any, related to our application of the Tax Act may become necessary as we finalize our analysis.
We operate in a highly competitive industry.
The business of buying and selling precious metals is global and highly competitive. The Company competes with precious metals trading firms and banks throughout North America, Europe and elsewhere in the world, some of whom have greater financial and other resources, and greater name recognition, than the Company. We believe that, as a full service firm devoted exclusively to precious metals trading, we offer pricing, product availability, execution, financing alternatives and storage options that are attractive to our customers and allow us to compete effectively. We also believe that our purchaser/distributorship arrangements with various governmental mints give us a competitive advantage in our coin distribution business. However, given the global reach of the precious metals trading business, the absence of intellectual property protections and the availability of numerous, evolving platforms for trading in precious metals, we cannot assure you that A-Mark will be able to continue to compete successfully or that future developments in the industry will not create additional competitive challenges.
We rely extensively on computer systems to execute trades and process transactions, and we could suffer substantial damages if the operation of these systems were interrupted.

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

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

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

Compliance with the new General Data Protection Regulation in the EU could increase our costs and expose the Company to possible sanctions for violation.

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

The Company has a trading office in Vienna, Austria and also markets to customers in the EU. Although our European operations are currently modest compared to our business in the United States, our European business could grow over time. We have evaluated the new regulation and its requirements, and believe we are currently in compliance with the GDPR in all material respects. Going forward, however, the expansion of our European operations could require us to change our business practices and may increase the costs and complexity of compliance. Also, a violation by the Company of the new regulation could expose us to penalties and sanctions under the regulation.

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

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

We have in the past engaged, and continue to engage, in transactions with Stack’s Bowers, an affiliate of the Company, which could be perceived as not being made at arms-length.

Stack’s-Bowers Numismatics LLC ("Stack's Bowers"), which is primarily engaged in the business of auctions of high-value and rare coins and in coin retailing, is a wholly-owned subsidiary of SGI, our former parent. We have engaged in the past, and continue to engage, in transactions with Stack’s Bowers, some of which are presently on-going. These transactions include secured lending transactions in which Stack’s Bowers is the borrower, and other transactions involving the purchase and sale of rare coins. The Company and SGI have two officers and a director in common. In addition, a majority of the board of directors of the Company has retained an ownership interest in SGI that in the aggregate represents a controlling interest in SGI. All transactions between the Company and Stack’s Bowers are approved by our Audit Committee, and we believe that all such transactions are on terms no less favorable to the Company than would be obtained from an unaffiliated third party. Nonetheless, these transactions could be perceived as being conflicted.

Risks Related to Our Acquisition of the Goldline Assets

We expect that our acquisition of the assets of Goldline, LLC will grow our business and create opportunities from cross-selling, but there is no assurance that this will be the case.

On August 28, 2017, we consummated the acquisition of the assets of Goldline, LLC, a leading direct retailer of precious metals to the investor community. We believe that the acquisition represents an attractive opportunity to expand our suite of integrated precious metals businesses into the direct-to-client space. We also believe that the acquisition has provided an opportunity

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to cross-sell our products and services to Goldline's broad, high-end customer base, for example utilization of our precious coin and metal storage services at our secured Las Vegas, Nevada facility. Nevertheless, there is no assurance that we will be successful in conducting a retail bullion business. For example, the success of this business will require that we continue to maintain the loyalty of a large, widely disseminated customer base, and could depend on our ability to anticipate and appropriately respond to changing attitudes of consumers to investment in precious metals. There also can be no assurance that we will be successful in our efforts to cross-sell other products and services to the Goldline client base. If the Goldline business does not succeed as we anticipate, or if we are required to make significant additional investment in the Goldline business in order to maintain or expand the business, our results of operation and liquidity could be adversely affected, which could in turn cause us to be in violation of one or more covenants under the Trading Credit Facility.

The Company may incur unanticipated costs integrating the Goldline business into our operations.

In order to fully achieve the anticipated benefits and synergies of our acquisition of the assets of Goldline, LLC, we will need to continue to integrate the Goldline business, which is now being conducted through a separate subsidiary of the Company, with our existing operations. This integration process may take longer, may be more costly, and may require more time and attention of senior management than we anticipate. If that were the case, the benefits that we hope to achieve from the acquisition may not be realized in the time frame we anticipate or at all.

Goldline's prior marketing practices could generate adverse publicity for the Company.

In 2011, Goldline and a number of its executives were the subject to a criminal complaint in Santa Monica, California regarding the company's marketing practices and in February 2012, Goldline settled the action against it by agreeing to refund $4.5 million to its customers. Key members of management were replaced at about the time of the settlement, and, as required by the terms of a related injunction, Goldline eliminated the offending aspects of its sales operations that were the subject of the legal action against it. The injunction expired in early 2017. We believe that in the five years since the criminal action was settled, Goldline has reestablished its reputation as a trusted, premier retailer of precious metals. Nonetheless, it is possible that Goldline's past businesses issues may continue to have reputational consequences for the Goldline business, and following our acquisition of Goldline, could generate adverse publicity for the Company.

Risks Relating to Commodities

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

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

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

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

A-Mark's precious metals inventories are subject to market value changes created by change in the underlying commodity price, as well as supply and demand of the individual products the Company trades. In addition, open sale and purchase commitments are subject to changes in value between the date the purchase or sale is fixed (the trade date) and the date metal is delivered or received (the settlement date). A-Mark seeks to minimize the effect of price changes of the underlying commodity through the use of financial derivative instruments, such as forward and futures contracts. A-Mark's policy is to remain substantially hedged as to its inventory position and its individual sale and purchase commitments. A-Mark's management monitors its hedged exposure daily. However, there can be no assurance that these hedging activities will be adequate to protect the Company against commodity price risks associated with A-Mark's business activities.

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

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

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

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

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

Risks Relating to Our Common Stock

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

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

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

We have suspended our dividend payments and may not be able to continue to pay dividends.

Effective March 2, 2015, the Board of Directors approved a cash dividend policy calling for the payment of a quarterly cash dividend of $0.05 per common share. The policy was amended on February 2, 2016 to provide for a quarterly cash dividend of $0.07 per common share, and then on January 26, 2017 to provide for a quarterly cash dividend of $0.08 per common share.

The Board of Directors has determined to suspend the Company's quarterly dividend in order to increase its financial flexibility and strengthen its balance sheet. Going forward, the Board of Directors will re-assess its capital resources and may or may not determine to reinstate the dividend based on that assessment.

The declaration of cash dividends in the future is subject to the determination each quarter by the Board of Directors, based on a number of factors, including the Company’s financial performance, available cash resources, cash requirements, bank covenants, and alternative uses of cash that the Board of Directors may conclude would represent an opportunity to generate a greater return on investment for the Company. Accordingly, there can be no assurance that the Company will resume paying dividends on a regular basis. If the Board of Directors were to determine not to pay dividends in the future, shareholders would not receive any further return on an investment in our capital stock in the form of dividends, and may obtain an economic benefit from the common stock only after an increase in its trading price and only by selling the common stock.

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

Our amended and restated certificate of incorporation and amended and restated bylaws and Delaware law contain certain anti-takeover provisions that could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company without negotiating with our board of directors. Such provisions could

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

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

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

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

Members of our board and management beneficially own approximately 40% of our outstanding common stock. Acting together in their capacity as shareholders, the board members and management could exert substantial influence over matters on which a shareholder vote is required, such as the approval of business combination transactions. Also because of the size of their beneficial ownership, the board members and management may be in a position effectively to determine the outcome of the election of directors and the vote on shareholder proposals. The concentration of beneficial ownership in the hands of our board and management may therefore limit the ability of our public shareholders to influence the affairs of the Company.

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

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

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Regulation S-K Exhibit Table Item No.		Description of Exhibit
31 .1	*	Certification Under Section 302 of the Sarbanes-Oxley Act of 2002.
31 .2	*	Certification Under Section 302 of the Sarbanes-Oxley Act of 2002.
32 .1	*	Certification Under Section 906 of the Sarbanes-Oxley Act of 2002.
32 .2	*	Certification Under Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	*	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.

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* Filed herewith

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SIGNATURES

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

		A-MARK PRECIOUS METALS, INC.		
Date:	November 9, 2018	By:	/s/ Gregory N. Roberts	
			Name:	Gregory N. Roberts
			Title:	Chief Executive Officer (Principal Executive Officer)

		A-MARK PRECIOUS METALS, INC.		
Date:	November 9, 2018	By:	/s/ Cary Dickson	
			Name:	Cary Dickson
			Title:	Chief Financial Officer (Principal Financial Officer)

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

Signatures	Title(s)	Date
/s/ Gregory N. Roberts Gregory N. Roberts	Chief Executive Officer and Director (Principal Executive Officer)	November 9, 2018
/s/ Cary Dickson Cary Dickson	Chief Financial Officer (Principal Financial Officer)	November 9, 2018