

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

FORM 10-K

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

For the Fiscal Year Ended June 30, 2016  
Commission File Number: 001-36347



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

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of Incorporation)

**11-2464169**  
(IRS Employer I.D. No.)

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes.  No.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes.  No.

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

Aggregate market value of registrant's common stock held by non-affiliates of the registrant on December 31, 2015, based upon the closing price of Common Stock on such date as reported by NASDAQ Global Select Market, was approximately \$70,716,067. Shares of common stock known to be owned by directors and executive officers of the Registrant subject to Section 16 of the Securities Exchange Act of 1934 are not included in the computation. No determination has been made that such persons are "affiliates" within the meaning of Rule 12b-2 under the Exchange Act.

As of September 21, 2016, the registrant had 7,021,450 shares of common stock outstanding, par value \$0.01 per share.



A-MARK PRECIOUS METALS, INC.

ANNUAL REPORT ON FORM 10-K  
For the Year Ended June 30, 2016

TABLE OF CONTENTS

	Page
<b>PART I</b>	
Item 1. Description of Business	<a href="#">3</a>
Item 1A. Risk Factors	<a href="#">7</a>
Item 1B. Unresolved Staff Comments	<a href="#">14</a>
Item 2. Properties	<a href="#">14</a>
Item 3. Legal Proceedings	<a href="#">14</a>
Item 4. Mine Safety Disclosures	<a href="#">14</a>
<b>PART II</b>	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<a href="#">14</a>
Item 6. Selected Financial Data	<a href="#">15</a>
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	<a href="#">15</a>
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	<a href="#">30</a>
Item 8. Consolidated Financial Statements and Supplementary Data	<a href="#">30</a>
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	<a href="#">67</a>
Item 9A. Controls and Procedures	<a href="#">67</a>
Item 9B. Other Information	<a href="#">67</a>
<b>PART III</b>	
Item 10. Directors, Executive Officers and Corporate Governance	<a href="#">68</a>
Item 11. Executive Compensation	<a href="#">72</a>
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<a href="#">78</a>
Item 13. Certain Relationships and Related Transactions, and Director Independence	<a href="#">80</a>
Item 14. Principal Accountant Fees and Services	<a href="#">82</a>
<b>PART IV</b>	
Item 15. Exhibits and Financial Statement Schedules	<a href="#">83</a>
Signatures	<a href="#">84</a>
Exhibit Index	<a href="#">85</a>

## PART I — FINANCIAL INFORMATION

### ITEM 1. DESCRIPTION OF BUSINESS

#### *Overview*

A-Mark, also referred to (together with its subsidiaries) as "we", "us" and the "Company", is a full-service precious metals trading company. It is a wholesaler of gold, silver, platinum and palladium bullion and related products, including bars, wafers, grain and coins. A-Mark also-

- distributes gold and silver coins and bars from sovereign and private mints;
- provides financing for the purchase of bullion and numismatics;
- offers secure storage for bullion; and
- offers complementary products such as consignment, customized finance and liquidity programs such as repurchase ("Repo") accounts, and trade quotes in a variety of foreign currencies.

A-Mark believes it has one of the largest customer bases in each of its markets and provides one of the most comprehensive offerings of products and services in the precious metals trading industry. Our customers include mints, manufacturers and fabricators, refiners, coin and bullion dealers, e-commerce retailers, banks and other financial institutions, commodity brokerage houses, industrial users of precious metals, investors and collectors. We serve customers on six continents, with over 10% of our customers being outside the United States.

A-Mark believes its businesses largely function independently of the price movement of the underlying commodities. However, factors such as global economic activity or uncertainty and inflationary trends, which affect market volatility, have the potential to impact demand, volumes and margins.

We conduct our operations within one business segment.

#### *History*

A-Mark was founded in 1965 as a small numismatics firm, which subsequently grew to include wholesale bullion trading and precious metals financing. Spectrum Group International, Inc. ("SGI"), then known as Greg Manning Auctions, Inc., acquired an 80% interest in A-Mark in 2005. The remaining 20% of A-Mark was acquired by Afinsa Bienes Tangibles, S.A. ("Afinsa"), at the time SGI's controlling shareholder. In 2012, SGI acquired from Afinsa its interest in A-Mark, as a result of which A-Mark became a wholly-owned subsidiary of SGI.

In March 2014, SGI distributed all of the shares of common stock of A-Mark to its stockholders, effecting a spinoff of A-Mark from SGI. As a result of this distribution, which we refer to as the spinoff, the Company is now a publicly traded company independent from SGI.

Over the years, A-Mark has been steadily expanding its products and services. In 1986, A-Mark became an authorized purchaser of gold and silver coins struck by the United States Mint. Similar arrangements with other sovereign mints followed, so that by the early 1990s, A-Mark had distribution relationships with all major sovereign mints offering bullion coins and bars internationally. In 2005, A-Mark launched its Collateral Finance Corporation ("CFC") subsidiary for the purpose of making secured wholesale and retail loans collateralized by numismatic and semi-numismatic coins and bullion.

A-Mark opened an overseas office in Vienna, Austria in 2009, for the purpose of marketing its goods and services in the European markets, and the office commenced full trading activity in 2012. This resulted in the expansion of A-Mark's trading hours from 12 to 17 hours a day, 5 days a week. Also in 2012, A-Mark formed Transcontinental Depository Services, LLC ("TDS"), a subsidiary that provides customers with a turnkey global storage solutions for their precious metals and precious metal products.

A-M Global Logistics, LLC ("Logistics"), a Las Vegas-based logistics fulfillment center and a wholly-owned subsidiary of the Company, commenced operations in July 2015.

### **Business Strategy**

Through strategic relationships with its customers and suppliers and vertical integration across its markets, A-Mark seeks to grow its business volume, expand its presence in non-U.S. markets around the globe, with a principal focus on Europe and Asia, and enlarge its offering of complementary products and services. A-Mark seeks to continue its expansion by building on its strengths and what it perceives to be its competitive advantages. These include-

- vertically integrated operations that span trading, distribution, storage, financing and other consignment products and services;
- an extensive and varied customer base that includes banks and other financial institutions, coin dealers, collectors, private investors, investment advisors, industrial manufacturers, refiners, sovereign mints and mines;
- secure storage for bullion;
- access to primary market makers, suppliers, refiners and government mints that provide a dependable supply of precious metals and precious metal products;
- trading offices in Santa Monica, California and Vienna, Austria, giving our customers live access to our trading desk 17 hours each trading day, even when many major world commodity markets are closed;
- the largest precious metals dealer network in North America;
- depository relationships in major financial centers around the world;
- experienced traders who effectively manage A-Mark's exposure to commodity price risk; and
- a strong management team, with over 100 years of collective industry experience.

### **Business Units**

A-Mark operates through several business units comprising a single segment for accounting purposes, including Industrial, Coin and Bar, Trading, Finance, CFC, TDS and Logistics.

Industrial. Our Industrial unit sells gold, silver, platinum and palladium to industrial and commercial users. Customers include coin fabricators such as mints, industrial manufacturers and fabricators, including electronics, component parts companies, and refiners. Depending on the intended usage, the metals are either investment or industrial grade and are generally in bars, wafers, plates, or grains.

Coin & Bar. Our Coin & Bar unit deals in over 200 different products, including gold and silver coins from around the world and gold, silver, platinum and palladium bars and ingots in a variety of weights, shapes and sizes. We currently market a limited number of such products with our proprietary "A-Mark" rounds and bars. Our customers are primarily coin and bullion dealers, although we also deal directly with banks and other financial institutions, commodity brokerage house, manufacturers, investors, investment advisors, and collectors who qualify as "eligible commercial entities" and "eligible contract participants," as those terms are defined in the Commodity Exchange Act. Our customers range in size from large financial institutions to small local dealers.

We are an authorized distributor (and, in the case of the United States Mint, an authorized purchaser) of gold and silver coins for all of the major sovereign mints and various private mints. The sovereign mints include the United States Mint, the Australian (Perth) Mint, the Austrian Mint, the Royal Canadian Mint, the China Mint, Banco de Mexico, the South African Mint (Rand Refinery) and the Royal Mint (United Kingdom). We purchase and take delivery of coins from the mints for resale to coin dealers and other qualified purchasers.

Our distribution and purchase agreements with the mints are non-exclusive, and may be terminated by the mints at any time, although in practice our relationship with the mints are long-standing, in some cases, as with the U.S. Mint, extending back for over 20 years. In some cases, we have developed exclusive products with sovereign and private mints for distribution through our dealer network.

In our Industrial and Coin and Bar units, orders are taken primarily telephonically, although some orders are placed on an electronic trading platform. Pricing is generally based on screen quotes for bullion transactions in the spot market, with two-day settlement, although special pricing and extended settlement terms are also available. For example, a customer can leave an order with A-Mark to purchase at a specified price below the current market price or an order to sell at a specified price above the current market price. Almost all customers in these units take physical delivery of the precious metal. Product is shipped upon receipt of payment, except where the purchase is financed under credit arrangements between A-Mark and the customer. We have relationships with precious metal depositories around the world to facilitate shipment of product from our inventory to these

customers, in many cases for next day delivery. Product may either be drop shipped to the customer's location or delivered to a depository or other storage facility designated by the customer. The Company also periodically loans metals to customers on a short-term consignment basis, charging interest fees based on the value of the metals loaned. Such metal inventories are removed at the time the customers elect to price and purchase the metals, and the Company records a corresponding sale and receivable.

***Trading and Finance.*** Our Trading and Finance units engage in commodity hedging and borrowing and lending transactions in support of our Industrial and Coin & Bar units.

The Trading unit hedges the commodity risk on A-Mark's inventory in order to protect A-Mark from price fluctuations in situations where settlement of a transaction is delayed or deferred. A-Mark maintains relationships with major market-makers and multiple futures brokers in order to provide a variety of alternatives for its hedging needs. Our traders employ a combination of future and spot transactions to hedge transactional exposure, and a combination of future, and forward contracts to hedge inventory exposure. Because it seeks to substantially hedge its market exposure, A-Mark believes that its business largely functions independently of the price movements in the underlying commodity. Through its hedging activities, A-Mark may also earn contango yields, in which futures price are higher than the spot prices, or backwardation yields, in which futures prices are lower than the spot prices. A-Mark also offers precious metals price quotes in a number of foreign currencies.

Our Finance unit engages in precious metals borrowing and lending transactions and other customized financial transactions with or on behalf of our customers and other counterparties. These arrangements range from simple hedging structures to complex inventory finance arrangements and forward purchase and sale structures, tailored to the needs of our customers.

***CFC.*** Our Collateral Finance Corporation subsidiary is a California licensed finance lender that makes and acquires commercial loans secured by numismatic and semi-numismatic coins and bullion. CFC's customers include coin and precious metal dealers, investors and collectors. CFC's activities are complementary to our bullion and coin businesses, and affords customers a convenient means of financing their inventory or collections. CFC takes physical delivery of the coins or bullion collateralizing the loans, and requires loan-to-value ratios of between 50% and 80%. The loan-to-value ratio refers to the principal amount of the loan divided by the liquidation value of the collateral, as conservatively estimated by CFC. Secured loans include a combination of on-demand and short term (i.e., with terms of between three and twelve months) facilities, and bear interest at fixed rates prevailing at the time the loan is made. Other terms of the loan may be customized in accordance with the particular needs and circumstances of the borrower.

***TDS.*** Our Transcontinental Depository Services subsidiary provides storage solutions for precious metals and numismatic coins for financial institutions, dealers, investors and collectors worldwide. TDS contracts on behalf of our clients with independent storage facilities in the United States, Canada, Europe, Singapore and Hong Kong, for either fully segregated or allocated storage. We assist our clients in developing appropriate storage options for their particular requirements, and we manage the operational aspects of the storage with the third party facilities on our clients' behalf.

***Logistics.*** Our A-Mark Global Logistics ("Logistics") subsidiary commenced operations in July 2015. Located in Las Vegas, Logistics provides our customers an array of complementary services, including: packaging, shipping, handling, receiving, processing, and inventorying of precious metals and custom coins on a secure basis.

To support our wholesale trading business, Logistics will ultimately provide a significant amount of the secured storage, shipping and delivery services that have historically been outsourced to third-party depositories in their various locations. We have consolidated a portion of these third-party locations into the Las Vegas facility as of year end. By consolidating those operations into one central location under our control, we will reduce dependence on third-party service providers while, we believe, enhancing quality control and reducing operating costs.

Logistics also provides turn-key logistics services to our customers engaged in the retail business. Through our facility, we provide these customers one-stop financing, hedging, inventory handling, storage, and seamless drop-shipping directly to their own retail customers.

### ***Market Making Activity***

We act as a principal market maker, maintaining a two-way market for buying and selling precious metals. This means we both sell product to and purchase product from our customers.

### ***Inventory***

We maintain a substantial inventory of bullion and coins in order to provide our customers with selection and prompt delivery. We acquire product for our inventory in the course of our trading activities with our customers, directly from mints, mines and refiners and from commodities brokers and dealers, privately and in transactions on established commodity exchanges. Except for certain lower of cost or market products, our inventory is "marked to market" daily for accounting and financial reporting purposes.

### ***Sales and Marketing***

We market our products and services primarily through our offices in Santa Monica, California and Vienna, Austria, our website and our dealer network, which we believe is the largest of its kind in North America. The dealer network consists of over 1,000 independent precious metal and coin companies, with whom we transact on a non-exclusive basis. The arrangements with the dealers vary, but generally the dealers acquire product from us for resale to their customers. In some instances, we deliver bullion to the dealers on a consignment basis. We also participate from time to time in trade shows and conventions, at which we promote our products and services.

As a vertically integrated precious metals concern, a key element of our marketing strategy is being able to cross-sell our products and services to customers of our different business units.

### ***Operational Support***

A-Mark maintains administrative and operational support at its office in Santa Monica, California for processing its trading and service activities and arranging for physical delivery and storage of product. We believe that our existing administrative and operational support infrastructure has the capacity to scale up with our business activities. We store our inventories of bullion and numismatics at third party depositories in major financial centers around the world and at our facility in Las Vegas, Nevada.

With a third party software developer, we have created a proprietary trading program, referred to as the Metals Trading System ("MTS"). Through MTS we are able to input, process, track and document our trading activity, including complex hedging and similar transactions. We have developed and implemented an electronic trading platform for receiving and processing customer orders, with the objective of improving transactional ease and efficiency. In fiscal 2017, the Company expects to complete its integration of MTS with a new business management system.

### ***Supplier and Customer Concentrations***

A-Mark buys a majority of its precious metals from a limited number of suppliers. The Company believes that numerous other suppliers are available and would provide similar products on comparable terms.

For the year ended June 30, 2016, the Company had two customers, HSBC Bank USA and JM Bullion Inc., each comprising more than 10% of our revenues (see [Note 17.](#))

### ***Trading Competition***

A-Mark's activities cover a broad spectrum of the precious metals industry, with a concentration on the physical market. We service public, industrial and private sector consumers of precious metals which include industrial manufactures, refiners, minting facilities, banks, brokerage houses and private investors. We frequently face different competitors in each area and it is not uncommon for a customer and/or a supplier.

### ***Trading Seasonality***

While our precious metals trading business is not seasonal, we believe it is directly impacted by the perception of market trends and global economic activity. Historically, anticipation of increases in the rate of inflation, interest rates as well as anticipated devaluation of the U.S. dollar, has resulted in higher levels of interest in precious metals as well as higher prices for such metals.

### ***Employees***

As of June 30, 2016, we had 83 employees, with 81 located in North America, and 2 in Europe; all of these employees were considered full-time employees.

We regard our relations with our employees as good.

### ***Corporate Information***

A-Mark was founded in 1965 as a New York corporation. In December 2013, the Company was reincorporated in Delaware. Our executive offices are located at 429 Santa Monica Blvd. Suite 230, Santa Monica, CA 90401. Our telephone number is (310) 587-1477, and our website is [www.amark.com](http://www.amark.com). Through this website, we make available, free of charge, all of our filings with the Securities and Exchange Commission ("SEC"), including those under the Exchange Act of 1934, as amended ("Exchange Act"). Such reports are made available on the same day that they are electronically filed with, or furnished to, the SEC. In addition, copies of our Code of Business Conduct and Ethics for Employees, Code of Business Conduct and Ethics for Senior Financial and Other Officers, and Code of Business Conduct and Ethics for Directors are available through this website, along with other information regarding our corporate governance policies.

### ***Geographic Information***

See [Note 18](#) in the accompanying consolidated financial statements for information about Company's geographic operations.

## ITEM 1A. RISK FACTORS

### Risks Relating to Our Business Generally

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

Our business depends substantially on our ability to obtain financing for our operations. A-Mark's borrowing facility, which we refer to as the Trading Credit Facility, provides the Company with the liquidity to buy and sell billions of dollars of precious metals annually. The Trading Credit Facility is an uncommitted facility with a syndicate of banks and has a one-year maturity. A-Mark routinely uses the Trading Credit Facility to purchase metals from its suppliers and for operating cash flow purposes. Our CFC subsidiary also uses the facility to finance its lending activities.

The Trading Credit Facility requires us to maintain certain financial ratios and to comply with various operational and other covenants. If there were an event of default under the Trading Credit Facility that was not cured or waived, the lenders could cause all amounts outstanding with respect to that debt to be due and payable immediately. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments, either upon maturity or if accelerated, upon an event of default, or that we would be able to refinance or restructure the payments 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.

Because interest under the Trading Credit Facility is variable, we are subject to fluctuations in interest rates and we may not be able to pass along to our customers and borrowers some or any part of an increase in the interest that we are required to pay under the facility. Amounts under the Trading Credit Facility bear interest based on one month LIBOR plus a 2.50% margin for revolving credit line loans and a 4.50% margin for bridge loans (that is, for loans that exceed the available revolving credit line). The LIBOR rate was approximately 0.47% and 0.19% as of June 30, 2016 and June 30, 2015, respectively.

#### *We could suffer losses with our financing operations.*

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

- Receivables from our customers with whom we trade in precious metal products are effectively short-term, non-interest bearing extensions of credit that are, in most cases, secured by the related products maintained in the Company's possession or by a letter of credit issued on behalf of the customer. On average, these receivables are outstanding for periods of between 8 and 9 days.
- The Company operates a financing business through CFC that makes secured loans at loan to value ratios—principal loan amount divided by the "liquidation value", as conservatively estimated by management, of the collateral—of, in most cases, 50% to 80%. These loans are both variable and fixed interest rate loans, with maturities from 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.



***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 29.0% of A-Mark's revenues for the year ended June 30, 2016. A single customer represented 30.9% of A-Mark's revenues for the year ended June 30, 2015. If our relationship with these customers deteriorated, or if we were to lose these customers, our business would be materially adversely affected.

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

A-Mark's business is heavily dependent on its purchaser/distributorship arrangements with various governmental mints. Our ability to offer numismatic coins and bars to our customers on a competitive basis is based on the ability to purchase products directly from a government source. The arrangements with the governmental mints may be discontinued by them at any time. The loss of an authorized purchaser/distributor relationship, including with the U.S. Mint could have a 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 over 10% of our revenues from business outside the United States, including from customers in developing countries. Business operations outside the U.S. are subject to political, economic and other risks inherent in operating in foreign countries. These include risks of general applicability, such as the need to comply with multiple regulatory regimes; trade protection measures and import or export licensing requirements; and fluctuations in equity, revenues and profits due to changes in foreign currency exchange rates. Currently, we do not conduct substantial business with customers in developing countries. However, if our business in these areas of the world were to increase, we would also face risks that are particular to developing countries, including the difficulty of enforcing agreements, collecting receivables; protecting inventory and other assets through foreign legal systems; limitations on the repatriation of earnings; currency devaluation and manipulation of exchange rates; and high levels of inflation.

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

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

Our performance is dependent on our senior management and certain other key employees. We have employment agreements with Greg Roberts, our CEO, 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 materially have an adverse affect our business.

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

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

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

Our bank group, a syndicate of banks with Coöperatieve Rabobank U.A. acting as lead lender and administrative agent for the syndicate, has approved our Logistics facility as an authorized depository. If that approval were to be withdrawn for any reason, we would no longer be able to keep inventory at that location, which would substantially limit our ability to conduct business from that facility.

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

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

***We expect to grow in part through acquisitions, but an acquisition strategy entails risks.***

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

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

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

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

our employment practices could result in the loss of employees, reduced sales, increased employment costs, low employee morale and harm to our business and results of operations. In addition, political and economic factors could lead to unfavorable changes in federal and state tax laws, which may increase our tax liabilities. An increase in our tax liabilities could adversely affect our results of operations. We are also regularly involved in various litigation matters that arise in the ordinary course of business. Litigation or regulatory developments could adversely affect our business and financial condition.

There are various federal, state, local and foreign laws, ordinances and regulations that affect our trading business. For example, we are required to comply with 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 final rules mandated by the Dodd-Frank Act regarding disclosure, on an annual basis, of the use of tin, tantalum, tungsten and gold, known as conflict minerals, in products manufactured by public companies. These new rules require due diligence to determine whether such minerals originated from the Democratic Republic of Congo (the "DRC") or an adjoining country and whether such minerals helped finance the armed conflict in the DRC.

The Company has concluded that it is not currently subject to the conflict minerals rules because it is not a manufacturer of conflict minerals under the definitions set forth in the rules. Depending on developments in the Company's business, it could become subject to the rules at some point in the future. In that event, there will be costs associated with complying with these disclosure requirements, including costs to determine the origin of gold used in our products. In addition, the implementation of these rules could adversely affect the sourcing, supply and pricing of gold used in our products. Also, we may face disqualification as a supplier for customers and reputational challenges if the due diligence procedures we implement do not enable us to verify the origins for the gold used in our products or to determine that the gold is conflict free.

CFC operates under a California Finance Lenders License issued by the California Department of Corporations. CFC is required to submit a finance lender law annual report to the state which summarizes certain loan portfolio and financial information regarding CFC. The Department of Corporations may audit the books and records of CFC to determine whether CFC is in compliance with the terms of its lending license.

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

On October 25, 2015, the Company received notification from the City of Santa Monica that the City was challenging the Company's classification as an "agent/broker" for purposes of computing the business license fee due to the City. The matter has since been resolved in the Company's favor resulting in no change to the Company's prior filings.

***We operate in a highly competitive industry.***

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

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

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

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

By the nature of our business, we maintain significant amounts of customer data on our systems. Moreover, certain third party providers have access to confidential data concerning the Company in the ordinary course of their business relationships with the Company. In recent years, various companies, including companies that are significantly larger than us, have reported breaches of their computer systems that have resulted in the compromise of customer data. Any significant compromise or breach of customer or company data held or maintained by either the Company or our third party providers could significantly damage our reputation and result in costs, lost trades, fines and lawsuits. The regulatory environment related to information security and privacy is increasingly rigorous, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs. There is no guarantee that the procedures that we have implemented to protect against unauthorized access to secured data are adequate to safeguard against all data security breaches.

**Risks Relating to Commodities**

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

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

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

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

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

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

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

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

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

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

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

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

**Risks Relating to Our Common Stock**

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

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

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

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

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

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

The Company has determined that it qualifies as a smaller reporting company as of December 31, 2015 and 2014. As such, it is not categorized as an accelerated filer for the fiscal years ended June 30, 2016 and 2015. Therefore, the Company is not required to obtain a report by our independent registered public accounting firm that addresses the effectiveness of internal control over financial reporting for that year. The Company will continue to be exempt from the requirement of obtaining such a report unless and until it meets the definition of an accelerated filer.

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

Effective March 2, 2015, the Board of Directors approved a cash dividend policy calling for the payment of a quarterly cash dividend of \$0.05 per common share. The policy was amended on February 2, 2016 to provide for a quarterly cash dividend of \$0.07 per common share. The declaration of cash dividends in the future is subject to the determination each quarter by the Board of Directors, based on a number of factors, including the Company's financial performance, available cash resources, cash requirements, bank covenants, and alternative uses of cash that the Board of Directors may conclude would represent an opportunity to generate a greater return on investment for the Company. Accordingly, there can be no assurance that the Company will continue to pay dividends on a regular basis. If the Board of Directors were to determine not to pay dividends in the future, shareholders would not receive any further return on an investment in our capital stock in the form of dividends, and may only obtain an economic benefit from the common stock only after an increase in its trading price and only by selling the common stock.

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

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

We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board 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 will 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 over 45% of our outstanding common stock. Acting together in their capacity as shareholders, the board members and management could exert substantial influence over matters on which a shareholder vote is required, such as the approval of business combination transactions. Also because of the size of their beneficial ownership, the board members and management may be in a position effectively to determine the outcome of the election of directors and the vote on shareholder proposals. The concentration of beneficial ownership in the hands of our board and management may therefore limit the ability of our public shareholders to influence the affairs of the Company.

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

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

in an amount equal to the excess of the fair market value of our common stock distributed to SGI shareholders on the date of the distribution over SGI's tax basis in such shares. Also, we could have an indemnification obligation to SGI related to its tax liability.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our headquarters is located in Santa Monica, California, our trading desk operations are conducted from facilities in Santa Monica, California and Vienna, Austria and our logistics fulfillment center is located in Las Vegas, Nevada. Below is a table summarizing the properties we occupied during the year ended June 30, 2016.

Location	Square Footage	Lease Term/Expiration
Santa Monica, California	7,100	April 2017
Las Vegas, Nevada	17,600	April 2020
Vienna, Austria	2,100	September 2016

In fiscal 2017, the Company plans to relocate its corporate headquarter to El Segundo, California and its trading desk in Vienna, Austria. On July 7, 2016, the Company entered into an agreement to lease approximately 9,000 square feet of office space in El Segundo, California for a term that expires on March 31, 2026. On September 9, 2016, the Company entered into an agreement to lease 248 square feet of office space in Vienna, Austria for a term of less than one year, with renewable lease-term options.

**ITEM 3. LEGAL PROCEEDINGS**

We are not currently a party to any legal proceedings.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**PART II — OTHER INFORMATION**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**Market Information**

SGI effected the spinoff of A-Mark on March 14, 2014. On March 17, 2014, A-Mark's shares of common stock commenced trading on the NASDAQ Global Select Market under the symbol "AMRK."

As of September 21, 2016, there were 600 registered stockholders of record of our common stock and the last reported sale price of our stock as reported by the NASDAQ Global Select Market was \$16.20.

The following table sets forth the range of high and low closing prices for our common stock for each full quarterly period during fiscal 2016 and 2015, as reported by the NASDAQ Global Select Market. These quotations below reflect inter-dealer closing prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Quarter	2016		2015	
	High	Low	High	Low
First	\$ 11.77	\$ 10.28	\$ 12.04	\$ 11.20
Second	\$ 18.91	\$ 11.45	\$ 11.15	\$ 9.44
Third	\$ 21.73	\$ 15.79	\$ 10.74	\$ 9.61
Fourth	\$ 21.99	\$ 14.14	\$ 10.96	\$ 10.08

**Issuer Purchases of Equity Securities**

None.

## Dividend Policy

As of June 30, 2016, the Board of Directors of the Company approved a dividend policy which calls for the payment of a quarterly cash dividend of \$0.07 per common share. Any future determination to pay cash dividends will be at the discretion of our Board of Directors and will be dependent upon financial condition, results of operations, capital requirements, restrictive financial covenants, and such other factors as our Board of Directors deems relevant. A-Mark's credit facility has certain restrictive financial covenants that require A-Mark to maintain a minimum tangible net worth (as defined) of \$35.0 million.

## Equity Compensation Plan Information

The following table provides information as of June 30, 2016, with respect to the shares of our common stock that may be issued under existing equity compensation plans.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	581,527 <sup>(1)</sup>	\$ 17.55	273,600 <sup>(2)</sup>
Equity compensation plans not approved by security holders	—	—	—
Total	<u>581,527</u>	<u>\$ 17.55</u>	<u>273,600</u>

(1) Consists of stock options granted by A-Mark to replace outstanding SGI stock options in connection with the spinoff and options issued by A-Mark subsequent to the spinoff. The former SGI equity awards had been granted by SGI under its 2012 Stock Award and Incentive Plan ("2012 Plan") and its 1997 Stock Incentive Plan, as amended ("1997 Plan"). The terms of the 2012 Plan and 1997 Plan governing equity awards generally apply to the replacement awards granted by A-Mark, but A-Mark was not and is not authorized to grant equity awards under those Plans other than the equity awards that directly replaced the former SGI equity awards.

(2) These shares are available for future issuance under A-Mark's 2014 Stock Award and Incentive Plan ("2014 Plan"). All 2014 Plan shares are available for awards of stock options, stock appreciation rights, restricted stock units, restricted stock and other "full-value" awards.

## ITEM 6. SELECTED FINANCIAL DATA

Not applicable for a smaller reporting company.

## ITEM 7. 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 Annual Report on Form 10-K ("Form 10-K") 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 Annual 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 Annual 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-K.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes contained elsewhere in this Form 10-K. 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 Annual 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 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 consolidated statements of income by comparing the results for the respective years. Included in our analysis is a discussion of five performance metrics: (i) ounces of gold sold, (ii) ounces of silver sold, (iii) trading ticket volume, (iv) inventory turnover ratio and (v) number of secured loans at period-end.
- [Financial condition and liquidity and capital resources](#). This section provides an analysis of our cash flows, as well as a discussion of our outstanding debt as of June 30, 2016. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to fund our future commitments, as well as a discussion of other financing arrangements.
- [Critical accounting estimates](#). This section discusses those accounting policies that both are considered important to our financial condition and results, and require significant judgment and estimates on the part of management in their application. In addition, all of our policies, including critical accounting policies, are summarized in [Note 2](#) to the accompanying consolidated financial statements.
- [Recent accounting pronouncements](#). This section discusses new accounting pronouncements, dates of implementation and impact on our accompanying consolidated financial statements.

## **Executive Overview**

### ***Our Business***

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

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

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 storage, shipping, handling, receiving, processing, and inventorying of precious metals and custom coins on a secure basis. Our logistics business generates less than 1% of the total revenues for each of the periods presented.

### ***Our Strategy***

The Company has grown from a small numismatics firm in 1965 to a significant participant in the bullion and coin markets, with approximately \$6.7 billion and \$6.1 billion in revenues for the years ended June 30, 2016 and 2015., 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 and services that we offer to our customers. We intend to promote our growth by leveraging off the strengths of our existing integrated operations: the depth of our customer relations; our access to market makers, suppliers and government mints and other mints; our trading offices in the U.S. and Europe, which are open 17 hours a day 5 days a week; our expansive precious metals dealer network; our depository relationships around the world; our knowledge of secured lending; our logistics capabilities; our trading expertise; and the quality and experience of our management team.

### ***Our Customers***

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

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

***Revenues.*** The Company enters into transactions to sell and deliver gold, silver, platinum and palladium to coin fabricators, such as mints, industrial manufacturers and fabricators, including electronics, and component parts companies, and refiners in investment or industrial grade, in a variety shapes and sizes.

The Company also sells precious metals on forward contracts at a fixed price based on current prevailing precious metal spot prices with a certain delivery date in the future (up to six months from date of the forward contract.) Typically, these forward contracts are net settled against our other positions or are settled in cash, whereby no physical product is delivered. Sales on forward contracts can range, approximately, between 20% to 35% of our total revenues in any given period. We enter into these forward contracts as part of our hedging strategy to mitigate our price risk of holding inventory; they are not entered into for speculative purposes.

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

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

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

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

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

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

***Interest Income.*** The Company enters into secured loans and secured financing structures with its customers under which it charges interest income. 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.

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

***Performance Metrics***

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

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

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

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

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

***Fiscal Year***

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

**RESULTS OF OPERATIONS Overview of Results of Operations for the Years Ended June 30, 2016 and 2015**

**Consolidated Results of Operations**

The operating results of our business for the years ended June 30, 2016 and 2015 are as follows:

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

	Years Ended June 30, 2016		2015		\$	%
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 6,784,039	100.000 %	\$ 6,070,234	100.000 %	\$ 713,805	11.8 %
Gross profit	34,521	0.509 %	24,498	0.404 %	\$ 10,023	40.9 %
Selling, general and administrative expenses	(22,233)	(0.328)%	(17,131)	(0.282)%	\$ 5,102	29.8 %
Interest income	8,795	0.130 %	6,073	0.100 %	\$ 2,722	44.8 %
Interest expense	(6,319)	(0.093)%	(4,311)	(0.071)%	\$ 2,008	46.6 %
Other income	701	0.010 %	—	— %	\$ 701	— %
Unrealized gains on foreign exchange	99	0.001 %	19	— %	\$ 80	NM
Net income before provision for income taxes	15,564	0.229 %	9,148	0.151 %	\$ 6,416	70.1 %
Provision for income taxes	(6,293)	(0.093)%	(2,097)	(0.035)%	\$ 4,196	200.1 %
Net income	\$ 9,271	0.137 %	\$ 7,051	0.116 %	\$ 2,220	31.5 %

**Per Share Data:**

Basic	\$ 1.33	\$ 1.01	\$ 0.32	31.7 %
Diluted	\$ 1.30	\$ 1.00	\$ 0.30	30.0 %

**Performance Metrics:**

Gold ounces sold <sup>(1)</sup>	2,968,000	2,053,000	915,000	44.6 %
Silver ounces sold <sup>(2)</sup>	126,349,000	88,479,000	37,870,000	42.8 %
Trading ticket volume <sup>(3)</sup>	88,486	85,094	3,392	4.0 %
Inventory turnover ratio <sup>(4)</sup>	30.9	32.9	(2.0)	(6.1)%
Number of secured loans at period end <sup>(5)</sup>	1,173	346	827	239.0 %

NM Not meaningful.

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

**Revenues**

<i>in thousands, except performance metrics</i>	Years Ended June 30, 2016		2015		\$		%	
	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)		
Revenues	\$ 6,784,039	100.000%	\$ 6,070,234	100.000%	\$ 713,805			11.8%
<u>Performance Metrics</u>								
Gold ounces sold	2,968,000		2,053,000		915,000			44.6%
Silver ounces sold	126,349,000		88,479,000		37,870,000			42.8%

Revenues for the year ended June 30, 2016 increased \$713.8 million, or 11.8%, to \$6.784 billion from \$6.070 billion in 2015. Our revenues increased primarily due to an increase in the total amount of gold ounces and silver ounces sold during the year ended June 30, 2016 as compared to 2015.

Gold ounces sold for the year ended June 30, 2016 increased 915,000 ounces, or 44.6%, to 2,968,000 ounces from 2,053,000 ounces in 2015. Silver ounces sold for the year ended June 30, 2016 increased 37,870,000 ounces, or 42.8%, to 126,349,000 ounces from 88,479,000 ounces in 2015. On average, the prices for gold declined 4.7% and prices for silver declined 10.8% during the year ended June 30, 2016 as compared to 2015.

Key market factors contributing to the increase in revenue were the volatility and decrease in the commodity prices in 2016. These market factors were most evident during our first fiscal quarter of 2016, and lead our customers to increase their orders to take advantage of the lower prices while market supplies lasted, resulting in a limited market supply of bullion products. The increase in volatility was due to macro-economic factors which created an increase in demand at lower commodity prices. When the average spot prices began to increase during the third quarter of 2016 from a two-year low in average spot prices, demand for our bullion products began to reflect more typical levels of sales activity as market supply levels normalized.

**Gross Profit**

<i>in thousands</i>	Years Ended June 30, 2016		2015		\$		%	
	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)		
Gross profit	\$ 34,521	0.509%	\$ 24,498	0.404%	\$ 10,023			40.9%
<u>Performance Metrics</u>								
Trading-ticket volume	88,486		85,094		3,392			4.0%
Inventory turnover ratio	30.9		32.9		(2.0)			(6.1)%

Gross profit for the year ended June 30, 2016 increased by \$10.0 million, or 40.9%, to \$34.5 million from \$24.5 million in 2015. The Company's profit margin percentage increased by 26.0% to 0.509% from 0.404% in 2015. The Company's profit margin increase was primarily due to higher premium spreads on the Company's primary products, in particular during the quarter ended September 30, 2015. The Company experienced higher volatility and greater supply constraints compared to 2015, which resulted in a widening of trading spreads especially during the first fiscal quarter of 2016.

The trading-ticket volume for the year ended June 30, 2016 increased by 3,392 tickets, or 4.0%, to 88,486 tickets from 85,094 tickets in 2015. The increase in our trading-ticket volume was primarily the result of unusually strong market conditions and demand in the three months ended September 30, 2015.

Our inventory turnover rate for the year ended June 30, 2016 decreased by 6.1%, to 30.9 from 32.9 in 2015. The decrease in our inventory turnover rate was primarily due to certain product finance arrangements (arrangements where the Company carries inventory for long periods on behalf of the customer for a fee), and the longer carry periods associated with our higher margin custom products that resulted in the Company carrying higher inventory levels at lower turnover rates as compared to 2015.

**Selling, General and Administrative Expenses**

<i>in thousands</i>	Years Ended June 30, 2016		2015		\$	%
	\$	% of revenue	\$	% of revenue		
Selling, general and administrative expenses	\$ (22,233)	(0.328)%	\$ (17,131)	(0.282)%	\$ 5,102	29.8%

Selling, general and administrative expenses for the year ended June 30, 2016 increased \$5.1 million, or 29.8%, to \$22.2 million from \$17.1 million in 2015. The increase is primarily due to performance-based compensation accruals, the operational cost of a logistics facility established to provide fulfillment services to our customers, costs related to the development of the Company's informational technology infrastructure and increases in salaries. In fiscal 2016, the Company strengthened its management team by hiring a Chief Financial Officer and other experienced management professionals.

In fiscal 2015, the Company expanded its logistics capabilities by relocating to a new facility in Las Vegas, Nevada. In fiscal 2016, the Company began to receive and ship inventory from this facility. As a result of this relocation, the Company expects overall storage costs will be reduced and expanded capacity will drive growth of the Company's logistic operations and related support services.

**Interest Income**

<i>in thousands, except performance metrics</i>	Years Ended June 30, 2016		2015		\$	%
	\$	% of revenue	\$	% of revenue		
Interest income	\$ 8,795	0.130%	\$ 6,073	0.100%	\$ 2,722	44.8%
<b>Performance Metrics</b>						
Number of secured loans at quarter-end	1,173		346		827	239.0%

Interest income for the year ended June 30, 2016 increased \$2.7 million, or 44.8%, to \$8.8 million from \$6.1 million in 2015. Interest income increased primarily due to an increase in the size of the CFC loan portfolio as well as improvement in certain finance products. The improvement in the value of loans outstanding, which resulted in higher interest income, was due primarily to an increase in the number of secured loans. The number of secured loans outstanding increased by 239.0% to 1,173 from 346 in 2015, primarily due to the acquisition of bullion-based loan portfolios. In addition, finance fees earned related to certain product finance arrangements increased by 99.7% in comparison to the same year-ago period.

**Interest Expense**

<i>in thousands</i>	Years Ended June 30, 2016		2015		\$	%
	\$	% of revenue	\$	% of revenue		
Interest expense	\$ (6,319)	(0.093)%	\$ (4,311)	(0.071)%	\$ 2,008	46.6%

Interest expense for the year ended June 30, 2016 increased \$2.0 million, or 46.6% to \$6.3 million from \$4.3 million in 2015. The increase was related primarily to greater usage of our lines of credit, resulting from continued growth in the Company's finance products, as well as holding higher average inventory levels, and higher LIBOR interest rates that went in to effect subsequent to the Federal Reserve rate increase on December 16, 2015.

In fiscal 2016, the Company established a new credit facility with a syndicate of banks, which replaced the Company's previous credit facility with a group of financial institutions under an inter-creditor agreement, that provides the Company with access up to \$275.0 million, featuring a \$225.0 million base with a \$50.0 million accordion option. We believe the interest rates charged on borrowings under our credit facility (LIBOR plus a 2.5% margin) are consistent with current market interest rates for first lien demand loans secured by inventory and receivables.

**Provision for Income Taxes**

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

[Table of Contents](#)

<i>in thousands</i>	Years Ended June 30, 2016		2015		\$	%
	\$	% of revenue	\$	% of revenue	Increase/(decrease)	Increase/(decrease)
Provision for income taxes	\$ (6,293)	(0.093)%	\$ (2,097)	(0.035)%	\$ 4,196	200.1%

Our provision for income taxes was \$6.3 million and \$2.1 million for the years ended June 30, 2016 and 2015, respectively. Our effective tax rate was approximately 40.4% and 22.9% for the years ended June 30, 2016 and 2015, respectively. Our effective tax rate differs from the federal statutory rate due to permanent adjustments for nondeductible items. The change in the effective tax rate was primarily due to various non-recurring state tax provision benefits in 2015.

## LIQUIDITY AND FINANCIAL CONDITION

### Primary Sources and Uses of Cash

#### Overview

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

A substantial portion of our assets are liquid. As of June 30, 2016, approximately 94% of our assets consisted of cash, customer receivables, and precious metals inventory, measured at fair value. Cash generated from the sales of our precious metals products is our primary source of operating liquidity.

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

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

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

#### Lines of Credit

##### *in thousands*

	June 30, 2016	June 30, 2015	June 30, 2016 Compared to June 30, 2015
Lines of credit	\$ 212,000	\$ 147,000	\$ 65,000

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

The Company routinely uses the Trading Credit Facility to purchase precious metals from suppliers and for operating cash flow purposes. Amounts under the Trading Credit Facility bear interest based on London Interbank Offered Rate ("LIBOR") plus a 2.50% margin for revolving credit line loans and a 4.50% margin for bridge loans (that is, for loans that exceed the available revolving credit line). The one-month LIBOR rate was approximately 0.47% and 0.19% as of June 30, 2016 and June 30, 2015, respectively. Borrowings are due on demand and totaled \$212.0 million and \$147.0 million at June 30, 2016 and at June 30, 2015, respectively. The amounts available under the respective borrowing facilities are determined at the end of each week following a specified borrowing base formula. The Company is able to access additional credit as needed to finance operations, subject to the overall limits of the borrowing facilities and lender approval of the revised borrowing base calculation. Based on the latest approved borrowing bases in effect, the amounts available under the Trading Credit Facility after taking into account current

borrowings, totaled \$17.8 million and \$20.9 million as determined on the Friday before June 30, 2016 and June 30, 2015, respectively.

**Liability on Borrowed Metals**

*in thousands*

	June 30, 2016	June 30, 2015	June 30, 2016 Compared to June 30, 2015
Liability on borrowed metals	\$ 4,352	\$ 9,500	\$ (5,148)

We borrow precious metals from our suppliers under short-term arrangements which bear interest at a designated rate. Amounts under these arrangements are due at maturity and require repayment either in the form of precious metals or cash. Our inventories included borrowed metals with market values totaling \$4.4 million and \$9.5 million at June 30, 2016 and at June 30, 2015, respectively.

**Product Financing Arrangement**

*in thousands*

	June 30, 2016	June 30, 2015	June 30, 2016 Compared to June 30, 2015
Product financing agreement	\$ 59,358	\$ 39,425	\$ 19,933

The Company has agreements with financial institutions (third parties) that allows the Company to transfer its gold and silver inventory at a fixed price to this third party, which provides alternative sources of liquidity. Such agreements (also referred to as reverse-repurchase agreements) allow the Company to repurchase this inventory at an agreed-upon price based on the spot price on the repurchase date. The third parties 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 consolidated balance sheet as product financing arrangements. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing arrangement and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value included as a component of cost of sales. Such obligation totaled \$59.4 million and \$39.4 million as of June 30, 2016 and June 30, 2015, respectively.

**Secured Loans**

*in thousands*

	June 30, 2016	June 30, 2015	June 30, 2016 Compared to June 30, 2015
Secured loans	\$ 70,504	\$ 49,316	\$ 21,188

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

**Dividends**

*in thousands*

	June 30, 2016	June 30, 2015	June 30, 2016 Compared to June 30, 2015
Dividends, declared	\$ 1,675	\$ 698	\$ 977

In fiscal 2015, the Board of Directors of the Company initiated a cash dividend policy that calls for the payment of a quarterly cash dividend of \$0.05 per common share. In fiscal 2016, the Board of Directors modified the policy by increasing the quarterly cash dividend to \$0.07 per common share.

On September 7, 2016, the Board of Directors of the Company declared a quarterly cash dividend of \$0.07 per common share to stockholders of record at the close of business on September 19, 2016, which is scheduled to be paid on or about October 7, 2016.



## Cash Flows

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

The following summarizes components of our consolidated statements of cash flows for the years ended June 30, 2016 and 2015:

*in thousands*

	Years Ended	June 30, 2016	June 30, 2015	June 30, 2016 Compared to June 30, 2015
Net cash used in operating activities	\$	(56,156)	\$ (4,691)	(51,465)
Net cash used in investing activities	\$	(30,219)	\$ (13,392)	(16,827)
Net cash provided by financing activities	\$	82,590	\$ 25,817	56,773

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 \$56.2 million and used \$4.7 million in cash for the years ended June 30, 2016 and 2015, respectively, representing a \$51.5 million increase in the use of cash compared to the year ended June 30, 2015. This period over period increase in the use of funds in operating activities was primarily due to changes in the balances of inventory, receivables, accounts payable, liabilities on borrowed metals and derivative assets, offset by changes in the balances of derivative liabilities, income tax receivables, and deferred income taxes.

### *Net cash used in investing activities*

Investing activities used \$30.2 million and used \$13.4 million in cash for the years ended June 30, 2016 and 2015, respectively, representing a \$16.8 million increase in the use of cash compared to the year ended June 30, 2015. This period over period increase is the result of the change in balance of secured loans of \$14.4 million that was primarily due to additional acquisitions of loan portfolios, and an increase in investments of \$2.7 million made in the current comparable period.

### *Net cash provided by financing activities*

Financing activities provided \$82.6 million and provided \$25.8 million in cash for the years ended June 30, 2016 and 2015, respectively, representing an increase of \$56.8 million in the funds provided by financing activities compared to year ended June 30, 2015. This period over period increase of funds provided by financing activities was primarily due to changes in the balance of product financing arrangement of \$5.1 million and from increases in borrowings drawn from the Trading Credit Facility of \$53.2 million.

## CAPITAL RESOURCES

We believe that our current cash and cash equivalents, availability under the Trading Credit Facility and product financing arrangements (i.e., reverse-repurchase agreements), and cash we anticipate to generate from operating activities will provide us with sufficient liquidity to satisfy our working capital needs, capital expenditures, investment requirements and commitments through at least the next twelve months.

## CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND COMMITMENTS

### Counterparty Risk

We manage our counterparty risk by setting credit and position risk limits with our trading counterparties. These limits include gross position limits for counterparties engaged in sales and purchase transactions 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. See [Note 11](#) in the accompanying consolidated financial statements. Our inventories consist of, and our trading activities involve, precious metals and precious metal products, whose prices are linked to the corresponding precious metal commodity prices. Inventories purchased or borrowed by us are subject to price changes. Inventories borrowed are considered natural hedges, since changes in value of the metal held are offset by the obligation to return the metal to the supplier.

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

Our policy is to substantially hedge our underlying precious metal commodity inventory position. We regularly enter into metals commodity forward and futures contracts with major financial institutions to hedge price changes that would cause changes in the value of our physical metals positions and purchase commitments and sale commitments. We have access to all of the precious metals markets, allowing us to place hedges. However, we also maintain relationships with major market makers in every major precious metals dealing center, which allows us to enter into contracts with market makers. Futures and forwards contracts open at June 30, 2016 are scheduled to settle within 30 days.

The Company enters into these derivative transactions solely for the purpose of hedging our inventory holding risk, and not for speculative market purposes. Due to the nature of our hedging strategy, we are not using hedge accounting as defined under, *Derivatives and Hedging* Topic 815 of the Accounting Standards Codification ("ASC".) Gains or losses resulting from our futures and forward contracts are reported as cost of sales with the related amounts due from or to counterparties reflected as a derivative asset or liability (see [Note 11](#) to the accompanying consolidated financial statements.) Gains or losses resulting from the termination of hedge contracts are reported as cost of sales. The Company's gains (losses) on derivative instruments are substantially offset by the changes in fair market value underlying precious metals inventory and open sale and purchase commitments, which is also recorded in cost of sales in the consolidated statements of income.

Net losses on derivative instruments in the consolidated statements of income totaled \$5.9 million and \$52.8 million for the years ended June 30, 2016 and 2015, respectively (see [Note 11](#).)

### Commitments and Contingencies

Refer to [Note 15](#) for information relating to minimum rental payments under operating and capital leases, consulting and employment contracts, and other commitments.

[Table of Contents](#)

In a hedging relationship, the change in the value of the derivative financial instrument is offset to a great extent by the change in the value of the underlying hedged item. The following table summarizes the results of our hedging activities as follows at June 30, 2016 and at June 30, 2015, showing the precious metal commodity inventory position, net of open sale and purchase commitments, which is subject to price risk:

	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Inventory	\$ 245,057	\$ 191,501
Less unhedgable inventory:		
Commemorative coin inventory, held at lower of cost or market	(16)	(1,518)
Premium on metals position	(4,627)	(3,255)
Inventory value not hedged	(4,643)	(4,773)
<b>Subtotal</b>	<b>240,414</b>	<b>186,728</b>
Commitments at market:		
Open inventory purchase commitments	550,810	444,023
Open inventory sales commitments	(237,325)	(249,081)
Margin sale commitments	(12,439)	(12,430)
In-transit inventory no longer subject to market risk	(7,363)	(13,807)
Unhedgable premiums on open commitment positions	400	528
Inventory borrowed from suppliers	(4,352)	(9,500)
Product financing arrangements	(59,358)	(39,425)
Advances on industrial metals	4,521	3,340
<b>Inventory subject to price risk</b>	<b>475,308</b>	<b>310,376</b>
Inventory subject to derivative financial instruments:		
Precious metals forward contracts at market values	188,530	202,323
Precious metals futures contracts at market values	286,449	107,993
<b>Total market value of derivative financial instruments</b>	<b>474,979</b>	<b>310,316</b>
<b>Net inventory subject to commodity price risk</b>	<b>\$ 329</b>	<b>\$ 60</b>

We are exposed to the risk of default of the counter parties to our derivative contracts. Significant judgment is applied by us when evaluating the fair value implications. We regularly review the creditworthiness of our major counterparties and monitor our exposure to concentrations. At June 30, 2016, 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.

**OFF-BALANCE SHEET ARRANGEMENTS**

As of June 30, 2016 and June 30, 2015, we had the following outstanding sale and purchase commitments and open forward and future contracts, which are normal and recurring, in nature:

<i>in thousands</i>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Purchase commitments	\$ 550,810	\$ 444,023
Sales commitments	\$ (237,325)	\$ (249,081)
Margin sale commitments	\$ (12,439)	\$ (12,430)
Open forward contracts	\$ 188,530	\$ 202,323
Open futures contracts	\$ 286,449	\$ 107,993
Foreign exchange forward contracts	\$ 1,992	\$ 6,242

The notional amounts of the commodity forward and futures contracts and the open sales and purchase orders, as shown in the table above, are not reflected at the notional amounts in the consolidated balance sheets. The Company records commodity forward and futures contracts at the fair value, which is the difference between the market price of the underlying metal or contract measured on the reporting date and at fair value of trade amount measured on the date the contract was transacted. The fair value of the open derivative contracts are shown as a component of receivables or payables in the accompanying 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 underlying precious metals inventory position, including our open sale and purchase commitments. The Company records the derivatives at the trade date, and the corresponding unrealized gains or losses are shown as a component of cost of sales in the consolidated statements of income. We adjust the carrying value of the derivatives to fair value on a daily basis until the transactions are physically settled (see [Note 11](#).)

## **CRITICAL ACCOUNTING ESTIMATES**

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

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

### ***Revenue Recognition***

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

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

### ***Inventories***

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

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

value of the inventory and the change in the fair market value of these derivative instruments are recorded in cost of sales in the consolidated statements of income.

As of June 30, 2016 and June 30, 2015, the unrealized gains (losses) resulting from the difference between market value and cost of physical inventories were \$12.7 million and \$(3.9) million, respectively. The premium component of market value included in the inventories as of June 30, 2016 and June 30, 2015 totaled \$4.6 million and \$3.3 million, respectively.

While the premium component included in inventories is marked-to-market, our commemorative coin inventory, including its premium component, is held at the lower of cost or market, because the value of commemorative coins is influenced more by supply and demand determinants than on the underlying spot price of the precious metal content of the commemorative coins. Unlike our bullion coins, the value of commemorative coins is not subject to the same level of volatility as bullion coins because our commemorative coins typically carry a substantially higher premium over the spot metal price than bullion coins. Additionally, neither the commemorative coin inventory nor the premium component of our inventory is hedged. As of June 30, 2016 and June 30, 2015, our commemorative coin inventory totaled \$16,000 and \$1.5 million, respectively.

Inventories include amounts borrowed from suppliers under arrangements to purchase precious metals on an unallocated basis. Unallocated or pool metal represents an unsegregated inventory position that is due on demand, in a specified physical form, based on the total ounces of metal held in the position. Amounts under these arrangements require delivery either in the form of precious metals or cash. Corresponding obligations related to liabilities on borrowed metals are reflected on the consolidated balance sheets and totaled \$4.4 million and \$9.5 million as of June 30, 2016 and June 30, 2015, respectively. The Company mitigates market risk of its physical inventories and open commitments through commodity hedge transactions (see [Note 11](#).)

The Company enters into product financing agreements for the transfer and subsequent re-acquisition of gold and silver at a fixed price to a third party finance company (this type of agreement is also known as reverse-repurchase agreements). This inventory is restricted and is held at a custodial storage facility in exchange for a financing fee, by the third party finance company. During the term of the financing, the third party finance company holds the inventory as collateral, and both parties intend to return the inventory to the Company at an agreed-upon price based on the spot price on the finance arrangement termination date. The third party charges a monthly fee as percentage of the market value of the outstanding obligation; such monthly charge is classified in interest expense. This type of transaction does not qualify as sales. Pursuant to the guidance in ASC 470-40 *Product Financing Arrangements*, the Company accounts for transaction as increase to inventory and an increase to product financing arrangements (a liability) on the consolidated balance sheets. 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 consolidated statements of income. Such obligation totaled \$59.4 million and \$39.4 million as of June 30, 2016 and June 30, 2015, respectively.

The Company periodically loans metals to customers on a short-term consignment basis, charging interest fees based on the value of the metal loaned. Inventories loaned under consignment arrangements to customers as of June 30, 2016 and June 30, 2015 totaled \$8.0 million and \$5.6 million, respectively. Such inventories are removed at the time the customer elects to price and purchase the metals, and the Company records a corresponding sale and receivable.

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. As of June 30, 2016 and June 30, 2015, included within inventory is \$92.3 million and \$49.1 million of precious metals products subject to repurchase.

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

We evaluate goodwill and other indefinite life intangibles for impairment annually in the fourth quarter of the fiscal year (or more frequently if indicators of potential impairment exist) in accordance with the *Intangibles - Goodwill and Other* Topic 350 of the ASC. Other finite life intangible assets are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. We may first qualitatively assess whether relevant events and circumstances make it more likely than not that the fair value of the reporting unit's goodwill is less than its carrying value. If, based on this qualitative assessment, we determine that goodwill is more likely than not to be impaired, a two-step impairment test is performed. This first step in this test involves comparing the fair value of each reporting unit to its carrying value, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step in the test is performed, which is measurement of the impairment loss. The impairment loss is calculated by comparing the implied fair value of goodwill, as if the reporting unit has been acquired in a business combination, to its carrying amount. In accordance with ASU No. 2011-08, we performed a qualitative assessment on our goodwill, totaling \$4.6 million, and determined no impairment was necessary as of June 30, 2016.

We utilize the discounted cash flow method to determine the fair value of the Company. In calculating the implied fair value of the Company's goodwill, the present value of the Company's expected future cash flows is allocated to all of the other

assets and liabilities of the Company based on their fair values. The excess of the present value of the Company's expected future cash flows over the amount assigned to its other assets and liabilities is the implied fair value of goodwill.

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

#### ***Income Taxes***

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

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

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

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

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

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

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

## RECENT ACCOUNTING PRONOUNCEMENTS

For a description of accounting changes and recent accounting standards, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements, see [Note 2](#) in Part II, Item 8 of this Form 10-K.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

## ITEM 8. FINANCIAL STATEMENTS

### Index to the Consolidated Financial Statements

	<b>Page</b>
<a href="#">Consolidated Balance Sheets as of June 30, 2016 and June 30, 2015</a>	<a href="#">32</a>
<a href="#">Consolidated Statements of Income for the Years Ended June 30, 2016 and 2015</a>	<a href="#">33</a>
<a href="#">Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2016 and 2015</a>	<a href="#">34</a>
<a href="#">Consolidated Statements of Cash Flows for the Years Ended June 30, 2016 and 2015</a>	<a href="#">35</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">36</a>
<a href="#">Note 1. Description of Business</a>	<a href="#">36</a>
<a href="#">Note 2. Summary of Significant Accounting Policies</a>	<a href="#">36</a>
<a href="#">Note 3. Assets and Liabilities, at Fair Value</a>	<a href="#">42</a>
<a href="#">Note 4. Receivables</a>	<a href="#">45</a>
<a href="#">Note 5. Secured Loans Receivable</a>	<a href="#">46</a>
<a href="#">Note 6. Inventories</a>	<a href="#">48</a>
<a href="#">Note 7. Property and Equipment</a>	<a href="#">49</a>
<a href="#">Note 8. Goodwill and Intangible Assets</a>	<a href="#">49</a>
<a href="#">Note 9. Long-Term Investments</a>	<a href="#">50</a>
<a href="#">Note 10. Accounts Payable</a>	<a href="#">51</a>
<a href="#">Note 11. Derivative Instruments and Hedging Transactions</a>	<a href="#">51</a>
<a href="#">Note 12. Income Taxes</a>	<a href="#">54</a>
<a href="#">Note 13. Related Party Transactions</a>	<a href="#">58</a>
<a href="#">Note 14. Financing Agreements</a>	<a href="#">59</a>
<a href="#">Note 15. Commitments and Contingencies</a>	<a href="#">60</a>
<a href="#">Note 16. Stockholders' Equity</a>	<a href="#">61</a>
<a href="#">Note 17. Customer and Supplier Concentrations</a>	<a href="#">65</a>
<a href="#">Note 18. Geographic Information</a>	<a href="#">65</a>
<a href="#">Note 19. Subsequent Events</a>	<a href="#">66</a>

The Board of Directors and Stockholders'  
A-Mark Precious Metals, Inc.

We have audited the accompanying consolidated balance sheets of A-Mark Precious Metals, Inc. and subsidiaries (collectively, the "Company"), as of June 30, 2016 and June 30, 2015, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of A-Mark Precious Metals, Inc. and subsidiaries as of June 30, 2016 and June 30, 2015 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

September 22, 2016

---



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

	June 30, 2016	June 30, 2015
<b>ASSETS</b>		
Current assets:		
Cash	\$ 17,142	\$ 20,927
Receivables, net	43,302	30,025
Derivative assets	33,732	11,364
Secured loans receivable	70,004	48,666
Inventories:		
Inventories	185,699	152,076
Restricted inventories	59,358	39,425
	<u>245,057</u>	<u>191,501</u>
Income taxes receivable	7,318	7,846
Income taxes receivable from Former Parent	203	1,095
Prepaid expenses and other assets	1,503	1,202
<b>Total current assets</b>	<u>418,261</u>	<u>312,626</u>
Property and equipment, net	3,482	2,850
Goodwill	4,620	4,884
Intangibles, net	1,987	2,369
Long-term secured loans receivable	500	650
Long-term investments	7,873	2,500
Deferred tax assets - non-current	424	783
<b>Total assets</b>	<u>\$ 437,147</u>	<u>\$ 326,662</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Lines of credit	\$ 212,000	\$ 147,000
Liability on borrowed metals	4,352	9,500
Product financing arrangement	59,358	39,425
Accounts payable	46,769	50,639
Derivative liabilities	36,454	17,897
Accrued liabilities	7,660	5,330
<b>Total current liabilities</b>	<u>366,593</u>	<u>269,791</u>
Deferred tax liabilities - non-current	7,245	909
<b>Total liabilities</b>	<u>373,838</u>	<u>270,700</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of June 30, 2016 and 2015	—	—
Common Stock, par value \$0.01; 40,000,000 shares authorized; 7,021,450 and 6,973,549 shares issued and outstanding as of June 30, 2016 and 2015, respectively	71	70
Additional paid-in capital	22,220	22,470
Retained earnings	41,018	33,422
<b>Total stockholders' equity</b>	<u>63,309</u>	<u>55,962</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 437,147</u>	<u>\$ 326,662</u>

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

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

	Years Ended June 30,	2016	2015
Revenues		\$ 6,784,039	\$ 6,070,234
Cost of sales		6,749,518	6,045,736
Gross profit		<u>34,521</u>	<u>24,498</u>
Selling, general and administrative expenses		(22,233)	(17,131)
Interest income		8,795	6,073
Interest expense		(6,319)	(4,311)
Other income		701	—
Unrealized gains on foreign exchange		99	19
Net income before provision for income taxes		<u>15,564</u>	<u>9,148</u>
Provision for income taxes		(6,293)	(2,097)
Net income		<u>\$ 9,271</u>	<u>\$ 7,051</u>
<b>Basic and diluted income per share:</b>			
Basic - net income		<u>\$ 1.33</u>	<u>\$ 1.01</u>
Diluted - net income		<u>\$ 1.30</u>	<u>\$ 1.00</u>
<b>Weighted average shares outstanding:</b>			
Basic		<u>6,981,900</u>	<u>6,962,800</u>
Diluted		<u>7,120,300</u>	<u>7,062,600</u>

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

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

	Common Stock (Shares)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
<b>Balance, June 30, 2014</b>	6,962,742	\$ 70	\$ 22,317	\$ 27,069	\$ 49,456
Net income	—	—	—	7,051	7,051
Share-based compensation	—	—	253	—	253
Release of restricted stock units	20,377	—	—	—	—
Repurchase and retirement of restricted stock units for payroll taxes	(9,570)	—	(100)	—	(100)
Dividends declared	—	—	—	(698)	(698)
<b>Balance, June 30, 2015</b>	<u>6,973,549</u>	<u>\$ 70</u>	<u>\$ 22,470</u>	<u>\$ 33,422</u>	<u>\$ 55,962</u>
Net income	—	—	—	9,271	9,271
Share-based compensation	—	—	419	—	419
Release of restricted stock units	86,298	1	—	—	1
Repurchase and retirement of restricted stock units for payroll taxes	(38,397)	—	(669)	—	(669)
Dividends declared	—	—	—	(1,675)	(1,675)
<b>Balance, June 30, 2016</b>	<u>7,021,450</u>	<u>\$ 71</u>	<u>\$ 22,220</u>	<u>\$ 41,018</u>	<u>\$ 63,309</u>

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

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

	Years Ended June 30,	2016	2015
<b>Cash flows from operating activities:</b>			
Net income	\$	9,271	\$ 7,051
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization		1,216	895
Amortization of loan cost		204	—
Deferred income taxes		6,695	(1,363)
Interest added to principal of secured loans		(83)	(212)
Provision for doubtful accounts		—	—
Share-based compensation		419	253
Earnings from equity method investment		(701)	—
Loss on sale of property and equipment		—	41
Changes in assets and liabilities:			
Receivables		(13,277)	9,354
Secured loans		4,345	(737)
Secured loans to Former Parent		(1,369)	2,562
Derivative assets		(22,368)	10,820
Income tax receivable		528	(7,846)
Inventories		(53,556)	(15,947)
Prepaid expenses and other current assets		(505)	(589)
Accounts payable		(3,870)	5,995
Derivative liabilities		18,557	(14,885)
Liabilities on borrowed metals		(5,148)	791
Accrued liabilities		2,594	(740)
Receivable from/payables to Former Parent		892	2,044
Income taxes payable		—	(2,178)
<b>Net cash used in operating activities</b>		<b>(56,156)</b>	<b>(4,691)</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures for property and equipment		(1,466)	(1,784)
Proceeds from the sale of property and equipment		—	60
Purchase of long-term investments		(4,672)	(2,000)
Secured loans, net		(24,081)	(9,668)
<b>Net cash used in investing activities</b>		<b>(30,219)</b>	<b>(13,392)</b>
<b>Cash flows from financing activities:</b>			
Product financing arrangement, net		19,933	14,815
Dividends paid		(1,675)	(698)
Borrowings (repayments) under lines of credit, net		65,000	11,800
Release of common stock		1	—
Repurchase and retirement of restricted stock for payroll taxes		(669)	(100)

Net cash provided by financing activities	82,590	25,817
Net (decrease) increase in cash and cash equivalents	(3,785)	7,734
Cash and cash equivalents, beginning of period	20,927	13,193
Cash and cash equivalents, end of period	\$ 17,142	\$ 20,927
<b>Supplemental disclosures of cash flow information:</b>		
<b>Cash paid during the period for:</b>		
Interest expense	\$ 6,143	\$ 4,141
Income taxes	\$ 149	\$ 12,883
<b>Non-cash investing and financing activities:</b>		
Interest added to principal of secured loans	\$ 83	\$ 212

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

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

**1. DESCRIPTION OF BUSINESS**

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

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

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Principles of Consolidation**

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

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

**Reclassifications**

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

**Use of Estimates**

The preparation of 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. These estimates include, among others, determination of fair value, and allowances for doubtful accounts, impairment assessments of long-lived assets and intangible assets, valuation reserve determination on deferred tax assets, and revenue recognition judgments. Significant estimates also include the Company's fair value determination with respect to its financial instruments and precious metals materials. Actual results could materially differ from these estimates.

**Concentration of Credit Risk**

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

Assets that potentially subject the Company to concentrations of credit risk consist principally of receivables, loans of inventory to customers, and inventory hedging transactions. Concentration of credit risk with respect to receivables is limited due to the large number of customers composing the Company's customer base, the geographic dispersion of the customers, and the

collateralization of substantially all receivable balances. Based on an assessment of credit risk, the Company typically grants collateralized credit to its customers. The Company enters into inventory hedging transactions, principally utilizing metals commodity futures contracts traded on national futures exchanges or forward contracts with credit worthy financial institutions. Credit risk with respect to loans of inventory to customers is minimal; substantially all inventories loaned under consignment arrangements are collateralized for the benefit of the Company. All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions. Substantially all of these transactions are secured by the underlying metals positions.

#### **Foreign Currency**

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

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

#### **Cash Equivalents**

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

#### **Inventories**

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

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

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

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

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

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

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired.

Goodwill and other indefinite life intangibles are evaluated for impairment annually in the fourth quarter of the fiscal year (or more frequently if indicators of potential impairment exist) in accordance with the *Intangibles - Goodwill and Other* Topic 350 of the Accounting Standards Codification ("ASC.") Other purchased intangible assets continue to be amortized over their useful lives and are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. The Company may first qualitatively assess whether relevant events and circumstances make it more likely than not that the fair value of the reporting unit's goodwill is less than its carrying value. If, based on this qualitative assessment, management determines that goodwill is more likely than not to be impaired, the two-step impairment test is performed. This first step in this test includes comparing the fair value of each reporting unit to its carrying value, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step in the test is performed, which is measurement of the impairment loss. The impairment loss is calculated by comparing the implied fair value of goodwill, as if the reporting unit has

been acquired in a business combination, to its carrying amount. As of June 30, 2016 and June 30, 2015, the Company has not identified any impairments.

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

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

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

Long-lived assets, other than goodwill and purchased intangible assets with indefinite lives are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. In evaluating impairment, the carrying value of the asset is compared to the undiscounted estimated future cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is recognized when estimated future cash flows are less than the carrying amount. Estimates of future cash flows may be internally developed or based on independent appraisals and significant judgment is applied to make the estimates. Changes in the Company's strategy, assumptions and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of long-lived assets. As of June 30, 2016 and June 30, 2015, management concluded that impairment was not required.

#### **Long-Term Investments**

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

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

We evaluate our long-term investments for impairment quarterly or whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. As of June 30, 2016 and June 30, 2015, 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](#).)

#### **Revenue Recognition**

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

The Company accounts for its metals and sales contracts using settlement date accounting. Pursuant to such accounting, the Company recognizes the sale or purchase of the metals at settlement date. During the period between trade and settlement date, the Company has essentially entered into a forward contract that meets the definition of a derivative in accordance with the *Derivatives and Hedging* Topic 815 of the ASC. The Company records the derivative at the trade date with a corresponding unrealized gain (loss), which is reflected in the cost of sales in the consolidated statements of income. The Company adjusts the derivatives to fair value on a daily basis until the transaction is physically settled. Sales which are physically settled are recognized at the gross amount in the consolidated statements of income.



### **Interest Income**

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

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

### **Interest Expense**

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

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

The Company incurs financing fees (classified as interest expense) as a result of its product financing arrangement (i.e., reverse-purchase agreements) for the transfer and subsequent re-acquisition of gold and silver at a fixed price to a third party finance companies. During the term of this type of financing agreement, a third party finance company holds the designated inventory, with the intent to return the inventory to the Company at an agreed-upon price based on the spot price on the finance arrangement termination date. The third party charges a monthly fee as a percentage of the market value of the outstanding obligation. In addition, the Company incurs a financing fee related to custodial storage facility charges related to the transferred collateral inventory; this collateral is classified as restricted inventory on our consolidated balance sheets.

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

### **Derivative Instruments**

The Company's inventory, and purchase and sale commitment transactions consist of precious metals products. The value of our inventory and these commitments 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 only major credit worthy financial institutions. All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions. Substantially all of these transactions are secured by the underlying metals positions. Notional balances of the Company's derivative instruments, consisting of contractual metal quantities, are expressed at current spot prices of the underlying precious metal commodity.

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

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

The Company enters into derivative transactions solely for the purpose of hedging our inventory holding risk, and not for speculative market purposes. The Company's gains (losses) on derivative instruments are substantially offset by the changes in the fair market value of the underlying precious metals inventory, which is also recorded in cost of sales in the consolidated statements of income (see [Note 11.](#))

#### **Advertising**

Advertising expense was \$645,000 and \$608,000, respectively, for the years ended June 30, 2016 and 2015.

#### **Shipping and Handling Costs**

Shipping and handling costs represent costs associated with shipping product to customers, and receiving product from vendors and are included in cost of sales in the consolidated statements of income. Shipping and handling costs incurred totaled \$7.5 million and \$7.0 million, respectively, for the years ended June 30, 2016 and 2015.

#### **Share-Based Compensation**

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

#### **Income Taxes**

As part of the process of preparing its 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 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 consolidated balance sheet principally within accrued liabilities.

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

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

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

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

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

Income taxes receivable from Former Parent reflects balance due from the Former Parent pursuant to a tax sharing agreement between the parties.

### Earnings per Share ("EPS")

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

A reconciliation of shares used in calculating basic and diluted earnings per common shares follows. There is no dilutive effect of stock appreciation rights ("SARs"), as such obligations are not settled and were out of the money for the years ended June 30, 2016 and 2015.

*in thousands*

	Years Ended June 30,	2016	2015
Basic weighted average shares outstanding <sup>(1)</sup>		6,982	6,963
Effect of common stock equivalents — stock issuable under outstanding equity awards		138	100
Diluted weighted average shares outstanding		<u>7,120</u>	<u>7,063</u>

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

### Recent Accounting Pronouncements Not Yet Adopted

In August 2016 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This new standard will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. This update is effective for the Company, on July 1, 2018. The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case we would be required to apply the amendments prospectively as of the earliest date practicable. We are currently evaluating the impact of our pending adoption of ASU 2016-15 on our consolidated financial statements.

In March 2016, FASB issued ASU No. 2016-09, ("ASU 2016-09"), *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The amendments in this update simplify several aspects of the accounting for share-based payment award transactions including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. This update is effective for the Company, on July 1, 2017 (financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods). We are evaluating the new guidelines to see if they will have a significant impact on our consolidated financial position, results of operations or cash flows and related disclosures.

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 to see if they will have a significant impact on our consolidated financial position, results of operations or cash flows and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU No. 2014-09 is to recognize revenues

when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU No. 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (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, *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. For all of the ASUs noted above, the effective date for Company is July 1, 2018 for annual and interim reporting periods. Either the retrospective or cumulative effect transition method is permitted. We are still evaluating what impact this standard will have on the Company’s consolidated financial position, results of operations or cash flows and related disclosures.

**Recent Accounting Pronouncements Adopted**

In November 2015, the FASB issued Accounting Standards Update (“ASU”) No. 2015-17, *Income Taxes: Balance Sheet Classification of Deferred Taxes* (“ASU 2015-17”), which simplifies the presentation of deferred taxes by requiring deferred tax assets and liabilities be classified as non-current on the balance sheet. This update is effective for the Company, on July 1, 2017. This guidance may be adopted prospectively or retrospectively and early adoption is permitted. In the fourth quarter of fiscal 2016, we elected to early adopt ASU 2015-17. The adoption of this update did have a material impact on our consolidated financial position, results of operations or cash flows. For comparison purposes, we have reclassified the prior year current net deferred tax liability of \$126,000 to long-term deferred taxes (comprised of \$783,000 of long-term deferred assets and \$909,000 long-term deferred liabilities).

**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 June 30, 2016 and June 30, 2015.

*in thousands*

	June 30, 2016		June 30, 2015	
	Carrying Amount	Fair value	Carrying Amount	Fair value
<b>Financial assets:</b>				
Cash	\$ 17,142	\$ 17,142	\$ 20,927	\$ 20,927
Receivables, net	43,302	43,302	30,025	30,025
Secured loans	70,504	70,504	49,316	49,316
Derivative assets - open sale and purchase commitments, net	32,347	32,347	1,722	1,722
Derivative assets - futures contracts	—	—	5,363	5,363
Derivative assets - forward contracts	1,385	1,385	4,279	4,279
Income tax receivables	7,318	7,318	7,846	7,846
Income taxes receivable from Former Parent	203	203	1,095	1,095
<b>Financial liabilities:</b>				
Lines of credit	\$ 212,000	\$ 212,000	\$ 147,000	\$ 147,000
Liability on borrowed metals	4,352	4,352	9,500	9,500
Product financing arrangement	59,358	59,358	39,425	39,425
Derivative liabilities - liability on margin accounts	8,182	8,182	6,908	6,908
Derivative liabilities - open sale and purchase commitments, net	1,919	1,919	10,989	10,989
Derivative liabilities - futures contracts	13,914	13,914	—	—
Derivative liabilities - forward contracts	12,439	12,439	—	—
Accounts payable, advances and other payables	46,769	46,769	50,639	50,639
Accrued liabilities	7,660	7,660	5,330	5,330

The fair values of the financial instruments shown in the above table as of June 30, 2016 and June 30, 2015 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk adjusted discount rates, and available observable and unobservable inputs.

The carrying amounts of cash and cash equivalents, secured loans, accounts receivable, income tax receivables, consignor advances, accounts payable and accrued liabilities approximated fair value due to their short-term nature. The carrying amounts of derivative assets and derivative liabilities are marked-to-market on a daily basis to fair value. The carrying amounts of lines of credit approximate fair value based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities.

#### ***Valuation Hierarchy***

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

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

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

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

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

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

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

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

June 30, 2016

<i>in thousands</i>	Quoted Price in			Total
	Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Inventory <sup>(1)</sup>	\$ 245,041	\$ —	\$ —	\$ 245,041
Derivative assets — open sale and purchase commitments, net	32,347	—	—	32,347
Derivative assets — forward contracts	1,385	—	—	1,385
Total assets, valued at fair value	<u>\$ 278,773</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 278,773</u>
<b>Liabilities:</b>				
Liability on borrowed metals	\$ 4,352	\$ —	\$ —	\$ 4,352
Product financing arrangement	59,358	—	—	59,358
Derivative liabilities — liability on margin accounts	8,182	—	—	8,182
Derivative liabilities — open sales and purchase commitments, net	1,919	—	—	1,919
Derivative liabilities — future contracts	13,914	—	—	13,914
Derivative liabilities — forward contracts	12,439	—	—	12,439
Total liabilities, valued at fair value	<u>\$ 100,164</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 100,164</u>

<sup>(1)</sup> Commemorative coin inventory totaling \$16,000 is held at lower of cost or market and is thus excluded from this table.

June 30, 2015

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

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

There were no transfers in or out of Level 2 or 3 during the reported periods.

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

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only under certain circumstances. These include cost method and equity method investments that are written down to fair value when their declines are determined to be other-than-temporary, and long-lived assets or goodwill that are written down to fair value when they are held for sale or determined to be impaired.

The Company uses level-three inputs to measure the fair value of its investments on a non-recurring basis. The Company's investments in ownership interests in noncontrolled entities do not have readily determinable fair values and were initially recorded at cost, \$7.2 million, in aggregate, as of June 30, 2016. Quoted prices of the investments are not available, and the cost of obtaining an independent valuation appears excessive considering the materiality of the instruments to the Company. For the Company's equity method investment, it recognized \$0.7 million and \$0.0 million earnings associated with the Company's ownership interests in this noncontrolled entity during the years ended June 30, 2016 and 2015, respectively. As of June 30, 2016 and June 30, 2015, the carrying value of the Company's investments totaled \$7.9 million and \$2.5 million, respectively. During the years ended June 30, 2016 and 2015, the Company did not record any write-downs related to its investments.

The Company uses level-three inputs to measure the fair value of goodwill and other intangibles on a non-recurring basis. These assets are measured at cost and are written down to fair value on the annual measurement dates or on the date of a triggering event, if impaired. As of June 30, 2016, there were no indications present that the Company's goodwill or other purchased intangibles were impaired, and therefore were not measured at fair value. There were no gains or losses recognized in earnings associated with the above purchased intangibles during the years ended June 30, 2016 and 2015.

**4. RECEIVABLES**

Receivables consist of the following as of June 30, 2016 and June 30, 2015:

*in thousands*

	June 30, 2016	June 30, 2015
Customer trade receivables	\$ 4,001	\$ 11,835
Wholesale trade advances	11,860	12,164
Due from brokers	27,471	6,056
Subtotal	43,332	30,055
Less: allowance for doubtful accounts	(30)	(30)
Receivables, net	\$ 43,302	\$ 30,025

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

*Wholesale trade advances.* Wholesale trade advances represent advances of various bullion products and cash advances to customers. Typically, these advances are: unsecured, short-term, and non-interest bearing, which are made to wholesale metals dealers and government mints.

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

**Allowance for Doubtful Accounts**

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

*in thousands*

Period ended:	Beginning Balance	Provision	Charge-off	Ending Balance
Year Ended June 30, 2016	\$ 30	\$ —	\$ —	\$ 30
Year Ended June 30, 2015	\$ 30	\$ —	\$ —	\$ 30

## 5. SECURED LOANS RECEIVABLE

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

*in thousands*

	June 30, 2016	June 30, 2015
Secured loans originated	\$ 36,280	\$ 36,778
Secured loans originated - with a related party	1,370	—
	37,650	36,778
Secured loans acquired	32,854 <sup>(1)</sup>	12,538 <sup>(2)</sup>
Secured loans (current and long-term)	\$ 70,504	\$ 49,316

(1) Includes \$86,000 of amortized loan premium as of June 30, 2016.

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

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

*Secured loans - acquired:* Secured loans also include short-term loans, which include a combination of on-demand lines and short term facilities that are purchased from our customers (i.e., secured loans - acquired). The Company acquires a portfolio 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 June 30, 2016 and June 30, 2015, our secured loans carried weighted-average effective interest rates of 8.7% and 8.5%, respectively, and mature in periods generally ranging from on-demand to two years.

The secured loans that the Company generates with active customers of A-Mark are reflected as an operating activity on the 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 consolidated statements of cash flows as secured loans, net. For the secured loans that are reflected as an investing activity and have terms that allow the borrower to increase their loan balance (at the discretion of the Company) based on the excess value of their collateral compared to their aggregate principal balance of loan and are repayable on demand or in the short-term, the borrowings and repayments are netted on the consolidated statements of cash flows. In contrast, for the secured loans that are reflected as an investing activity and do not contain a revolving credit-line feature or have long-term maturities, the borrowed funds are shown at gross as other originated secured loans, segregated from the repayments of the principal, which are shown as principal collections on other originated secured loans on the consolidated statements of cash flows.

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

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



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

*in thousands*

	June 30, 2016		June 30, 2015	
Bullion	\$ 35,168	49.9%	\$ 16,250	33.0%
Numismatic and semi numismatic	34,636	49.1	32,216	65.3
Subtotal	69,804	99.0	48,466	98.3
Other pledged assets <sup>(1)</sup>	700	1.0	850	1.7
Total secured loans	\$ 70,504	100.0%	\$ 49,316	100.0%

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

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

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

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

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

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

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

*in thousands*

	June 30, 2016		June 30, 2015	
Loan-to-value of 75% or more <sup>(1)</sup>	\$ 10,231	14.7%	\$ 17,153	35.4%
Loan-to-value of less than 75% <sup>(1)</sup>	59,573	85.3	31,313	64.6
Secured loans collateralized by precious metal products <sup>(1)</sup>	\$ 69,804	100.0%	\$ 48,466	100.0%

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

The Company had no loans with a loan-to-value ratio in excess of 100% at June 30, 2016. At June 30, 2015, the Company had one loan with a loan-to-value ratio in excess of 100%, the aggregate balance of this loan totaled \$175,600 or 0.4% of the overall secured loan balance.

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

#### Impaired loans

A loan is considered impaired if it is probable, based on current information and events, that the Company will be unable to collect all amounts due according to the contractual terms of the loan. Customer loans are reviewed for impairment and include loans that are past due, non-performing or in bankruptcy. Recognition of interest income is suspended and the loan is placed on

non-accrual status when management determines that collection of future interest income is not probable. Accrual is resumed, and previously suspended interest income is recognized, when the loan becomes contractually current and/or collection doubts are removed. Cash receipts on impaired loans are recorded first against the receivable and then to any unrecognized interest income.

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

For the years ended June 30, 2016 and 2015, the Company incurred no loan impairment costs.

## 6. INVENTORIES

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

*in thousands*

	June 30, 2016	June 30, 2015
Inventory held for sale	\$ 81,006	\$ 86,353
Repurchase arrangements with customers	92,283	49,117
Consignment arrangements with customers	8,042	5,588
Commemorative coins, held at lower of cost or market	16	1,518
Borrowed precious metals from suppliers	4,352	9,500
Product financing arrangement, restricted	59,358	39,425
	<u>\$ 245,057</u>	<u>\$ 191,501</u>

Inventory held for sale. Inventory held for sale represents precious metals, excluding commemorative coin inventory, that have been received by the Company that is not subject to repurchase or consignment arrangements with third parties. As of June 30, 2016 and June 30, 2015, the inventory held for sale totaled \$81.0 million and \$86.4 million, respectively.

Repurchase Arrangements with Customers. The Company enters into arrangements with certain customers under which A-Mark purchases precious metals products that are subject to repurchase by the customer at the fair value of the product on the repurchase date. The Company or the counterparty may typically terminate any such arrangement with 14 days' notice. Upon termination the customer's rights to repurchase any remaining inventory is forfeited. As of June 30, 2016 and June 30, 2015, included within inventory is \$92.3 million and \$49.1 million, respectively, of precious metals products subject to repurchase.

Consignment Arrangements with Customers. The Company periodically loans metals to customers on a short-term consignment basis, charging interest fees based on the value of the metal loaned. Inventories loaned under consignment arrangements to customers as of June 30, 2016 and June 30, 2015 totaled \$8.0 million and \$5.6 million, respectively. Such inventories are removed at the time the customer elects to price and purchase the precious metals, and the Company records a corresponding sale and receivable.

Commemorative Coins. Our commemorative coin inventory, including its premium component, is held at the lower of cost or market, because the value of commemorative coins is influenced more by supply and demand determinants than on the underlying spot price of the precious metal content of the commemorative coins. Unlike our bullion coins, the value of commemorative coins is not subject to the same level of volatility as bullion coins because our commemorative coins typically carry a substantially higher premium over the spot metal price than bullion coins. Our commemorative coins are not hedged, are included in inventory at the lower of cost or market and totaled \$16,000 and \$1.5 million as of June 30, 2016 and June 30, 2015, respectively.

Borrowed Precious Metals from Suppliers. Inventories include amounts borrowed from suppliers under arrangements to purchase precious metals on an unallocated basis that are held by the supplier. Unallocated or pool metal represents an unsegregated inventory position that is due on demand, in a specified physical form, based on the total ounces of metal held in the position. Amounts under these arrangements require delivery either in the form of precious metals or cash. Corresponding obligations related to liabilities on borrowed metals are reflected on the consolidated balance sheets and totaled \$4.4 million and \$9.5 million as of June 30, 2016 and June 30, 2015, respectively.

**Product Financing Arrangement.** Inventories include amounts for obligations under product financing arrangement. The Company enters into a product financing agreement for the transfer and subsequent re-acquisition of gold and silver at a fixed price to a third party finance company. This inventory is restricted and is held at a custodial storage facility in exchange for a financing fee, by the third party finance company. During the term of the financing, the third party finance company holds the inventory as collateral, and both parties intend to return the inventory to the Company at an agreed-upon price based on the spot price on the finance arrangement termination date. The third party charges a monthly fee as percentage of the market value of the outstanding obligation; such monthly charge is classified in interest expense. Pursuant to the guidance in ASC 470-40 *Product Financing Arrangements*, these transactions do not qualify as sales and therefore have been accounted for as financing arrangements and reflected in the consolidated balance sheets within product financing arrangement. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing and the underlying inventory are carried at fair value, with changes in fair value included in cost of sales in the consolidated statements of income. Such obligation totaled \$59.4 million and \$39.4 million as of June 30, 2016 and June 30, 2015, respectively.

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

#### Premium component of inventory

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

The Company's inventories are subsequently recorded at their fair market values, that is, "marked-to-market", except for our commemorative coin inventory. The daily changes in the fair market value of our inventory are offset by daily changes in fair market value of hedging derivatives that are taken with respects to our inventory positions; both the change in the fair market value of the inventory and the change in the fair market value of these derivative instruments are recorded in cost of sales in the consolidated statements of income.

The premium component, at market value, included in the inventories as of June 30, 2016 and June 30, 2015 totaled \$4.6 million and \$3.3 million, respectively. As of June 30, 2016 and June 30, 2015, the unrealized gains (losses) resulting from the difference between market value and cost of physical inventories were \$12.7 million and \$(3.9) million, respectively.

## 7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016 and June 30, 2015:

*in thousands*

	June 30, 2016	June 30, 2015
Office furniture, fixtures and equipment	\$ 1,107	\$ 616
Computer equipment	407	368
Computer software	2,386	2,376
Leasehold improvements	1,661	1,700
Total depreciable assets	5,561	5,060
Less: accumulated depreciation	(3,043)	(2,210)
Property and equipment not placed in service	964	—
Property and equipment, net	\$ 3,482	\$ 2,850

Depreciation expense for the years ended June 30, 2016 and 2015 was \$833,000 and \$511,000, respectively.

## 8. GOODWILL AND INTANGIBLE ASSETS

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

[Table of Contents](#)

In connection with the acquisition of A-Mark by Spectrum PMI on July 1, 2005, the accounts of the Company were adjusted using the push down basis of accounting to recognize the allocation of the consideration paid to the respective net assets acquired. In accordance with the push down basis of accounting, the Company's net assets were adjusted to their fair values as of the date of the acquisition based upon an independent appraisal. As a result, the balance of goodwill totaled \$4.6 million and identifiable purchased intangible assets of \$8.4 million as of June 30, 2016. Goodwill represents the excess of the purchase price and related costs over the value assigned to intangible assets of businesses acquired and accounted for under the purchase method.

The carrying value of other purchased intangibles as of June 30, 2016 and June 30, 2015 is as described below:

*dollar amounts in thousands*

	Estimated Useful Lives (Years)	June 30, 2016			June 30, 2015		
		Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Existing customer relationships	5 - 15	5,747	(4,214)	1,533	5,747	(3,832)	1,915
Non-compete and other	4	2,000	(2,000)	—	2,000	(2,000)	—
Employment agreement	3	195	(195)	—	195	(195)	—
Purchased intangibles subject to amortization		7,942	(6,409)	1,533	7,942	(6,027)	1,915
Trade-name	Indefinite	\$ 454	\$ —	\$ 454	\$ 454	\$ —	\$ 454
		\$ 8,396	\$ (6,409)	\$ 1,987	\$ 8,396	\$ (6,027)	\$ 2,369

The Company's other purchased intangible assets are subject to amortization except for trade-names, which have an indefinite life. Intangible assets subject to amortization are amortized using the straight-line method over their useful lives, which are estimated to be three to fifteen years. Amortization expense related to the Company's intangible assets for the years ended June 30, 2016 and 2015 was \$382,000 and \$384,000, respectively.

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

Fiscal year ending June 30,	Amount
2017	\$ 385
2018	385
2019	385
2020	378
2021	—
Thereafter	—
Total	\$ 1,533

## 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:

*in thousands*

	June 30, 2016	June 30, 2015
Equity method investment	\$ 7,373	\$ 2,000
Cost method investment	500	500
	\$ 7,873	\$ 2,500

### *Equity Method Investment*

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

loss for each reporting period, and is required to present its prior period financial results to reflect the equity method of accounting from the date of its initial investment in the investee.

The Company recorded its proportionate share of the investee's net income that totaled \$701,000 and \$0 for the years ended June 30, 2016 and 2015, respectively. The Company's share of these earnings is shown as "other income" on the consolidated statements of income. As of June 30, 2016, the Company increased the value of this investment by approximately \$0.7 million, representing the Company's proportionate share of the investee's earnings. As of June 30, 2016 and June 30, 2015, the net carrying balance of this equity method investment totaled \$7.4 million and \$2.0 million, respectively, which has been included as a component of long-term investments in the consolidated balance sheets.

*Cost Method Investment*

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

*Impairment*

The Company reviews its investments accounted for under the equity method and cost method for a decline in value that may be other than temporary. During the years ended June 30, 2016 and 2015, the Company did not record any write-downs related to its investments. There were no identified events or changes in circumstances that may have had a significant adverse effect on the fair value of these investments.

**10. ACCOUNTS PAYABLE**

Accounts payable consist of the following:

*in thousands*

	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Trade payable to customers	\$ 603	\$ 128
Advances from customers	36,369	38,039
Liability on deferred revenue	6,546	11,039
Due to brokers	1,250	—
Other accounts payable	2,001	1,433
	<u>\$ 46,769</u>	<u>\$ 50,639</u>

**11. DERIVATIVE INSTRUMENTS AND HEDGING TRANSACTIONS**

The Company is exposed to market risk, such as change in commodity prices, and foreign exchange rates. To manage the volatility relating to these exposures, the Company enters into various derivative products, such as forwards and futures contracts. By policy, the Company historically has entered into derivative financial instruments for the purpose of hedging substantially all of Company's market exposure to precious metals prices, and not for speculative purposes.

**Commodity Price Management**

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

The Company's trading inventories and purchase and sale transactions consist primarily of precious metal products. The value of these assets and liabilities are marked-to-market daily to the prevailing closing price of the underlying precious metals.

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

Open sale and purchase commitments are subject to changes in value between the date the purchase or sale price is fixed (the trade date) and the date the metal is received or delivered (the settlement date). The Company seeks to minimize the effect of price changes of the underlying commodity through the use of forward and futures contracts.

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

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

#### Derivative Assets and Liabilities

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

All of our commodity derivative contracts are under master netting arrangements and include both asset and liability positions (i.e., offsetting derivative instruments). Substantially all of these transactions are secured by the underlying metals positions. As such, the Company's derivative contracts with the same counterparty, the receivables and payables have been netted on the 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 June 30, 2016 and June 30, 2015.

<i>in thousands</i>	June 30, 2016				June 30, 2015			
	Gross Derivative	Amounts Netted	Cash Collateral Pledge	Net Derivative	Gross Derivative	Amounts Netted	Cash Collateral Pledge	Net Derivative
<b>Nettable derivative assets:</b>								
Open sale and purchase commitments	\$ 37,378	\$ (5,031)	\$ —	\$ 32,347	\$ 2,815	\$ (1,093)	\$ —	\$ 1,722
Future contracts	—	—	—	—	11,159	(5,796)	—	5,363
Forward contracts	1,385	—	—	1,385	4,279	—	—	4,279
	<u>\$ 38,763</u>	<u>\$ (5,031)</u>	<u>\$ —</u>	<u>\$ 33,732</u>	<u>\$ 18,253</u>	<u>\$ (6,889)</u>	<u>\$ —</u>	<u>\$ 11,364</u>
<b>Nettable derivative liabilities:</b>								
Open sale and purchase commitments	\$ 2,938	\$ (1,019)	\$ —	\$ 1,919	\$ 11,723	\$ (734)	\$ —	\$ 10,989
Margin accounts	12,439	—	(4,257)	8,182	12,430	—	(5,522)	6,908
Future contracts	13,914	—	—	13,914	—	—	—	—
Forward contracts	14,579	(2,140)	—	12,439	—	—	—	—
	<u>\$ 43,870</u>	<u>\$ (3,159)</u>	<u>\$ (4,257)</u>	<u>\$ 36,454</u>	<u>\$ 24,153</u>	<u>\$ (734)</u>	<u>\$ (5,522)</u>	<u>\$ 17,897</u>

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

#### Gain or Loss on Derivative Instruments

The Company records the derivative at the trade date with a corresponding unrealized gain (loss), which is reflected in the cost of sales in the consolidated statements of income. The Company adjusts the derivatives to fair value on a daily basis until the transaction is physically settled. Sales which are physically settled are recognized at the gross amount in the consolidated statements of income. Below, is a summary of the net gains (losses) on derivative instruments for the years ended June 30, 2016 and 2015.

*in thousands*

	Years Ended June 30,	
	2016	2015
<b>Gain (loss) on derivative instruments:</b>		
Unrealized losses on open future commodity and forward contracts and open sale and purchase commitments, net	\$ (7,205)	\$ (1,980)
Realized gains (losses) on future commodity contracts, net	1,344	(50,772)
Total	<u>\$ (5,861)</u>	<u>\$ (52,752)</u>

The Company's open sale and purchase commitments typically settle within 2 business days, and for those commitments that do not have stated settlement dates, the Company has the right to settle the positions upon demand. Futures and forwards contracts open at end of any period typically settle within 30 days.

**Summary of Hedging Activity**

In a hedging relationship, the change in the value of the derivative financial instrument is offset to a great extent by the change in the value of the underlying hedged item. The following table summarizes the results of our hedging activities, which shows the precious metal commodity inventory position, net of open sale and purchase commitments, that is subject to price risk as of June 30, 2016 and at June 30, 2015.

*in thousands*

	June 30, 2016	June 30, 2015
Inventory	\$ 245,057	\$ 191,501
Less unhedgable inventory:		
Commemorative coin inventory, held at lower of cost or market	(16)	(1,518)
Premium on metals position	(4,627)	(3,255)
Inventory value not hedged	<u>(4,643)</u>	<u>(4,773)</u>
Subtotal	<u>240,414</u>	<u>186,728</u>
Commitments at market:		
Open inventory purchase commitments	550,810	444,023
Open inventory sales commitments	(237,325)	(249,081)
Margin sale commitments	(12,439)	(12,430)
In-transit inventory no longer subject to market risk	(7,363)	(13,807)
Unhedgable premiums on open commitment positions	400	528
Inventory borrowed from suppliers	(4,352)	(9,500)
Product financing arrangements	(59,358)	(39,425)
Advances on industrial metals	4,521	3,340
Inventory subject to price risk	<u>475,308</u>	<u>310,376</u>
Inventory subject to derivative financial instruments:		
Precious metals forward contracts at market values	188,530	202,323
Precious metals futures contracts at market values	286,449	107,993
Total market value of derivative financial instruments	<u>474,979</u>	<u>310,316</u>
Net inventory subject to commodity price risk	<u>\$ 329</u>	<u>\$ 60</u>

## 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 June 30, 2016 and June 30, 2015, the Company had the following outstanding commitments and open forward and future contracts:

*in thousands*

	June 30, 2016	June 30, 2015
Purchase commitments	\$ 550,810	\$ 444,023
Sales commitments	(237,325)	(249,081)
Margin sales commitments	(12,439)	(12,430)
Open forward contracts	188,530	202,323
Open futures contracts	286,449	107,993

The contract amounts (i.e., notional balances) of the Company's forward and futures contracts and the open sales and purchase orders are properly not reflected in the accompanying 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 June 30, 2016, the Company believes its risk of counterparty default is mitigated as a result of such evaluation and the short-term duration of these arrangements.

## Foreign Currency Exchange Rate Management

The Company utilizes foreign currency forward contracts to manage the effect of foreign currency exchange fluctuations of its sale and purchase transactions. These contracts generally have maturities of less than one week. The accounting treatment of our foreign currency exchange derivative instruments is similar to the accounting treatment of our commodity derivative instruments, that is, the change in the value in the financial instrument is immediately recognized as a component of cost of sales. Unrealized net gains (losses) on foreign exchange derivative instruments shown on the face of the consolidated statements of income totaled \$99,000 and \$19,000 for the years ended June 30, 2016 and 2015, respectively. The market values (fair values) of the Company's foreign exchange forward contracts and the net open sale and purchase commitment transactions, denominated in foreign currencies, outstanding at June 30, 2016 was \$2.0 million and \$4.4 million, respectively. The market values (fair values) of the Company's foreign exchange forward contracts and the net open sale and purchase commitment transactions, denominated in foreign currencies, outstanding at June 30, 2015 was \$6.2 million and \$9.9 million, respectively.

## 12. INCOME TAXES

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

*in thousands*

	Years Ended June 30,	2016	2015
U.S.	\$	15,453	\$ 8,952
Foreign		111	196
Income before provision for income taxes	\$	15,564	\$ 9,148

The Company files a consolidated federal income tax return based on a June 30<sup>th</sup> tax year end. The provision for (benefit from) income taxes for the years ended June 30, 2016 and 2015 consists of the following:



*in thousands*

	Years Ended June 30,	2016	2015
<b>Current:</b>			
Federal		(668)	3,498
State and local		100	(464)
Foreign		52	49
		(515)	3,083
<b>Deferred:</b>			
Federal		6,325	(182)
State and local		483	(804)
		6,808	(986)
Provision for income taxes		\$ 6,293	\$ 2,097

A reconciliation of the income tax provisions to the amounts computed by applying the statutory federal income tax rate (35% for 2016, and 2015) to income before income tax provisions for the years ended June 30, 2016 and 2015, are set forth below:

*in thousands*

	Years Ended June 30,	2016	2015
Federal income tax		\$ 5,447	\$ 3,202
State tax, net of federal benefit		437	193
162(m) limitation		—	53
Uncertain tax positions		79	(352)
Reallocation of deferred state net operating loss from Former Parent related to tax settlement		—	(564)
Change in valuation allowance		(70)	(215)
Other		400	(220)
Total provision for income taxes		\$ 6,293	\$ 2,097

#### **Transition of Tax Filing Obligation Due to the Spinoff**

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

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

As of June 30, 2016 and June 30, 2015, the amount receivable under the Company's income tax sharing obligation due from Former Parent totaled \$0.2 million, and \$1.1 million, respectively, and is shown on the face of the consolidated balance sheets as income taxes receivable from Former Parent.

SGI received a written opinion from Kramer Levin Naftalis & Frankel LLP that the spinoff qualifies 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 shall be recognized by SGI upon the distribution of our common stock in the spinoff, and (ii) no gain or loss shall be recognized by, and no amount will be included in the income of, holders of SGI common stock upon the receipt of shares of our common stock in the spinoff. If, notwithstanding the conclusions included in the opinion, it is ultimately determined that the distribution does not qualify as tax-free for U.S. federal income tax purposes, each SGI shareholder that is subject to U.S. federal income tax and that received

shares of our common stock in the distribution could be treated as receiving a taxable distribution in an amount equal to the fair market value of such shares. In addition, if the distribution were not to qualify as tax-free for U.S. federal income tax purposes, then SGI would recognize gain in an amount equal to the excess of the fair market value of our common stock distributed to SGI shareholders on the date of the distribution over SGI's tax basis in such shares. Also, we could have an indemnification obligation to SGI related to its tax liability. The Company considers this possible outcome as remote, and as a result, no liability has been recorded.

### **Tax Balances and Activity**

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

As of June 30, 2016 and June 30, 2015, the income tax receivable totaled \$7.3 million and \$7.8 million, respectively. As of June 30, 2016 and June 30, 2015, the deferred tax assets (non-current) totaled \$0.4 million and \$0.8 million, respectively, and the deferred tax liabilities (non-current) totaled \$7.2 million and \$0.9 million.

### ***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 June 30, 2016 and June 30, 2015, management concluded that with the exception of certain state net operating losses, it was more likely than not that the Company would be able to realize the benefit of the U.S. federal and state deferred tax assets. We based this conclusion on historical and projected operating performance, as well as our expectation that our operations will generate sufficient taxable income in future periods to realize the tax benefits associated with the deferred tax assets.

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 \$0.4 million and a federal deferred tax liability of \$7.2 million. The schedule of deferred taxes presented below summarizes the components of deferred taxes that have been classified as deferred tax assets and deferred tax liabilities for taxable temporary differences as of June 30, 2016 and June 30, 2015:

*in thousands*

	<b>June 30,</b>	<b>2016</b>	<b>2015</b>
Accrued compensation	\$	110	\$ 102
Deferred rent		194	30
Unrealized loss on futures and forward contracts		5,179	—
Unrealized loss on open purchase and sale commitments		—	1,894
Stock-based compensation		206	159
State tax accrual		2	23
Net operating loss carry forwards		929	982
Other		215	132
Deferred tax assets		6,835	3,322
Less: valuation allowances		(44)	(114)
Deferred tax assets after valuation allowances		6,791	3,208
Intangible assets		(1,221)	(1,059)
Unrealized gain on open purchase and sale commitments		(7,228)	—
Unrealized gain on futures and forward contracts		—	(2,029)
Fixed assets		(87)	(134)
Inventories		(4,815)	(110)
Earnings from equity method investment		(261)	—
Other		—	(2)
Deferred tax liabilities		(13,612)	(3,334)
Net deferred tax liability	\$	(6,821)	\$ (126)

**Net Operating Loss Carryforwards and Valuation Allowances**

As of June 30, 2016 and June 30, 2015, the Company's state and city net operating loss carryforwards totaled approximately \$16.6 million and \$17.6 million, respectively. As shown in the table above, the Company's tax-effected net operating loss carryforwards totaled, as of June 30, 2016 and June 30, 2015, \$0.9 million and \$1.0 million, respectively. These net operating loss carryforwards start to expire in the year ending June 30, 2030. As of June 30, 2016 and June 30, 2015, the Company had \$44,000 and \$114,000, respectively, of valuation allowance for certain state and city net operating loss carryforwards, based on the Company's annual assessment of the realizability of its deferred tax assets.

**Unrecognized Tax Benefits**

The Company has taken or expects to take certain tax deductions 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 income. The Company's measurement of its uncertain tax positions is based on management's assessment of all relevant information, including, but not limited to prior audit experience, audit settlement, or lapse of the applicable statute of limitations. Below, is a reconciliation of the net unrecognized tax benefits for the years ended June 30, 2016 and 2015:

*in thousands*

	June 30,	2016	2015
Beginning balance	\$	243	\$ 730
Reductions due to lapse of statute of limitations		(16)	(147)
Additions as a result of tax positions taken during current period		53	4
Reductions as a result of tax positions of prior years		—	(134)
Settlements		—	(210)
Ending balance	\$	280	\$ 243

In addition to the \$280,000 of accrued tax expense related to unrecognized tax positions, as shown in the table above, the Company accrued of \$123,000 of interest and \$92,000 of penalties related to its uncertain tax positions. As of June 30, 2016, the amount of this accrued liability (inclusive of the uncertain tax deductions and the associated interest and penalty accrual) totaled \$496,000, and, if recognized, would reduce the Company's effective tax rate. For the years ended June 30, 2016 and 2015, the Company recognized approximately \$24,000 of interest expense and \$84,000 of interest benefit, as well as expense related to penalties of \$20,000 and benefit related to reduction in accrued penalties of \$124,000 related to its uncertain tax positions, respectively.

**Tax Examinations**

With exception of the items noted below, either prior federal, state or local examinations have been completed by the tax authorities or the statute of limitations have expired for U.S. federal, state and local income tax returns filed by the for the years through June 30, 2007.

**Internal Revenue Service - June 30, 2004 through June 30, 2007**

Prior to the Distribution, the Company was included in the consolidated federal and state tax filings of the Former Parent. The Former Parent has been under examination by the IRS for the years ended June 30, 2004 through 2013; however, during the year ended June 30, 2015, the Former Parent was notified that it had successfully resolved the June 30, 2004 through June 30, 2007 tax years. As a result of the IRS exam, the Former Parent amended the state tax filings for the applicable periods. The amended state tax filings resulted in a tax benefit of approximately \$0.6 million related to state net operating loss apportioned to the Company under intrastate apportionment rules for the year ended June 30, 2013.

**Internal Revenue Service - June 30, 2008 through June 30, 2013**

The Former Parent remains in appeals with the IRS for the years ended June 30, 2008 through 2013 related to challenges to certain positions the Former Parent has taken. The Former Parent and the Company, as a subsidiary in a consolidated tax filing. The Company is unable to determine the outcome of this appeal at this time.

**Internal Revenue Service Examination June 30, 2015**

Subsequent to fiscal 2016, the Internal Revenue Service notified the Company of an examination for the year ended June 30, 2015. The Company is unable to determine the outcome of the exam at this time (see [Note 19](#).)

**New York State**

During the year ended June 30, 2015, the Former Parent reached a settlement with the state of New York for the tax the years ended June 30, 2008 through 2013. The Company agreed to pay \$1.0 million of tax plus interest of \$0.1 million related to this settlement and pursuant to the terms of the Tax Separation Agreement, the Former Parent has compensated the Company for its obligation. This audit has been closed.

**City of New York Examination**

During the year ended June 30, 2016, the Former Parent reached a settlement with the city of New York for the tax years ended June 30, 2010 through 2011. The Company agreed to pay \$0.2 million of tax plus interest of \$0.1 million related to this settlement and pursuant to the terms of the Tax Separation Agreement, the Former Parent will compensate the Company for its obligation. This audit has been closed.

**Utah State**

The Former Parent remains under exam with the state of Utah for the years ended June 30, 2011 through 2013. The Former Parent and the Company, as a subsidiary in a consolidated tax filing, are unable to determine the outcome of this exam at this time.

**Foreign Jurisdiction - June 30, 2012 through June 30, 2014**

During the year ended June 30, 2016, the Company reached a settlement with the country of Austria for the tax years ended June 30, 2012 through 2014, agreeing to pay approximately \$0.05 million related to adjustments to the income previously reported on the Austrian tax return. This audit has been closed.

**13. RELATED PARTY TRANSACTIONS**

**Sales and Purchases Made to Affiliated Companies**

During the years ended June 30, 2016 and 2015, the Company made sales and purchases to various companies, which have been deemed to be related parties.

*in thousands*

	Years Ended June 30,		2016		2015	
	Sales	Purchases	Sales	Purchases	Sales	Purchases
Former Parent	\$ 30,544	\$ 42,264	\$ 7,521	\$ 9,201		
Equity method investee	717,309	6,867	—	—		
	<u>\$ 747,853</u>	<u>\$ 49,131</u>	<u>\$ 7,521</u>	<u>\$ 9,201</u>		

**Balances with Affiliated Companies**

As of June 30, 2016 and June 30, 2015, the Company had related party receivables and payables balances as set forth below:

*in thousands*

	June 30, 2016		June 30, 2015	
	Receivables	Payable	Receivables	Payable
Former Parent	\$ 1,913	\$ 138	\$ 1,097	\$ 10
Equity method investee	\$ 2,396	\$ —	\$ 279	\$ —
	<u>\$ 4,309</u>	<u>\$ 138</u>	<u>\$ 1,376</u>	<u>\$ 10</u>

**Secured Loans Made to Affiliated Companies**

On October 9, 2014, CFC entered into a loan agreement with Former Parent providing for a secured line of credit in the maximum principal amount of up to \$16.0 million, bearing interest at a competitive rate per annum. Advances under the line of credit were secured by numismatic and semi-numismatic products. This secured loan was paid off in full, plus accrued interest, on April 15, 2015. As of June 30, 2016 and June 30, 2015, the aggregate carrying value of this loan was \$0.0 million.

On July 23, 2015, CFC entered into a loan agreement with Former Parent providing a secured line of credit in the maximum principal amount of up to \$2.5 million, bearing interest at a competitive rate per annum. The loan is secured by numismatic and semi-numismatic products. As of June 30, 2016 and June 30, 2015, the aggregate carrying value of this loan was \$1.4 million and \$0.0 million, respectively.

**Interest Income Earned from Affiliated Companies**

During the years ended June 30, 2016 and 2015, the Company earned interest income related to loans made to Former Parent and related to financing products sold to Former Parent and to the equity method investee, as set forth below:

*in thousands*

	Years Ended June 30,	2016	2015
Interest income from loan receivables	\$	65	\$ 229
Interest income from finance products		2,302	890
	\$	2,367	\$ 1,119

#### **Other Income Earned from Equity Method Investee**

During the years ended June 30, 2016 and 2015, the Company recorded its proportional share of its equity method investee's net income as other income that total \$0.7 million and \$0, respectively. As of June 30, 2016 and June 30, 2015 the carrying balance of the equity method investment was \$7.4 million and \$2.0 million, respectively.

#### **Secondment Agreement Fees and Reimbursements**

In connection with the Distribution, SGI and the Company entered into a secondment agreement (the "Secondment Agreement"). Under the terms of the Secondment Agreement, A-Mark agreed to make Gregory N. Roberts, our Chief Executive Officer, and Carol Meltzer, our Executive Vice President, General Counsel and Secretary, available to SGI for the performance of specified management and professional services following the spinoff in exchange for an annual secondment fee of \$150,000 and reimbursement of certain bonus payments. The Secondment Agreement terminated on June 30, 2016.

The Company recorded the accrual of secondment fees as a reduction to selling, general and administration expense. During the years ended June 30, 2016 and 2015, the Company recognized approximately \$150,000 and \$150,000, respectively, of secondment fees. As of June 30, 2016 and June 30, 2015 the outstanding balance of secondment fees due from SGI was \$0 and \$0, respectively.

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

The amount receivable under the Company's income tax sharing obligation due from our Former Parent totaled \$0.2 million, and \$1.1 million as of June 30, 2016 and June 30, 2015 respectively, and is shown on the face of the consolidated balance sheets as "income taxes receivable from Former Parent" (see [Note 12.](#))

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

In February 2015, A-M Global Logistics, LLC ("Logistics"), a wholly owned subsidiary of the Company that was formed to operate the Company's logistics fulfillment center in Las Vegas, Nevada, entered into various agreements with W. A. Richardson Builders, LLC ("WAR"), for the buildout of and improvements to the Las Vegas premises. The spouse of the Chairman of the Company's Audit Committee, Ellis Landau, is an owner and a managing member of WAR. The agreements were amended in January 2016. The amounts involved under the WAR contract, as amended, were approximately \$1.5 million. WAR is entitled to a fee equal to 5.0% of the contract work.

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

As part of the sales agreement dated July 1, 2005, a former owner of the Company receives a portion of the finance income earned with a specific customer through July 2015. The Company incurred \$21,000 and \$254,000 in selling, general and administrative expenses (royalty expense) during the years ended June 30, 2016 and 2015, respectively. The total amount due to the former owner of \$0 and \$254,000 are included in accrued liabilities as of June 30, 2016 and June 30, 2015, respectively.

### **14. FINANCING AGREEMENTS**

#### **Lines of Credit**

On March 31, 2016, the Company established a new borrowing facility ("Trading Credit Facility") with a syndicate of banks, with Coöperatieve Rabobank U.A. ("Rabobank") acting as lead lender and administrative agent for the syndicate. The Trading Credit Facility, which replaced the Company's previous borrowing facility with a group of financial institutions under an inter-creditor agreement, provides the Company with access up to \$275.0 million, featuring a \$225.0 million base with a \$50.0 million accordion option. The Trading Credit Facility has a one-year maturity. Simultaneously with the effectiveness of the new Trading Credit Facility, the Company entered into a security agreement with the banks securing the Trading Credit Facility with substantially all of the Company's assets on a first priority basis. The Company incurred \$0.8 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 June 30, 2016 and June 30, 2015, the accumulated amortization of loan cost was approximately \$0.6 million and \$0.0 million, respectively.

The Company routinely uses the Trading Credit Facility to purchase precious metals from suppliers and for operating cash flow purposes. Amounts under the Trading Credit Facility bear interest based on London Interbank Offered Rate ("LIBOR") plus a 2.50% margin for revolving credit line loans and a 4.50% margin for bridge loans (that is, for loans that exceed the available

revolving credit line). The one-month LIBOR rate was approximately 0.47% and 0.19% as of June 30, 2016 and June 30, 2015, respectively. Borrowings are due on demand and totaled \$212.0 million and \$147.0 million at June 30, 2016 and at June 30, 2015, respectively. The amounts available under the respective borrowing facilities are determined at the end of each week following a specified borrowing base formula. The Company is able to access additional credit as needed to finance operations, subject to the overall limits of the borrowing facilities and lender approval of the revised borrowing base calculation. Based on the latest approved borrowing bases in effect, the amounts available under the Trading Credit Facility after taking into account current borrowings, totaled \$17.8 million and \$20.9 million as determined on the Friday before June 30, 2016 and June 30, 2015, respectively.

The Trading Credit Facility has certain restrictive financial covenants, including one which requires the Company to maintain a minimum tangible net worth. As of June 30, 2016 the minimum tangible net worth financial covenant under the Trading Credit Facility was \$35.0 million. The Company is in compliance with all restrictive financial covenants as of June 30, 2016.

Interest expense related to the Company's borrowing arrangements totaled \$4.9 million and \$3.6 million, which represents 77.9% and 83.2% of the total interest expense recognized, for the years ended June 30, 2016 and 2015, respectively. Our borrowing arrangements carried a daily weighted average effective interest rate of 2.83% and 2.82%, respectively, for the years ended June 30, 2016 and 2015.

#### **Liability on Borrowed Metals**

The Company borrows precious metals from its suppliers under short-term agreements, which bear interest at a designated rate. Amounts under these agreements are due at maturity and require repayment either in the form of precious metals or cash. The Company's inventories included borrowed metals with market values totaling \$4.4 million and \$9.5 million as of June 30, 2016 and June 30, 2015, respectively.

#### **Product Financing Arrangement**

The Company has agreements with financial institutions (third parties) that allows the Company to transfer its gold and silver inventory at a fixed price to 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 parties charges a monthly fee as percentage of the market value of the outstanding obligation; such monthly charges are classified in interest expense. These transactions do not qualify as sales, and therefore have been accounted for as financing arrangements and reflected in the consolidated balance sheet within product financing obligation. The obligation is stated at the amount required to repurchase the outstanding inventory. Both the product financing obligation and the underlying inventory (which is entirely restricted) are carried at fair value, with changes in fair value recorded as a component of cost of sales in the consolidated statements of income. Such obligation totaled \$59.4 million and \$39.4 million as of June 30, 2016 and June 30, 2015, respectively.

### **15. COMMITMENTS AND CONTINGENCIES**

#### **Operating Leases**

The Company leases 7,100 square feet of office space, located in Santa Monica, California, at a cost of \$3.80 per square foot with annual increases in cost of 3%. The term of this lease expires on April 30, 2017. At the end of this lease, the Company plans to relocate its corporate headquarters to El Segundo, California. In fiscal 2017, the Company leased 9,000 square feet of office space in El Segundo, California at a cost of \$3.60 per square foot with annual increases in cost of 3%. The term of the El Segundo lease expires on March 31, 2026.

The Company leases 2,100 square feet of office space, located in Vienna, Austria, at a cost of \$2.20 per square foot. The term of this lease expires on September 30, 2016, and there are no annual increases in the cost. At the end of the lease, the Company plans to relocate its office in Vienna, Austria. In fiscal 2017, the Company leased 248 square feet of office space in Vienna, Austria at a cost of approximately \$10.66 per square foot. The lease term is for less than one year and contains renewal options.

The Company leases approximately 17,600 square feet of warehouse space in Las Vegas, Nevada at a cost of approximately \$1.50 per square foot per month. The term of the lease is 5.0 years with increases in costs of 3.0% per annum and expires on April 30, 2016.

Expenses related to leases were \$0.7 million, and \$0.4 million, respectively, for the years ended June 30, 2016 and 2015. Future minimum lease payments under the Company's lease arrangements with noncancelable lease terms in excess of one year as of June 30, 2016 are as follows:

*(in thousands)*

Years ending June 30,	Amount
2017	\$ 605
2018	337
2019	347
2020	297
2021	—
Thereafter	—
<b>Total</b>	<b>\$ 1,586</b>

#### Employment and Non-Compete Agreements

The Company has entered into employment agreements and non-compete and/or non-solicitation agreements with Greg Roberts, its CEO, and Thor Gjerdrum, its President. The employment agreements provide for minimum salary levels, incentive compensation and severance benefits, among other items.

#### Employee Benefit Plan

The Company maintains an employee savings plan for United States employees under the Internal Revenue Code section 401(k). Employees are eligible to participate in the plan after three complete calendar months of service and all contributions are immediately vested. Employees' contributions are discretionary to a maximum of 90% of compensation. For all plan members, the Company contributes 30% of the eligible employees' contributions on the first 60% of the participants' compensation to the IRS maximum annual contribution. The Company's matching 401(k) contributions totaled \$0.1 million and \$0.1 million for the years ended June 30, 2016 and 2015, respectively.

#### Litigation, Claims and Contingencies

On October 25, 2015, the Company received notification from the City of Santa Monica that the City was challenging the Company's classification as an "agent/broker" for purposes of computing the business license fee due to the City. The matter has since been resolved in the Company's favor resulting in no change to the Company's prior filings.

In the ordinary course of our business, we are party to various legal actions, which we believe are incidental to the operation of our business. The outcome of such legal actions and the timing of ultimate resolution are inherently difficult to predict. In the opinion of management, based upon information currently available to us, any resulting liability, would not have a material adverse effect on the Company's financial position, cash flows, or operations.

#### SGI IRS and State Tax Audits

SGI is currently in appeals with the IRS for the years ended June 30, 2008 through 2013 and in examination with other taxing jurisdictions on certain tax matters, including challenges to certain positions the Former Parent has taken on the consolidated returns, in which the Company was a member of the consolidated tax returns. The Company is under examination by the IRS for the year ended June 30, 2015. The Company is unable to determine the outcome of these audits at this time.

In general, the majority of state and local examinations have been completed by the tax authorities for the respective jurisdictions through the years ended June 30, 2007. Further, some jurisdictions' statute of limitations has expired for U.S. federal, state, and local income tax returns filed by the Former Parent for the years through years ended June 30, 2007.

## 16. STOCKHOLDERS' EQUITY

#### Payment of Dividends

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

Dividend Declaration Date	Record Date (at close of Business)	Type of Dividend	Basis of Payment	Payment Date
February 6, 2015	March 12, 2015	Cash	\$ 0.05 per common share	March 20, 2015
May 1, 2015	May 14, 2015	Cash	\$ 0.05 per common share	May 25, 2015
September 11, 2015	September 24, 2015	Cash	\$ 0.05 per common share	October 5, 2015
October 30, 2015	November 13, 2015	Cash	\$ 0.05 per common share	November 25, 2015
February 2, 2016	February 15, 2016	Cash	\$ 0.07 per common share	February 29, 2016
April 29, 2016	May 13, 2016	Cash	\$ 0.07 per common share	May 27, 2016

On September 7, 2016, the Board of Directors of the Company declared a quarterly cash dividend of \$0.07 per common share to stockholders of record at the close of business on September 19, 2016, which is scheduled to be paid on or

about October 7, 2016.

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

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

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

As of June 30, 2016, 273,600 shares were available for grant under the 2014 Plan.

### **Equity Awards Assumed in Connection with the Spinoff**

Prior to the Distribution Date (March 14, 2014), the SGI Board of Directors and the Compensation Committee of the SGI Board of Directors, and the Board of Directors of A-Mark, had taken action to provide that the holders of share-based awards, outstanding as of March 14, 2014, denominated in and settleable by delivery of shares of SGI common stock, would have their SGI share-based awards canceled upon the effectiveness of the Distribution, and in place of the canceled awards would become entitled to receive share-based awards denominated in and settleable by delivery of shares of the Company's common stock. As a result, the Company granted, on March 19, 2014 (the date as of which the exchange ratio became determinable based on the average closing market price of A-Mark common stock), 130,646 RSUs, 8,990 SARs and options to purchase 249,846 shares of common stock. These awards are deemed to be granted under the original plans and arrangements of SGI that have been assumed by the Company, not under the 2014 Plan. The Company does not recognize compensation cost for financial reporting purposes relating to the awards replaced by A-Mark following the Distribution which are held by persons who remained employees of SGI. As of June 30, 2016, there are no remaining outstanding equity awards that were issued to SGI employees; all remaining outstanding awards issued in connection with the spinoff relate to A-Mark employees or directors.

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

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

- Determining Fair Values. For all equity grants granted, the primary factor in the valuation of equity awards was the fair value of the underlying common stock at the time of grant.
- Expected Volatility. The Company has limited data regarding company-specific historical or implied volatility of its share price. Consequently, the Company estimates its volatility based on the average of the historical volatilities of peer group companies from publicly available data for sequential periods approximately equal to the expected terms of its option grants. Management considers factors such as stage of life cycle, competitors, size, market capitalization and financial leverage in the selection of similar entities.
- Expected Term. The expected term represents the period of time in which the options granted are expected to be outstanding. The Company estimates the expected term of options granted based on the midpoint between the vesting date and the end of the contractual term under the "short-cut" or simplified method permitted by the SEC implementation guidance for "plain vanilla" options. The Company will continue to use the short-cut method, as permitted, until we have developed sufficient historical data for employee exercise and post-vesting employment termination behavior after our common stock has been publicly traded for a reasonable period of time.
- Forfeitures. The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual experience differs from those estimates. For the years ended June 30, 2016 and 2015, the Company estimated an



[Table of Contents](#)

average overall forfeiture rate of 0%. Share-based compensation is recorded net of expected forfeitures. The Company will periodically assess the forfeiture rate and the amount of expense recognized based on estimated historical forfeitures as compared to actual forfeitures. Changes in estimates are recorded in the period they are identified.

- Risk-Free Rate. The risk-free interest rate is selected based upon the implied yields in effect at the time of the option grant on U.S. Treasury zero-coupon issues with a term approximately equal to the expected life of the option being valued.
- Dividends. The Company anticipates on paying quarterly cash dividends \$0.07 per outstanding shares of common stock for the foreseeable future. The Company estimates dividend yield based upon expectations of future dividends as of the grant date.

The weighted-averages for key assumptions used in determining the fair value of options granted during the years ended June 30, 2016 and 2015 follows:

	Years Ended June 30,	2016	2015
Average volatility		41.3%	33.4%
Risk-free interest rate		1.5%	1.5%
Weighted-average expected life in years		6.27	6.43
Dividend yield rate		0.4%	0.5%

There are no awards with performance conditions nor awards with market conditions.

**Stock Options**

During the years ended June 30, 2016 and 2015, the Company incurred \$0.4 million and \$0.2 million of compensation expense related to stock options, respectively. As of June 30, 2016, there was total remaining compensation expense of \$2.3 million related to employee stock options, which will be recorded over a weighted average period of approximately 3.2 years.

The following table summarizes the stock option activity for the years ended June 30, 2016 and 2015.

	Options	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value (in thousands)	Weighted Average Grant Date Fair Value Per Award <sup>(1)</sup>
Outstanding at June 30, 2014	230,787	\$ 10.00	\$ 407	\$ 5.98
Granted	3,000	\$ 10.08		
Cancellations, expirations and forfeitures	(660)	\$ 48.02		
Outstanding at June 30, 2015	233,127	\$ 9.89	\$ 283	\$ 5.96
Granted	349,400	22.67		
Cancellations, expirations and forfeitures	(1,000)	20.48		
Outstanding at June 30, 2016	<u>581,527</u>	17.55	\$ 1,466	\$ 6.32
Exercisable at June 30, 2016	<u>183,184</u>	10.30	\$ 1,078	\$ 5.91

(1) For awards held by A-Mark employees, the fair value of the awards assumed in Distribution was based on the awards' fair value at grant date, which were determined by SGI prior to the Distribution. Since the Company does not recognize compensation costs for the awards assumed in the Distribution held by employees of SGI, the calculation of the weighted average fair value per share price at grant date was based on the awards' fair value at grant date that were awarded to employees of A-Mark. As of June 30, 2016 there were no stock options outstanding that were issued to employees of SGI.

Following is a summary of the status of stock options outstanding at June 30, 2016:

Exercise Price Ranges		Options Outstanding			Options Exercisable		
		Number of Shares Outstanding	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price
From	To						
\$ —	\$ 10.00	134,239	6.35	\$ 8.39	86,296	6.37	\$ 8.41
10.01	15.00	98,888	6.28	11.94	96,888	6.23	11.98
15.01	25.00	248,400	9.68	21.54	—	0.00	—
25.01	60.00	100,000	9.65	25.50	—	0.00	—
		<u>581,527</u>	<u>8.33</u>	<u>17.55</u>	<u>183,184</u>	<u>6.30</u>	<u>10.30</u>

#### Restricted Stock Units

During the years ended June 30, 2016 and 2015, the Company incurred \$61,360 and \$99,493 of compensation expense related to RSUs, respectively. The following table summarizes the RSU activity for the years ended June 30, 2016 and 2015:

	Shares	Weighted Average Share Price at Grant Date <sup>(1)</sup>
Outstanding at June 30, 2014	106,674	\$ 2.72
Shares released	(10,806)	\$ 4.31
Shares surrendered to cover employee minimum withholding taxes <sup>(2)</sup>	(9,570)	\$ 4.31
Outstanding at June 30, 2015	86,298	\$ 2.34
Shares released	(47,901)	\$ 2.34
Shares surrendered to cover employee minimum withholding taxes <sup>(3)</sup>	(38,397)	\$ 2.34
Outstanding at June 30, 2016	—	\$ —

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

(2) The value of the shared surrendered totaled \$ 100,198 .

(3) The value of the shared surrendered totaled \$ 680,936 .

No tax benefit was recognized in the consolidated statements of income related to share-based compensation for the years ended June 30, 2016 and 2015. No share-based compensation was capitalized for the years ended June 30, 2016 and 2015.

#### Stock Appreciation Rights

The Company, from time to time, may grant SARs to certain key employees and executive officers. The number of shares to be received under these awards ultimately depends on the appreciation in the Company's common stock over a specified period of time, generally 3.0 years. At the end of the stated appreciation period, the number of shares of common stock issued will be equal in value to the appreciation in the shares of the Company's common stock, as measured from the stock's closing price on the date of grant to the average price in the last month of the third year of vesting. As of June 30, 2016 and June 30, 2015, the Company had zero and 8,990 SARs issued and outstanding, respectively. The Company did not recognize any compensation expense related to these awards during the years ended June 30, 2016 and 2015.

#### Certain Anti-Takeover Provisions

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

## 17. CUSTOMER AND SUPPLIER CONCENTRATIONS

### Customer Concentration

Customers providing 10 percent or more of the Company's revenues for the years ended June 30, 2016 and 2015 are listed below:

*in thousands*

	Years Ended June 30,		2016		2015	
	Amount	Percent	Amount	Percent	Amount	Percent
Total revenue	\$ 6,784,039	100.0%	\$ 6,070,234	100.0%		
<i>Customer concentrations</i>						
HSBC Bank USA	\$ 1,249,255	18.4%	\$ 1,877,943	24.1%		
JM Bullion	717,309	10.6	281,653	4.6		
Total	\$ 1,966,564	29.0%	\$ 1,745,680	28.7%		

There were no customers providing 10 percent or more of the Company's accounts receivable as of June 30, 2016 and June 30, 2015.

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

### Supplier Concentration

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. GEOGRAPHIC INFORMATION

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

*in thousands*

Revenue by geographic region:	Years Ended June 30,		2016		2015	
	Amount	Percent	Amount	Percent	Amount	Percent
United States	\$ 6,234,833		\$ 5,406,201			
Europe	212,243		320,167			
North America, excluding United States	292,788		282,978			
Asia Pacific	40,482		47,593			
Africa	63		52			
Australia	3,597		13,241			
South America	33		2			
<b>Total revenue</b>	<b>\$ 6,784,039</b>		<b>\$ 6,070,234</b>			

*in thousands*

Inventories by geographic region:	June 30, 2016		June 30, 2015	
	Amount	Percent	Amount	Percent
United States	\$ 224,617		\$ 173,939	
Europe	5,258		4,374	
North America, excluding United States	12,691		12,287	
Asia	2,491		901	
<b>Total inventories</b>	<b>\$ 245,057</b>		<b>\$ 191,501</b>	

*in thousands*

	June 30, 2016	June 30, 2015
<b>Assets by geographic region:</b>		
United States	\$ 413,621	\$ 302,806
Europe	8,344	10,668
North America, excluding United States	12,691	12,287
Asia	2,491	901
<b>Total assets</b>	<b>\$ 437,147</b>	<b>\$ 326,662</b>

*in thousands*

	June 30, 2016	June 30, 2015
<b>Long-term assets by geographic region:</b>		
United States	\$ 18,824	\$ 13,964
Europe	62	72
<b>Total long-term assets</b>	<b>\$ 18,886</b>	<b>\$ 14,036</b>

## 19. SUBSEQUENT EVENTS

### Dividend Declaration

On September 7, 2016, the Board of Directors of the Company declared a quarterly cash dividend of \$0.07 per common share to stockholders of record at the close of business on September 19, 2016, which is scheduled to be paid on or about October 7, 2016.

### SilverTowne Mint Transaction

On August 31, 2016, the Company, through a joint venture, acquired a 55% interest in the SilverTowne Mint (the "Mint"), an Indiana-based producer of minted silver products. The aggregate amount of the Company's investment was \$4.2 million, consisting of: \$3,670,000 for the acquired assets, \$250,000 for the purchase of the real property where the Mint's physical facility is located, and \$300,000 in working capital. Of the purchase price, \$3.7 million was paid at closing and the balance of \$500,000 was represented by a promissory note, due and payable one year following the closing. The seller of the Mint is also entitled to an earn-out over three years, with up to \$1.0 million payable each year based on the achievement of specified performance and production thresholds. At the closing, the joint venture entered into (a) an exclusive distribution agreement with the Company with respect to the silver products produced by the Mint, and (b) a supply agreement with Asahi Refining to provide all refined silver products needed by the Mint in the conduct of its business.

### Employment Agreement with Thor Gjerdrum

On September 7, 2016, the Company appointed Thor Gjerdrum, then A-Mark's Chief Operating Officer and Executive Vice President, to the position of President. In connection with the promotion of Mr. Gjerdrum, A-Mark entered into a new employment agreement with him, effective as of July 1, 2016.

### IRS Examination

On August 22, 2016, the Internal Revenue Service notified the Company that it has commenced an examination of the Company's tax return for the year ended June 30, 2015.

### Real Estate Lease Agreement

In fiscal 2017, the Company entered into a lease for 9,000 square feet of office space in El Segundo, California at a cost of \$3.60 per square foot with annual 3% increases. The lease expires on March 31, 2026. This lease will replace the Company's Santa Monica lease, which terminates in April 2017.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

### 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 Annual Report.

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

#### Management's Annual Report on Internal Control Over Financial Reporting

The financial statements were prepared by management, which is responsible for their integrity and objectivity and for establishing and maintaining adequate internal controls over financial reporting.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

Management assessed the design and effectiveness of the Company's internal control over financial reporting as of June 30, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework* ("2013 framework"). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of June 30, 2016 based on criteria in *Internal Control—Integrated Framework* issued by the COSO.

Grant Thornton LLP, independent registered public accounting firm, has audited the financial statements of the Company as of June 30, 2016. Under Rule 12b-2 and Section 404 of the Sarbanes-Oxley Act, the Company is not required to provide an attestation report from a registered public accounting firm of its internal control over financial reporting for as of June 30, 2016.

#### 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.

### ITEM 9B. OTHER INFORMATION

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Set forth below is information regarding the directors and executive officers of the Company as of September 21, 2016.

<b>Name</b>	<b>Age</b>	<b>Position(s)</b>
Gregory N. Roberts	54	Chief Executive Officer and Director
Thor G. Gjerdrum	49	President
Cary Dickson	59	Executive Vice President and Chief Financial Officer
Carol Meltzer	58	Executive Vice President, General Counsel and Secretary
Jeffrey D. Benjamin	55	Chairman of the Board and Director
Joel R. Anderson	73	Director
Ellis Landau	72	Director
Beverly Lepine	64	Director
William Montgomery	56	Director
John U. Moorhead	64	Director
Jess M. Ravich	59	Director

**GREGORY N. ROBERTS:** Chief Executive Officer and Director

Mr. Roberts has been Chief Executive Officer and a Director of A-Mark since July 2005. Mr. Roberts has served as President and Chief Executive Officer of SGI since March 2008. Mr. Roberts previously served as the President of SGI's North American coin division, which included A-Mark. He is also a lifetime member of the American Numismatic Association. Through his day-to-day involvement in all aspects of the Company's operations, Mr. Roberts provides a vital link between junior and senior management personnel and the general oversight and policy-setting responsibilities of the Board. Mr. Roberts is a director of SGI (serving as such since 2000). Mr. Roberts also serves as Chief Executive Officer of SGI.

Mr. Roberts brings to the Board expertise in numismatics and trading, extensive knowledge of the precious metals industry and, in his role as Chief Executive Officer, in-depth knowledge of the Company and its business.

**THOR G. GJERDRUM:** President

Mr. Gjerdrum was appointed as President on September 7, 2016. Mr. Gjerdrum served as A-Mark's Executive Vice President and Chief Operating Officer since July 1, 2013 and as our Chief Financial Officer and Executive Vice President from 2002 to May 2008 and from May 2010 to June 30, 2013. Mr. Gjerdrum was Chief Financial Officer and Executive Vice President of SGI from June 2008 to April 2010. Previously, Mr. Gjerdrum held a variety of positions with two publicly traded telecommunications companies, the last of which was as Vice President of Finance, and worked in public accounting. Mr. Gjerdrum received a Bachelor of Science degree in accounting from Santa Clara University.

**CARY DICKSON:** Executive Vice President and Chief Financial Officer

Mr. Dickson was appointed as Chief Financial Officer on November 9, 2015. Mr. Dickson served in a variety of executive capacities for Mattel Toys from 2002 to 2014, including as Vice President of Finance from 2011 to 2014, and as Chief Financial Officer of Mattel Foundation from 2005 to 2014. Mr. Dickson also served as Vice President of Corporate Responsibility Audit, VP of Internal Audit and Vice President of Tax for Mattel Toys from 2002 to 2011. Prior to Mattel, Mr. Dickson served as a Senior Vice President at Fox Family Worldwide, Inc., and held positions with The Walt Disney Company and Pricewaterhouse. Mr. Dickson, a Certified Public Accountant, holds a Bachelor of Science degree in Marketing from Southern Illinois University and a Masters of Taxation degree from the University of Denver School of Law.

**CAROL MELTZER:** Executive Vice President, General Counsel and Secretary

Ms. Meltzer has served as our General Counsel, Secretary and Executive Vice President since March 2014, assuming those offices at the time of the spinoff. She served as General Counsel, Secretary and Executive Vice President of SGI and its predecessor companies since 2006, and served in a variety of legal capacities for SGI since 1996. Ms. Meltzer previously practiced law at Stroock & Stroock & Lavan LLP and Kramer Levin Naftalis & Frankel LLP. Ms. Meltzer received B.A. and J.D. degrees from the University of Michigan, Ann Arbor. Ms. Meltzer also serves as General Counsel and Executive Vice President of SGI under the Secondment Agreement between A-Mark and SGI and serves as a director of SGI.

**JEFFREY D. BENJAMIN:** Chairman of the Board and Director

Mr. Benjamin has served as Chairman of the Board and a Director since March 2014. Mr. Benjamin has been a Senior Advisor to Cyrus Capital Partners, L.P. since 2008, where he assists with distressed investments. Mr. Benjamin also serves as a consultant to Apollo Management, L.P., a private investment fund, and from September 2002 to June 2008, Mr. Benjamin served as a senior advisor to Apollo Management, where he was responsible for a variety of investments in private equity, high yield and distressed securities. Mr. Benjamin served as non-Executive Chairman of the Board of SGI from 2012 until March 2014 and as a director of SGI from 2009 until March 2014. He is also a member of the boards of directors of American Airlines Group, Inc., Caesars Entertainment Corporation and Chemtura Corporation. Mr. Benjamin is a trustee of the American Numismatic Society and has had a long-standing personal interest in coin collecting. Mr. Benjamin holds an MBA from the Sloan School of Management at M.I.T. and a BA from Tufts University.

With his financial and business background and service as a public company director, including service with SGI when A-Mark was a subsidiary, and his personal involvement in numismatics, Mr. Benjamin contributes to the Board in matters of corporate finance, governance, business development and industry strategy.

**JOEL R. ANDERSON:** Director

Mr. Anderson has served as a Director since March 2014. Mr. Anderson is the Chairman and Director of Anderson Media Corporation, the country's largest distributor and merchandiser of pre-recorded music and a major distributor of books, and is also the chairman and a director of various affiliated companies, including TNT Fireworks, the country's largest importer and distributor of consumer fireworks; Anderson Press, a major publisher of children's books and associated children's product; and Whitman Publishing Company, the leading publisher of books and related products for coin collections. Mr. Anderson has served as chairman and in other positions with Anderson Media Corporation for more than five years. He is a principal of Stack's LLC, SGI's joint venture partner in Stack's Bowers Galleries, a rare coin and currency auction house. Mr. Anderson served as a director of SGI from 2012 through March 2014. Mr. Anderson has been a member of the Board of Trustees of the American Numismatic Society since 2006 and serves on its nominating and governance committee. He is also a lifetime member of the American Numismatic Association. Mr. Anderson studied at the University of North Alabama.

Mr. Anderson's extensive business experience, combined with his personal interest and expertise in numismatics, provide the Board with insight and guidance in matters of business planning and growth strategy.

**ELLIS LANDAU:** Director

Mr. Landau has served as a Director since March 2014, and serves as Chairman of the Audit Committee and a member of the Compensation Committee. Mr. Landau is President, Treasurer and Director of ALST Casino Holdco, LLC, the holding company of Aliante Gaming, LLC, which owns and operates Aliante Casino + Hotel in Las Vegas, Nevada. In 2006, Mr. Landau retired as Executive Vice President and Chief Financial Officer of Boyd Gaming Corporation (NYSE: BYD), a position he held since he joined the company in 1990. Mr. Landau previously worked for Ramada Inc., later known as Aztar Corporation, where he served as Vice President and Treasurer, as well as U-Haul International in Phoenix and the Securities and Exchange Commission in Washington, D.C. Mr. Landau served as a director of SGI from 2012 until March 2014. From 2007 to 2011, Mr. Landau was a member of the Board of Directors of Pinnacle Entertainment, Inc. (NYSE:PNK), a leading gaming company, where he served as chairman of the audit committee and as a member of its nominating and governance committee and its compliance committee. Mr. Landau received his Bachelor of Arts in economics from Brandeis University and his M.B.A. in finance from Columbia University Business School.

Mr. Landau brings to the Board substantial finance, accounting and corporate governance experience, including the experience and ability to serve as the Chairman of the Audit Committee.

**BEVERLEY LEPINE:** Director

Ms. Lepine has served a Director since February 2015, and serves as a member of the Audit Committee. Ms. Lepine retired as Chief Operating Officer from the Royal Canadian Mint, a Canadian Federal Crown Corporation, after 27 years in various positions, including Chief Financial Officer and Vice President of Manufacturing. Prior to joining the Royal Canadian Mint, Ms. Lepine worked from 1980 until 1987 for the Treasury Board Secretariat of the Government of Canada and Via Rail Canada. Upon graduating with a Bachelor's degree in Business Administration from Bishop's University in 1974, Ms. Lepine worked for Clarkson Gordon from 1974 until 1980 where she obtained her Chartered Professional Accountant ("CPA") designation in 1978. She obtained her Institute of Corporate Directors Certificate (ICD.D) in 2011. Ms. Lepine was Chair of the Board of Bruyere Continuing Care, a chronic continuing care hospital in Ottawa from 2008-2010 and is currently Treasurer and member of the Board of the Pallium Foundation.

Ms. Lepine's extensive knowledge of the worldwide minting and coinage industries provide the Board with insight and guidance in matters of business planning and growth strategy. She also brings a strong background in finance and accounting to bear as a member of the Audit Committee and as a director.

**WILLIAM MONTGOMERY:** Director

Mr. Montgomery has served as a Director since March 2014. Mr. Montgomery is a private investor with a focus on equities and real estate. He was Executive Vice President in charge of principal investments for Libra Securities from 1999-2000. Previously, he was a Managing Director at Salomon Brothers Inc., where he was a member of the fixed income arbitrage group with responsibility for proprietary investments in high yield securities, a distressed debt trader and a member of the investment banking group. Mr. Montgomery served as a director of SGI from 2012 until March 2014. He is a graduate of the University of Virginia and the Columbia University School of Law.

Mr. Montgomery brings to the Board expertise in investments, finance and capital markets, which the Company believes is particularly important as it seeks to grow its market presence.

**JOHN U. ("JAY") MOORHEAD:** Director

Mr. Moorhead has served as a Director since March 2014, and serves as Chairman of our Compensation Committee. He has been a managing director of Global Power Partners, an investment banking firm, since August 2015. Prior to that, he was a Managing Director at Ewing Bemiss & Co. from 2009 through July 2015, and served in the same capacity at Westwood Capital from 2005 until 2009 and at MillRock Partners from 2003 until 2005. From 2001 to 2003, Mr. Moorhead was a corporate finance partner at C.E. Unterberg, Towbin. Mr. Moorhead served as a director of SGI from 2012 until March 2014. Mr. Moorhead received his B.A. degree from the University of Vermont, and attended the Program for Management Development at Harvard Business School.

Mr. Moorhead brings to the Board expertise in corporate finance and valuable perspectives on public company growth and global competition. Mr. Moorhead also has experience in the area of executive compensation, which gives him the experience and ability to serve as Chairman of our Compensation Committee.

**JESS M. RAVICH:** Director

Mr. Ravich has served as a Director since March 2014. Mr. Ravich is group managing director and head of alternative products for The TCW Group, Inc., an international asset-management firm, which he joined in 2012. Prior to joining The TCW Group, Mr. Ravich served as managing director and head of capital markets of Houlihan, Lokey, Howard & Zukin, Inc., an international investment bank. From 1991 through November 2009, Mr. Ravich founded and served as chief executive officer of Libra Securities LLC, an investment banking firm serving the middle market. Prior to founding Libra, Mr. Ravich was an executive vice president of the fixed income department at Jefferies & Company, a Los Angeles-based brokerage firm, and a senior vice president at Drexel Burnham Lambert, where he was also a member of the executive committee of the high yield group. Mr. Ravich served as a director of SGI from 2009 until March 2014. He also serves on the Board of Directors of The Cherokee Group, Inc. (NASDAQ: CHKE). Mr. Ravich is a graduate of the Wharton School at the University of Pennsylvania and Harvard Law School, where he was an editor of the Harvard Law Review.

With his extensive background in investment banking and the financial markets, Mr. Ravich provides Board leadership in matters of strategic development and business initiatives, including potential growth through acquisitions.



## **Board Structure; Independence**

Our Board of Directors currently consists of eight directors.

The Board of Directors has determined that the following directors qualify as independent directors under the rules of The NASDAQ Stock Market and the independence standards set forth in our Corporate Governance Guidelines: Messrs. Anderson, Benjamin, Landau, Montgomery, Moorhead and Ravich, and Ms. Lepine. You can find our Corporate Governance Guidelines on A-Mark's internet website, at [www.amark.com](http://www.amark.com) (click on "investor relations" at the bottom of that page). The Board of Directors is not classified, so that all director seats will be for election at each annual meeting of our shareholders. There are no family relationships among any of our directors or executive officers.

You can find our corporate governance documents identified below on A-Mark's internet website, at [www.amark.com](http://www.amark.com) (click on "Investor Relations" at the bottom of the page then click on "Governance Policies").

## **Committees of the Board**

Our Board has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

### ***Audit Committee***

The duties and responsibilities of the Audit Committee are set forth in its written charter, available on our website, [www.amark.com](http://www.amark.com), and include the following:

- to oversee the quality and integrity of our financial statements and our accounting and financial reporting processes;
- to prepare the audit committee report required by the SEC in our annual proxy statements;
- to review and discuss with management and the independent registered public accounting firm our annual and quarterly financial statements;
- to review and discuss with management our earnings press releases;
- to appoint, compensate and oversee our independent registered public accounting firm, and pre-approve all auditing services and non-audit services to be provided to us by our independent registered public accounting firm;
- to review the qualifications, performance and independence of our independent registered public accounting firm; and
- to establish procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters.

The members of the Audit Committee are Messrs. Landau (Chairman), Montgomery, Moorhead and Ravich, and Ms. Lepine. Each of the members is an independent director, as defined under the rules of The NASDAQ Stock Market and our Corporate Governance Guidelines, and meets the criteria for independence under Rule 10A-3(b)(1) under the Securities and Exchange Act of 1934 and otherwise satisfies the conditions of The NASDAQ Stock Market rules for audit committee membership, including the financial literacy requirements. In addition, Mr. Landau qualifies as an "audit committee financial expert," in compliance with the rules and regulations of the SEC and The NASDAQ Stock Market.

### ***Compensation Committee***

The duties and responsibilities of the Compensation Committee are set forth in its written charter, available on our website, [www.amark.com](http://www.amark.com), and include the following:

- to determine, or recommend for determination by our board of directors, the compensation of our chief executive officer and other executive officers;
- to establish, review and consider employee compensation policies and procedures;
- to review and approve, or recommend to our board of directors for approval, any employment contracts or similar arrangement between the company and any executive officer of the company;
- to review and discuss with management the Company's compensation policies and practices and management's assessment of whether any risks arising from such policies and practices are reasonably likely to have a material adverse effect on the Company;
- to review, monitor, and make recommendations concerning incentive compensation plans, including the use of stock options and other equity-based plans; and

- to appoint, compensate and oversee any compensation consultant, legal counsel or other advisor retained by the Compensation Committee in its sole discretion;

The members of the Compensation Committee are Messrs. Moorhead (Chairman), Landau and Ravich. Each of the members of the Compensation Committee is an independent director, as defined under the rules of The NASDAQ Stock Market and our Corporate Governance Guidelines, and otherwise satisfies the conditions of The NASDAQ Stock Market rules for compensation committee membership.

#### ***Nominating and Corporate Governance Committee***

The duties and responsibilities of the Nominating and Corporate Governance Committee set forth in its written charter, available on our website, [www.amark.com](http://www.amark.com), and include the following:

- to recommend to our board of directors proposed nominees for election to the board of directors by the shareholders at annual meetings, including an annual review as to the renominations of incumbents and proposed nominees for election by the board of directors to fill vacancies that occur between shareholder meetings;
- to make recommendations to the board of directors regarding corporate governance matters and practices; and
- to recommend members for each committee of the board of directors.

The members of the Nominating and Governance Committee are Messrs. Ravich (Chairman), Montgomery and Moorhead and Ms. Lepine. Each of the members is an independent director, as defined under the rules of The NASDAQ Stock Market and our Corporate Governance Guidelines.

#### **Code of Ethics**

Our board of directors has adopted a Code of Ethics applicable to our directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer and other senior officers, in accordance with applicable rules and regulations of the SEC and The NASDAQ Stock Market. Our code of ethics is available on our website, [www.amark.com](http://www.amark.com).

#### **Corporate Governance Guidelines**

Our Board of Directors has adopted our Corporate Governance Guidelines that sets forth our policies and procedures relating to corporate governance effective as of the distribution. Our Corporate Governance Guidelines is available on our website, [www.amark.com](http://www.amark.com).

## **ITEM 11. EXECUTIVE COMPENSATION**

### **Summary Compensation Table**

The table below sets forth the compensation of the Company's NEOs for fiscal 2016 and 2015.

**Summary Compensation Table - Fiscal 2016 and 2015**

Name and Principal Position (a)	Year (b)	Salary <sup>(1)</sup>	Bonus <sup>(2)</sup>	Stock Awards	Option Awards	Non-Equity Incentive Plan	All Other Compensation <sup>(4)</sup>	Total
		(\$) (c)	(\$) (d)	(\$) (e)	(\$) (f)	Compensation <sup>(3)</sup> (\$) (g)	(\$) (h)	(\$) (i)
Gregory Roberts	2016	\$ 525,000	\$ —	\$ —	\$ 1,941,283	\$ 1,489,122	\$ 27,639	\$ 3,983,044
Chief Executive Officer and Director	2015	\$ 525,000	\$ 400,000	\$ —	\$ —	\$ —	\$ 19,776	\$ 944,776
David W. G. Madge	2016	\$ 430,000	\$ 265,000	\$ —	\$ —	\$ —	\$ 30,768	\$ 725,768
Chief Marketing Officer (formerly President)	2015	\$ 425,000	\$ 700,000	\$ —	\$ —	\$ —	\$ 25,503	\$ 1,150,503
Thor Gjerdrum	2016	\$ 424,000	\$ —	\$ —	\$ —	\$ 373,001	\$ 5,534	\$ 802,535
President (formerly Executive Vice President and Chief Operating Officer)	2015	\$ 404,000	\$ 17,040	\$ —	\$ —	\$ 182,960	\$ 2,424	\$ 606,424

- (1) Salary amounts represent salary paid for services performed in the fiscal year. Salary payments received may vary due to the timing of pay periods that start in one fiscal year and end in the next.
- (2) The value of the option award shown in this column is the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The valuation assumptions used and the resulting fair value of stock options granted during fiscal 2016 is summarized in Note 16 to our consolidated financial statements included in this Annual Report on Form 10-K for the fiscal year ended June 30, 2016.
- (3) Awards in this column for fiscal 2016 resulted from performance-based bonus opportunities granted to the CEO and COO, which constituted non-equity incentive plan awards. The fiscal 2016 award paid to the CEO includes a portion, valued at \$171,700, paid by issuance of 10,000 shares of unrestricted Company common stock. Non-equity incentive plan compensation for these NEOs are described in greater detail below in “Narrative Discussion of Executive Compensation.”
- (4) Amounts in this column, for fiscal 2016, are as follows:
- Mr. Roberts received \$9,000 as a car allowance, \$5,766 as a 401(k) matching contribution and \$12,873 as a cash payment in lieu of vacation time.
  - Mr. Madge received \$7,200 as a 401(k) matching contribution and \$23,568 as a cash payment in lieu of vacation time.
  - Mr. Gjerdrum received \$5,534 as a 401(k) matching contribution.

**Outstanding Equity Awards At Fiscal Year-End - Fiscal 2016**

Name	Options Awards <sup>(1)</sup>				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable <sup>(1)</sup>	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Gregory N. Roberts	23,972	—	10.43	2/15/2023	—	—
	23,972	—	12.52	2/15/2023	—	—
	23,972	—	14.61	2/15/2023	—	—
	—	100,000 <sup>(2)</sup>	19.8	2/18/2026	—	—
	—	100,000 <sup>(3)</sup>	23.8	2/18/2026	—	—
	—	100,000 <sup>(3)</sup>	25.5	2/18/2026	—	—
David W.G. Madge	—	—	—	—	—	—
Thor Gjerdrum	—	—	—	—	—	—

- (1) All options in this column were fully vested and exercisable at June 30, 2016.
- (2) These options, granted February 19, 2016, vest and become exercisable as to one-third of the underlying shares on June 30 of 2017, 2018 and 2019.
- (3) These options, granted February 19, 2016, vest and become exercisable as to one-fourth of the underlying shares on June 30 of 2017, 2018, 2019 and 2020.

**Narrative Discussion of Executive Compensation**

In fiscal 2016 and 2015, Mr. Roberts, our CEO, was employed by A-Mark and all compensation was paid by A-Mark. During that time, under the Secondment Agreement between A-Mark and SGI, Mr. Roberts has provided services to SGI, as the Chief Executive Officer, President and a Director of SGI, for which SGI has paid A-Mark. Messrs. Madge, and Gjerdrum were employed and compensated directly by A-Mark and its subsidiaries during fiscal 2016 and 2015 for their full-time service to A-Mark.

The Compensation Committee's approach to executive compensation has focused on providing total cash compensation at levels sufficient to attract and retain senior-level executives within our industry. Performance-based annual incentive awards, as part of the cash compensation opportunity, are a key element of the compensation of Mr. Roberts, our CEO, and Mr. Gjerdrum, now our President but who served as Executive Vice President and COO in fiscal 2016. These are the NEOs who are most directly responsible for our business results. The Committee generally has not issued equity awards to NEOs as part of annual compensation,

but, in connection with Mr. Roberts and Mr. Gjerdrum entering into new employment agreements, granted stock options to those NEOs in the latter half of fiscal 2016 and early in fiscal 2017, respectively (as further described below). Equity awards granted by SGI before the March 2014 spin-off of A-Mark by SGI were, at that time, assumed and adjusted to become equity awards of A-Mark. The Committee may consider granting equity-based compensation in the future to act as additional incentive that is aligned with the interests of stockholders and to promote retention of the executive and long-term service.

We have chosen to formalize significant terms of employment of some of our NEOs by entering into employment agreements with them. This practice has helped us to attract and retain key executives and employees. In our financial services industry, there is a high degree of competition for talented executives and employees. Hiring often involves substantial negotiations regarding employment terms, which generally must be reflected in an employment agreement. Employment agreements offer us several advantages, particularly by fixing employment terms for specified time periods and thereby limiting renegotiations, and also by including provisions for the protection of our business.

During fiscal 2016, Mr. Roberts' employment was governed by an employment agreement we entered into with him on March 14, 2014, providing for an employment term extending until June 30, 2016. The employment agreement of Mr. Gjerdrum, our COO, was entered into on February 28, 2013 and substantially amended on February 28, 2014, providing for an employment term extending until June 30, 2016. We had an employment agreement with Mr. Madge, our President, entered into as of November 1, 2011, that expired June 30, 2015. Our employment of Mr. Madge has continued after the expiration of the term of his employment agreement.

Under the terms of the employment agreements in effect for fiscal 2016, our CEO and then COO had the opportunity to earn a performance bonus based on achievement of a pre-specified level of pre-tax profit of A-Mark and, in the case of Mr. Roberts, SGI (included because A-Mark has agreed, under the Secondment Agreement, to provide Mr. Roberts' services to SGI). Such performance bonuses are intended to provide performance-based cash compensation that rewards those NEOs for their contribution to our financial performance. We view pre-tax profit as a key financial metric for purposes of our business planning, and one that does not distort the incentives to management or promote undue risk and that substantially reflects the quality of the execution of our business plan by our management team.

For purposes of the employment agreements, "pre-tax profits" is defined as A-Mark's (or SGI's, where relevant to Mr. Roberts) net income, as determined under Generally Accepted Accounting Principles or GAAP, for the given fiscal year, adjusted to eliminate the positive or negative effects of income taxes (in accordance with GAAP) and foreign currency exchange and, in the case of Mr. Roberts, adjusted to eliminate certain expenses incurred in connection with specified litigation affecting SGI and expenses of the spinoff.

The annual incentive formula specified for Mr. Roberts in his employment agreement, for fiscal 2016, was as follows:

If A-Mark and SGI pre-tax profits combined were at least \$5 million, then the annual incentive would equal:

- 12% of pre-tax profits up to \$8 million of pre-tax profits; plus
- 15% of pre-tax profits in excess of \$8 million, up to \$10 million of pre-tax profits; plus
- 18% of pre-tax profits in excess of \$10 million of pre-tax profits.

If such combined pre-tax profits were less than \$5.0 million, the Committee retained discretion to determine whether to pay any performance bonus and the amount thereof, up to a maximum for this discretionary amount of \$600,000. In addition, the Committee retained discretion to reduce the amount of any performance bonus payable under the above formula to an amount not less than \$3.0 million.

The annual incentive formula for Mr. Gjerdrum in his employment agreement, for fiscal 2016, was as follows:

If A-Mark has pre-tax profits of at least \$5 million, a portion of the performance bonus will equal:

- 2.0% of such pre-tax profits up to \$10 million; plus
- 2.5% of such pre-tax profits in excess of \$10 million, up to \$20 million; plus
- 3.0% of pre-tax profits in excess of \$20 million.

The Committee could award discretionary bonus amounts in excess of the amounts determined under the above formula.

For fiscal 2016, the annual incentive amounts earned by our CEO and COO under the applicable pre-set performance

formulas were as follows:

<b>Named Executive Officer</b>	<b>Earned Annual Incentive Fiscal 2016</b>
Gregory N. Roberts	\$ 1,489,122
Thor Gjerdrum	\$ 373,001

A-Mark earned fiscal 2016 GAAP net income before provision for income taxes of \$15.6 million, an increase of 70% over fiscal 2015. To calculate "pre-tax profit," as the basis to determine the annual incentive payout to Mr. Roberts, this net income figure is adjusted as described above. In the case of Mr. Roberts, the adjustment to reflect SGI's performance substantially reduced the pre-tax profit figure, due to SGI's pre-tax loss for fiscal 2016 (SGI's financial results have no direct effect on A-Mark, as SGI is an entirely separate entity in which A-Mark has no financial interest). Including all such adjustments, the fiscal 2016 pre-tax profit used to calculate the annual incentive to our CEO was \$11.1 million. The annual incentive payout to Mr. Roberts shown in the table above was the amount calculated under his annual incentive formula (described above) with no further adjustments. In the case of Mr. Gjerdrum, the adjustments to GAAP net income before provision for income taxes for fiscal 2016 eliminated the expense of the CEO's annual incentive, which (together with other adjustments described above) resulted in pre-tax profit of \$16.8 million. This amount was used to calculate the COO's annual incentive shown in the table above applying the pre-set formula (described above) with no further adjustments. The Committee makes its determinations based on preliminary calculations of financial results, retaining discretion to adjust awards for final financial results.

In the case of CEO's fiscal 2016 annual incentive, the Compensation Committee determined to pay a portion of the award by means of a grant of 10,000 shares of our common stock. For this purpose, the shares were valued at 100% of their fair market value on, September 14, 2016, the payout date of the award. The shares are fully vested, meaning that no future service is required as a condition of the grant. The balance of the CEO's award, and the full amount of the COO's award, was paid in cash (less tax withholdings).

As in past years, the Committee awarded discretionary bonuses to certain officers, including Mr. Madge, for fiscal 2016 performance. In determining to award a discretionary bonus, the Committee considered the satisfactory overall performance of Mr. Madge and his contribution to our success in fiscal 2016. The bonus amount awarded to Mr. Madge (as set forth in the Summary Compensation Table above) was viewed by the Committee as appropriate and well aligned with our operating results.

The employment agreements of our CEO and COO in effect in fiscal 2016 provide for certain payments and benefits in the event of termination of the executive due to death, total disability, by the employer not for cause or by the executive for "Good Reason." In addition, the terms of an executive's equity awards may be affected by a termination of employment.

Under those employment agreements, severance payments to the executive are payable if, during the term of the employment agreement, the executive's employment is terminated by us without cause or is terminated by the executive for "Good Reason." Severance for a termination in fiscal 2016 would have been payable as follows:

- For Mr. Roberts, a lump-sum amount equal to the greater of 75% of "Annualized Pay," which is the annual average of salary and performance bonuses paid for the previous three years, but in any event this severance amount would be not less than \$1,500,000.
- For Mr. Gjerdrum, continued payments of base salary for one year at the rates specified in the employment agreement.

In addition, the CEO or COO would have been entitled to the following:

- Payment of compensation accrued as of the date of termination, consisting of salary, performance bonus earned in any fiscal year completed before termination but not yet paid, unreimbursed business expenses reimbursable under the employer's expense policies and payment in lieu of accrued but unused vacation.
- Payment of the pro rata portion of the performance bonus for the fiscal year of termination (based on the portion of the fiscal year worked), payable if and when such bonus would have been paid if employment had continued.
- In the case of Mr. Roberts, continued health benefits paid by the employer for six months.

Good Reason would have arisen if the employer materially decreased or failed to pay the executive's base salary or performance bonus, or materially changed the executive's job description or duties in a way adverse to the executive, or relocated the executive's job site by more than a specified distance without his consent, and in each case the employer failed to cure the circumstances after notice from the executive. Other material breaches of the employment agreement may constitute "Good Reason"

in some instances.

In the event of termination of the CEO's or COO's employment during fiscal 2016 in other circumstances, the termination payments and benefits would have been as follows:

- For all terminations, the compensation accrued as of the date of termination (as summarized above) would have been paid.
- In the event of termination due to death or total disability, each executive would have received the pro rata performance bonus for the fiscal year of termination.
- Mr. Roberts would have received the same severance and health benefits payable in the event of a termination by the employer not for cause, except that benefits would be reduced by the amount of any disability or death benefit received under employer plans.

Under the employment agreements (including the CEO's new employment agreement described below) and equity award agreements, the executive's rights are not enhanced based upon a change in control of A-Mark. The agreements have provided, however, that certain payments under the agreements may be reduced if, following a change in control, the executive would be subject to the "golden parachute" excise tax and the reduction in payments would result in the executive realizing a greater after-tax amount.

The employment agreements provide that the executives will be entitled to receive medical insurance, group health, disability insurance and other benefits made generally available to employees, with some of the agreements providing assurance that the level of health benefits will not be diminished during the term of the agreement. The employment agreements also provided for indemnification to the executives for liabilities arising out of the executive's employment. Mr. Roberts' employment agreement also has provided a motor vehicle allowance of \$750 per month. The employment agreements obligate the executives not to solicit employees to terminate employment with us or to become employees of another entity for one year following a termination for cause.

On February 19, 2016, A-Mark entered into a new employment agreement with Mr. Roberts, our CEO. The new agreement became effective July 1, 2016, immediately following the expiration of the previous employment agreement, except that we granted to the CEO stock options, as described below, effective upon the signing of the new employment agreement.

Key terms of our CEO's new employment agreement are as follows:

- The CEO is employed in that capacity from July 1, 2016 through June 30, 2020.
- The CEO is permitted to continue to serve in executive capacities at SGI, for up to 20% of his working time. The Secondment Agreement between A-Mark and SGI, under which the CEO's services were provided to SGI in fiscal 2016 and 2015, ended on June 30, 2016. Accordingly, in fiscal 2017 and thereafter, SGI will pay compensation directly to Mr. Roberts for any services he may perform for SGI.
- A-Mark will pay salary to the CEO in fiscal 2017, assuming he devotes 80% or more of his working time to A-Mark (but less than all of his working time due to service to SGI) at an annual rate of \$520,000.
- The CEO will have, in each fiscal year of the employment term, an annual incentive opportunity to earn an amount equal to 100% of salary by achieving target performance, and with the opportunity to earn 80% of salary at threshold performance levels and up to 150% of salary for above-target performance levels.
- The new agreement provides for increasing salary levels (with target annual incentive at 100% of salary) for the second and third years of the employment term. In addition, the CEO's salary level will be adjusted upward by 25% at such time as he ceases to provide services to SGI and devotes 100% of his working time to A-Mark.
- Performance goals for the annual incentive will be based 75% on achievement of annual goals tied to the level of pre-tax profits (as defined) and 25% based on achievement of other qualitative and quantitative goals as determined by the Compensation Committee each year. The annual incentive award will permit the A-Mark compensation committee to exercise discretion in determining the final payout in certain cases, but only if a "gate-keeper" performance goal is met so that the award potentially can qualify for tax deductibility under Internal Revenue Code Section 162(m).
- Upon the CEO signing the new employment agreement in February, 2016, we granted to him granted stock options covering 300,000 shares of A-Mark common stock. The options are non-qualified stock options with a maximum term of ten years. One-third of the stock options have an exercise price of \$19.80 per share, the

[Table of Contents](#)

closing price on February 19, 2016. These options will vest 33.3% at the end of fiscal 2017 and for each completed fiscal year thereafter, subject to accelerated vesting in specified circumstances. Two-thirds of the stock options have premium prices, with options for 100,000 shares exercisable at \$23.80 and options for 100,000 shares exercisable at \$25.50. The premium priced options vest 25% for each completed fiscal year of employment, beginning with fiscal 2017, subject to accelerated vesting in specified circumstances.

- Benefits under the new agreement are similar to those under the former employment agreement, except that A-Mark will reimburse the CEO for the cost of term life insurance based on the cost of a five-year, \$1 million policy. A provision in the former employment agreement providing for a severance payment upon death is eliminated in the new employment agreement.
- Payments and benefits upon termination of employment are similar to those provided under the old agreement, except that severance payable upon a termination by A-Mark not for Cause or termination by the CEO for Good Reason will be governed by a new (initially lower) payment formula. The new formula provides for a lump sum severance payment equal to the annualized level of salary paid from July 1, 2016 (that is, paid under the new agreement) plus the average annual incentive paid for fiscal years under the new agreement, but in any case not less than \$1 million.

Except as described in the bulleted points above, the new employment agreement carries over the terms of the prior employment agreement.

On September 7, 2016, our Board appointed Thor Gjerdrum to the position of President. At that time, our Board also appointed David Madge, who had served as our President since 2011, to the position of Chief Marketing Officer.

In connection with the promotion of Mr. Gjerdrum, we entered into a new employment agreement with him, replacing his previous employment agreement that had expired on June 30, 2016. The new employment agreement, effective as of July 1, 2016, contains the following key terms:

- The term of the agreement extends from July 1, 2016 through June 30, 2019, with the appointment to the office of President effective at September 7, 2016.
- First year salary will be \$450,000, with annual increases of \$25,000 in each of the second and third years.
- The President will have an annual incentive opportunity to earn an amount equal to 75% of salary by achieving target performance, with the Compensation Committee permitted to pay lesser amounts for achievement of specified threshold performance levels and greater amounts, up to 125% of the target amounts, for above-target performance levels.
- Performance goals for the annual incentive will be based 50% on achievement of annual goals tied to the level of pre-tax profits (as defined) and 50% based on achievement of other qualitative and quantitative goals as determined by the Compensation Committee each year. The annual incentive award will permit the Compensation Committee to exercise discretion in determining the final payout in certain cases, but only if a "gate-keeper" performance goal is met so that the award potentially can qualify for tax deductibility under Internal Revenue Code Section 162(m).
- Under the new agreement, upon signing, the President was granted stock options covering 100,000 shares of A-Mark common stock. The options are non-qualified stock options with a maximum term of ten years. One-third of the stock options will be exercisable at \$17.67 per share (the closing price per-share on the grant date). Two-thirds of the stock options have a premium exercise price of \$20.00 per share. The options will vest 33.3% for each completed fiscal year of employment, subject to accelerated vesting in specified circumstances.
- Benefits under the new agreement will be similar to those under Mr. Gjerdrum's previous employment agreement.
- Payments and benefits upon termination of employment are similar to those provided under the previous employment agreement, as described above. Severance payable upon a termination by A-Mark not for Cause or termination by the President for Good Reason will be one year of salary continuation.

In September, 2016, the Compensation Committee and the Board of Directors adopted a recoupment policy (sometimes referred to as a "clawback" policy). This policy requires that an incentive award paid out based on A-Mark's performance will be subject to forfeiture if there occurs a restatement of A-Mark's financial statements and the restated financial information would have resulted in a reduced payout (if the award were paid out within the preceding 36 months). This policy applies even if the executive did not engage in misconduct leading to the restatement. The forfeited amount would be the amount by which the original payment exceeded the payment that would have resulted from the corrected financial information.

## Compensation of Directors

The board of directors has adopted a policy providing for cash-based compensation of non-employee directors. Director compensation generally is reviewed by the board of directors annually and from time to time to ensure that compensation levels are fair and appropriate. Since the spin-off in March 2014, equity awards have not been granted to directors except for a grant to a new director shortly following her joining the board of directors. In the future, the board of directors may consider granting equity awards as an element of annual non-employee director compensation. All directors are entitled to reimbursement by the Company for reasonable travel to and from meetings of the board of directors, and reasonable food and lodging expenses incurred in connection therewith and other reasonable expenses.

Under the current Director Compensation Policy, annual compensation of each non-employee director is as follows:

- (1) Cash retainer -- \$60,000 per year;
- (2) Cash retainer for service as Chairman of Audit Committee or Chairman of Compensation Committee -- \$10,000;
- (3) Cash retainer for service as Chairman of Nominating and Governance Committee -- \$5,000; and
- (4) Cash retainer for service as member (other than Chairman) of Audit Committee or Compensation Committee -- \$5,000.

No meeting fees are paid under the current Director Compensation Policy. Service as a member of a committee other than the Audit Committee or Compensation Committee does not result in additional compensation. Directors who are employees of the Company are not paid additional compensation for service as a director.

The Director Compensation Policy assumes service for a full year; directors who serve for less than the full year are entitled to receive a pro-rated portion of the applicable payment. Each “year”, for purposes of the Director Compensation Policy, will be deemed to begin on the date of our annual meeting of stockholders.

Jeffrey D. Benjamin, the Chairman of the Board, receives no additional cash compensation for service in that capacity under this Policy (he does receive the regular annual retainer for service as a non-employee director, however).

The following table sets forth information regarding compensation earned by non-employee directors of the Company during fiscal 2016.

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Stock Awards (\$) (c)	Option Awards <sup>(1)</sup> (\$) (d)	All Other Compensation (\$) (e)	Total (\$) (f)
Jeffrey D. Benjamin	\$ 60,000	\$ —	\$ —	\$ —	\$ 60,000
Joel Anderson	\$ 60,000	\$ —	\$ —	\$ —	\$ 60,000
Ellis Landau	\$ 75,000	\$ —	\$ —	\$ —	\$ 75,000
Beverly Lepine	\$ 65,000	\$ —	\$ —	\$ —	\$ 65,000
William Montgomery	\$ 65,000	\$ —	\$ —	\$ —	\$ 65,000
John Moorhead	\$ 75,000	\$ —	\$ —	\$ —	\$ 75,000
Jess M. Ravich	\$ 75,000	\$ —	\$ —	\$ —	\$ 75,000

- (1) At June 30, 2016, Ms. Lepine and Mr. Benjamin held stock options to purchase A-Mark shares. Ms. Lepine held an option to purchase 3,000 shares, exercisable at \$10.08 per share, with one-third of the option then vested and exercisable. This option was granted to Ms. Lepine in 2015, upon her joining the Board. Mr. Benjamin held an option to purchase 119,856 shares at \$8.35 per share, which was vested and exercisable as to 71,913 shares and unvested and unexercisable as to 47,943 shares. This option was granted at the time of the spin-off in fiscal 2014, as a replacement and adjustment of an option to purchase 500,000 SGI shares.

## 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS



[Table of Contents](#)

The following tables provide information with respect to the beneficial ownership of our common stock (our only class of outstanding capital stock) at September 21, 2016 by:

- each of our directors;
- each NEO named in the summary compensation table;
- all of our current directors and executive officers as a group; and
- each of our stockholders who has reported beneficial ownership of more than 5% of the outstanding class of our common stock.

Except as otherwise noted in the footnotes below, each person or entity identified in the tables reported having sole voting power and sole investment or dispositive power with respect to the shares of common stock reflected in the table.

**Beneficial Ownership of Principal Stockholders**

<i>Name of Beneficial Owner</i>	<i>Amount of Beneficial Ownership</i>	<i>Percent of Outstanding Common Stock <sup>(1)</sup></i>
Joel R. Anderson <sup>(2)</sup>		
Charles C. Anderson		
Harold Anderson	704,516	10.0%
Jeffrey D. Benjamin <sup>(3)</sup>	813,303	11.4%
William A. Richardson <sup>(4)</sup>	1,012,728	14.4%
Gregory N. Roberts <sup>(5)</sup>	920,810	13.0%

(1) All percentages have been calculated based on 7,021,450 shares of A-Mark common stock outstanding at September 20, 2016.

(2) Beneficial ownership of Joel R. Anderson, Charles C. Anderson and Harold Anderson is based on their Schedule 13D with the SEC reporting their beneficial ownership of our outstanding common stock, as a group, at March 20, 2014 and additional advice provided to A-Mark by them. Based on such information, the group's beneficial ownership of A-Mark common stock totaled 704,516 shares at September 20, 2016, of which Joel R. Anderson had beneficial ownership of 304,553 shares, Charles C. Anderson had beneficial ownership of 343,838 shares, and Harold Anderson had beneficial ownership of 56,125 shares. The address of Joel R. and Charles C. Anderson is 202 North Court Street, Florence, Alabama 35630, and the address of Harold Anderson is 3101 Clairmont Road, Suite C, Atlanta, GA 30329.

(3) Beneficial ownership of Jeffrey D. Benjamin is based on his amended Schedule 13D filed with the SEC reporting beneficial ownership of shares of A-Mark common stock at March 21, 2014 and additional advice provided to the Company. At September 20, 2016, his beneficial ownership of A-Mark common stock totaled 813,303 shares, including 95,885 shares issuable to Mr. Benjamin upon exercise of stock options that are currently exercisable or will become exercisable within 60 days. The reported beneficial ownership also includes 250,000 shares held in a family trust as to which Mr. Benjamin neither has nor shares voting or dispositive power, as to which shares he disclaims beneficial ownership. Such beneficial ownership excludes 23,971 stock options that are not currently exercisable and will not become exercisable within 60 days. The address of Mr. Benjamin is 429 Santa Monica Blvd. Suite 230, Santa Monica, CA 90401.

(4) Beneficial ownership of William A. Richardson is based on his amended Schedule 13D filed with the SEC reporting beneficial ownership of A-Mark common stock at March 21, 2014. His beneficial ownership of A-Mark common stock totaled 1,012,728 shares at March 21, 2014, including 778,938 shares owned directly by Silver Bow Ventures LLC (11.1% of the currently outstanding class) as to which Mr. Richardson shares voting and dispositive power with Gregory N. Roberts. The address of Mr. Richardson and Silver Bow Ventures LLC is 429 Santa Monica Blvd. Suite 230, Santa Monica, CA 90401.

(5) Beneficial ownership of Gregory N. Roberts is based on his amended Schedule 13D filed with the SEC reporting beneficial ownership of A-Mark common stock at March 21, 2014 and additional advice provided to the Company. At September 20, 2016, his beneficial ownership of A-Mark common stock totaled 920,810 shares, including 10,000 shares as to which Mr. Roberts has sole voting and dispositive power, 59,956 shares as to which Mr. Roberts shares voting and dispositive power with his wife and 778,938 shares owned directly by Silver Bow Ventures LLC (11.1% of the outstanding class) as to which Mr. Roberts shares voting and dispositive power with William Richardson, and including shares issuable to Mr. Roberts upon exercise of 71,916 options to acquire A-Mark common stock (as to which Mr. Roberts has sole voting and sole dispositive power). Such beneficial ownership excludes 300,000 stock options that are not currently exercisable and will not become exercisable within 60 days. The address of Mr. Roberts is 429 Santa Monica Blvd. Suite 230, Santa Monica, CA 90401.

**Beneficial Ownership of Management**

<i>Name of Beneficial Owner</i>	<i>Amount and Nature Of Beneficial Ownership</i>	<i>Percent of Outstanding Common Stock <sup>(1)</sup></i>
Joel R. Anderson <sup>(2)</sup>	704,516	10.0%
Jeffrey D. Benjamin <sup>(3)</sup>	813,303	11.4%
Ellis Landau	179,025	2.5%
Beverly Lepine	2,000 <sup>(4)</sup>	*
William Montgomery	198,662 <sup>(5)</sup>	2.8%
John U. Moorhead	18,272	*
Jess M. Ravich	257,226	3.7%
Gregory N. Roberts <sup>(6)</sup>	920,810	13.0%
Thor G. Gjerdrum	8,585	*
David W.G. Madge	—	*
All current directors and executive officers as a group (11 persons)	3,140,782 <sup>(7)</sup>	43.6%

\* Less than 1%.

(1) See footnote (1) to the table under the caption “Beneficial Ownership of Principal Stockholders” above.

(2) See footnote (2) to the table under the caption “Beneficial Ownership of Principal Stockholders” above.

(3) See footnote (3) to the table under the caption “Beneficial Ownership of Principal Stockholders” above.

(4) Includes 1,000 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days.

(5) Includes 177,745 shares that would be held in a trust as to which Mr. Montgomery has no voting power and limited dispositive power, and as to which shares Mr. Montgomery disclaims beneficial ownership.

(6) See footnote (5) to the table under the caption “Beneficial Ownership of Principal Stockholders” above.

(7) Includes 183,184 shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

***Sales and Purchases Made to Affiliate Companies***

During the years ended June 30, 2016 and 2015, the Company made sales and purchases to various companies, which have been deemed to be related parties; one of these companies is an equity method investee of the Company and the others have been deemed to be under common control with A-Mark.

***Sales and Purchases Made to Affiliated Companies***

During the years ended June 30, 2016 and 2015, the Company made sales and purchases to various companies, which have been deemed to be related parties; one of these companies is an equity method investee of the Company and the others have been deemed to be under common control with A-Mark.

*in thousands*

	Years Ended June 30,		2016		2015	
	Sales	Purchases	Sales	Purchases	Sales	Purchases
Former Parent	\$ 30,544	\$ 42,264	\$ 7,521	\$ 9,201		
Equity method investee	717,309	6,867	—	—		
	<u>\$ 747,853</u>	<u>\$ 49,131</u>	<u>\$ 7,521</u>	<u>\$ 9,201</u>		

**Balances with Affiliated Companies**

As of June 30, 2016 and June 30, 2015, the Company had related party receivables and payables balances as set forth below:

*in thousands*

	June 30, 2016		June 30, 2015	
	Receivables	Payable	Receivables	Payable
Former Parent	\$ 1,913	\$ 138	\$ 1,097	\$ 10
Equity method investee	2,396	—	279	—
	<u>\$ 4,309</u>	<u>\$ 138</u>	<u>\$ 1,376</u>	<u>\$ 10</u>

**Secured Loans Made to Affiliated Companies**

On October 9, 2014, CFC entered into a loan agreement with Former Parent providing for a secured line of credit in the maximum principal amount of up to \$16.0 million, bearing interest at a competitive rate per annum. Advances under the line of credit were secured by numismatic and semi-numismatic products. This secured loan was paid off in full, plus accrued interest, on April 15, 2015. As of June 30, 2016 and June 30, 2015, the aggregate carrying value of this loan was \$0.0 million.

On July 23, 2015, CFC entered into a loan agreement with Former Parent providing a secured line of credit in the maximum principal amount of up to \$2.5 million, bearing interest at a competitive rate per annum. The loan is secured by numismatic and semi-numismatic products. As of June 30, 2016 and June 30, 2015, the aggregate carrying value of this loan was \$1.4 million and \$0.0 million, respectively.

**Interest Income Earned from Affiliated Companies**

During the years ended June 30, 2016 and 2015, the Company earned interest income related to loans made to Former Parent and related to financing products sold to Former Parent and to the equity method investee, as set forth below:

*in thousands*

	Years Ended June 30,	2016	2015
Interest income from loan receivables		\$ 65	\$ 229
Interest income from finance products		2,302	890
		<u>\$ 2,367</u>	<u>\$ 1,119</u>

**Other Income Earned from Equity Method Investee**

During the years ended June 30, 2016 and 2015, the Company recorded its proportional share of its equity method investee's net income as other income that total \$701,000 and \$0, respectively. As of June 30, 2016 and June 30, 2015 the carrying balance of the equity method investment was \$7.3 million and \$2.0 million, respectively.

**Secondment Agreement Fees and Reimbursements**

In connection with the Distribution, SGI and the Company entered into a secondment agreement (the "Secondment Agreement"). Under the terms of the Secondment Agreement, A-Mark agreed to make Gregory N. Roberts, our Chief Executive Officer, and Carol Meltzer, our Executive Vice President, General Counsel and Secretary, available to SGI for the performance of specified management and professional services following the spinoff in exchange for an annual secondment fee of \$150,000 and reimbursement of certain bonus payments. The Secondment Agreement terminated on June 30, 2016.

The Company recorded the accrual of secondment fees as a reduction to selling, general and administration expense. During the years ended June 30, 2016 and 2015, the Company recognized approximately \$150,000 and \$150,000, respectively, of secondment fees. As of June 30, 2016 and June 30, 2015 the outstanding balance of secondment fees due from SGI was \$0 and \$0, respectively.

**Income Tax Sharing Obligations**

The amount receivable under the Company's income tax sharing obligation due from our Former Parent, totaled \$0.2 million, and \$1.1 million as of June 30, 2016 and June 30, 2015, respectively, and is shown on the face of the consolidated balance sheets as "income taxes receivable from Former Parent" (see [Note 12](#).)

**Transaction with Affiliate of Board Member**

In February 2015, A-M Global Logistics, LLC ("Logistics"), a wholly owned subsidiary of the Company that was formed to operate the Company's logistics fulfillment center in Las Vegas, Nevada, entered into various agreements with W. A. Richardson Builders, LLC ("WAR"), for the buildout of and improvements to the Las Vegas premises. The spouse of the Chairman of the Company's Audit Committee, Ellis Landau, is an owner and a managing member of WAR. The agreements were amended in January 2016. The amounts involved under the WAR contract, as amended, were approximately \$1.5 million. WAR is entitled to a fee equal to 5.0% of the contract work.

**Purchase of A-Mark Shares from Certain Substantial Stockholders**

During the years ended June 30, 2016 and 2015, there were no purchases of A-Mark shares for Certain Substantial Stockholders.

**Policy and Procedures Governing Related Party Transactions**

Our Board of Directors has adopted a written statement of policy regarding transactions with related persons, which we refer to as our "Statement of Policy Regarding Transactions with Related Persons." Our policy requires that a "related person" (as defined in paragraph (a) of Item 404 of Regulation S-K) must promptly disclose to our general counsel any proposed "related person transaction" (defined as any transaction or series of related transactions that is reportable by us under Item 404(a) of Regulation S-K in which we are or will be a participant and the amount involved exceeds \$120,000) in which such related person has or will have a direct or indirect material interest, together with all material facts with respect thereto. The general counsel must promptly communicate such information to our Audit Committee (references in this paragraph to the Audit Committee include any other independent body of our Board of Directors, which may act instead of the Audit Committee). No related-person transaction will be entered into without the approval or ratification of our Audit Committee. It is our policy that directors interested in a related-person transaction will recuse themselves from any such vote. Our policy does not specify the standards to be applied by our Audit Committee in determining whether or not to approve or ratify a related-person transaction, and we accordingly anticipate that these determinations will be made in accordance with principles of Delaware law generally applicable to directors of a Delaware corporation.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Grant Thornton, LLP audited the Company's consolidated financial statements for the fiscal years ended June 30, 2016 and 2015, and has served as our independent registered public accounting firm since June 12, 2015.

**Fees to Independent Registered Public Accounting Firm for Fiscal Years 2016 and 2015**

The following table sets forth by fee category the aggregate fees for professional services rendered by Grant Thornton, LLP.

<i>in thousands</i>	Years Ended June 30,	Grant Thornton LLP	
		2016	2015
<b>Fee Category:</b>			
Audit fees <sup>(1)</sup>	\$	560	\$ 515
Audit-related fees <sup>(2)</sup>		—	—
Tax fees <sup>(3)</sup>		—	—
All other fees <sup>(4)</sup>		—	—
<b>Total</b>	<b>\$</b>	<b>560</b>	<b>\$ 515</b>

- (1) Audit fees consisted of services rendered by the principal accountant for the audit and reviews of our annual and quarterly condensed consolidated financial statements.
- (2) Audit-related fees includes the aggregate fees for assurance and related services provided that are reasonably related to the performance of the audits or reviews of the financial statements and which are not reported above under "Audit fees."
- (3) Tax fees consists of professional services rendered for tax compliance, tax planning, tax advice, and value added tax process review. The services for the fees disclosed under this category include tax return preparation, research and technical tax advice.
- (4) All other fees includes the aggregate fees for products and services provided that are not reported above under "Audit fees," "Audit-related fees" or "Tax fees."

**Pre-Approval Policy**

In accordance with the Sarbanes-Oxley Act of 2002, the Audit Committee established policies and procedures under which all audit and non-audit services performed by the Company's principal accountants must be approved in advance by the Audit Committee.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENTS SCHEDULES**

(a) The following documents are filed as part of this report:

1. Financial Statements

**Index to Consolidated Financial Statements**

	<b>Page</b>
<a href="#">Reports of Independent Registered Public Accounting Firm</a>	<a href="#">31</a>
<a href="#">Consolidated Balance Sheets</a>	<a href="#">32</a>
<a href="#">Consolidated Statements of Income</a>	<a href="#">33</a>
<a href="#">Consolidated Statements of Stockholders' Equity</a>	<a href="#">34</a>
<a href="#">Consolidated Statements of Cash Flows</a>	<a href="#">35</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">36</a>

2. Financial Statements Schedules

None.

3. Exhibits required to be filed by Item 601 of Regulation S-K

The information called for by this item is incorporated herein by reference to the [Exhibit Index](#) in this report.

**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:** September 22, 2016

**By:** /s/ Gregory N. Roberts

**Name:** Gregory N. Roberts

**Title:** Chief Executive Officer

*(Principal Executive Officer)*

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

**Date:** September 22, 2016

**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.

<u>Signatures</u>	<u>Title(s)</u>	<u>Date</u>
<u>/s/ Jeffrey D. Benjamin</u> Jeffrey D. Benjamin	Chairman of the Board	September 22, 2016
<u>/s/ Gregory N. Roberts</u> Gregory N. Roberts	Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	September 22, 2016
<u>/s/ Cary Dickson</u> Cary Dickson	Chief Financial Officer <i>(Principal Financial Officer)</i>	September 22, 2016
<u>/s/ Joel R. Anderson</u> Joel R. Anderson	Director	September 22, 2016
<u>/s/ Ellis Landau</u> Ellis Landau	Director	September 22, 2016
<u>/s/ Beverley Lepine</u> Beverley Lepine	Director	September 22, 2016
<u>/s/ William Montgomery</u> William Montgomery	Director	September 22, 2016
<u>/s/ John U. Moorhead</u> John U. Moorhead	Director	September 22, 2016
<u>/s/ Jess M. Ravich</u> Jess M. Ravich	Director	September 22, 2016

**EXHIBIT INDEX**

<b>Regulation S-K Exhibit Table</b>			<b>Description of Exhibit</b>
<b>Item No.</b>			
2	.1	**	Separation and Distribution Agreement between Spectrum Group International, Inc. and A-Mark Precious Metals, Inc. Incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-1; Registration No. 333-192260.
3	.1	**	Amended and Restated Certificate of Incorporation of A-Mark Precious Metals, Inc. Incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1; Registration No. 333-192260.
3	.3	**	Amended and Restated Bylaws of A-Mark Precious Metals, Inc. Incorporated by reference to Exhibit 3.4 to the Registration Statement on Form S-1; Registration No. 333-192260.
10	.1	**	Uncommitted Credit Agreement, dated March 31, 2016, by and among Coöperatieve Rabobank U.A., New York Branch, Coöperatieve Rabobank U.A., New York Branch, Brown Brothers Harriman & CO., BNP Paribas, Natixis, New York Branch, Bank Hapoalim B.M., and A-Mark Precious Metals, Inc. Incorporated by reference to Exhibit 10.1 to the Report on Form 8-K dated March 31, 2016.
10	.2	**	Security Agreement, dated March 31, 2016, between Coöperatieve Rabobank U.A., New York Branch, and A-Mark Precious Metals, Inc. Incorporated by reference to Exhibit 10.2 to the Report on Form 8-K dated March 31, 2016.
10	.3	**	Form of Promissory Note. Incorporated by reference to Exhibit 10.3 to the Report on Form 8-K dated March 31, 2016.
10	.4	**	Employment Agreement, executed February 19, 2016, between A-Mark Precious Metals, Inc. and Gregory N. Roberts. Incorporated by reference to Exhibit 10.1 to the Report on Form 8-K dated February 19, 2016.
10	.5	**	Employment Agreement, executed September 7, 2016, between A-Mark Precious Metals, Inc. and Thor Gjerdrum. Incorporated by reference to Exhibit 10.1 to the Report on Form 8-K dated August 31, 2016.
10	.6	*	Lease Agreement, dated as of July 7, 2016, between The Plaza CP LLP and A-Mark Precious Metals, Inc.
10	.7	*	Limited Liability Company Agreement of AM&ST Associates, LLC, effective as of August 31, 2016, between A-Mark Precious Metals, Inc. and Silver Towne, L.P.
10	.8	*	Asset Purchase Agreement, dated as of August 31, 2016, between Silver Towne, L.P. and AM&ST Associates, LLC.
10	.9	*	First Amendment to Uncommitted Credit Agreement, dated as of June 30, 2016, among A-Mark Precious Metals, Inc., Cooperatieve Rabobank U.A. New York Branch, as Administrative Agent and the lenders named therein.
10	.10	*	Second Amendment to Uncommitted Credit Agreement, dated as of June 30, 2016, among A-Mark Precious Metals, Inc., Cooperatieve Rabobank U.A. New York Branch, as Administrative Agent and the lenders named therein.
10	.11	**	Memorandum of Tax Sharing Agreement, dated as of June 23, 2011, between Spectrum Group International, Inc. and A-Mark Precious Metals, Inc. Incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-1; Registration No. 333-192260.
10	.12	**	Tax Separation Agreement between Spectrum Group International, Inc. and A-Mark Precious Metals, Inc. Incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-1; Registration Statement No. 333-192260.
10	.13	**	Non-Employee Director Compensation Policy of A-Mark Precious Metals, Inc. Incorporated by reference to Exhibit 10.36 of the Registration Statement on Form S-1; Registration No. 333-192260.
10	.14	**	Form of 2014 Stock Award and Incentive Plan of A-Mark Precious Metals, Inc. Incorporated by reference to Exhibit 10.40 of the Registration Statement on Form S-1; Registration No. 333-192260.
10	.15	**	Air Cargo Lease between MCP CARGO, LLC as Landlord, and A-M Global Logistics, LLC as tenant, dated as of November 21, 2014. Incorporated by reference to Exhibit 10.23 to the Report on Form 10-K for the year ended June 30, 2015.
10	.16	**	First Amendment to Air Cargo Lease between MCP CARGO, LLC as Landlord, and A-M Global Logistics, LLC as tenant, dated as of August 28, 2015. Incorporated by reference to Exhibit 10.24 to the Report on Form 10-K for the year ended June 30, 2015.
21		*	List of Subsidiaries of A-Mark Precious Metals, Inc.
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.

**Regulation S-K  
Exhibit Table**

<b>Item No.</b>			<b>Description of Exhibit</b>
32	.2	*	Certification Under Section 906 of the Sarbanes-Oxley Act of 2002.
101	.INS	*	XBRL Instance Document.
101	.SCH	*	XBRL Taxonomy Extension Calculation Schema Document.
101	.CAL	*	XBRL Taxonomy Extension Calculation Linkbase Document.
101	.DEF	*	XBRL Taxonomy Extension Definition Linkbase Document.
101	.LAB	*	XBRL Taxonomy Extension Label Linkbase Document.
101	.PRE	*	XBRL Taxonomy Extension Presentation Linkbase Document.

---

\* Filed herewith

\*\* Previously filed



[Table of Contents](#)

**Supplemental Information to be Furnished with Reports Filed Pursuant to Section 15(D) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act**

None.

## LEASE AGREEMENT

**THIS LEASE AGREEMENT** (this "Lease") is made and entered into as of July 7, 2016, by and between Lessor and Lessee, as defined below. Lessor and Lessee are hereinafter sometimes individually referred to as "Party," or collectively referred to as "Parties." Lessor hereby agrees to lease to Lessee and Lessee hereby agrees to lease from Lessor, the Premises, as defined below, pursuant to all of the terms and conditions set forth below:

### ARTICLE 1 - DEFINED TERMS, GENERAL CONDITIONS AND PREMISES

Section 1.1 **Defined Terms and Covenants.** The terms listed below ("Defined Terms") shall have the following meanings throughout this Lease, and the covenants described in this Section 1.1 shall have the same effect as the terms and conditions of the Lease:

- (a) Lessor: The Plaza CP LLC  
a California limited liability company
- (b) Lessee: A-Mark Precious Metals, Inc.  
a California corporation
- (c) Premises: The crosshatched space shown on Exhibit "C-2" attached hereto and to be commonly known as 2121 Rosecrans Avenue, Suite 6300, El Segundo, California.
- (d) Building: The Building, all other buildings and office, commercial and retail space and all roads, walks, plazas, landscaped areas, improvements, facilities and common areas associated therewith, including the Parking Facilities (as hereinafter defined) shown on Exhibit "A-1" and the land legally described on Exhibit "A-2" (the property) on which the same are situated.
- (e) Property: That portion of Continental Park (depicted in Exhibit "A-3") described in Exhibit "A-2."
- (f) Deemed Rentable Area of the Building: 456,323 square feet. Subject to Exhibit "A-1."
- (g) Deemed Rentable Area of the Premises: 8,969 square feet.  
Deemed Usable Area of the Premises: 7,666 square feet.
- (h) Intentionally Deleted
- (i) Term and Option To Extend: The Lease term shall be nine (9) years following the Commencement Date (the "Term"). Notwithstanding the previous sentence, if this Lease does not commence on the first (1st) day of a calendar month, the Term will always terminate on the last day of the one hundred and eighth (108th) full calendar month following the Commencement Date. Lessee shall have one (1) option to extend the Term for five (5) years, pursuant to Rider No. One attached hereto.
- (j) Commencement Date: April 1, 2017. Lessee shall have early access to the Premises, at no charge, as of March 20, 2017, for the purpose of installing furniture and equipment only, subject to (a) Lessee complying with all terms, conditions, covenants, rules and regulations of the Lease [other than payment of Rent] as of the date Lessee first occupies the Premises, including, but not limited to, the Article 14 insurance requirements and the Sections 14.1 and 35.15(e) indemnity protections, and (b) Lessee not interfering with Lessor's construction of the Lessee Improvements.
- (k) Base Rental: Lessee shall pay base rental for the Premises ("Base Rental") as follows:
  - From April 1, 2017 through January 31, 2018: \$16,144.20 (subject to Section 35.32);
  - From February 1, 2018 through March 31, 2018: \$32,288.40 per month;
  - From April 1, 2018 through March 31, 2019: \$33,257.05 per month;
  - From April 1, 2019 through March 31, 2020: \$34,254.76 per month;
  - From April 1, 2020 through March 31, 2021: \$35,282.40 per month;
  - From April 1, 2021 through March 31, 2022: \$36,340.87 per month;
  - From April 1, 2022 through March 31, 2023: \$37,431.10 per month;
  - From April 1, 2023 through March 31, 2024: \$38,554.03 per month;
  - From April 1, 2024 through March 31, 2025: \$39,710.65 per month; and
  - From April 1, 2025 through March 31, 2026: \$40,901.97 per month.
 Subject to Articles 3 and 4.
- (l) Deposit: Lessee shall pay Lessor a security deposit (the "Deposit") of \$40,901.97 in accordance with Article 5 of the Lease.
- (m) *Intentionally Deleted*
- (n) Use: General Office. Subject to Article 6.
- (o) Parking Privileges: Lessee is authorized to take up to a maximum of thirty-six (36) parking permits. Lessee must take a minimum of thirty (30) non-reserved permits. Subject to Article 32.
- (p) Current Monthly Parking Permit Charges: Reserved Permits at \$135.00 / Non-Reserved Permits at \$80.00 (subject to increases pursuant to Exhibit "F" attached hereto, except, however, in no event shall the parking charges increase prior to April 1, 2018).

- (q) Lessor's Construction Allowance: \$536,620.00. Lessor shall also provide Lessee with an additional sum of \$1,149.90 for space planning costs. Any unused portion of the Lessor's Construction allowance may be used by Lessee, following thirty (30) day advance written notice to Lessor, in an amount not to exceed fifty percent (50%) of the Base Rental due in a single month over the Term, and by no later than April 1, 2018, towards its monthly Basic Rent obligation. Subject to Exhibit "C."
- (r) Normal Hours: Monday through Friday, from 7:30 a.m. to 6:30 p.m., Saturday, from 9:00 a.m. to 1:00 p.m., excepting state and/or federal holidays. Lessee shall have access to the Premises twenty-four (24) hours per day, seven (7) days a week. Subject to Exhibit "D."

#### Section 1.2 **General Conditions.**

(a) Unless this Lease provides for a contrary standard, whenever in this Lease the consent or approval of the Lessor or Lessee is required, such consent or approval shall not be unreasonably withheld, conditioned or delayed (except, however, with respect to any Lessor consent, for matters which could possibly have a material adverse effect on the Building's plumbing, heating, mechanical, life safety, ventilation, air conditioning or electrical systems, which could affect the structural integrity of the Building, or which could affect the exterior appearance of the Building, Lessor may withhold such consent or approval in its sole discretion but shall act in good faith); and

(b) Unless a contrary standard or right is set forth in this Lease, whenever the Lessor or Lessee is granted a right to take action, exercise discretion, or make an allocation, judgment or other determination, Lessor or Lessee shall act reasonably and in good faith and take no action which might result in the frustration of the reasonable expectations of a sophisticated tenant and a sophisticated landlord concerning the benefits to be enjoyed under this Lease.

Section 1.3 **Lease of Premises.** Lessor leases to Lessee, and Lessee leases from Lessor, the Premises.

### ARTICLE 2 - TERM

Section 2.1 **Effective Date.** This Lease shall become effective (the "Effective Date") upon the approval of the Lessor's lender on the Property and when signed by Lessor and Lessee (if lender's prior approval is required). All of the terms, conditions, covenants, rules and regulations of the Lease (other than the payment of Rent) shall apply as of the Effective Date.

Section 2.2 **Commencement Date.** The Term of this Lease and the Rent shall commence on April 1, 2017 (the "Commencement Date").

Section 2.3 **Delay in Delivery of Premises.** If Lessor is unable to deliver possession of the Premises to Lessee on or before the Commencement Date, Lessor shall not be subject to any liability for its failure to do so. This failure shall not affect the validity of this Lease or the obligations of Lessee under it, but the Lease Term shall commence on the date on which Lessor delivers possession of the Premises to Lessee. The Lease Expiration Date shall be extended for a like period plus any additional period required to make the Lease Expiration Date the last day of the calendar month. Lessor shall use its commercially reasonable efforts to enforce its rights to possession of the Premises against any holdover tenant. Notwithstanding the forgoing, if the Tenant Improvements are not Substantially Complete on or before the Commencement Date, Lessee shall be entitled to a rent abatement following the Commencement Date of \$1,076.28 per day for every day beginning on the Commencement Date and ending on the date the Tenant Improvements are Substantially Complete. Lessor and Lessee acknowledge and agree that: (i) the determination of Substantial Completion shall take into account the effect of Tenant Delays and the Commencement Date shall be postponed by the number of days the Completion Date is delayed due to events of Force Majeure. If Lessor is unable to deliver possession of the Premises to Lessee by the sixtieth (60th) day following the scheduled Commencement Date (the "Outside Date"), then either Party shall have the right to terminate this Lease by providing the other Party with written notice thereof within five (5) business days following said Outside Date.

Section 2.4 **Notice of Commencement Date.** If Lessor is unable to deliver possession of the Premises to Lessee on the Commencement Date, then Lessor shall send Lessee notice of the occurrence of the Commencement Date in the form of the attached Exhibit "B," which notice Lessee shall acknowledge by executing a copy of the notice and returning it to Lessor. If Lessee fails to sign and return the notice to Lessor within ten (10) days of receipt of the notice from Lessor, the notice as sent by Lessor shall be deemed to have correctly set forth the Commencement Date, absent manifest error. Failure of Lessor to send such notice shall have no effect on the Commencement Date.

### ARTICLE 3 - RENT

Section 3.1 **Payment of Base Rental.** Lessee shall pay the Base Rental, in advance, without prior notice, demand or billing statement, on or before the first day of each calendar month during the entire Term. Concurrently with Lessee's execution of this Lease and the submission thereof for Lessor's execution, Lessee shall pay to Lessor the Base Rental payable hereunder for one full calendar month of the Term as set forth in Section 1.1(k), which shall be applicable the first full month of Base Rental payments due under this Lease, and thereafter, until it has been fully applied. On the Commencement Date, Lessee shall pay to Lessor the prorated Base Rental attributable to the month in which the Commencement Date occurs on a date other than the first day of a calendar month.

Section 3.2 **Governmental Assessments.** In addition to the Base Rental, Lessee shall pay, prior to delinquency, (a) all personal property taxes, charges, rates, duties and license fees assessed against or levied upon Lessee's occupancy of the Premises, or upon any trade fixtures, furnishings, equipment or other personal property contained in the Premises (collectively, "Personal Property"), and (b) Lessee's Pro Rata Share (as defined in Section 4.1) of any governmental fees or charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind whatsoever imposed or charged to the Premises or the Building for the first time from and after the Commencement Date (other than Taxes, as defined in Section 4.4(m), which shall be handled in accordance with the provisions of Article 4) (collectively, "Assessments"). Lessee shall cause such Assessments upon Personal Property to be billed separately from the property of Lessor. Lessee hereby agrees to indemnify, defend and hold Lessor harmless from and against the payment of all such Assessments imposed upon Lessee's Personal Property.

Section 3.3 **Special Charges for Special Services.** Lessee agrees to pay to Lessor, within ten (10) days following written demand, all charges, including labor costs, for any services, goods and/or materials, which shall include Lessor's 5% administrative cost surcharge thereon, furnished by Lessor at Lessee's request which are not otherwise required to be furnished by Lessor under this Lease without separate charge or reimbursement.

Section 3.4 **Definition of Rent.** Any and all payments of Base Rental (including any and all increases thereof) and any and all taxes, fees, charges, costs, expenses, insurance obligations, late charges, interest, and all other payments, disbursements or reimbursements which are attributable to, payable by or the responsibility of Lessee under this Lease (herein collectively referred to as the "Additional Rent"), constitute "rent" within the meaning of California Civil Code Section 1951(a). Base Rental and Additional Rent are herein collectively referred to as "Rent." Any Rent payable to Lessor by Lessee for any fractional

month shall be prorated based on a three hundred sixty-five (365) day year. All payments owed by Lessee under this Lease shall be paid to Lessor in lawful money of the United States of America at the Lessor's Address for Payment of Rent set forth in Section 34.1 or such other address as Lessor notifies Lessee in writing from time to time. All payments shall be paid without deduction, setoff or counterclaim.

**Section 3.5 Late Charge.** Lessee acknowledges that the late payment of Rent will cause Lessor to incur damages, including administrative costs, loss of use of the overdue funds and other costs, the exact amount of which would be impractical and extremely difficult to ascertain. Lessor and Lessee agree that if Lessor does not receive a payment of Rent within five (5) days after the date that such payment is due, Lessee shall pay to Lessor a late charge ("Late Charge") equal to ten percent (10%) of the delinquent amount, or the sum of twenty-five dollars (\$25.00), whichever is greater, as liquidated damages for the damages which Lessor is likely to incur for the thirty (30) day period following the due date of such payment. Further, all portions of Rent not paid within thirty (30) days following its due date and all Late Charges associated therewith shall bear interest at the Interest Rate (as defined below) beginning on the thirty-first (31st) day following the due date of such Rent and continuing until such Rent, Late Charges and interest are paid in full. Acceptance of the Late Charge, and/or interest by Lessor shall not cure or waive Lessee's default, nor prevent Lessor from exercising, before or after such acceptance, any and all of the rights and remedies for a default provided by this Lease or at law or in equity. Payment of the Late Charge and/or interest is not an alternative means of performance of Lessee's obligation to pay Rent at the times specified in this Lease. Lessee will be liable for the Late Charge regardless of whether Lessee's failure to pay the Rent when due constitutes a default under this Lease. Lessee shall pay Lessor a fee of \$30.00 for each check that Lessor shall receive from Lessee that is not honored by the bank upon which it is drawn. Furthermore, if any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all payments made by Lessee to Lessor over the next twelve (12) months to be by certified check, cashier's check, money order, or wire transfer. The term "Interest Rate" shall mean the lower of (a) the maximum interest rate permitted by law, or (b) ten percent (10%) per annum. Whenever interest is required to be paid under this Lease, the interest shall be calculated from the date the payment was due (unless a late charge is assessed by Lessor, in which case the interest shall be calculated from the thirty-first (31st) day following the date the payment was due) or should have been due if correctly assessed or estimated (or any overcharge paid), until the date payment is made or the refund is paid or is credited against Rent next due. However, there shall not be any credit against Rent unless expressly allowed by the terms of this Lease.

**Section 3.6 Acceleration of Rent Payments.** In the event a late charge becomes payable pursuant to Section 3.5 of this Lease for three (3) payments of any one or more elements of Rent within a twelve (12) month period, then all subsequent Rent payments shall immediately and automatically become payable by Lessee quarterly, in advance, by cashier's check, instead of monthly.

**Section 3.7 Disputes as to Payments of Rent.** Lessee agrees to pay the Rent required under this Lease within the time limits set forth in this Lease. If Lessee receives from Lessor an invoice or statement, which invoice or statement is sent by Lessor in good faith, and Lessee in good faith disputes whether all or any part of such Rent is due and owing, Lessee shall nevertheless pay to Lessor the amount of the Rent indicated on the invoice or statement, which in the case of Base Rental or operating expenses is in compliance with terms of this Lease, until Lessee receives a final judgment from a court of competent jurisdiction (or when arbitration is permitted or required, receives a final award from an arbitrator) relieving or mitigating Lessee's obligation to pay such Rent. In such instance where Lessee disputes its obligations to pay all or part of the Rent indicated on such invoice or statement, Lessee shall, concurrently with the payment of such Rent, provide Lessor with a letter or notice entitled "Payment Under Protest," specifying in detail why Lessee is not required to pay all or part of such Rent. Lessee will be deemed to have waived its right to contest any past payment of Rent unless it has filed a lawsuit against Lessor (or when arbitration is permitted or required, filed for arbitration and has served Lessor with notice of such filing), and has served a summons on Lessor, within one (1) year of such payment. Until an Event of Default by Lessee occurs beyond any applicable notice and cure period, Lessor shall continue to provide the services and utilities required by this Lease.

#### ARTICLE 4 – OPERATING EXPENSE ADJUSTMENTS

**Section 4.1 Operating Expense Adjustments. Operating Expense Adjustment.** Lessor and Lessee agree that in lieu of calculating the adjustments to Building operating expenses (which are passed through to lessees as additional Rent each year) for each year of the Term, Lessee shall pay to Lessor as additional Rent the sum of five cents (\$0.05) per Rentable Square Foot of Premises per month beginning on the first (1<sup>st</sup>) day of the thirteenth (13<sup>th</sup>) full calendar month following the Commencement Date and increasing by five cents (\$0.05) per Rentable Square Foot of Premises per month annually thereafter throughout the Term of the Lease. Such amount shall be added to the amount of Base Rental payable hereunder. Lessee's annual operating expense adjustments due hereunder are predetermined and not subject to adjustment; except, however, that in the event a Law should be enacted, by legislation or otherwise, that amends Proposition 13 for commercial properties, and as a result thereof Lessor's property taxes shall be increased, then the Parties agree that Lessor shall be permitted to increase Lessee's operating expenses, as of the effective date of the tax increase, to reimburse Lessor for said increased taxes, prorated amongst all tenants in the Building according to Lessee's pro-rata square footage of Premises within the Building ("Pro Rata Share").

#### ARTICLE 5 - SECURITY DEPOSIT

**Section 5.1 Security Deposit.** Concurrently with Lessee's execution of this Lease and submission thereof for Lessor's execution, Lessee shall pay the security deposit (the "Deposit") to Lessor indicated in Section 1.1(l), which Deposit shall be held by Lessor as security for the full and faithful performance of Lessee's covenants and obligations under the Lease. The Deposit is not an advance Base Rental deposit, an advance payment of any other kind, or a measure of Lessor's damages in case of Lessee's default. If Lessee fails to comply with the full and timely performance of any or all of Lessee's covenants and obligations set forth in this Lease, including, but not limited to, the provisions relating to the payment of Rent, the removal of property and the repair of resultant damage, after any applicable notice and cure period, then Lessor may, from time to time, upon notice to Lessee and without waiving any other remedy available to Lessor, use the Deposit, or any portion of it, to the extent necessary to cure or remedy such failure or to compensate Lessor for any or all out-of-pocket damages sustained by Lessor to the extent caused by Lessee's failure to comply fully and timely with its obligations pursuant to this Lease. Lessee shall immediately pay to Lessor within three (3) business days of demand, the amount so applied in order to restore the Deposit to its original amount, and Lessee's failure to immediately do so shall constitute a default under this Lease. If Lessee is in compliance with the covenants and obligations set forth in this Lease at the time which is sixty (60) days following the time of both the expiration (or earlier termination) of this Lease and Lessee's vacating of the Premises, Lessor shall return the Deposit to Lessee promptly thereafter. Lessor shall not be required to maintain the Deposit separate and apart from Lessor's general or other funds, and Lessor may commingle the Deposit with any of Lessor's general or other funds. Lessee shall not at any time be entitled to interest on the Deposit. Lessee hereby waives the provisions of Section 1950.7 of the California Civil Code and all other provisions of the law, now or hereafter in effect, which (i) establish the time frame by which a landlord must refund a security deposit under a lease, and/or (ii) provide that a landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by a tenant or to clean the premises, it being agreed that Lessor may, in addition, claim those sums specified in this Article 5 above and/or those sums reasonably necessary to compensate Lessor for any loss or damage caused by Lessee's default of this Lease, including, but not limited to, all damages or rent due upon termination of this Lease pursuant to Section 1951.2 of the California Civil Code.

#### ARTICLE 6 - USE

Section 6.1 **Restriction on Use.** Lessee shall not do or permit to be done in or about the Property, nor bring, keep or permit to be brought or kept therein, anything which is prohibited by the attached Exhibits "E" and "F" or by any standard form fire insurance policy or which will in any way increase the existing rate of, or affect, any fire or other insurance upon the Building or its contents. Lessee shall place no equipment in the Premises, nor construct any improvements to the Premises, that shall exceed or otherwise impact the Building's total live load capacity. Lessee shall obtain Lessor's prior written approval before placing any equipment in the Premises, or constructing any improvements to the Premises, that may exceed the Building's total live load capacity (which approval may be conditioned upon Lessee's satisfaction of all reasonable conditions imposed by Lessor, at Lessee's sole cost and expense, to maintain the structural integrity of the Building, including, but not limited to, securing and submitting for Lessor's review and approval all appropriate and necessary plans, specifications and engineering analysis of the proposed equipment and/or improvements).

Lessee, at Lessee's sole cost, shall comply with all Laws (as defined in Section 21.2) applicable to Lessee's use or occupancy of the Premises, and with the requirements of any Board of Fire Underwriters or other similar body now or hereafter instituted, and shall also comply with any order, directive or certificate of occupancy issued pursuant to any Laws, applicable to Lessee's use or occupancy of the Premises, including, but not limited to, any requirements of structural changes related to or affected by Lessee's acts, occupancy or use of the Premises. Notwithstanding the forgoing, Lessor shall be responsible for correcting any violations of Laws (including, but not limited to, the Americans with Disabilities Act) with respect to the Premises, the Building or the Property that arise out of the Tenant Improvements performed by Lessor and/or the condition of the Premises at the execution of this Lease. The final judgment of any court of competent jurisdiction or the admission of Lessee in any action against Lessee, whether or not Lessor is a party to such action, shall be conclusive as between Lessor and Lessee in establishing such violation. Lessee shall not conduct retail operations from the Premises or use the Premises for medical or dental offices or for any other office purpose which is different from the office operations permitted by Lessor of its other tenants in the Building. Nothing herein shall require Lessee to perform any Alterations to comply with any Laws which require any capital improvements to the Building or the Property, unless such compliance is caused by Lessee Alterations, or other work by or on behalf of Lessee in the Premises (other than Tenant Improvements) or the acts or omissions of the Lessee.

Section 6.2 **Compliance by Other Lessees.** Lessor shall not be liable to Lessee for the failure of any other occupant or tenant to conduct itself in accordance with the provisions of this Article 6, and Lessee shall not be released or excused from the performance of any of its obligations under this Lease in the event of any such failure; provided, however, that Lessor shall use commercially reasonable efforts (but not including the institution of legal proceedings) to cause such other tenants and occupants of the Property to comply with the provisions of this Article 6, to the extent such non-compliance materially and adversely interferes with Lessee's access to the Premises or use of the Premises for the purposes permitted under this Lease.

## ARTICLE 7 - ALTERATIONS AND ADDITIONS

Section 7.1 **Lessee's Rights To Make Alterations.** Following the date on which Lessee first occupies the Premises, Lessee, at its sole cost and expense, shall have the right upon receipt of Lessor's consent, to make alterations, additions or improvements to the Premises ("Alterations") if such Alterations are made in accordance with this Article 7, are normal for general office use, do not adversely affect the utility or value of the Premises or the Building for future tenants, do not alter the exterior appearance of the Building, are not of a structural nature, do not require excessive removal expenses and are not otherwise prohibited under this Lease. All such Alterations shall be made in conformity with the requirements of Section 7.2 below and at the option of Lessor with Lessor's contractors. Once the Alterations have been completed, such Alterations shall thereafter be included within the designation of Lessee Improvements and shall be treated as Lessee Improvements.

Section 7.2 **Installation of Alterations.** Provided the Lessor shall have previously given Lessee written approval and consent to Alterations, any Alterations installed by Lessee during the Term shall be done in strict compliance with all of the following:

(a) No such work shall proceed without Lessor's prior approval of (i) Lessee's contractor(s); (ii) certificates of insurance from a company or companies approved by Lessor, furnished to Lessor by Lessee's Contractor(s), for combined single limit bodily injury and property damage insurance covering comprehensive general liability and automobile liability, in an amount not less than One Million Dollars (\$1,000,000) per person and per occurrence and endorsed to show Lessor as an additional insured, and for workers' compensation as required by law, endorsed to show a waiver of subrogation by the insurer to any claims Lessee's contractor may have against Lessor, Lessor's agents, employees, contractors and other tenants of the Building (provided, however, nothing in this Section 7.2(a) shall release Lessee of its other insurance obligations hereunder); and (iii) detailed plans and specifications for such work;

(b) All such work shall be done in a first-class workmanlike manner and in conformity with a valid building permit and all other permits and licenses when and where required, copies of which shall be furnished to Lessor before the work is commenced, and any work not acceptable to any governmental authority or agency having or exercising jurisdiction over such work, or not reasonably satisfactory to Lessor, shall be promptly replaced and corrected at Lessee's expense. Lessor's approval or consent to any such work shall not impose any liability upon Lessor. No work shall proceed until and unless Lessor has received at least ten (10) days' notice that such work is to commence;

(c) Lessee shall immediately reimburse Lessor for any reasonable out-of-pocket expense incurred by Lessor in reviewing and approving the plans and specifications for such work or by reason of any faulty work done by Lessee or Lessee's contractors, or by reason of delays caused by such work, or by reason of inadequate cleanup;

(d) Lessee or its contractors will in no event be allowed to make plumbing, mechanical or electrical improvements to the Premises, or any structural modification to the Building without first obtaining Lessor's written consent, which Lessor can withhold in its sole and absolute discretion. Lessee may not make changes to, or install, acoustical or integrated ceilings, or partitions over 5'10" in height without first obtaining Lessor's written consent;

(e) All work by Lessee shall be scheduled through Lessor and shall be diligently and continuously pursued from the date of its commencement through its completion;

(f) Lessee shall obtain any bonds required by Lessor pursuant to Article 9 of this Lease; and

(g) Lessee shall have the right, at Lessee's cost, and upon at least ten (10) business days' notice to Lessor, to make non-structural Alterations to the interior of the Premises which: (a) are not visible from the exterior of the Building, (b) do not affect or otherwise require modification of the Building's electrical, mechanical, plumbing, HVAC or other systems, (c) cost in the aggregate less than \$20,000.00 in any 12 month period, (d) do not require a permit, (e) do not require excessive removal expenses, and (f) do not adversely affect the Common Areas, and provided Lessee delivers to Lessor written notice together with a copy of any final plans, specifications and working drawings for any such Alterations at least ten (10) days prior to commencement of the work thereof, and the other conditions of this Article 7 are satisfied, other than the requirement of Lessor's prior consent. In addition, all Alterations shall be performed by duly licensed contractors or subcontractors reasonably acceptable to Lessor. Proof of insurance reasonably required of Lessor shall be submitted

to Lessor and Lessor reserves the right to impose reasonable rules and regulations for contractors and subcontractors.

**Section 7.3 Alterations and Improvements - Treatment at End of Lease.** All Alterations and Lessee Improvements made by or for Lessee, whether temporary or permanent in character, made either by Lessor or Lessee, including, but not limited to, all air-conditioning or heating systems, paneling, lighting fixtures, cabling, partitions and railings (except movable furniture and equipment belonging to Lessee) shall become the property of the Lessor and shall remain upon, and be surrendered with, the Premises as a part thereof at the termination of this Lease, without compensation to Lessee; provided, however, that at the election of Lessor, exercisable by notice to Lessee, Lessee shall, at Lessee's sole expense, prior to the expiration of the Term (or within ten (10) days following the earlier termination of this Lease), remove from the Premises the Alterations (or that portion of the Alterations) required by Lessor to be removed, and repair all damage to the Premises caused by such removal. Lessor shall have the right, upon reasonable notice to Lessee, to enter and fully inspect the entire Premises just prior to the expiration of the Term or earlier termination of this Lease to determine the condition of the Premises, and to ascertain what removals, if any, Lessor shall require of Lessee pursuant to the terms hereof.

All of Lessee's Personal Property, including, but not limited to, moveable furniture, trade fixtures and equipment, not attached to the Building or the Premises, shall be completely removed by Lessee prior to the expiration of the Term (or within ten (10) days following the earlier termination of this Lease), provided, however, that Lessee shall repair all damage caused by such removal prior to the expiration of the Term (or within ten (10) days following the earlier termination of this Lease), and provided further, that any of Lessee's Personal Property not so removed shall, at the option of Lessor, be deemed abandoned by Lessee and shall automatically become the property of Lessor (whereupon Lessor shall then be permitted to retain and/or dispose the same, or any part thereof, in any manner whatsoever, without liability to Lessee). Lessee expressly, knowingly and intentionally waives and relinquishes any and all rights Lessee has under Sections 1993 through 1993.09 of the California Civil Code, and all other similar provisions of the law, now or hereafter in effect, which establish procedures commercial real property landlords must follow to dispose of property that remains on the Premises after a tenancy has terminated (collectively "Property Disposition Laws") and further knowingly and intentionally releases Lessor from any duties and obligations Lessor may have under said Property Disposition Laws.

#### **ARTICLE 8 - LESSEE'S REPAIRS AND CLEANING OBLIGATIONS**

**Section 8.1 Lessee's Repairs and Cleaning Obligations.** Lessee shall, at Lessee's sole cost and expense, keep the non-structural, interior portions of the Premises in good, clean and sanitary condition and repair at all times during the Term, reasonable wear and tear excepted. Lessee's promise to keep the non-structural, interior portions of the Premises in good, clean and sanitary condition and repair shall survive the expiration or earlier termination of this Lease for sixty (60) days. All damage or breakage to any part or portion within the Premises, and all damage or breakage to any portion of the Property caused by the willful or grossly negligent act or omission of Lessee or Lessee's authorized agents, employees, contractors, licensees, directors, officers, partners, or trustees, (collectively, "Lessee's Employees"), shall be promptly repaired or replaced by Lessee, at Lessee's sole cost and expense, to the reasonable satisfaction of Lessor. Lessor may make any repairs or replacements which are not made by Lessee within a reasonable amount of time (except in the case of emergency when such repairs or replacements can be made immediately), and charge Lessee for the cost of such repairs and replacements. Lessee shall be solely responsible for the design and function of all specialized furniture, fixtures, lighting and equipment, whether or not installed by Lessor at Lessee's request. Lessee waives all rights to make repairs or replacements to the Premises or to the Property at the expense of Lessor, or to deduct the cost of such repairs or replacements from any payment owed to Lessor under this Lease. If upon expiration or earlier termination of this Lease Lessee shall have failed to leave the Premises in good, clean and sanitary condition and repair, reasonable wear and tear excepted, then Lessor may use any portion of the Deposit necessary to reimburse Lessor for costs, charges and expenses incurred by Lessor for Lessee's failure to comply with its obligations stated herein. Should Lessee occupy the Premises for less than twelve (12) months, then to reimburse Lessor for the costs and expenses that Lessor will reasonably incur to steam-clean/shampoo or repair the carpet and touch-up paint the walls (as needed) in the Premises, to enable Lessor to re-let the Premises to a replacement tenant due to Lessee's premature vacancy, then Lessee shall pay Lessor all costs and expenses related thereto, and Lessor shall be permitted to use, but shall not be required to use, any portion or all of the Deposit for the same.

#### **ARTICLE 9 - NO LIENS BY LESSEE**

**Section 9.1 No Liens by Lessee.** Lessee shall at all times keep the Premises, the Building and the Property free from any liens arising out of any work performed, materials furnished or obligations incurred by or for Lessee. At any time Lessee either desires or is required to make any Alterations, Lessor may, in addition to the provisions of Article 7, require Lessee, at Lessee's sole cost and expense, to obtain and provide to Lessor performance and payment bonds in a form and by a surety acceptable to Lessor and in an amount not less than one and one-half (1-1/2) times the estimated cost of such Alterations to insure Lessor against liability from mechanics' and materialman's liens and to insure completion of the work and may also require such additional items or assurances as Lessor may deem reasonable or desirable. Lessee agrees to indemnify, defend, protect, and hold Lessor harmless from and against any and all claims for mechanics', materialman's or other liens in connection with any Alterations, repairs, or any work performed, materials furnished or obligations incurred by or for Lessee, which are not performed by the Lessor. Lessor reserves the right to enter the Premises for the purpose of posting such notices of non-responsibility as may be permitted by law, or desired by Lessor.

#### **ARTICLE 10 - LESSOR'S MAINTENANCE AND REPAIR OBLIGATIONS**

**Section 10.1 Scope of Lessor's Repairs.** Lessor shall maintain in good repair: (a) the structural elements and the public and common areas of the Building as the same may exist from time to time, (b) the HVAC, mechanical, electrical, plumbing, and fire life safety systems serving the Building, (c) the roof of the Building, (d) the exterior, including the windows of the Building, and (e) the elevators of the Building, except for wear and tear which is caused by the grossly negligent or willful act or omission of Lessee or Lessee's Employees. Lessor shall have no obligation to make repairs under this Article 10 until a reasonable time after receipt of written notice of the need for such repairs. In no event shall any payments owed by Lessee under this Lease be abated on account of Lessor's failure to make repairs under this Article 10.

#### **ARTICLE 11 - BUILDING SERVICES**

**Section 11.1 Standard Building Services.** As long as no Event of Default has occurred and is continuing, Lessor shall furnish the Premises with the standard building services and utilities as set forth in the attached Exhibit "D."

**Section 11.2 Additional Services.** Lessee agrees to pay immediately on demand all reasonable charges imposed by the Lessor after notice to and consultation with Lessee, from time to time for all building services and utilities supplied to or used by Lessee in excess of or in addition to those standard building services and utilities which Lessor agrees to provide to Lessee in accordance with Exhibit "D" (said excess and additional building services and utilities are referred to as "Additional Services"). If Lessee is a habitual user of such Additional Services, Lessor may at any time cause a switch and/or metering system to be installed at Lessee's expense (which expense Lessee shall pay within ten (10) business days of receipt of an invoice from Lessor covering the cost of such switch or metering system and the installation thereof) to measure the amount of building services, utilities and/or Additional

Services consumed by Lessee or used in the Premises. Lessee agrees to pay Lessor, within five (5) business days, for all such Additional Services consumed as shown by said meters, at the rates charged for such services by the local public or private utility furnishing the same, if applicable, plus any additional expense incurred by Lessor in keeping records or accounts of the Additional Services so consumed.

Section 11.3 **Lessor's Right to Cease Providing Services.** Lessor reserves the right in its sole and absolute discretion with respect to item (a) below, and in its reasonable discretion with respect to item (b) below, to reduce, interrupt or cease service of the heating, air conditioning, ventilation, elevator, plumbing, electrical systems, telephone systems and/or utilities services of the Premises, the Building or the Property, for any or all of the following reasons or causes:

- (a) any accident, emergency, governmental regulation, or Act of God, including, but not limited to, any cause set forth in Article 29; or
- (b) the making of any repairs, replacements, additions, alterations or improvements to the Premises or the Property until said repairs, additions, alterations or improvements shall have been completed.

No such interruption, reduction or cessation of any such building services or utilities shall constitute an eviction or disturbance of Lessee's use or possession of the Premises or Property, or an ejection or eviction of Lessee from the Premises, or a breach by Lessor of any of its obligations, or entitle Lessee to be relieved from any of its obligations under this Lease, or result in any abatement of Rent, unless such condition continues for more than ten (10) consecutive days, in which event, Rent shall be abated until the condition no longer exists. In the event of any such interruption, reduction, or cessation, Lessor shall use reasonable and continuous diligence to restore such service where it is within Lessor's reasonable control to do so.

## ARTICLE 12 - ASSIGNMENT AND SUBLETTING

Section 12.1 **Right to Assign and Sublease.** Lessor and Lessee recognize and specifically agree that this Article 12 is an economic provision, like Rent, and that the Lessor's right to recapture, and to share in profits, is granted by Lessee to Lessor in consideration of certain other economic concessions granted by Lessor to Lessee. Lessee may voluntarily assign its interest in this Lease or in the Premises, or sublease all or any part of the Premises, or allow any other person or entity to occupy or use all or any part of the Premises, upon first obtaining Lessor's prior written consent, but only if (i) Lessee is not then in default of this Lease beyond any applicable notice and cure period, (ii) such assignment or sublease does not conflict with or result in a breach of the permitted Use of the Premises, and (iii) such proposed assignee or sublessee of Lessee's proposed assignment or sublease is not:

- (a) a governmental entity or an educational institution;
- (b) a person with whom Lessor has negotiated for space in the Building or in Lessor's other buildings in Continental Park during the twelve (12) month period ending with the date Lessor receives notice of such assignment, encumbrance or subletting;
- (c) a present tenant, or subtenant or assignee of tenant, in the Building or other space or building in Continental Park;
- (d) a person whose tenancy in the Building or other space or building in Continental Park would violate any exclusivity arrangement which Lessor has with any other space or building in Continental Park;
- (e) a person whose tenancy results in more people working at, or visiting, the Premises, than the number of people who worked at, or visited, the Premises at the time when Lessee was the sole occupant of the Premises; or
- (f) a person who is not comparable in quality, financial standing and business reputation to Lessee or whose business operations are not comparable to the business operations of the then tenants in the Building leasing space similar to the Premises.

Any assignment, encumbrance or sublease without Lessor's prior written consent shall be voidable, at Lessor's election, and shall constitute a default by Lessee. No consent to an assignment, encumbrance or sublease shall constitute a further waiver of the provisions of this Article 12.

Section 12.2 **Procedure for Assignment and Sublease/Lessor's Recapture Rights.** Lessee shall advise Lessor by notice of (a) Lessee's intent to assign, encumber or sublease this Lease, (b) the name of the proposed assignee or sublessee, and evidence reasonably satisfactory to Lessor that such proposed assignee or sublessee is comparable in quality, financial standing and business reputation to Lessee, and (c) the terms of the proposed assignment or subletting. Lessor shall, within thirty (30) days of receipt of such notice, and any additional information requested by Lessor concerning the proposed assignee's or sublessee's financial responsibility, elect one of the following:

- (i) Consent to such proposed assignment, encumbrance or sublease;
- (ii) Refuse such consent, which refusal shall be on reasonable grounds; or
- (iii) Elect to terminate this Lease in the event of an assignment, or in the case of a sublease, terminate this Lease as to the portion of the Premises proposed to be sublet for the proposed term of the sublease. In the event that Lessor elects, pursuant to this subsection (iii), to terminate this Lease with respect to all or any portion of the Premises, Lessee shall have the right, during the ten (10) day period following Lessor's election, to rescind its notice of intent to assign or sublease, in which case termination of this Lease as a result thereof shall be of no effect. If Lessee does not rescind its notice, and Lessor enters into a lease with the proposed assignee within one hundred twenty days (120) days thereafter, Lessor shall pay Lessee fifty percent (50%) of the base rental received from such assignee in excess of the Base Rental under this Lease.

Section 12.3 **Conditions Regarding Consent to Sublease and Assignment.** As a condition for obtaining Lessor's consent to any assignment, encumbrance or sublease, Lessee must require that the rent payable by such assignee or sublessee is at least at the then current rental rates for the Premises or comparable premises in the Building, and, if Lessor so requests, shall require that the assignee or sublessee remit directly to Lessor on a monthly basis, all rent due to Lessee by said assignee or sublessee (and should Lessor not request that the assignee or sublessee remit directly to Lessor the rent due to Lessee, then the assignee or sublessee shall not make any payment to Lessor on behalf of Lessee). Lessee shall pay upon demand Lessor's reasonable out-of-pocket processing costs and attorneys' fees incurred in determining whether to give such consent. Notwithstanding any permitted assignment or subletting, Lessee shall at all times remain directly, primarily and fully responsible and liable for all payments owed by Lessee under this Lease and for compliance with all obligations under the terms, provisions and covenants of this Lease. If for any proposed assignment or sublease, Lessee receives rent or other consideration (including, but not limited to, sums paid for the sale or rental of Lessee's personal property or sums paid in connection with the supply of electricity or HVAC), either initially or over the term of the assignment or sublease, in excess of the Base Rental required by this Lease, or, in the case of the sublease of a

portion of the Premises, in excess of such rent fairly allocable to such portion, after adjustments for payments to brokers and all other related costs for the sublease, Lessee shall pay to Lessor as additional rent fifty percent (50%) of the excess of each such payment of rent or other consideration received by Lessee within five (5) days of its receipt. Furthermore, for any proposed sublease, the sublease agreement (a) shall require Lessee and Sublessee to send Lessor copies of any and all notices concerning the Premises that either Party shall send to one another, and (b) shall require Sublessee to obtain a waiver of subrogation against Lessor from Sublessee's insurers. Lessor's consent, if granted, to any assignment or sublease shall be deemed limited solely to said original assignment or sublease, and Lessor reserves the right to consent or to withhold consent with respect to any further or additional assignments, sublets or other transfers of the Lease.

**Section 12.4 Termination of Sublease upon Lease Termination.** If at any time prior to the expiration or termination of an approved Sublease the Lease shall expire or terminate for any reason whatsoever (or Lessee's right to possession shall terminate without termination of the Lease), then the Sublease shall simultaneously expire and terminate. However, Sublessee agrees, at the election and upon the written demand of Lessor, and not otherwise, to attorn to Lessor for the remainder of the term of the Sublease, such attornment to be upon all of the terms and conditions of the Lease, with such reasonable modifications as Lessor may require (and if the Base Rental set forth in the Sublease is greater than the Base Rental set forth in the Lease then Sublessee agrees that the Base Rental set forth in the Sublease shall be substituted as the Base Rental to be paid to Lessor). The foregoing provisions of this Section 12.4 shall apply notwithstanding that, as a matter of law, the Sublease may otherwise terminate upon the termination of the Lease, and shall be self-operative upon such written demand of the Lessor, and no further instrument shall be required to give effect to said provisions; provided, however, Sublessee agrees to execute an attornment agreement, in the form and substance acceptable to Lessor, pursuant to which Sublessee confirms that the obligations owed to Lessee under the Sublease shall become obligations to Lessor for the balance of the term of the Sublease.

**Section 12.5 Affiliated Companies/Restructuring of Business Organization.** Occupancy of all or part of the Premises by a parent or wholly-owned subsidiary company of Lessee or by a wholly-owned subsidiary company of Lessee's parent company (collectively, "Affiliated Companies") shall not be deemed an assignment or subletting provided that any such Affiliated Companies were not formed as a subterfuge to avoid the obligations of this Article 12.

### ARTICLE 13 – Left Intentionally Blank

### ARTICLE 14 - INDEMNIFICATION; INSURANCE

**Section 14.1 Indemnification.** Effective as of the Effective Date, Lessee shall, at its expense, protect, defend, indemnify and hold Lessor and Lessor's agents, contractors, licensees, employees, directors, officers, partners, trustees, affiliates, subsidiaries, successors, assigns, heirs, shareholders and members (collectively, "Lessor's Employees") and any and all of Lessor's lessors and mortgagees (whose names shall have been furnished to Lessee) harmless from and against any and all claims, to the extent caused by Lessee's use of the Premises, the Building or the Property, the conduct of Lessee's business, any activity, work or things done, permitted or allowed by Lessee in or about the Premises or the Property, Lessee's violation of any Law, or any gross negligence or willful misconduct of Lessee or Lessee's Employees. These indemnities shall survive the expiration or earlier termination of this Lease for a period of one year.

**Section 14.2 Insurance.** Effective as of the Effective Date, Lessee shall have the following insurance obligations:

(a) **Liability Insurance.** Lessee shall obtain and keep in full force a policy of commercial general liability and property damage insurance (including automobile, personal injury, broad form contractual liability and broad form property damage) under which Lessee is named as the insured and Lessor, and all of Lessor's lessors and mortgagees (whose names from time to time shall have been furnished to Lessee) are named as additional insureds under which the insurer agrees to indemnify, protect, defend, and hold Lessor, its managing agent and all such lessors and mortgagees harmless from and against any and all costs, expenses and liabilities arising out of or based upon the indemnification obligations of this Lease. The minimum limits of liability shall be a combined single limit with respect to each occurrence of not less than Two Million Dollars (\$2,000,000.00). The policy also shall be primary coverage for Lessee and Lessor for any liability arising out of Lessee's and Lessee's Employees' use, occupancy, maintenance, repair and replacement of the Premises and all areas appurtenant thereto. Such insurance shall provide that it is primary insurance and not "excess over" or contributory with any other valid, existing and applicable insurance in force for or on behalf of Lessor. Not more frequently than once each year, if, in the reasonable opinion of Lessor's lender, the amount of public liability and property damage insurance coverage at that time is not adequate, Lessee shall increase the insurance coverage as required by either Lessor's lender;

(b) **Lessee's Property Insurance.** Lessee, at its cost, shall maintain on all of its Personal Property, Lessee Improvements and Alterations, in, on, or about the Premises, a policy of standard fire and extended coverage insurance, with theft, negligence, water damage, fire damage, vandalism and malicious mischief endorsements, to the extent of at least full replacement value or replacement cost without any deduction for depreciation. Such proceeds shall be used by Lessee for the repair, replacement and restoration of such Personal Property, Lessee Improvements and Alterations. The "full replacement value" of the improvements to be insured under this Article 14 shall be determined by the company issuing the insurance policy at the time the policy is initially obtained. Not less frequently than once every three (3) years, Lessor shall have the right to notify Lessee that it elects to have the replacement value redetermined by an insurance company or insurance consultant. The redetermination shall be made promptly and in accordance with the rules and practices of the Board of Fire Underwriters, or a like board recognized and generally accepted by the insurance company, and each Party shall be promptly notified of the results by the company. The insurance policy shall be adjusted according to the redetermination;

(c) **Worker's Compensation.** Lessee shall maintain Worker's Compensation and Employer's Liability insurance as required by law with Employer's Liability limits as required by law;

(d) **Business Income.** Lessee shall maintain loss of income and business interruption insurance in such amounts as will reimburse Lessee for direct or indirect loss of earnings, attributable to all perils commonly insured against by prudent tenants or attributable to prevention of access to the Premises or to the Building as a result of such perils, but in no event in an amount less than the Rent and all additional rent payable hereunder for twelve (12) months;

(e) **Left Intentionally Blank.**

(f) **Insurance Criteria.** All the insurance required under this Lease shall:

(i) Be issued by insurance companies with a financial rating of at least an A:VIII status as rated in the most recent edition of **Best's Insurance Reports**;

(ii) Be issued as a primary policy as respects any insurance maintained by the Lessor, and that any such insurance maintained by the



Lessor is excess and noncontributory with this policy, provided the loss is caused by the negligence of the named insured;

(iii) Contain an endorsement requiring thirty (30) days' written notice from the insurance company to both Parties and to Lessor's lender before cancellation or change in the coverage, scope, or amount of any policy; and

(iv) With respect to property loss or damage by fire or other casualty, a waiver of subrogation must be obtained, as required by Section 14.4;

(g) **Evidence of Coverage.** As evidence of the liability insurance coverage required herein, Lessee shall provide Lessor with endorsements from the insurer with respect to the insurance policies naming Lessor and its directors, officers, shareholders, partners, members, employees and lenders ("Lessor's Parties") as additional insured parties with respect to the coverage required. Said endorsements, together with evidence of payment of premiums, shall be deposited with Lessor at least ten (10) days prior to the date which Lessor estimates the Commencement Date will occur, and on renewal of the policy not less than thirty (30) days before expiration of the term of the policy. Lessor shall have the right to require Lessee to provide a certified copy of the actual insurance policy; and

(h) **No Limitation of Liability.** The insurance obligations of Lessee hereunder, and/or the limits on such insurance as described herein shall in no event waive, release or discharge Lessee of any or all other obligations and liabilities of Lessee contained in this Lease or otherwise.

**Section 14.3 Assumption of Risk.** Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to Lessee's Personal Property, Lessee Improvements and Alterations or injury to persons, in, upon or about the Premises and/or the Property from any cause (except for damage or injury caused by the gross negligence or willful misconduct of Lessor or Lessor's Employees) and Lessee hereby waives all such claims against Lessor. Lessor and Lessor's Employees shall not be liable for any damage to any of Lessee's Personal Property entrusted to Lessor or Lessor's Employees, nor for loss or damage to any of Lessee's Personal Property by theft or otherwise. Lessee shall give prompt notice to Lessor in case of fire or accidents in the Premises or in the Building. Further, with the exception of Lessor's and Lessor's Employees' gross negligence or willful misconduct, Lessor and Lessor's Employees shall have no liability to Lessee or any of Lessee's Employees for any damage, loss, cost or expense incurred or suffered by any of them (including, without limitation, damage to Lessee's business), and Lessee hereby waives any claim with respect to Lessor's and Lessor's Employees' acts or omissions hereunder, including, without limitation, any claims relating to the maintenance, repair, restoration and/or replacement of the Premises, or the Building, and the exercise of any other right which Lessor is authorized hereunder to do.

**Section 14.4 Allocation of Insured Risks/Subrogation.** Lessor and Lessee release each other from any claims and demands of whatever nature for damage, loss or injury to the Premises and/or the Building, or to the other's property in, on or about the Premises and the Building, that are caused by or result from risks or perils insured against under any insurance policies required by this Lease to be carried by Lessor and/or Lessee and in force at the time of any such damage, loss or injury. Lessor and Lessee shall cause each insurance policy obtained by them or either of them to provide that the insurance company waives all right of recovery by way of subrogation against either Lessor or Lessee in connection with any damage covered by any policy. Neither Lessor nor Lessee shall be liable to the other for any damage caused by fire or any of the risks insured against under any insurance policy required by this Lease. If an insurance policy cannot be obtained with a waiver of subrogation, or is obtainable only by the payment of an additional premium charge above that charged by insurance companies issuing policies without waiver of subrogation, the Party undertaking to obtain the insurance shall notify the other Party of this fact. The other Party shall have a period of ten (10) days after receiving the notice either to place the insurance with a company that is reasonably satisfactory to the other Party and that will carry the insurance with a waiver of subrogation, or to agree to pay the additional premium if such a policy is obtainable at additional cost. If the insurance cannot be obtained or the Party in whose favor a waiver of subrogation is desired refuses to pay the additional premium charged, the other Party is relieved of the obligation to obtain a waiver of subrogation with respect to the particular insurance involved.

## ARTICLE 15 - DAMAGE OR DESTRUCTION

**Section 15.1 Loss Covered by Insurance.** If, at any time prior to the expiration or termination of this Lease, the Premises or the Building or the Property is wholly or partially damaged or destroyed by a casualty, the loss to Lessor from which is fully covered (except for the normal deductible) by insurance maintained by Lessor or for Lessor's benefit, which casualty renders the Premises totally or partially inaccessible or unusable by Lessee in the ordinary conduct of Lessee's business, then (provided that Lessor shall not be required to use the proceeds of such insurance for the purposes described in subsections (a) and (b) below):

(a) **Repairs Which Can Be Completed Within One Hundred Eighty (180) Days.** Within sixty (60) days of notice to Lessor of such damage or destruction, Lessor shall provide Lessee with notice of its determination of whether the damage or destruction can be repaired within one hundred eighty (180) days of such damage or destruction without the payment of overtime or other premium. If all repairs to such Premises or Building or Property can, in Lessor's judgment, be completed within one hundred eighty (180) days following the date of notice to Lessor of such damage or destruction without the payment of overtime or other premium, Lessor shall, at Lessor's expense, subject to Section 15.4 below, repair the same to substantially their former condition and this Lease shall remain in full force and effect and a proportionate reduction of Base Rental shall be allowed Lessee for such portion of the Premises as shall be rendered inaccessible or unusable to Lessee, and which is not used by Lessee, during the period of time that such portion is unusable or inaccessible and not used by Lessee.

(b) **Repairs Which Cannot Be Completed Within One Hundred Eighty (180) Days.** If all such repairs to the Premises or Building or Property cannot, in Lessor's judgment, be completed within one hundred eighty (180) days following the date of notice to Lessor of such damage or destruction without the payment of overtime or other premium, Lessor shall notify Lessee of such determination and Lessor may, at Lessor's sole and absolute option, upon written notice to Lessee given within sixty (60) days after notice to Lessor of the occurrence of such damage or destruction, and subject to Section 15.4 below, elect to repair such damage or destruction to substantially their former condition at Lessor's expense, and in such event, this Lease shall continue in full force and effect but the Base Rental shall be proportionately reduced in the amount and for the duration as hereinabove provided in Section 15.1(a). If Lessor does not elect to make such repairs, then either Lessor or Lessee may, by written notice to the other no later than ninety (90) days after the occurrence of such damage or destruction, elect to terminate this Lease as of the date of the occurrence of such damage or destruction.

**Section 15.2 Loss Not Covered By Insurance.** If, at any time prior to the expiration or termination of this Lease, the Premises or the Building or the Property is totally or partially damaged or destroyed from a casualty, which loss, in Lessor's judgment, cannot be completed within one hundred eighty (180) days following the date of notice to Lessor of such damage or destruction, and such damage or destruction is not fully covered (except for any deductible) by insurance maintained by Lessor or for Lessor's benefit, and which damage renders the Premises inaccessible or unusable to Lessee in the ordinary course of its business, Lessor may, at its option, upon written notice to Lessee within sixty (60) days after notice to Lessor of the occurrence of such damage or destruction, and subject to Section 15.4 below, elect to repair or restore such damage or destruction to substantially their former condition, or Lessor may elect to terminate this Lease (provided Lessor shall not be required to use said insurance proceeds, if any, for the purposes described in this

Section 15.2). If Lessor elects to repair or restore such damage or destruction, this Lease shall continue in full force and effect but the Base Rental shall be proportionately reduced as provided in Section 15.1(a). If Lessor does not elect by notice to Lessee to repair or restore such damage, this Lease shall terminate.

**Section 15.3 Substantial Damage; Damage During Final Year.** Notwithstanding anything to the contrary contained in Section 15.1 or 15.2:

(a) If the Building is damaged or destroyed to the extent that, in Lessor's sole judgment, the cost to repair and/or restore the Building would exceed twenty-five percent (25%) of the full replacement cost of the Building, whether or not the Premises are at all damaged or destroyed, then Lessor shall have the right to terminate this Lease by written notice thereof to Lessee;

(b) If the Premises or the Building or the Property are wholly or partially damaged or destroyed within the final twelve (12) months of the Term of this Lease, and no renewal rights have been exercised by Lessee prior to such damage or destruction, then Lessor or Lessee shall have the right to terminate this Lease by written notice thereof to the other; or

(c) If the Premises or the Building or the Property are wholly or partially damaged or destroyed within the final twelve (12) months of the Term of this Lease, and no renewal rights have been exercised by Lessee prior to such damage or destruction, and if, as a result of such damage or destruction, Lessee is denied access or use of the Premises for the conduct of its business operations for a period of ten (10) consecutive business days, then, Lessee may, at its option, by giving Lessor written notice no later than sixty (60) days after the occurrence of such damage or destruction, elect to terminate this Lease.

**Section 15.4 Exclusive Remedy.** This Article 15 shall be Lessee's sole and exclusive remedy in the event of damage or destruction to the Premises and/or the Building, and Lessee, as a material inducement to Lessor's entering into this Lease, irrevocably waives and releases Lessee's rights under California Civil Code Sections 1932(2) and 1933(4) and any other applicable existing or future law permitting the termination of a lease agreement in the event of damage to, or destruction of, any part or all of the Premises and/or Building. No damages, compensation or claim shall be payable by Lessor for any inconvenience, any interruption or cessation of Lessee's business, or any annoyance, arising from any damage to or destruction of all or any portion of the Premises or the Building. In no event shall Lessor have any obligation to repair or restore any of Lessee's personal property, trade fixtures or Alterations.

## ARTICLE 16 - EMINENT DOMAIN

**Section 16.1 Permanent Taking - When Lease Can Be Terminated.** If the whole of the Premises, or so much of the Premises as to render the balance unusable by Lessee, shall be taken under the power of eminent domain, this Lease shall automatically terminate as of the date of final judgment in such condemnation, or as of the date possession is taken by the condemning authority, whichever is earlier. A sale by Lessor under threat of condemnation shall constitute a "taking" for the purpose of this Article 16. No award for any partial or entire taking shall be apportioned and Lessee assigns to Lessor all awards which may be made in such taking or condemnation, together with all rights of Lessee to such award, including, without limitation, any award of compensation for the value of all or any part of the leasehold estate created hereby; provided that nothing contained in this Article 16 shall be deemed to give Lessor any interest in or to require Lessee to assign to Lessor any award made to Lessee for (a) the taking of Lessee's Personal Property, or (b) interruption of or damage to Lessee's business, or (c) Lessee's unamortized cost of the Lessee Improvements to the extent paid for by Lessee; provided further that Lessee's award shall in no event diminish the award to Lessor.

**Section 16.2 Permanent Taking - When Lease Cannot Be Terminated.** In the event of a partial taking which does not result in a termination of this Lease under Section 16.1, Base Rental shall be proportionately reduced based on the portion of the Premises rendered unusable, and Lessor shall restore the Premises or the Building to the extent of available condemnation proceeds.

**Section 16.3 Temporary Taking.** No temporary taking (less than thirty (30) days) of the Premises or any part of the Premises and/or of Lessee's rights to the Premises or under this Lease shall terminate this Lease or give Lessee any right to any abatement of any payments owed to Lessor pursuant to this Lease, any award made to Lessee by reason of such temporary taking shall belong entirely to Lessee; provided, however, in no event shall an award to Lessee reduce any award to Lessor.

**Section 16.4 Exclusive Remedy.** This Article 16 shall be Lessee's sole and exclusive remedy in the event of a taking or condemnation. Lessee hereby waives the benefit of California Code of Civil Procedure Section 1265.130.

**Section 16.5 Release Upon Termination.** Upon termination of this Lease pursuant to this Article 16, Lessee and Lessor hereby agree to release each other from any and all obligations and liabilities with respect to this Lease except such obligations and liabilities which arose or accrued prior to such termination.

## ARTICLE 17 - DEFAULTS

**Section 17.1 Default by Lessee.** Each of the following shall be an "Event of Default" (sometimes referred to herein as a "default") by Lessee and a material breach of this Lease:

(a) Lessee fails to make any payment of Rent owed by Lessee under this Lease as and when due, if the failure continues for three (3) days after written notice of the failure from Lessor to Lessee;

(b) Lessee shall fail to observe, keep or perform any of the terms, covenants, agreements or conditions under this Lease that Lessee is obligated to observe or perform, other than that described in subsection (a) above, for a period of ten (10) days after notice to Lessee of said failure; provided, however, that if the nature of Lessee's default is such that more than ten (10) days are reasonably required for its cure, then Lessee shall not be deemed to be in default under this Lease if Lessee shall commence the cure of such default so specified within said ten (10) day period and diligently prosecute the same to completion within thirty (30) days after the original notice to Lessee of said failure. Such notice shall be in lieu of, and not in addition to, any notice required under Section 1161 of the California Code of Civil Procedure;

(c) Lessee shall (i) make any general arrangement or assignment for the benefit of creditors; (ii) become a "debtor" as defined in 11 U.S.C. Section 101 or any successor statute thereto (unless, in case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days. Provided, however, in the event that any provision of this subparagraph is contrary to any applicable law, such provision shall be of no force or effect; or

(d) The vacating or abandonment of the Premises by Lessee.

Any notice required or permitted by this Section 17.1 shall satisfy, to the maximum extent permissible under applicable law, any and all notice requirements imposed by law on the Lessor under the Lease, and this Section 17.1 shall not be intended to create notice obligations beyond what is legally required. Lessor may serve a notice to quit, a notice to pay rent or quit, a notice of default, or any other notice, as the case may be, to effect the giving of any notice required by this Section 17.1.

**Section 17.2 Default by Lessor.** Lessor shall not be in default in the performance of any obligation required to be performed under this Lease unless Lessor has failed to perform such obligation within thirty (30) days after the receipt of notice from Lessee specifying in detail Lessor's failure to perform; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are required for its performance, then Lessor shall not be deemed in default if it shall commence such performance within thirty (30) days and thereafter diligently pursue the same to completion. Lessee shall have no rights as a result of any default by Lessor until Lessee also gives thirty (30) days' notice to any person who has a recorded interest pertaining to the Building or the Property, specifying the nature of the default. Such person shall then have the right to cure such default, and Lessor shall not be deemed in default if such person cures such default within thirty (30) days after receipt of notice of the default, or within such longer period of time as may reasonably be necessary to cure the default. If Lessor or such person does not cure the default, Lessee may exercise such rights or remedies as shall be provided or permitted by law to recover any damages proximately caused by such default. Notwithstanding anything to the contrary contained in this Lease, Lessee's remedy for any breach or default of this Lease by Lessor shall be limited to an action for damages. Lessee agrees that, in the event that it becomes entitled to receive damages from Lessor, Lessee shall not be allowed to recover from Lessor consequential damages or damages in excess of the out-of-pocket expenditures incurred by Lessee as a result of a default by Lessor. In any event, it is expressly understood and agreed that notwithstanding anything in this Lease to the contrary, and notwithstanding any applicable law to the contrary, the liability of Lessor hereunder (including any successor lessor) and any recourse by Lessee against Lessor shall be limited solely and exclusively to the interest of Lessor in and to the Property and Building, and the rents therefrom, and neither Lessor, nor any of its constituent partners, shall have any personal liability therefor, and Lessee hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Lessee.

## ARTICLE 18 - LESSOR'S REMEDIES AND RIGHTS

**Section 18.1 Termination of Lease.** In case of an Event of Default by Lessee, Lessor shall have the right, in addition to all other rights available to Lessor under this Lease or now or later permitted by law or equity, to terminate this Lease by providing Lessee with a notice of termination. Upon termination, Lessor may recover any damages proximately caused by Lessee's failure to perform under this Lease, or which are likely in the ordinary course of business to be incurred, including any amount expended or to be expended by Lessor in an effort to mitigate damages, as well as any other damages to which Lessor is entitled to recover under any statute now or later in effect. Lessor's damages include the worth, at the time of any award, of the amount by which the unpaid Rent for the balance of the Term after the time of the award exceeds the amount of the Rent loss that the Lessee proves could be reasonably avoided. The worth at the time of award shall be determined by discounting to present value such amount at one percent (1%) more than the discount rate of the Federal Reserve Bank in San Francisco in effect at the time of the award. Other damages to which Lessor is entitled shall bear interest at the Interest Rate.

**Section 18.2 Continuation of Lease.** In accordance with California Civil Code Section 1951.4 (or any successor statute), Lessee acknowledges that in the event Lessee has breached this Lease and abandoned the Premises, this Lease shall continue in effect for so long as Lessor does not terminate Lessee's right to possession, and Lessor may enforce all its rights and remedies under this Lease, including the right to recover the Rent as it becomes due under this Lease. Acts of maintenance or preservation or efforts to re-let the Premises or the appointment of a receiver upon initiative of Lessor to protect Lessor's interest under this Lease shall not constitute a termination of Lessee's right to possession.

**Section 18.3 Right of Entry.** In case of an Event of Default by Lessee, Lessor shall also have the right, with or without terminating this Lease, to enter the Premises and remove all persons and personal property from the Premises, such property being removed and stored in a public warehouse or elsewhere at Lessee's sole cost and expense for at least thirty (30) days, and after such thirty (30) day period, Lessor shall have the right to discard or otherwise dispose of such property without liability therefor to Lessee or any other person. No removal by Lessor of any persons or property in the Premises shall constitute an election to terminate this Lease. Such an election to terminate may only be made by Lessor in writing, or decreed by a court of competent jurisdiction. Lessor's right of entry shall include the right to remodel the Premises and re-let the Premises. All costs incurred in such entry and re-letting shall be paid by Lessee, provided no cost to remodel the Premises or re-let the Premises in excess of the unamortized Tenant Improvement Allowance or the broker fees paid by the Lessor in connection with this Lease shall be the responsibility of the Lessee. Rents collected by Lessor from any other tenant which occupies the Premises shall be offset against the amounts owed to Lessor by Lessee. Lessee shall be responsible for any amounts not recovered by Lessor from any other tenant which occupies the Premises. Any payments made by Lessee shall be credited to the amounts owed by Lessee in the sole order and discretion of Lessor, irrespective of any designation or request by Lessee. No entry by Lessor shall prevent Lessor from later terminating this Lease by written notice.

**Section 18.4 Remedies.** Lessee hereby waives, for itself and all persons claiming by and under Lessee, all rights and privileges which it might have under any present or future law to redeem the Premises or to continue this Lease after being dispossessed or ejected from the Premises. The rights and remedies of Lessor set forth in this Lease are not exclusive, and Lessor may exercise any other right or remedy available to it under this Lease, at law or in equity.

**Section 18.5 Lessor's Right to Assign.** Lessor shall have the right to sell, encumber, convey, transfer and/or assign any and all of its rights and obligations under this Lease.

**Section 18.6 Intentionally Deleted**

## ARTICLE 19 - ATTORNEYS' FEES AND EXPEDITED DISPUTE RESOLUTION

**Section 19.1 Attorneys' Fees.** If either Lessor or Lessee commences or engages in any action, litigation, arbitration or proceeding against the other Party arising out of or in connection with this Lease, the Premises, the Building or the Property, including, but not limited to, any action or proceeding (a) for recovery of any payment owed by either Party under this Lease, or (b) to recover possession of the Premises, or (c) for damages for breach of this Lease, or (d) relating to the enforcement or interpretation of either Party's rights or obligations under this Lease (whether in contract, tort, or both), or (e) relating to any proceeding where either Party is requesting a determination of rights and responsibilities under the Lease, the prevailing Party shall be entitled to have and recover from the losing Party reasonable attorneys' fees and other costs and expenses incurred in connection with the action, litigation, arbitration or proceeding, including any attorney's fees, costs and expenses incurred in preparation of said action, litigation, arbitration or proceeding, and also incurred on collection and appeal. If Lessor becomes involved in any action, litigation, arbitration or dispute, threatened or actual, by or against anyone not a party to this Lease, but arising by reason of, or related to, any act or omission of Lessee or Lessee's Employees, Lessee agrees to pay Lessor's reasonable attorneys' fees

and other costs incurred in connection with the action, litigation, arbitration or dispute, regardless of whether an action, lawsuit or arbitration proceeding is actually filed. If Lessee becomes a party to any action, litigation, arbitration or dispute, threatened or actual, by or against anyone not a party to this Lease, but caused by any act or omission of Lessor, Lessor agrees to pay Lessee's reasonable attorneys' fees and other costs incurred in connection with the action, litigation, arbitration or dispute, regardless of whether an action, lawsuit or arbitration proceeding is actually filed.

Section 19.2 **Attorneys' Fees – Incurred At Lessee's Request and For Lessee's Benefit.** Unless agreed by the Parties to the contrary, Lessee understands that it shall pay, as additional rent, actual out-of-pocket attorneys' fees to be incurred by Lessor, at the rate of Three Hundred Dollars (\$300.00) per hour, in connection with the following:

- (a) any requests (subsequent to the execution of this Agreement) by Lessee to amend, modify or terminate the Lease, including all negotiations with respect thereto, except as such requests may relate to either (i) extending the Lease term, or (ii) adding space to the original Premises;
- (b) any request (subsequent to the execution of this Agreement) by Lessee to review and/or consent to an assignment or sublease of the Lease, including all negotiations with respect thereto, whether or not permitted under the Lease, and whether or not agreed to or denied by Lessor; and
- (c) any appearance by and/or other legal service required of Lessor's attorney, at the request of the Lessee, to attend any meeting, participate in any proceeding, and/or review any document requested by Lessee, for any purpose whatsoever, relating to the Lease and/or the respective rights and obligations of Lessor and Lessee, except as such appearance and/or service may relate to either (i) extending the Lease term, or (ii) adding space to the original Premises.

Section 19.3 **Expedited Dispute Resolution.** At the election of either Lessor or Lessee, any dispute with respect to the subject matter of the Lease or any other agreement executed in connection with the Lease shall be resolved by a referee pursuant to the provisions of California Code of Civil Procedure Section 638 et seq., for a determination to be made which shall be binding upon the Parties as if tried before a court or jury. The Parties agree specifically as to the following:

- (a) Within five (5) business days after service of a demand by a Party hereto, the Parties shall agree upon a single referee who shall then try all issues, whether of fact or law, and then report a finding or judgment thereon. If the Parties are unable to agree upon a referee, either Party may seek to have one appointed, pursuant to California Code of Civil Procedure Section 640, by the presiding judge of the Los Angeles County Superior Court;
- (b) The compensation of the referee shall be such charge as is customarily charged by the referee for like services. The cost of such proceedings shall initially be borne equally by the Parties. However, the prevailing Party in such proceedings shall be entitled, in addition to all other costs, to recover its contribution for the cost of the referee as an item of damages and/or recoverable costs;
- (c) If a reporter is requested by either Party, then a reporter shall be present at all proceedings, and the fees of such reporter shall be borne by the Party requesting such reporter. Such fees shall be an item of recoverable costs. Only a Party shall be authorized to request a reporter;
- (d) The referee shall apply all California Rules of Procedure and Evidence and shall apply the substantive law of California in deciding the issues to be heard. Notice of any motions before the referee shall be given, and all matters shall be set at the convenience of the referee;
- (e) The referee's decision under California Code of Civil Procedure Section 644 shall stand as the judgment of the court, subject to appellate review as provided by the laws of the State of California;
- (f) The Parties agree that they shall in good faith endeavor to cause any such dispute to be decided within four (4) months. The date of hearing for any proceeding shall be determined by agreement of the Parties and the referee, or if the Parties cannot agree, then by the referee; and
- (g) The referee shall have the power to award direct damages (but not indirect, punitive or consequential damages) and all other relief.

LESSOR'S INITIALS

LESSEE'S INITIALS

#### ARTICLE 20 - SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT

Section 20.1 **Obligations of Lessee.** This Lease and the rights granted to Lessee by this Lease are and shall be subject and subordinate at all times to (a) all ground or underlying leases affecting all or any part of the Property now or later existing and all amendments, renewals, modifications, supplements and extensions of this Lease, and (b) all deeds of trust or mortgages now or later affecting or encumbering all or any part of the Property and/or any ground or underlying leasehold estate; provided, however, that if Lessor elects at any time to have Lessee's interest in this Lease be or become superior, senior or prior to any such instrument, then upon receipt by Lessee of written notice of such election, this Lease shall be superior, senior and/or prior to such instrument. Lessee shall immediately execute all commercially reasonable instruments and other commercially reasonable documents required or desired by any lender or Lessor confirming the subordination and/or superiority, as applicable, of this Lease to such mortgage, deed of trust, ground or underlying lease.

Section 20.2 **Lessor's Right to Assign.** Lessor's interest in this Lease may be assigned to any mortgagee or trust deed beneficiary as additional security. Nothing in this Lease shall empower Lessee to do any act without Lessor's prior written consent which can, shall or may encumber the title of the owner of all or any part of the Property.

Section 20.3 **Attornment by Lessee.** In the event of the cancellation or termination of any or all ground or underlying leases affecting all or any part of the Building in accordance with its terms or by the surrender thereof, whether voluntary, involuntary or by operation of law, or by summary proceedings, or in the event of any foreclosure of any or all mortgages or deeds of trust encumbering all or any part of the Building by trustee's sale, voluntary agreement, deed in lieu of foreclosure, or by the commencement of any judicial action seeking foreclosure, Lessee, at the request of the then landlord under this Lease, shall attorn to and recognize (a) the ground or underlying lessor, under the ground or underlying lease being terminated or canceled, and (b) the beneficiary or purchaser at the foreclosure sale, as Lessee's landlord under this Lease, and Lessee agrees to execute and deliver at any time upon request of such ground or underlying lessor, beneficiary, purchaser or their successors, any and all instruments to further evidence such attornment. Lessee hereby waives its right, if any, to elect to terminate this Lease or to surrender possession of the Premises in the event of any such cancellation or termination of such ground or underlying lease or foreclosure of any mortgage or deed of trust.

Section 20.4 **Non-Disturbance.** Notwithstanding any of the provisions of this Article 20 to the contrary, Lessee shall be allowed to occupy the Premises subject to the conditions of this Lease, and this Lease shall remain in effect until an uncured Event of Default occurs or until Lessee's rights hereunder are terminated because of an Eminent Domain proceeding pursuant to Article 16 or because of the occurrence of damage and destruction pursuant to Article 15.

Section 20.5 **Delivery of Instruments.** If Lessee fails to execute and deliver, within ten (10) days following request thereof by Lessor, any documents or instruments required by this Article 20, such failure may, at Lessor's election, constitute a default under this Lease.

#### ARTICLE 21 - RULES AND REGULATIONS

Section 21.1 **Rules and Regulations.** Effective as of the Effective Date, Lessee shall faithfully observe and comply with the rules and regulations pertaining to the Property ("Rules"), a copy of which is attached to this Lease as Exhibit "E," and all reasonable modifications and additions to the Rules from time to time put into effect by Lessor; provided, however, that no modifications or additions to the Rules shall materially interfere with Lessee's permitted use of the Premises as set forth in Section 6.1. Lessor shall not be responsible to Lessee for the nonperformance of any of the Rules by any other occupant or tenant of the Property; provided, however, that Lessor shall use commercially reasonable efforts (but not including the institution of legal proceedings) to cause such other tenants and occupants of the Property to comply with the Rules, to the extent such non-compliance materially and adversely interferes with Lessee's access to the Premises or use of the Premises for the purposes permitted under this Lease.

Section 21.2 **Certain Construction Requirements.** Prior to undertaking any physical work in or around the Premises, Lessee shall notify Lessor, in writing, of the exact nature and location of the proposed work and shall promptly supply such additional information regarding the proposed work as Lessor shall request. After receipt of Lessee's notice, Lessor may, to the extent appropriate, supply Lessee with the Building regulations and procedures for working in areas where there is a risk of coming into contact with materials or building systems which if not properly handled could cause health or safety risks, could damage such systems and/or the Building, or which could adversely impact any warranty relating thereto. Lessee shall, at Lessee's sole cost and expense, strictly comply with all such Building regulations and procedures established by Lessor and with all applicable Federal, state and local governmental statutes, ordinances, codes, rules, regulations, controls and guidelines (collectively, "Laws"). Lessor shall have the right at all times to monitor the work for compliance with the Building regulations and procedures, the Rules and all Laws. If Lessor determines that any applicable Laws or any Rules and/or any Building regulations or procedures are not being strictly complied with, Lessor may immediately require the cessation of all work being performed in or around the Premises until such time as Lessor is satisfied that the applicable Rules, Laws, regulations and procedures will be observed. Lessor's monitoring of any work in or around the Premises shall not be deemed a certification by Lessor of compliance with any applicable Laws, Rules, Building regulations or procedures or a waiver by Lessor of its right to require strict compliance with such Laws, Rules, regulations or procedures, nor shall such monitoring relieve Lessee from any liabilities relating to such work.

#### ARTICLE 22 - HOLDING OVER

Section 22.1 **Surrender of Possession.** Lessee shall surrender possession of the Premises immediately upon the expiration of the Term or termination of this Lease. If Lessee shall continue to occupy or possess the Premises after such expiration or termination without the consent of Lessor, then unless Lessor and Lessee have otherwise agreed in writing, Lessee shall be a tenant from month-to-month. All the terms, provisions and conditions of this Lease shall apply to this month-to-month tenancy except those terms, provisions and conditions pertaining to the Term, and except that the Base Rental shall be immediately adjusted upward upon the expiration or termination to one hundred fifty percent (150%) of the Base Rental for the Premises in effect under this Lease during the month which includes the day immediately prior to the date of the expiration or termination of this Lease. This month-to-month tenancy may be terminated by Lessor or Lessee upon thirty (30) days' prior notice to the other Party. In the event that Lessee fails to surrender the Premises upon such termination or expiration, then Lessee shall indemnify, defend and hold Lessor harmless against all loss or liability to the extent caused by Lessee's failure to surrender the Premises, including, but not limited to, any amounts required to be paid to any tenant or prospective tenant who was to have occupied the Premises after said termination or expiration and any related attorneys' fees and brokerage commissions.

Section 22.2 **Payment of Money After Termination.** No payment of money by Lessee to Lessor after the termination of this Lease by Lessor, or after the giving of any notice of termination to Lessee by Lessor which Lessor is entitled to give Lessee under this Lease, shall reinstate, continue or extend the Term of this Lease or shall affect any such notice given to Lessee prior to the payment of such money, it being agreed that after the service of such notice or the commencement of any suit by Lessor to obtain possession of the Premises, Lessor may receive and collect, when due, any and all payments owed by Lessee under this Lease, and otherwise exercise any and all of its rights and remedies. The making of any such payments by Lessee or acceptance of same by Lessor shall not waive such notice of termination, or in any manner affect any pending suit or judgment obtained.

#### ARTICLE 23 - INSPECTIONS AND ACCESS

Section 23.1 **Inspections and Access.** Lessor may enter the Premises upon no less than twenty-four (24) hours prior written notice to Lessee. Lessee shall be personally present to open and permit an entry into the Premises.

#### ARTICLE 24 - NAME OF BUILDING AND CONTINENTAL PARK

Section 24.1 **Name of Building.** Lessee shall not use any name, insignia or logotype of the Building or Continental Park for any purpose other than for designating Lessee's address. Lessee shall not use any picture of the Building, the Property or Continental Park in its advertising, stationery or any other manner. Lessor expressly reserves the right in Lessor's sole and absolute discretion, at any time to change the name, insignia, logotype or street address of the Building or the Property without in any manner being liable to Lessee.

#### ARTICLE 25 - SURRENDER OF LEASE

Section 25.1 **Surrender of Lease.** The voluntary or other surrender of this Lease by Lessee, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subleases or subtenancies, or may, at the option of Lessor, operate as an assignment to it of Lessee's interest in any or all such subleases or subtenancies.

#### ARTICLE 26 - WAIVER

Section 26.1 **Waiver.** No obligation, term, covenant, or agreement in this Lease shall be deemed waived unless such waiver is in writing and signed by the Party so waiving the same. The waiver by Lessor or Lessee of any term, covenant, agreement or condition contained in this Lease shall not be deemed to be a waiver of any subsequent breach of the same or of any other term, covenant, agreement, condition or provision of this Lease, nor shall any

failure to enforce compliance with any or all of the terms, covenants, agreements, conditions or provisions of this Lease (except as expressly provided in this Lease), or any custom or practice which may develop between the Parties in the administration of this Lease, be construed to waive or lessen the right of Lessor or Lessee to insist upon the performance by the other in strict accordance with all of the terms, covenants, agreements, conditions and provisions of this Lease. The subsequent acceptance by Lessor of any payment owed by Lessee to Lessor under this Lease, or the payment of Rent by Lessee, shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant, agreement, condition or provision of this Lease, other than the failure of Lessee to make the specific payment so accepted by Lessor, regardless of Lessor's or Lessee's knowledge of such preceding breach at the time of the making or acceptance of such payment. No payment by Lessee, nor receipt by Lessor, of a lesser amount than the Rent or Additional rent required to be paid under this Lease will be deemed to be anything other than a payment on account of the earliest Rent or Additional Rent due hereunder. No endorsement or statement on any check, or any letter accompanying any check or payment as Rent, will be deemed an accord and satisfaction. The delivery of Lessee's keys to any employee or agent of Lessor will not constitute a termination of this Agreement unless Lessor has entered into a written agreement to that effect.

#### ARTICLE 27 - SALE BY LESSOR

Section 27.1 **Sale by Lessor.** In the event Lessor shall sell, assign, convey or transfer all or a part of its interest in the Building or any part of the Property, Lessee agrees to attorn to such transferee, assignee or new owner, and upon consummation of such sale, conveyance or transfer, Lessor shall automatically be freed and relieved from all liability and obligations accruing or to be performed from and after the date of such sale, transfer or conveyance. Lessor shall have the right to subdivide the Property into separate legal lots or parcels and, without materially and adversely affecting the obligations of Lessee, the right to reallocate and adjust the rights, duties and obligations of Lessor and Lessee hereunder so that, as between Lessor and Lessee, those rights, duties and obligations relate only to the lots or parcels on which the Building is located and on which sufficient parking facilities are located to comply with Lessor's obligations under this Lease. To the extent that those rights, duties and obligations cannot be equitably allocated to only one lot or parcel, Lessor may elect to record a reciprocal easement agreement appurtenant to the Building. If Lessor records such an agreement, Lessee shall subordinate this Lease to that agreement.

#### ARTICLE 28 - NO LIGHT AND AIR EASEMENT

Section 28.1 **No Light and Air Easement.** Any diminution or shutting off of light or air by any structure which may be erected on the land or upon lands adjacent to or in the vicinity of the Property shall not affect this Lease, abate any payment owed by Lessee under this Lease or otherwise impose any liability on Lessor.

#### ARTICLE 29 - FORCE MAJEURE

Section 29.1 **Force Majeure.** Neither Lessor nor Lessee shall be chargeable with, liable for, or responsible to the other for anything or in any amount for any failure to perform or delay caused by: fire; earthquake; explosion; flood; hurricane; the elements; Acts of God or the public enemy; actions, restrictions, limitations or interference of governmental authorities or agents; war; invasion; insurrection; rebellion; riots; strikes or lockouts; inability to obtain necessary materials, goods, equipment, services, utilities or labor; or any other cause whether similar or dissimilar to the foregoing which is beyond the reasonable control of Lessor or Lessee; and any such failure or delay due to said causes or any of them shall not be deemed a breach of or default in the performance of this Lease.

#### ARTICLE 30 - ESTOPPEL CERTIFICATES

Section 30.1 **Estoppel Certificates.** Lessee shall, at any time and from time to time upon request of Lessor, within ten (10) days following notice of such request from Lessor, execute, acknowledge and deliver to Lessor, a certificate ("Estoppel Certificate") in writing in a form as Lessor or any of its lenders, prospective purchasers, lienholders or assignees may reasonably deem appropriate. Lessee's failure to deliver the Estoppel Certificate within this ten (10) day period may, at Lessor's election, constitute a default hereunder.

#### ARTICLE 31 - RIGHT TO PERFORMANCE

Section 31.1 **Right to Performance.** All covenants, conditions and agreements to be performed by Lessee under this Lease shall be performed by Lessee at Lessee's sole cost and expense. If Lessee shall fail to perform any such covenant, condition or agreement on its part to be performed under this Lease, and such failure shall continue for three (3) days after written notice thereof to Lessee (provided that no notice shall be required in cases of emergency), Lessor may, but shall not be obligated to do so, without waiving or releasing Lessee from any obligations of Lessee under this Lease, perform any such act on Lessee's part to be made or performed as provided in this Lease. Any performance by Lessor of Lessee's obligations shall not waive or cure any Event of Default of Lessee for such failure. All reasonable costs incurred by Lessor with respect to any such performance by Lessor (including reasonable attorneys' fees) shall be immediately paid by Lessee to Lessor.

#### ARTICLE 32 - PARKING FACILITIES

Section 32.1 **Parking Facilities.** Lessor shall maintain and operate, or cause to be maintained and operated, automobile parking facilities ("Parking Facilities") in, adjacent to, or within a reasonable distance from the Building. Lessee's privileges during the term hereof with respect to the Parking Facilities shall be in accordance with the provisions of the attached Exhibit "F."

#### ARTICLE 33 - SECURITY SYSTEMS

Section 33.1 **Lessee's Right to Install Security System.** Lessee wishes to install an automated and/or non-automated security system in, on or about the Premises; provided, Lessee shall first provide Lessor with a copy of Lessee's plan for any such system, and Lessor shall have the right to review and approve said plan, which approval may not be unreasonably withheld, conditioned or delayed.

#### ARTICLE 34 - NOTICES

Section 34.1 **Notices.** All notices, requests, consents, approvals, payments in connection with this Lease, or communications that either Party desires or is required or permitted to give or make to the other Party under this Lease, shall only be deemed to have been given, made and delivered, (a) when made or given in writing and personally served; or (b) three (3) days after deposit in the United States mail, certified or registered mail, return receipt requested, postage prepaid to the respective addresses of Lessee or Lessor as set forth below; or (c) delivered by a reputable overnight delivery service such as Federal Express, Airborne, United Parcel Service, DHL Worldwide Express, or Ontrac Delivery with charges prepaid, notice to be effective on delivery if confirmed by the delivery service. Lessor or Lessee may from time to time designate other addresses for notice purposes by written notice to the other in

accordance herewith.

Lessee's Address for Notices: A-Mark Precious Metals, Inc.

2121 Rosecrans Avenue, Suite 6300  
El Segundo, CA 90245

Lessee's Address for Billing Purposes: A-Mark Precious Metals, Inc.

2121 Rosecrans Avenue, Suite 6300  
El Segundo, CA 90245

Lessor's Address for Notices: The Plaza CP LLC

200

2041 Rosecrans Avenue, Suite  
El Segundo, CA 90245  
Attention: Richard C. Lundquist

Copy to: The Plaza CP LLC

200

2041 Rosecrans Avenue, Suite  
El Segundo, CA 90245  
Attention: Leonard E. Blakesley, Jr.

Lessor's Address For Payment of Rent:

(a) If the payment is made by first class mail: The Plaza CP, LLC

P.O. Box 79456  
City of Industry, CA 91716-9456

(b) If the payment is made by overnight delivery: Wells Fargo Lockbox-E2001-049

Ref: The Plaza CP, LLC – Box #79456  
3440 Flair Drive  
El Monte, CA 91731

#### ARTICLE 35 - MISCELLANEOUS

Section 35.1 **Authorization to Sign Lease.** If Lessee is a corporation, each individual executing this Lease on behalf of Lessee represents and warrants that he/she is duly authorized to execute and deliver this Lease on behalf of Lessee in accordance with a duly adopted resolution of Lessee's Board of Directors, and Lessee warrants and represents that this Lease is binding upon Lessee in accordance with its terms. If Lessee is a corporation, Lessee shall, concurrently with its execution of this Lease, deliver to Lessor upon its request a certified copy of a resolution of its Board of Directors authorizing the execution of this Lease. If Lessee is a partnership or trust, each individual executing this Lease on behalf of Lessee represents and warrants that he/she is duly authorized to execute and deliver this Lease on behalf of Lessee in accordance with the terms of such entity's partnership agreement or trust agreement, respectively, and Lessee warrants and represents that this Lease is binding upon Lessee in accordance with its terms. If Lessee is a partnership or trust, Lessee shall, concurrently with its execution of this Lease, deliver to Lessor upon its request such certificates or written assurances from the partnership or trust as Lessor may request authorizing the execution of this Lease.

Section 35.2 **Entire Agreement.** This Lease contains the entire agreement between the Parties respecting the Premises and all other matters covered or mentioned in this Lease. This Lease may not be altered, changed or amended except by an instrument in writing specifically designated as an amendment to this Lease and signed by both Parties hereto. Lessee acknowledges and agrees that no prior information provided or statements made by Lessor or Lessor's agents ("Prior Information") have in any way induced Lessee to enter into this Lease, and that Lessee has satisfied itself of all its concerns prior to entering into this Lease by conducting an independent investigation of the validity of such Prior Information.

Section 35.3 **Severability.** The illegality, invalidity or unenforceability of any term, condition or provision of this Lease shall in no way impair or invalidate any other term, provision or condition of this Lease, and all such other terms, provisions and conditions shall remain in full force and effect.

Section 35.4 **Covenants and Conditions.** All provisions, whether covenants or conditions, on the part of Lessee shall be deemed to be both covenants and conditions.

Section 35.5 **Gender, Definitions and Headings.** The words "Lessor" and "Lessee" as used herein shall include the plural as well as the singular and, when appropriate, shall refer to action taken by or on behalf of Lessor or Lessee by their respective employees, agents or authorized representatives. Words in masculine or neuter gender include the masculine, feminine and neuter. If there is more than one person constituting Lessee, the obligations hereunder imposed upon such persons constituting Lessee shall be joint and several. The paragraph headings of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof. Subject to the provisions of Articles 12 and 27, and except as otherwise provided to the contrary in this Lease, the terms, conditions and agreements of this Lease shall apply to and bind the heirs, successors, legal representatives and permitted assigns of the Parties hereto. Any reference to the word persons shall be deemed to include a corporation, a government entity, an individual, a general partnership, a limited partnership, a joint venture, a trust and/or an association. This Lease shall be governed by and construed pursuant to the laws of the State of California.

Section 35.6 **Exhibits and Riders.** The exhibits and riders, if any, that are attached to this Lease shall hereby be incorporated in and made a part of this Lease. In the event a discrepancy, ambiguity or variance should exist between terms and conditions in the Lease and in the exhibits and/or riders thereto, then the terms and conditions of the Lease shall prevail and control.

Section 35.7 **Modification for Lender.** Upon Lessor's request, Lessee agrees to modify this Lease to meet the requirements of any or all lenders or ground lessors selected by Lessor who request such modification as a condition precedent to providing any loan or financing or to entering into any ground lease affecting or encumbering the Property or any part thereof, provided that such modification does not (a) increase Base Rental, (b) alter the Term, or (c) adversely affect Lessee's rights under this Lease.

## Section 35.8 **Left Intentionally Blank**

Section 35.9 **Quiet Enjoyment.** Lessor covenants and agrees that Lessee, upon making all of Lessee's payments as and when due under this Lease, and upon performing, observing and keeping the covenants, agreements and conditions of this Lease on its part to be kept, shall peaceably and quietly hold, occupy and enjoy the Premises during the Term of this Lease without hindrance or molestation from Lessor subject to the terms and provisions of this Lease. Lessee covenants and agrees to comply with all rules and regulations of the Lease and with all Laws to enable other occupants of the Building to occupy and enjoy their premises without hindrance, molestation, intrusion and interference from Lessee.

Section 35.10 **No Recordations.** Lessor and Lessee agree that in no event and under no circumstances shall this Lease be recorded by Lessee.

Section 35.11 **Time is of the Essence.** Subject to the provisions of Article 29 of this Lease, time shall be of the essence of this Lease and of each of the provisions hereof.

Section 35.12 **Cumulative Remedies.** No remedy or election provided, allowed or given by any provision of this Lease shall be deemed exclusive unless so indicated, but shall, whenever possible, be cumulative with all other remedies in law or equity.

Section 35.13 **Bankruptcy.** In the event the estate created hereby shall be taken in execution or by other process of law, or if Lessee shall be adjudicated insolvent or bankrupt pursuant to the provisions of any state or federal insolvency or bankruptcy law, or if a receiver or trustee of the property of Lessee shall be appointed by reason of Lessee's insolvency or inability to pay its debts, or if any assignment shall be made of Lessee's property for the benefit of creditors, then and in any of such events, Lessor may terminate this Lease by written notice to Lessee; provided, however, if the order of the court creating any of such disabilities shall not be final by reason of pendency of such proceeding, or appeal from such order, then Lessor shall not have the right to terminate this Lease so long as Lessee performs its obligations hereunder.

Section 35.14 **Confidentiality.** Lessor shall keep confidential any financial or other confidential information disclosed by Lessee to Lessor in the course of Lessor's analysis and consideration of Lessee and this Lease (other than information which is a matter of public knowledge or may be obtained from sources readily available to the public), so long as Lessee clearly identifies such information in writing as "confidential" at the time of such disclosure. Lessee shall keep confidential (i) this Lease, and (ii) any financial or other confidential information of Lessor disclosed by Lessor to Lessee in connection with this Lease (other than information which is a matter of public knowledge or may be obtained from sources readily available to the public), so long as Lessor clearly identifies such information in writing as "confidential" at the time of such disclosure. However, such matters may be disclosed: (a) to the directors, officers, partners, members, legal counsel, real estate brokers, and accountants of Lessor or Lessee, as the case may be, to the extent Lessor or Lessee, as the case may be, deems it necessary or appropriate in connection with the evaluation of this Lease; (b) with respect to Lessor, to a potential purchaser of the Property; (c) with respect to Lessee, to secure an assignee or sublessee for the Premises, (d) to potential or existing sources of financing or to potential or existing holders of equity interests of such party (including any disclosures to lenders, investors, underwriters, and other appropriate persons in connection with the offering of equity or debt interests); and (e) to the extent required by applicable Law, court order, or in any litigation in connection with this Lease.

## Section 35.15 **Lessee's Responsibility Regarding Hazardous Substances.**

(a) **Prohibition.** Lessee shall not cause or knowingly permit the manufacture, generation, storage, use, transportation, treatment, incineration, disposal, discharge or release of any Hazardous Substance in, on, under, from or about the Premises or the Property. Notwithstanding the preceding sentence, Lessee may store and use supplies (in amounts not exceeding quantities normally used for Lessee's approved use of Premises) containing Hazardous Substances so long as such supplies (a) are of a type and chemical composition commonly associated with Lessee's approved use of Premises, (b) are stored and used only in such quantities as are reasonably incidental to such use and in compliance with any manufacturer's directions or warnings and all applicable Laws, and (c) are disposed of by Lessee in compliance with applicable Laws. Lessee shall store and use all such supplies in a manner which reduces to the greatest extent reasonably practical the threat of any release of any Hazardous Substance and shall promptly and with reasonable care clean up any such release to the satisfaction of Lessor and any governmental authority having jurisdiction thereof. In no event shall Lessee use or store any asbestos-containing materials or PCBs on or about the Property or the Premises.

(b) **Required Warnings.** Lessee shall give all warnings required by the California Safe Drinking Water and Toxic Enforcement Act of 1986 (California Health & Safety Code §§ 25249.5 et seq.), as amended from time to time, with respect to any exposures occurring in the Premises or as a result of Lessee's use of the Premises or the Property.

(c) **Environmental Problems.** If Lessee knows or has reasonable cause to believe that any Hazardous Substance is located or will come to be located on the Premises or Property (an "Environmental Problem"), whether or not caused or permitted by Lessee, Lessee shall immediately notify Lessor. Lessee shall exercise reasonable care to avoid any Lessee Related Environmental Problem (as such term is defined below). Lessee shall give any and all notices of any Lessee Related Environmental Problem required by applicable Environmental Protection Laws, including, without limitation, any notice required by Section 103 of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. §§ 9601 et seq.) and any notice required by Sections 13271 or 13272 of the California Water Code, as each may be amended from time to time. Lessee shall immediately give Lessor notice of any governmental investigation or any governmental or regulatory action, proceeding, order or decree relating to any Lessee Related Environmental Problem and, at Lessee's expense, shall timely comply in all respects with any such order or decree, unless Lessor first notifies Lessee that Lessor intends to contest such order or decree. Prior to commencing any corrective or remedial action with respect to any Environmental Problem (except for any such action taken to comply with an order or decree which Lessor has not elected to contest), Lessee shall obtain the consent of Lessor (which shall not be unreasonably withheld or delayed) and each governmental authority exercising jurisdiction with respect to such Environmental Problem.

(d) **Lessor's Access to Information.** Within ten (10) business days after Lessor's request therefor (or within such shorter time as may be reasonably required by Lessor), Lessee shall provide Lessor with any information reasonably requested by Lessor, to enable Lessor to comply with any applicable Environmental Protection Law.

**"Environmental Protection Law"** means any applicable Law governing the manufacture, generation, storage, use, transportation, treatment, incineration, disposal, discharge, threatened discharge, release or threatened release of any Hazardous Substance, or otherwise relating to the protection of the environment or the health and safety of persons, including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. §§ 9601 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 et seq.), the Clean Air Act (42 U.S.C. §§ 7401 et seq.), the Water Pollution Prevention and Control Act (33 U.S.C. §§ 1251 et seq.), the Toxic Substances Control Act (15 U.S.C. §§ 2601 et seq.), the California Hazardous Substance Account Act (CA Health & Safety Code §§ 25300 et seq.), the California Hazardous Waste Control Act (CA Health & Safety Code §§ 25100 et seq.), the California Safe Drinking Water and Toxic Enforcement Act of 1986 (CA Health & Safety Code §§ 25249.5 et seq.) and the Porter Cologne Water Quality



Control Act (CA Water Code §§ 13000 et seq.), as each may be amended from time to time.

**“Hazardous Substance”** means any hazardous, toxic, explosive, radioactive, infectious or dangerous substance, material, chemical, waste, contaminant or pollutant, including, without limitation, (a) any “hazardous substance” within the meaning of the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. §§ 9601 et seq.) or the Carpenter-Presley-Tanner Hazardous Substance Account Act (CA Health & Safety Code §§ 25300 et seq.), as each may be amended from time to time, (b) any “hazardous waste” within the meaning of the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 et seq.), as amended from time to time, (c) any “hazardous waste,” “extremely hazardous waste” or “restricted hazardous waste” within the meaning of the California Hazardous Waste Control Act (CA Health & Safety Code §§ 25100 et seq.), as amended from time to time, (d) any “hazardous substance”, “waste” or “sewage” as defined or used in the Porter Cologne Water Quality Control Act (CA Water Code §§ 13000 et seq.), as amended from time to time, (e) petroleum, including crude oil or any fraction thereof, (f) any natural gas, liquefied natural gas, natural gas liquid or synthetic gas usable for fuel (or mixtures of natural and synthetic gas), or (g) any other substance, material, chemical, waste, toxicant, pollutant or contaminant regulated by any applicable Environmental Protection Law.

**“Lessee Related Environmental Problem”** means any Environmental Problem caused by (a) any act or omission of Lessee or Lessee’s Employees, or (b) Lessee’s use of the Premises or any other part of the Property.

(e) **Indemnity by Lessee.** If Lessee breaches its obligations stated in this Section 35.15, or if the presence of Hazardous Substances in, upon, under or about the Premises or other portions of the Building or Property caused by Lessee, Lessee's Employees or Lessee's sublessees results in the contamination of the Premises or other portions of the Building, or if contamination of the Premises or other portions of the Property by Hazardous Substances otherwise occurs for which Lessee may be liable to Lessor for damages resulting therefrom, then Lessee shall indemnify, defend and hold Lessor and Lessor's Employees harmless from and against any and all liabilities, costs, expenses, claims, judgments, damages, penalties, fines or losses (including, without limitation, diminution in value of the Premises or other portions of the Building, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises or other portions of the Building, damages arising from any adverse impact on marketing of space in the Premises or other portions of the Building, and sums paid in settlement of claims, attorneys' fees, consultants' fees and experts' fees) which arise after the execution date of this Lease or during the Term of this Lease or after the Term of this Lease as a result of such contamination. This obligation of Lessee to indemnify, defend and hold Lessor harmless shall survive and extend beyond the expiration or earlier termination of this Lease for a period of one (1) year.

Section 35.16 **Nondiscrimination.** The Lessee herein covenants by and for himself, his heirs, executors, administrators and assigns, and all persons claiming under or through him, and this Lease is made and accepted upon and subject to the following conditions. That there shall be no discrimination against or segregation of any person or group of persons on account of sex, marital status, race, color, religion, creed, national origin or ancestry, in the leasing, subleasing, transferring, use or enjoyment of the Premises, nor shall the Lessee himself, or any person claiming under or through him establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of tenants, lessees, sublessees, subtenants or vendees in the Premises.

Section 35.17 **No Offer.** The preparation of this Lease and/or the submission of this Lease to Lessee shall not be deemed an offer to lease the Premises or any other premises to Lessee. This Lease shall only become binding upon Lessor and Lessee when it is fully executed and a fully executed original Lease is delivered by Lessor to Lessee.

Section 35.18 **Broker's Commission.** Lessor and Lessee each hereby represent and warrant to the other that it has not engaged or dealt with any real estate brokers, salespersons, finders or other persons entitled to any compensation (“Broker's Commission”) relating to this Lease, except for L.A. Realty Partners. If Lessee's or Lessor's representation and warranty contained in this paragraph is inaccurate, then the Party making the inaccurate representation hereby agrees to indemnify, defend, and hold the other harmless from and against any and all liabilities, costs and expenses (including, without limitation, attorneys' fees) incurred in connection with the claims of any brokers, salespersons, finders or other persons.

Section 35.19 **Joint and Several Obligations of Lessee.** If more than one individual or entity comprises Lessee, the obligations imposed on each individual or entity that comprises Lessee under this Lease shall be joint and several.

Section 35.20 **Jurisdiction and Enforcement.** The Parties hereto agree that this Lease Agreement is made and entered into in the County of Los Angeles, State of California, and that all legal actions relating to this Lease Agreement shall be filed and entertained in the Courts in and for the County of Los Angeles, State of California.

Section 35.21 **Compliance with Safety Regulations.** Lessee shall comply, and Lessee shall require Lessee's Employees to comply, with all safety, fire protection, and evacuation procedures and regulations established by Lessor or by any government agency.

Section 35.22 **Modifications to Building.** Lessor may elect to make certain modifications and improvements to the Building that may cause the building load factor and the rentable area of the Premises to change. Should this occur, then Lessee understands that upon substantial completion of said modifications / improvements, the rentable square footage for the Premises may increase / decrease, and Base Rental will increase / decrease by the proportion the revised rentable square feet bear to the rentable square feet shown on Section 1.1(g) above, except, however, that in no event shall Lessee's Base Rental increase by more than one percent (1%) per year, two percent (2%) cumulative.

Section 35.23 **Electromagnetic Fields.** Lessor and Lessee hereby recognize and understand that the National Institute of Environmental Health Sciences (“NIEHS”) and the Department of Energy (“DOE”) have conducted research to understand the potential for health risks from exposure to extremely low frequency electric and magnetic fields (“ELF-EMF”), and that said research has led the NIEHS and DOE to conclude: “Any scientific evidence to suggest that ELF-EMF exposure may pose health risk is weak (emphasis added).” Because ongoing public concern over safety due to ELF-EMF exposure has prompted more research in this area, which research may subsequently conclude that adverse health effects may result from ELF-EMF exposure, Lessee hereby agrees that it shall not be entitled to claim any breach of warranty of quiet enjoyment, or any and all other damages, claims or losses based upon claims of injury or otherwise due to ELF-EMF exposure, it being deemed a material covenant on the part of Lessee, upon which Lessor relies in entering into this Lease, that Lessee hereby assumes the risk of any damage or injury to Lessee and to Lessee's Employees flowing from ELF-EMF exposure.

Section 35.24 **Ban on Smoking.** Lessee understands that Lessor's ventilation system in the Building connects to more than one premises and/or to the Building's common areas, and that the City of El Segundo bans tenants from smoking within their own premises whenever a landlord's ventilation system connects to more than one premises or to the Building's commons areas. Therefore, to prevent second-hand smoke from traveling through the Building's ventilation system and adversely affecting non-smoking tenants in other premises or common areas, Lessee agrees (1) that it will not permit any of Lessee's Employees to smoke any substance through any form (including, but not limited to, cigarettes, cigars, pipes, hookahs, vaporizers, e-cigarettes or electronic nicotine delivery systems (ENDS)) in the Premises or anywhere within the Building, and (2) that it will implement reasonable measures to direct Lessee's

Employees to smoke outside the Building. Lessee shall comply with all current and future federal, state, and local environmental and IAQ laws, regulations, and industry standards, including, without limitation, any restrictions on smoking in the workplace.

**Section 35.25 Financial Information Disclosure.** If reasonably required by Lessor, no more than once in any twelve (12) month period, and upon not less than thirty (30) days prior written request, Lessee shall deliver to Lessor (a) a current, accurate, complete, and detailed financial statement on Lessee to include a balance sheet, profit and loss statement, cash flow summary, and all accounting footnotes, prepared in accordance with generally accepted accounting principles consistently applied and certified by the Chief Financial Officer of Lessee to be a fair and true presentation of Lessee's current financial position; (b) if reasonably required by Lessor, a current, accurate, complete, and detailed financial statement on Lessee audited by an independent Certified Public Accountant; (c) current bank references for Lessee; and (d) if available, a current Dun & Bradstreet Report about Lessee. Lessee agrees that its failure to reasonably comply with this Section shall constitute an Event of Default by Lessee under the Lease.

**Section 35.26 Interior Signage.** Lessor will provide Lessee, if so requested by Lessee, and at Lessor's cost, for the first time only (using building standard materials and design) the following interior signage: (a) one (1) tenant suite sign located at the entrance to Lessee's Premises; and (b) one (1) directory strip sign located in the Building lobby. Both signs will be provided for the display of the name and location of the Lessee of the Building shown in Section 1.1(b), and Lessor reserves the right to exclude any other names therefrom.

**Section 35.27 Restrictive Covenant.** During the Lease Term and during all extensions thereof, Lessee shall not use, nor shall Lessee permit its successors, assigns, officers, directors, shareholders, parent, affiliated and subsidiary corporations, or affiliated Parties to use the Premises as a store, business, trade or profession (whether separately or as part of another entity) as a "salon" that engages in the sale, dispensing or providing, retail, or wholesale, of salon products and/or services, including, without limitation, facials, skin care treatments or products, massage, manicures, pedicures and hair styling. Lessee understands that by this reference Murad Salon, and Murad Salon's successors and assigns, shall be deemed third Party beneficiaries of said restrictive covenant.

**Section 35.28 Rights Reserved by Lessor.** Provided that the exercise of such rights does not unreasonably interfere with Lessee's occupancy of the premises, Lessor shall have the following rights:

(a) **Building and Property Operations.** To decorate and to make inspections, repairs, alterations, additions, changes, or improvements, whether structural or otherwise, in and about the Building and Property, or any part thereof; to enter upon the Premises (after giving Lessee reasonable written notice thereof, except in cases of real or apparent emergency, in which case no notice shall be required) and, during the continuance of any such work, to temporarily close doors, entryways, public space, and corridors in the Building and Property; to interrupt or temporarily suspend Building services and facilities; to change the name of the Building and/or Property; and to change the arrangement and location of entrances or passageways, doors, and doorways, corridors, elevators, stairs, restrooms, or other public parts of the Building and/or Property;

(b) **Security.** To take such reasonable measures as Lessor deems advisable for the security of the Building, the Property and its occupants, such as, but not limited to, evacuating the Building for cause, suspected cause, or for drill purposes; temporarily denying access to the Building; and closing the Building after normal business hours and on Sundays and holidays, subject, however, to Lessee's right to enter when the Building is closed after normal business hours under such reasonable regulations as Lessor may prescribe from time to time;

(c) **Prospective Purchasers and Lenders.** Upon twenty-four (24) hours prior written notice, to enter the Premises during normal business hours and without disturbing the Lessee's business, to show the Premises to prospective purchasers or lenders; and

(d) **Prospective Lessees.** At any time during the last three (3) months of the Term (or earlier if Lessee has notified Lessor in writing that it does not desire to renew the Term) or at any time following the occurrence of an Event of Default, to enter the Premises during normal business hours to show the Premises to prospective tenants, without disturbing the Lessee's business.

**Section 35.29 Construction of Agreement.** Each Party herein shall be deemed to have been the draftsman of this Lease and the language of this Lease shall be construed according to its fair meaning and not strictly for or against any of the Parties hereto.

**Section 35.30 Inspection by Certified Access Specialist.** Lessor declares, pursuant to Section 1938 of the California Civil Code, that the Property has undergone inspection by a Certified Access Specialist ("CASp") and that the Property has not been determined to meet all applicable construction-related accessibility standards pursuant to Section 55.53 of the California Civil Code.

**Section 35.31 Electrical Consumption Regulations.** Lessee understands that during the Term it may experience fluctuations in lighting levels as mandated by the State of California, 2013 CALGreen, Part 11, Title 24, California Code of Regulations, and that Lessee, in conjunction with such rules and regulations, will not be permitted to override the motion sensors, dimmers, selected electrical duplex receptacles on timers and other electrical devices that Lessor specifically designed in the Building to reduce the amount of electrical consumption in the Premises.

**Section 35.32 Rent Abatement Provisions.** Base Rental in the amount of \$161,442.00, representing fifty percent (50%) of the Base Rental from April 1, 2017 through January 31, 2018, shall be conditionally abated. The abatement of Base Rent is conditioned upon Lessee's full and timely performance of all of its obligations under the Lease. If at any time during the Term an Event of Default by Lessee occurs, and is not cured within thirty (30) days, then the unamortized portion of the abatement of Base Rent over the initial term of this Lease shall immediately become void, and Lessee shall promptly pay to Lessor, in addition to all other amounts due to Lessor under this Lease, the full amount of all Base Rent herein abated.

**Section 35.33 Monument Sign.** Lessor grants Lessee (for purposes of this Article "Lessee" shall mean only the original Party who signed this Lease as the Lessee) the nonexclusive right to display its name in the building standard font on the monument sign of the Building (the "Monument Sign") subject to the following provisions:

(a) Lessee's right to display its name on the Monument Sign shall be automatically withdrawn by Lessor, without further notice to Lessee, thirty (30) days following the Commencement Date hereof, unless Lessee shall prior thereto (1) notify Lessor in writing that it elects to display its name on the Monument Sign, and (2) pay Lessor the cost to fabricate and install said signage;

(b) Lessee's right to display its name on the Monument Sign shall be withdrawn by Lessor following fifteen (15) days written notice to Lessee by Lessor if Lessee (a) occupies less than 3,000 rentable square feet of the Building; (b) sublets, in the aggregate, more than 5,969 rentable square feet of the premises, (c) assigns the Lease, or (d) is in default of this Lease under Article 17 hereof;

(c) Lessor shall install Lessee's name on the Monument Sign and Lessee shall reimburse Lessor's for all expenses related to such installation. Additionally, Lessee shall pay to Lessor, from time to time and within thirty (30) days after receipt of written demand, Lessee's portion of all expenses incurred by Lessor that are attributable to the lighting (if applicable), maintenance, cleaning and repair of the Monument Sign during the period of time that Lessee's name is on the Monument Sign. Lessee's portion of such expenses shall be calculated by Lessor by dividing such expenses equally among all lessees and occupants that have signs on the Monument Sign;

(d) Lessee shall pay to Lessor, in advance, without prior notice, demand or billing statement, on or before the first day of each calendar month, the prevailing monthly lease rate (the "Sign Rent") then charged by Lessor for the sign, which Sign Rent shall be subject to increase by Lessor, from time to time, following sixty (60) day advance written notice to Lessee, to the prevailing rate for the sign uniformly applied to all tenants in the Building (however, the Sign Rent shall not increase more than one (1) time during any consecutive twelve (12) month period). Currently, the Sign Rent is Two Hundred Dollars (\$200.00) per month. Following the date the Exterior Building Sign is installed on the Building, Lessee's obligation to pay the Sign Rent shall continue throughout the Lease Term, including all extensions of the Term, irrespective of whether or not Lessee elects to remove the sign from the Building prior to the termination of the Lease;

(e) Lessor shall have the right to relocate, redesign, and/or reconstruct the Monument Sign from time to time as determined by Lessor in Lessor's sole discretion; and

(f) Upon termination and/or expiration of the Lease Term, Lessor shall permanently remove Lessee's name from the Monument Sign, repair any damage to the Monument Sign that may result from the removal of Lessee's name, and charge Lessee for all expenses and costs incurred in connection with said removal and repair. The design, size, specifications, graphics, materials, colors, and lighting (if applicable) of the Monument Sign (and all panels, if any, on said sign) shall be determined by Lessor in Lessor's sole discretion.

*remainder of page intentionally left blank*

Section 35.34 **Amenity License.** Lessee and Lessee's employees are hereby granted a license during the Lease term for access to and for use of the exercise gym and the shower facilities located on the first floor of the Building, on a nonexclusive basis with the other tenants of the Building (to be used by Lessee for their intended and common use).

**IN WITNESS WHEREOF,** the Parties acknowledge that each has carefully read each and every provision of this Lease and that each has fully entered into this Lease as of the date first appearing above of its own free will and volition. Signatures obtained by facsimile or pdf shall be deemed original signatures and shall carry the same full force and effect of original signatures to bind the Parties to the terms and conditions of this Lease.

**"LESSOR" "LESSEE"**

**The Plaza CP LLC A-Mark Precious Metals, Inc.**  
a California limited liability company a California corporation

By: The Plaza CP Corporation  
a Delaware corporation  
its Managing member

By: \_\_\_\_\_ By: \_\_\_\_\_  
Richard C. Lundquist  
President Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_ By: \_\_\_\_\_  
Leonard E. Blakesley, Jr.  
Secretary Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**LIST OF EXHIBITS**

A-1 Building

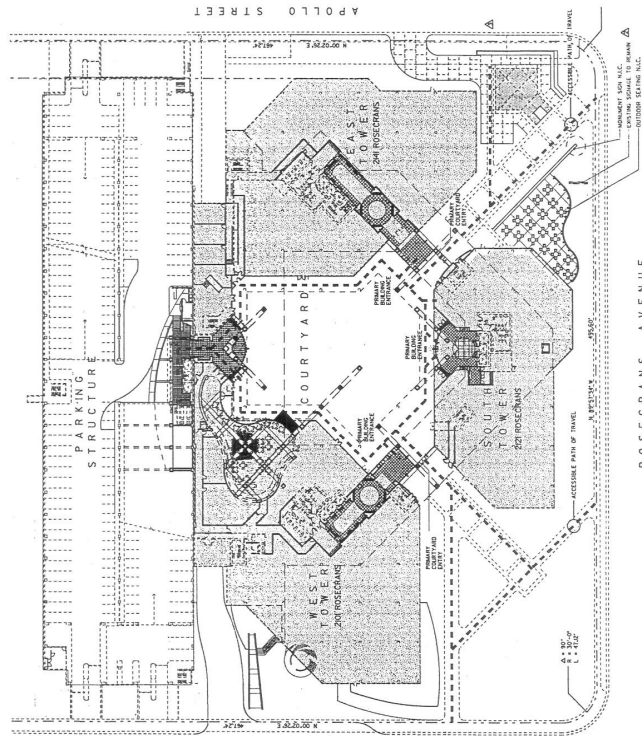
A-2 Legal Description

A-3 Continental Park

B Notice of Commencement Date

- C Construction Work Letter
- C-1 Minimum Building Standard Lessee Improvement Finishes and Materials
- C-2 Premises
- C-3 Conduct of the Work and Rules of the Site
- C-4 Continental Construction Project Close Out Package Acceptance Checklist
- D Building Standard Services and Utilities
- E Rules & Regulations
- F Parking Facilities

**BUILDING**



**LEGAL DESCRIPTION OF LAND**

**PARCEL 1:**

THE SURFACE AND THAT PORTION OF THE SUBSURFACE WHICH LIES ABOVE A PLANE 450 FEET BELOW THE MEAN LOW WATER LEVEL OF THE PACIFIC OCEAN (AS SAID MEAN LOW WATER LEVEL IS ESTABLISHED BY U.S. COAST AND GEODETIC SURVEY BENCH ALONG THE SHORELINE) OF THE FOLLOWING DESCRIBED PROPERTY, SITUATED IN THE CITY OF EL SEGUNDO, COUNTY OF LOS ANGELES, STATE OF

CALIFORNIA, TO WIT:

PARCEL 4, IN THE CITY OF EL SEGUNDO, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON PARCEL MAP NO. 12659, FILED IN BOOK 124 PAGE 52 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

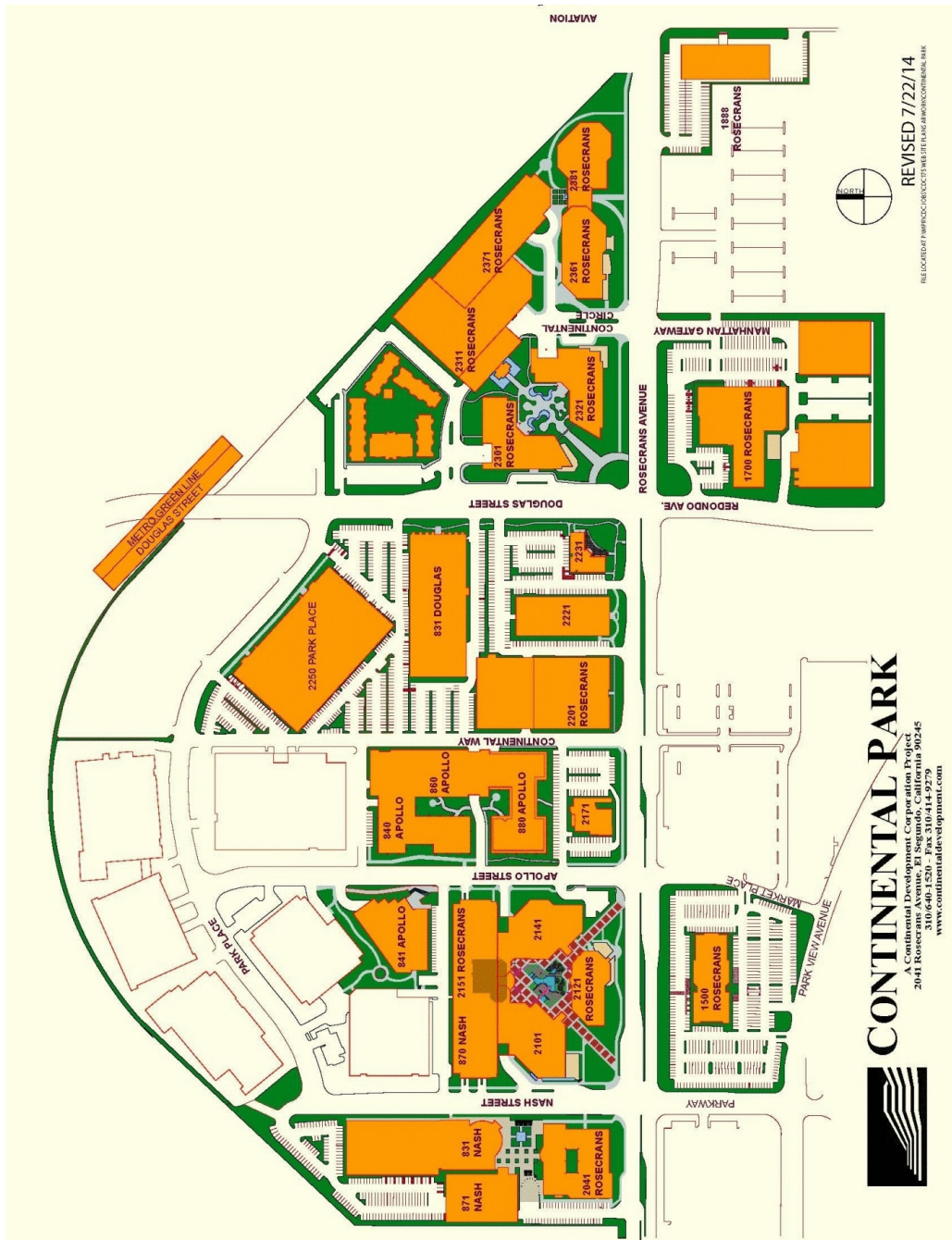
EXCEPT THEREFROM ALL OIL, GAS, ASPHALTUM AND OTHER HYDROCARBONS AND OTHER MINERALS, WHETHER SIMILAR TO THOSE HEREIN SPECIFIED OR NOT, WITHIN OR THAT MAY BE PRODUCED FROM SAID LAND, PROVIDED, HOWEVER, THAT THE SURFACE OF SAID LAND SHALL NEVER BE USED FOR EXPLORATION, DEVELOPMENT, EXTRACTION, REMOVAL OR STORAGE OF SAID OIL, GAS, ASPHALTUM AND OTHER HYDROCARBONS AND OTHER MINERALS, AND FURTHER PROVIDED NO INSTALLATION CONSTRUCTED THEREON SHALL BE DISTURBED IN ANY MANNER IN EXTRACTING SAID RESERVED MINERALS, AS RESERVED IN DEED FROM STANDARD OIL COMPANY OF CALIFORNIA, RECORDED DECEMBER 20, 1960, AS INSTRUMENT NO. 1622, IN BOOK D-1069 PAGE 595, OFFICIAL RECORDS.

**PARCEL 2:**

A NON-EXCLUSIVE RIGHT FOR VEHICULAR AND PEDESTRIAN USE TO AND FROM THE SOUTHERLY 12.50 FEET OF PARCELS 2 AND 3 OF SAID PARCEL MAP NO. 12659, FILED IN BOOK 124 PAGE 52 OF PARCEL MAPS, AS DISCLOSED IN THAT CERTAIN INSTRUMENT BY AND BETWEEN CONTINENTAL DEVELOPMENT CORPORATION, TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, STATE OF CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEMS AND UNION BANK, RECORDED MARCH 29, 1985, AS INSTRUMENT NO. 85-342807, OFFICIAL RECORDS.

[more commonly known as: 2101 / 2121 / 2141  
Rosecrans Avenue  
El Segundo, California]

**CONTINENTAL PARK**



**NOTICE OF COMMENCEMENT DATE**

Date  
 To: A-Mark Precious Metals, Inc.  
 Re: Lease Agreement (“Lease”) dated July 7, 2016, between The Plaza CP LLC, a California limited liability company, “Lessor,” and A-Mark Precious Metals, Inc., a California corporation, “Lessee,” concerning Suite 6300, located at 2121 Rosecrans Avenue, El Segundo, California.

Gentlemen:

In accordance with the subject Lease, we wish to advise and/or confirm as follows:

1. That the Premises have been accepted herewith by the Lessee as being substantially complete in accordance with the subject Lease, and that there is no deficiency in construction.
2. That the Lessee has possession of the subject Premises and acknowledges that under the provisions of the subject Lease, the term of said Lease commenced on [OR] shall commence on \_\_\_\_\_, for a term of \_\_\_\_\_, ending on \_\_\_\_\_.
3. That in accordance with the subject Lease, rental commenced to accrue on \_\_\_\_\_.
4. That if the Commencement Date of the subject Lease is other than the first day of the month, the first billing will contain a pro rata adjustment. Thereafter each monthly installment of Rent shall be for the full amount as provided for in said Lease.

5. That rent is due and payable in advance on the first day of each and every month during the Term of said Lease. Rent checks should be made payable to The Plaza CP LLC and mailed to either of the following addresses:

**Regular Mail:**

The Plaza CP, LLC  
P.O. Box 79456  
City of Industry, CA 91716-9456

**Overnight Mail:**

Wells Fargo Lockbox-E2001-049  
Ref: The Plaza CP, LLC  
Box #79456

3440 Flair Drive  
El Monte, CA 91731

6. Signatures obtained by facsimile or pdf shall be deemed original signatures and shall carry the same full force and effect of original signatures to bind the Parties to the terms and conditions of this document.

**"LESSOR" "LESSEE"**

**The Plaza CP LLC A-Mark Precious Metals, Inc.**

a California limited liability company a California corporation

By: The Plaza CP Corporation  
a Delaware corporation  
its Managing member

**FORM ONLY – DO NOT SIGN**

By: \_\_\_\_\_  
Richard C. Lundquist, President

By: \_\_\_\_\_  
Leonard E. Blakesley, Jr., Secretary

**CONSTRUCTION WORK LETTER**

**THIS CONSTRUCTION WORK LETTER** (the "Agreement") supplements the Lease to which this Agreement is attached. The terms used herein shall have the same meanings as set forth in the Lease, unless such meanings are expressly contradicted herein. In addition, all rights and remedies of Lessor and Lessee under the Lease shall apply in the event of a default in any of the provisions of this Agreement, and this Agreement is hereby made a part of the Lease.

**1. Construction of Base Building**

**1.1 Base Building Improvements.** Lessor has constructed and Lessee hereby accepts as constructed the Base Building Improvements consisting of a parking facility and building shell and core (collectively the "Base Building Improvements"). The building shell and core includes the following: (a) bare, trowel finished, concrete slab floors; (b) finished core area, including elevators and common area elevator lobbies, toilet rooms, electrical rooms, telephone rooms, janitorial closets, exit stairs and mechanical shafts; (c) primary heating, ventilation and air conditioning service stubbed out to the floor, including main supply air duct, base building digital control system (where applicable) for the HVAC and heating hot water supply mains (Lessee's HVAC improvements to the Premises shall properly and without special requirements, interface and integrate with the Base Building HVAC and its Direct Digital Control System. Such interface and integration, as well as the design of the HVAC system for the Premises, including the distribution thereof shall be consistent and compatible with Lessor's operating requirements and use only a proportionate share of the Building system's capacity); (d) primary fire sprinkler system in open floor plan configuration (any modification to such sprinkler system within the Premises for the Lessee shall be a part of the Lessee Improvements); (e) main electrical panels on each floor including breakers but no distribution; and (f) primary distribution for the fire safety system required by applicable code for unoccupied buildings (including the primary fire sprinkler system and alarms). Any and all modifications to the Base Building Improvements mandated or otherwise required by application and/or interpretation of any federal, state, local or other applicable governmental statutes, ordinances, codes, rules, regulations, controls or guidelines (collectively, "Laws") to the extent caused by Lessee's use of, and/or the construction of the Lessee Improvements (as defined in Section 1.2 below) within, the Premises shall be a part of the Lessee Improvements. Thereafter, Lessor shall furnish and install within the Premises those improvements and items of general construction (the "Lessee Improvements") shown on the plans and specifications diligently prepared by Lessor and Lessee and approved by Lessor and Lessee pursuant to Section 2 below, in compliance with all applicable codes and regulations. No portion or element of the Lessee Improvements in the sole judgment of Lessor, shall in any way be in conflict with or adversely impact the Building or any of its systems. All Lessee Improvements shall be constructed pursuant to this Work Letter.

**1.2 Lessee Improvements.** Lessor shall construct and install (collectively, "construct") the Improvements to the Premises as set forth herein (the "Lessee Improvements") pursuant to plans and specifications mutually approved by the Lessor and Lessee and prepared by the Building Architect. The Lessee Improvements shall consist of, at a minimum, the "Building Standard Improvements" (which Building Standard Improvements are set forth in Exhibit "C-1" attached hereto and made a part hereof) in order to construct a standard office in the Premises, together with an HVAC control system (as specified by Lessor) which Lessor shall connect to the Base Building HVAC control system in accordance with Lessor's specifications and such other improvements as specified in the "Final Plans" (as hereinafter defined) or required by Law. The cost of preparing the plans and specifications for the Lessee Improvements and the cost of constructing the Lessee Improvements shall, except as otherwise provided herein, be borne by Lessee.

**1.3 Lessor Supplied Improvements.** Lessor shall supply, at Lessor's sole cost, certain items of the Lessee Improvements including, but not limited to, partial distribution HVAC ductwork, electrical runs to lights, partial sprinkler system piping and sprinkler heads, window coverings and perimeter wall, core wall and column wrap drywall, which shall be valued in accordance with Lessor's schedule of values for such items which Lessor shall have prepared for the Building for use by Lessee and other tenants. Lessor shall be responsible for bringing all HVAC and other utilities to the Premises, without cost to the Lessee.

**2. Plans and Specifications.**

**2.1 Schematic Drawings.** If the Schematic Drawings depicting the layout of the Premises and the location of the Lessee Improvements therein (the "Schematic Drawings") have already been prepared and approved by Lessor and Lessee prior to the full execution of this Lease (which includes this Agreement), then same shall be attached hereto as Exhibit "C-5") and made a part hereof. If the Schematic Drawings are not attached as Exhibit "C-5" hereto

at the time this Lease is fully executed, then the following procedure shall be used to prepare and approve of the Schematic Drawings. No later than five (5) days following the full execution of this Lease, Lessee shall meet with the Architect and provide such information as is necessary or appropriate for the Architect to prepare the Schematic Drawings. Such Schematic Drawings, upon completion thereof (which in no event shall be more than thirty (30) days after the execution of this Lease), shall be submitted to Lessor and Lessee for approval. Within five (5) days after Lessee's receipt of such Schematic Drawings, Lessee shall notify Lessor and Architect of the changes, if any, which Lessee desires to make to such Schematic Drawings, which notice shall be in writing and shall identify with specificity the changes which Lessee desires to make and shall attach a copy of the Schematic Drawings initialed by Lessee and showing the desired changes (the "Lessee's Schematic Notice"). Within five (5) business days following Lessor's receipt of the Schematic Drawings and Lessee's Schematic Notice, Lessor shall either approve or disapprove thereof. If Lessor disapproves, Lessor shall specify in writing the changes which Lessor requires and the Schematic Drawings shall be revised by the Architect to reflect those changes described in Lessee's Schematic Notice which are not disapproved by Lessor and such other items needed to satisfy Lessor's objections thereto, all of which must also be approved by the Lessee. At Lessor's request, upon completion of the revised Schematic Drawings, Lessor and Lessee shall initial same, thereby acknowledging their approval of the form of such Schematic Drawings.

**2.2 Final Plans.** Upon completion of the Schematic Drawings as revised in accordance with Section 2.1 above, the Architect shall prepare final plans and specifications and working drawings, including engineered Mechanical, Electrical and Plumbing drawings (collectively the "Final Plans") based upon and incorporating such Schematic Drawings as revised as provided hereinabove. Upon completion of the Final Plans, same shall be submitted to Lessor and Lessee for approval. If Lessor consents in writing thereto, such Final Plans may exclude certain finish specifications (such as, the color of paint or the color or design of wall or floor coverings) so long as such specifications are not needed in order to submit the Final Plans for Permits (as hereinafter defined) and so long as such specifications are delivered to Lessor for Lessor's approval thereof within thirty (30) days after delivery to Lessor of the Final Plans. Such finish specifications shall not be incorporated into the Lessee Improvements until same are approved by Lessor in writing. Within ten (10) days after Lessee's receipt of the Final Plans, Lessee shall notify Lessor and the Architect of the changes, if any, which Lessee desires to make to such Final Plans, which notice shall be in writing and shall identify with specificity the changes which Lessee desires to make and shall attach a copy of the Final Plans initialed by Lessee and showing the desired changes (the "Lessee's Final Notice"). Without Lessor's prior consent, which shall not be unreasonably withheld or delayed, Lessee shall not change any portion of the Final Plans which incorporate the improvements depicted in the Schematic Drawings, as revised in accordance with Section 2.1 above, or which is a natural progression of such improvements. Within ten (10) business days, Lessor shall approve or disapprove thereof. If Lessor disapproves, Lessor shall identify in writing and with specificity the reason for Lessor's disapproval, and the Final Plans shall be revised by the Architect to reflect those changes described in Lessee's Final Notice which are not disapproved by Lessor and such other items needed to satisfy Lessor's objections thereto, all of which must also be approved by the Lessee. The improvements depicted on the Final Plans, as so revised, shall constitute the "Lessee Improvements." At Lessor's request, upon completion of the revised Final Plans, Lessor and Lessee shall initial same, thereby acknowledging their approval of the form of such Final Plans.

**2.3 Standard of Review by Lessee.** Lessee agrees that any material changes which it desires to make as set forth in Lessee's Schematic Notice and Lessee's Final Notice shall be reasonable and made in good faith. In the event Lessor and Lessee have any differences with respect to changes each desires to make to the Schematic Drawings or Final Plans, Lessor and Lessee shall promptly meet and use good faith efforts to resolve the differences.

**2.4 Accuracy of Plans and Specifications.** Notwithstanding the fact that Lessor may provide drawings and/or any other type of information regarding the Premises or the Building ("Information"), review and denote revisions to the Schematic Drawings and Final Plans, and that Lessor may have designated or approved of the Architect, Lessor shall not be liable in any way to Lessee or any other person or entity for any deficiencies in the Information, Schematic Drawings, or Final Plans, delays in the preparation and/or delivery thereof, or any errors or omissions by the Architect, nor shall same constitute a warranty or guaranty that the Information or Final Plans are complete or accurate, or that the improvements depicted therein do or will comply with any Laws, or are sufficient for Lessee's use or business.

**3. Permits.** As soon as practicable following completion of the Final Plans, Lessor or the Architect shall submit the Final Plans to all appropriate governmental authorities, pay the appropriate filing fees, and attempt to obtain all permits and approvals (the "Permits") necessary or appropriate to allow the construction of the Lessee Improvements. If, as part of the procedure of obtaining or attempting to obtain Permits, any governmental agencies or authorities request changes in the Final Plans, the Final Plans shall be modified to incorporate such changes unless Lessor or Lessee do not approve thereof, which approval shall not be unreasonably withheld. The Architect shall promptly revise the Final Plans as required by such governmental agencies or authorities unless such required revisions are reasonably disapproved of by Lessor or Lessee.

**4. Construction.** Lessor shall submit the Final Plans to three (3) qualified general contractors to obtain bids for the Work. Lessor shall perform a bid evaluation and include the lowest qualified bid in the Construction Costs as submitted to Lessor for approval pursuant Section 5 below. The general contractor selected by Lessor shall construct the Lessee Improvements in accordance with the Final Plans for which Permits are issued as well as in accordance with all terms and conditions set forth in this Exhibit "C" and the attached Exhibit "C-1" (Minimum Building Standard Lessee Improvement Finishes & Materials) and Exhibit "C-3" (Conduct of The Work & Rules of the Site). Lessor or such general contractor shall commence and thereafter complete the construction of the Lessee Improvements in a reasonably diligent and first-class manner; provided, however, neither Lessor nor the general contractor shall be obligated to incur overtime premium wage rates or be obligated to construct any improvements not set forth in such Final Plans. Lessor and Lessor's contractor shall notify Lessee's architect in writing of any changes in construction of the Premises due to field conditions or Building modifications that may occur and no such changes shall be made (whether or not they affect the cost of construction) without the Lessee's consent, which consent shall not be unreasonably withheld unless such changes are necessary to preserve the structural integrity of the Building or Leased Premises or any Building Systems.

**5. Costs of Construction – Lessee Improvements.** Lessee shall pay all construction costs, which shall be defined as all costs and expenses incurred in the construction of the Lessee Improvements as contained in a detailed construction budget approved by the Lessee ("Construction Costs"), in excess of the amount of the Lessor's Construction Allowance, which shall be \$536,620.00 ("Lessor's Construction Allowance"). Lessor shall also provide Lessee with an additional sum of \$1,149.90 for space planning costs. Costs shall include, in addition to any other items or costs set forth elsewhere in this Construction Work Letter, without limitation, the costs of: (a) the Architect, engineers and space planners (including design fees and costs); (b) materials, including acquiring, fabricating or constructing such materials as may be required; (c) all fees and charges associated with plan check and permitting of the Lessee Improvements; (d) testing and inspection, trash removal, contractor's fees and general conditions, not to exceed (10%) of the Construction Costs; (e) changes in the Base, Shell and Core work when such changes are required by the Construction Drawings, including all direct architectural and/or engineering fees and expenses incurred in connection therewith; (f) any changes to the Construction Drawings or Lessee Improvements; (g) any repair of damage to the Building caused by Lessee in connection with the construction and installation of the Lessee Improvements; (h) sales and use taxes; (i) reimbursement to Lessor in a sum equivalent to three percent (3%) of the total Construction Costs as and for Lessor's Project Management Fee; and (j) all other reasonable costs to be expended by Lessor in connection with the construction of the Lessee Improvements. The Construction Costs, after deduction for the Lessor's Construction Allowance, are referred to herein as the "Lessee's Construction Costs." Prior to the commencement of construction of the Lessee Improvements, Lessor shall notify Lessee in writing of the amount which Lessor estimates will be the Construction Cost and Lessee's Construction Costs. Prior to commencement of



construction, Lessee shall pay to Lessor one-half of the amount of Lessee's Construction Cost, with the balance due upon Substantial Completion of the Premises.

Any unused portion of the Lessor's Construction allowance may be used by Lessee, following thirty (30) day advance written notice to Lessor, in an amount not to exceed fifty percent (50%) of the Base Rental due in a single month over the Term, and by no later than April 1, 2018, towards its monthly Basic Rent obligation.

6. **Change Orders.** Lessor shall not be obligated to consent to, or make, any material changes or additions requested by Lessee to the Final Plans once such Final Plans have been approved by Lessor and Lessee. Any such material changes or additions requested by Lessee and consented to by Lessor ("Change Orders") shall be at the sole cost and expense of Lessee, and the increased cost of construction of the Lessee Improvements (less any costs savings) caused by the Change Orders, shall be the responsibility of Lessee. Lessee shall also be responsible for all costs and expenses resulting from or arising out of any delay in completing the construction of the Lessee Improvements as a result of such Change Orders. Furthermore, the Commencement Date shall not be delayed by, nor shall Rent be abated as a result of, any delays in Substantial Completion of the Lessee Improvements due to any Change Orders (a "Lessee Delay"). Lessee shall pay to Lessor the costs and expenses relating to Change Orders, in full, prior to commencement of any work relating to such Change Orders. As compensation to Lessor for supervision of such Change Orders, the costs and expenses of the Change Orders shall also include an amount equal to five percent (5%) of said costs and expenses. For changes requested by Lessee, Lessor shall cause the general contractor and any required architect or engineers to provide pricing for the requested change. The cost of the change shall be submitted to Lessee for approval prior to the commencement of the work covered by such costs. If approved by Lessee, it shall become a Change Order pursuant the terms of this Section.

7. **Punch List.** Within fifteen (15) days after the Lessee Improvements performed by Lessor are Substantially Complete, but prior to occupancy by Lessee, Lessor and Lessee shall together conduct an inspection of the Premises and prepare a "punch list" setting forth any portions of the Lessee Improvements performed by Lessor that are not in conformance with the Lessee Improvements to be performed by Lessor as required by the terms of this Lease. Lessor agrees to complete such punch list items within forty-five (45) days.

8. **Close Out Package.** Lessor shall be responsible for the preparation and the delivery of all applicable items to Lessee outlined in that certain attachment to this Exhibit and entitled "Continental Construction Project Close Out Package Acceptance Check List," which is attached hereto as Exhibit "C-4."

9. **Substantial Completion.** The term "Ready for Occupancy" shall mean the date on which substantial completion of the Lessee Improvements has occurred. Substantial completion of the Lessee Improvements shall be deemed to have occurred on the date the Lessee Improvements have been completed in substantial accordance with the Final Plans, except for matters not adversely affecting Lessee's use or occupancy of the Premises and except for punch list items (i.e., minor details of construction, mechanical adjustments or decorations which do not materially interfere with Lessee's use of the Premises). The Premises shall be deemed Ready for Occupancy even though certain portions of the Building, which do not interfere with Lessee's efficient conduct of its business, have not been fully completed, and even though Lessee's furniture, telephones, telexes, facsimiles, photocopy machines, computers and other business machines or equipment have not been installed, the purchase and installation of which shall be Lessee's sole responsibility. If Lessee does not furnish the necessary information and reasonably cooperate with Lessor, the Architect and all other persons needed in connection with the preparation for or construction of the Lessee Improvements, or does not furnish or complete, or is delayed in furnishing or completing, installation of any furniture, fixtures or equipment in or about the Premises which Lessee or Lessee's vendor or contractor is obligated to furnish or install, or does not comply with each of the time requirements of this Agreement, or any action or inaction of Lessee or Lessee's Employees causes or results in a delay in the date the Lessee Improvements would have been substantially completed, same shall be deemed to be "Lessee Delays," and the date of substantial completion of the Lessee Improvements shall be deemed to have occurred earlier by the number of days of Lessee Delays. Lessee agrees that it shall fully cooperate with Lessor, the Architect and the general contractor, if any, to the extent necessary to assure substantial completion of the Lessee Improvements as soon as is reasonably possible. Lessor warrants that the base Building mechanical, electrical, heating, ventilation and air conditioning and plumbing systems located in the Premises shall be in good working order as of the date Lessor delivers possession of the Premises to Lessee. Except to the extent caused by the acts or omissions of Lessee or by any Alterations or improvements (other than the Lessee Improvements) performed by or on behalf of Lessee, if such systems are not in good working order as of the date possession of the Premises is delivered to Lessee and Lessee provides Lessor with notice of the same within sixty (60) days following the date Lessor delivers possession of the Premises to Lessee, Lessor shall be responsible for repairing or restoring the same. Notwithstanding anything contained herein to the contrary, Lessee shall have six (6) months from the completion of the Lessee Improvements to be performed by Lessor in which to discover and notify Lessor of any latent defects in the Lessee Improvements. Lessor shall be responsible for the correction of any latent defects with respect to which it received timely notice from Lessee.

10. **No Miscellaneous Charges.** Neither Lessee nor the Contractor shall be charged for parking or for the use of electricity, water, toilet facilities and elevators during the construction of the Lessee Improvements.

11. **Life-Fire Safety Codes, Etc.** Subject to Section 1.1 above, in the event that the Building and/or the Premises, as constructed, do not comply with life-fire safety codes, physical handicap codes, and/or earthquake safety codes in effect on the date of the Lease, and a result of such non-compliance the costs of designing and constructing the Lessee Improvements increases over what it would have been had the Building and Premises been in compliance with such codes, then Lessor shall pay and bear those increased costs in addition to (and not as part of) the Lessor's Construction Allowance.

12. **Description Of Depreciable Construction Costs.** Lessee agrees that Lessor's Tenant Improvement Allowance shall be applied towards the cost of new separately depreciable building components (which shall be owned by Lessor) not related to the operation of the building as a whole, all of which shall be detailed on Exhibit "Z" attached hereto. Should no Exhibit "Z" be attached to the Lease at the time the Parties shall execute this Lease then the following procedure shall be used to prepare and approve said Exhibit "Z" hereafter. No later than fifteen (15) days following Lessee's occupancy of the Premises, Lessee shall provide Lessor with any and all information Lessor may reasonably request to enable Lessor to prepare said Exhibit "Z," which the Parties understand Lessor shall prepare in such a manner as to detail the items (e.g., window coverings, carpeting, mill work, etc.), construction work and other costs/charges Lessor shall designate as "depreciable building components not related to the operation of the Building as a whole." Such exhibit shall thereafter be attached to the Lease, following Lessee's consent of the same (which consent shall not be unreasonably withheld, delayed or conditioned). Should Lessee fail to consent to Lessor's exhibit within fifteen (15) days of Lessor's delivery of the same to Lessee, such failure shall be an "Event of Default" by Lessee.

**2101/2121/2141 Rosecrans (Plaza)**  
**(Revised 08/11/15)**

The tenant improvements shall be constructed in accordance with Owner's Building Standard Tenant Improvements, as follows:

**06200 - FINISH CARPENTRY**

**A. TELEPHONE BACKBOARD:**

Fire-rated 4'-0" x 8'-0" x 3/4" with 3" radius corners, painted Building Standard gray.

*(Minimum Standard: One (1) per Tenant space)*

**B. LUNCH ROOM CABINETS:**

Furnish and install upper and lower plastic laminate faced cabinets and countertop, Melamine lined interiors. (Note: Countertop to have waterfall "dam" edge.) Include cutout for sink and backing for wall hung cabinets. Cabinet Laminate: Pionite WX041-S, Anigre. Counter Top: Pionite AE021-S, Graphite Spectrum.

*(Minimum Standard: 8' lineal feet in the lunch room for tenant space over 10,000 usable sq. ft.)*

**08120 - ALUMINUM DOOR FRAMES**

**08210 - WOOD DOORS**

**08710 - FINISH HARDWARE**

**A. TENANT INTERIOR DOOR:**

Doors - 3'-0" x 8'-0" solid particle board core, 1 3/4" thick Anigre, pre-finished with clear satin open coat finish, pre-machined for lever handle latchset located 3'-6" above finish floor, and pre-fit. Doors to be manufactured with 10" bottom rail.

Door Frames - 3'-0" x 8'-0" Western Integrated aluminum frame, anodized clear aluminum finish.

Latch Set - Schlage D53PD Rhodes lever handle cylindrical bored latchset, 630 finish.

Hinges - Two (2) pairs of fully mortised hinges per door, Stanley FBB179, 4 1/2" x 4," 630 finish.

Door Stop - Floor mounted door stop, Trimco W1213ES or Quality 331E5 630 finish, with spacers where required.

*(Minimum Standard: One (1) door assembly per 500 sq. ft. of useable floor area.)*

Sidelights - 30" w x 8' - 0" height to match adjacent door Timely of equal: 3/8" clear tempered glass; color clear anodized; sidelight to be integral part of door frame.

*(Minimum Standard: One (1) per interior door.)*

**B. TENANT ENTRY DOOR:**

Door - 3'-0" x 8'-0" solid particle board core, 1 3/4" thick Anigre, pre-finished with clear satin open coat finish, pre-machined for lever handle lockset located 3'-6" above finish floor, pre-fit, and labeled with a twenty (20) minute fire rating. Doors to be manufactured with 10" bottom rail.

Door Frame - 3'-0" x 8'-0" Western Integrated aluminum frame, clear anodized aluminum finish, with twenty (20) minute fire rated label.

Lockset - Schlage L9453 lockset with 03 lever, 630 finish.

Hinges - Two (2) pairs of fully mortised hinges per door, Stanley FBB179 4 1/2" x 4," 630 finish.

Closer - Norton 8502 closer with factory sprayed aluminum finish, control arm DN Tenant's side of door.

Door Stop - Floor mounted door stop, Trimco W1213ES or Quality 331E5 630 finish, with spacers where required.

*(Minimum Standard: Minimum required by code - one (1) door assembly for less than 3,000 sq. ft. of usable floor area; or two (2) door assemblies for more than 3,000 sq. ft. of usable floor area.)*

**09100 - METAL SUPPORT SYSTEM**

**09250 - GYPSUM WALLBOARD**

**A. STANDARD INTERIOR PARTITIONS:**

Furnish and install partitions with 2 1/2" x 25 gauge metal studs at 24" on center, one layer of 5/8" thick type "X" drywall on each side to underside of 8'-8" ceiling tile (at floors above the ground floor.) Provide seismic bracing as required, and control joints and control joint

sealants in partitions, as recommended by gypsum wall board manufacturer. All joints are to be taped; visible joints to be spackled and sanded ready for painting.

*(Minimum Standard: One (1) linear foot for each 20 usable square feet of floor area.)*

#### **B. GROUND FLOOR INTERIOR PARTITIONS**

Furnish and install partitions with 2 1/2" x 20 gauge metal studs at 16" on center, one layer of 5/8" thick type "X" drywall on each side to underside of 12'-0"± ceiling tile. Provide seismic bracing as required, and control joints, and control joint sealants in partitions, as recommended by gypsum wall board manufacturer. All joints are to be taped, visible joints to be spackled and sanded ready for painting.

*(Minimum Standard: One (1) linear foot for each 20 usable square feet of floor area.)*

#### **C. DEMISING PARTITIONS**

Furnish and install partitions with 2 1/2" x 25 gauge metal studs at 24" on center, slab to slab, at floors above the ground floor, with one layer of 5/8" thick type "X" drywall on each side. Provide 2 1/2" thick full batt sound insulation, seismic bracing as required, and control joints and control joint sealants in partitions, as recommended by gypsum wall board manufacturer. All joints are to be taped; visible joints to be spackled and sanded ready for painting. Caulk joint between bottom of wall board and the floor.

*(Minimum Standard: One half (1/2) of the cost of demising partitions shall be allocated between adjacent tenants.)*

#### **D. GROUND FLOOR DEMISING PARTITIONS**

Furnish and install extra height partitions, (15' ± to underside of slab), with 2 1/2" x 18 gauge metal studs at 16" on center, slab to slab, with one layer of 5/8" thick type "X" drywall on each side. Provide 2 1/2" thick full batt sound insulation, seismic bracing as required, and control joints and control joint sealants in partitions, as recommended by gypsum wall board manufacturer. All joints are to be taped; visible joints to be spackled and sanded ready for painting. Caulk joint between bottom of wall board and the floor.

*(Minimum Standard: One half (1/2) of the cost of demising partitions shall be allocated between adjacent tenants.)*

#### **E. PUBLIC (TUNNEL) CORRIDOR PARTITIONS**

Furnish and install tunnel corridor partitions at floors above the ground floor, with 2 1/2" x 25 gauge metal studs at 24" on center, with one layer of 5/8" thick type "X" drywall on each side. Provide full 2 1/2" thick sound attenuating fire blanket insulation 2 1/2" thick full batt sound insulation. All joints are to be taped; visible joints to be spackled and sanded ready for painting. Caulk joint between bottom of wall board and the floor.

*(Minimum Standard: One half (1/2) of the cost of public corridor partitions shall be allocated to that portion of a tenant's space contiguous with the corridor.)*

#### **F. GROUND FLOOR PUBLIC (TUNNEL) CORRIDOR PARTITIONS**

Furnish and install tunnel corridor partitions at the ground floor with 2 1/2" x 25 gauge metal studs at 24" on center, with one layer of 5/8" thick type "X" drywall on each side. Provide full 2 1/2" thick sound attenuating fire blanket insulation. All joints are to be taped; visible joints to be spackled and sanded ready for painting. Caulk joint between bottom of wall board and the floor.

*(Minimum Standard: One half (1/2) of the cost of public corridor partitions shall be allocated to tenants.)*

#### **G. WINDOW MULLION CLOSURE**

Furnish and install one window mullion closure, as detailed, from sill to top of window pocket.

*(Minimum Standard: One (1) for each 750 usable square feet of floor area.)*

Building Standard demising Partition Alternate gypboard modules & stud spacing - Furnish and install 40" wide gypboard with 20" stud spacing in lieu of specified 48" wide gypboard and 24" stud spacing, to facilitate handling for standard demising partitions.

#### **H. TENANT MODULAR FURNITURE**

Overhead storage or binder bins for Tenant installed modular furniture must be attached to a system panel. Binder bins or overhead storage units cannot be attached directly to any interior or demising wall partitions.

### **09510 - ACOUSTICAL CEILING**

#### **A. ACOUSTICAL CEILING**

Furnish and install 2' x 2' suspended ceiling system, USG Interiors, Inc., Donn Fine Line ceiling grid system, with Armstrong beveled Tegular Cirrus ceiling tile, continuous within demised premises. Grid system finish shall be white with white slots. Provide compression posts and seismic bracing, and hanger wires for light fixtures, as required. Include the cost of cutting tile for sprinklers, exit signs, and all other similar ceiling penetrations. Permanent markings to be made on the floor to assure that grid will line up when the walls are removed. Main runners to run east west.

*(Minimum Standard: All ceilings within demised area.)*

#### **B. WALL ANGLES**

Furnish and install Donn wall angles at ceiling penetrations and perimeter of walls that penetrate ceiling.

*(Minimum Standard: All ceilings within demised area.)*

#### **09650 - RESILIENT FLOORING**

##### **A. VINYL COMPOSITION TILE**

Furnish and install Armstrong Standard Excelon tile. Provide floor preparation as required. Color to be selected from Lessor's standard samples.

*(Minimum Standard: for 10% of the useable floor area.)*

##### **B. BASE @ VCT FLOORING**

Furnish and install 2½" top set cove rubber base, Burke or equal. Color to be selected from Lessor's standard samples.

*(Minimum Standard: All walls at VCT areas.)*

##### **C. FLOORING TRANSITION REDUCER STRIP**

Furnish and install vinyl reducer strips at transitions between carpet and VCT flooring. Color as selected from Owner's standard samples.

*(Minimum Standard: All carpet to VCT floor transitions.)*

#### **09680 - CARPET**

##### **A. CARPETING - GLUE DOWN**

Furnish and install Building Standard carpet – The New Patcraft & Designweave, 10129 – Night Moves, Color – 29119 – Lunar Tides. Provide floor preparation as required. Color to be selected from Lessor's standard samples.

*(Minimum Standard: Useable floor areas not installed with VCT or sheet vinyl.)*

##### **B. CARPET BASE**

Furnish and install 4" top set straight rubber carpet base, Burke Mercer. Color: 503 Ginger.

*(Minimum Standard: All walls at carpeted areas.)*

#### **09900 - PAINTING**

##### **A. PARTITION WALL PAINT**

Paint walls with two coats of water-base flat paint, (eggshell finish not allowed). Color to be selected from Owner's standard samples.

*(Minimum Standard: All exposed surfaces of building standard partitions including column wraps, perimeter sill walls, and tenant side of building core walls and corridors.)*

#### **12512 - VERTICAL LOUVER BLINDS**

##### **A. VERTICAL LOUVER BLINDS - ABOVE GROUND FLOOR**

Re-use existing hardware, furnish and install new 3½" perforated PVC louver blades manufactured by Sunstop, color white. Replace missing end caps, pulleys and weights, and other accessories, matching existing hardware, as required

*(Minimum Standard: One (1) per each exterior ground floor window.)*

##### **B. VERTICAL LOUVER BLINDS - GROUND FLOOR**

Vertical louver blinds not allowed on ground floor for any interior courtyard space.

*(Minimum Standard: None.)*

#### **15200 - FIRE SPRINKLER HEAD REPLACEMENT**

##### **A. SPRINKLER HEAD REPLACEMENT**

Furnish and install a new replacement brushed nickel plated escutcheon, ceiling-mounted, semi-recessed fire sprinkler head to match existing.

*(Minimum Standard: As required.)*

#### **15400 - PLUMBING:**

##### **A. BUILDING STANDARD SINK (SK-1)**

Furnish and install 18 gauge, self-rimming stainless steel sink with crumb cup and strainer, Elkay Lustertone, ADAR 2521, or equal by Just. Include cost of punching sink for filtered water dispenser, and 75 LF each of waste, insulated water supply, and vent piping, and one core drilling for waste line.

**B. BUILDING STANDARD FAUCET (SK-1)**

Furnish and install gooseneck spout with wristblade handles and flexible hose spray, chrome plated finish, Speakman SC-5795, or equal by Elkay, and connect to piping.

**C. INTENTIONALLY LEFT BLANK**

**D. BUILDING STANDARD WATER HEATER (EWH-1)**

Furnish 120V, 1.5 KW, 10 gallon capacity, electric water heater suitable for mounting under counter top, Lochinvar JRC0010E, or equal by A.O. Smith, and connect to piping.

**E. INTENTIONALLY LEFT BLANK**

**F. BUILDING STANDARD GARBAGE DISPOSAL**

Furnish and install Maytag Model No. FB20 with integral magnetic switch lid. under-sink garbage disposal, and connect to drain line. (Note: separate wall switch is not required.)

*(Minimum Standard: One (1) each of above items in the lunch room, for tenant space over 10,000 usable sq. ft.)*

**15500 - HEATING, VENTILATING AND AIR CONDITIONING (HVAC):**

**A. INTERIOR ZONE VAV TERMINAL UNITS**

Furnish and install one pressure independent VAV terminal unit, and specified ductwork from main supply air duct. See specifications for complete description of work.

*(Minimum Standard: One VAV unit per Interior Zone, area not to exceed 1,500 square feet.)*

**B. PERIMETER ZONES VAV TERMINAL UNITS**

Furnish and install one pressure independent VAV terminal unit, and specified ductwork from main supply air duct. The VAV terminal unit manufacturer shall furnish and install 120V/24V transformer and wiring. See specifications for complete description of work.

*(Minimum Standard: One VAV unit per Perimeter Zone, area not to exceed 1,000 usable square feet.)*

**C. SUPPLY AIR DIFFUSERS**

Furnish and install diffuser, grille and ductwork from perimeter fan coil duct or VAV terminal unit to supply air diffuser.

*(Minimum Standard: One per 250 usable square feet.)*

**D. RETURN AIR GRILLES**

Furnish and install return air grilles.

*(Minimum Standard: One per 250 usable square feet.)*

**E. PATCH EXISTING UNUSED DUCT TAPS.**

Patch unused duct taps in the main supply air ductwork.

*(Minimum Standard: All unused taps on the main supply air ducts.)*

**F. TRANSFER AIR BOOTS**

Furnish and install transfer air boots through non-rated slab to slab walls.

*(Minimum Standard: One per demising wall.)*

**15950 - BUILDING MANAGEMENT CONTROL SYSTEM**

**A. THERMAL SENSOR**

Furnish and install one thermal sensor for each interior and each perimeter zone, and connect to core and shell building management control system interface panel.

*(Minimum Standard: One thermal sensor per zone.)*

**B. VAV CONTROL CONTROLLER**

Furnish and install one Honeywell controller, air flow sensor, air flow station, and Belimo 24V AC bi-directional damper operator, and connect to core and shell building management control system interface panel.

*(Minimum Standard: One per Tenant Improvement Building Standard VAV Zone.)*

**C. FAN COIL CONTROLLER**

Furnish and install one Honeywell controller, current sensor and switch, and connect to core and shell building management control system interface panel.

*(Minimum Standard: One prorated portion of usable square feet area served per fan coil unit.)*

**D. LIGHTING CIRCUIT CONTROLLER**

Furnish and install one Honeywell controller for each lighting circuit, and connect to core and shell building management control system interface panel.

*(Minimum Standard: One per lighting circuit.)*

**E. POWER CIRCUIT TRANSFORMER & TRANSDUCER**

Furnish and install one current transformer and Watt transducer for each 208-120V or 277-480V electrical power circuit, and connect to core and shell building management control system interface panel, to monitor and record electrical energy consumption.

*(Minimum Standard: One each per power circuit.)*

**16000 - ELECTRICAL**

WattStopper, Inc. shall be the sole supplier of all Title 24 Code Compliance related technology including but not limited to Daylighting Sensors, Interfaces, Accessories, Network Controls, Integration Systems, Relays and Relay Panels, Network Electrical Monitoring, Segment Managers, BAS Integration, BACnet integration, Network Bridges, AX Drivers, Relay On/Off Room Controllers, Occupancy Sensors, Personal Controls, Dimming Room Controllers, and Plug Load Room Controllers. All Room sensors shall be mounted in the ceiling.

**A. DUPLEX WALL RECEPTACLES**

Furnish and install wall mounted duplex outlet, complete with J-box, conduit and wire for 110 volt service. Outlet to be white color, Leviton Decora Series.

*(Minimum Standard: One per 200 sq. ft. of usable floor area, and one per Building Standard telephone backboard.)*

**B. GFI ELECTRICAL RECEPTACLES**

Furnish and install GFI wall mounted duplex outlet, complete with J-box, conduit and wire for 110 volt service. Outlet to be white color, Leviton Decora Series.

*(Minimum Standard: For each Lunch Room provided for tenant spaces over 10,000 usable square feet: one each per garbage disposal and water heater; and one per countertop circuit.)*

**C. MODULAR FURNITURE POWER CONNECTION**

Furnish and install wall mounted J-box, conduit, and wire for specified number of required circuits to supply power to tenant provided modular furniture. Installation shall comply with applicable code. For installation of furniture not adjacent to a wall or column, the electrical connection shall be provided via a floor core. Power poles are not allowed. Note: this requirement also applies to any and all telephone or data cabling to be installed in modular furniture.

*(Minimum Standard: None)*

**D. TELEPHONE OR DATA WALL OUTLET**

Furnish and install one double-gang outlet box in stud wall, 3/4" empty conduit stubbed above ceiling, with pull wire, at each work station.

*(Minimum Standard: Approximately one (1) per 200 sq. ft. of usable floor area.)*

Installation of telephone/data wiring and cable. Lessee's telephone/data wiring and cable shall be installed by Lessee's separate contractor. Lessee shall be responsible to have all wiring and cable neatly bundled and secured by separate ceiling wires, as required by code. All wiring and cable shall be plenum fire rated, Teflon coated, or in conduit and shall be installed in such locations, in coordination with and with the advance approval of Lessor. All Lessee telephone computers, switches, routers, racks and related equipment shall be installed in Lessee's Premises. No equipment shall be installed in Building telephone closets.

Note: These standards apply to all original telephone/data and communications system installations as well as to any and all modifications, alterations, additions or deletions to Lessee's telephone/data or communications systems.

**E. LIGHT SWITCHES**

Furnish and install two single pole, wall-mounted bilevel switching (A/B). Switches shall be white in color, rocker type, decora series by

Leviton.

*(Minimum Standard: One pair per 400 sq. ft. of usable floor area.)*

**F. AUDIBLE FIRE ALARM DEVICE**

Furnish and install one wall-mounted building standard audible fire alarm, connected to fire alarm system.

*(Minimum Standard: Minimum to meet code.)*

**G. VISUAL FIRE ALARM DEVICE**

Furnish and install one wall-mounted building standard strobe light visual alarm, connected to fire alarm system.

*(Minimum Standard: Minimum to meet code.)*

**H. VOLUNTARY ALTERNATE - COMBINATION FIRE ALARM**

Furnish and install wall-mounted building standard combination strobe light and audible alarm, connected to fire alarm system, in lieu of separate units, as required by code.

*(Minimum Standard: Minimum to meet code.)*

**I. EXIT SIGN**

Furnish and install Lithonia, Precise Collection, green color lettering, connected to emergency power circuit, as required by code.

*(Minimum Standard: The lesser of one (1) per 1,500 sq. ft. of usable floor area or the minimum number required by Code.)*

**J. LIGHT FIXTURES**

Furnish and install 2'x4' or 2'x2', LA LIGHTING, 1-GIC220 SERIES-LED-4K-4L-PDA-1DRSDM-UNV-2 LED ROWS-835 80+CRI, Title 24 Ready, complete with electronic ballasts, necessary lighting circuit conduit and wiring; and three factory installed, GE F32T8/SP35 Trimline or Sylvania FO32/735 Octron T8 3500K<sup>o</sup> lamps, with a CRI factor of 70% (Phillips bulbs not allowed). Pairs of fixtures are to be connected in a slave/master configuration to meet Title 24 requirements, and to provide for sharing of one of the electronic ballasts between the pairs of fixtures. Orientation: Light fixtures to be oriented in a north/south direction for all spaces except on the bridge.

*(Minimum Standard: One (1) per 100 sq. ft. of usable floor area or as required by code.)*

**K. EMERGENCY LIGHTING CIRCUIT CONNECTIONS**

Furnish and install required conduit and wire and connect lighting fixture to emergency lighting circuit.

*(Minimum Standard: Minimum required by Code.)*

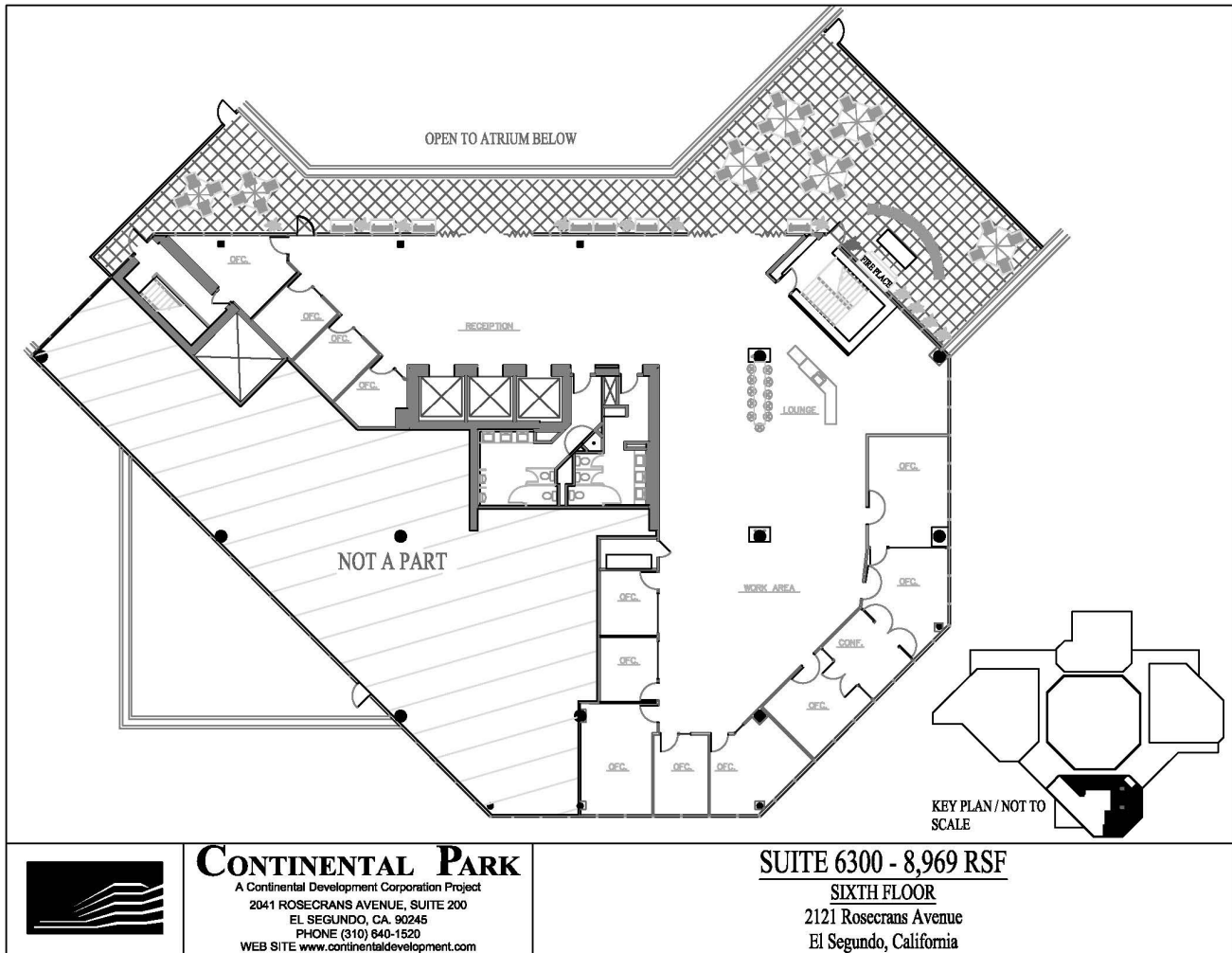
**L. VAV TERMINAL UNIT & FAN COIL TRANSFORMERS**

Furnish and install one 120 Volt / 24 Volt transformer, conduit and 120 Volt wiring, on each VAV terminal unit and each Fan Coil Unit.

*(Minimum Standard: One per Perimeter Zone VAV Terminal Unit. [Perimeter Zone area not to exceed 1,000 square feet.] One per Interior Zone VAV Terminal Unit. [Interior Zone area not to exceed 1,000 square feet.] One per existing Fan Coil Unit.)*

**Note:** It is the responsibility of the Lessee to install faceplates for telephone, television, data or other similar purposes, utilizing the Leviton Decora Series. If a faceplate is not available within this manufacturer's line for a special purpose, then Lessee may install a custom plate. The custom plate may need to be a Leviton Decora Series antenna plate modified to suit the purpose, but in any event must match the Decora white finish. If other than a standard or modified Leviton Decora Series plate, a color sample of the plate must be submitted to Lessor for approval prior to ordering and installing.

**PREMISES**



### CONDUCT OF THE WORK & RULES OF THE SITE

The following requirements shall apply to the conduct of the work and the operations of the Contractor.

**1. Conditions Precedent to Start of Work**

Before Contractor may move materials, equipment, personnel, or any other items on the site, Contractor must have delivered to Lessor:

- a. a fully executed Contract Agreement with Lessor to perform the work of constructing the Lessee Improvements, and
- b. a Certificate of Insurance conforming to the requirements of the Lease. At no time shall the Contractor perform work at the project site without the insurance in force as required by the Lease.

**2. Non-Exclusive Use Sites & Facilities**

Other contractors may be at work at the site. Contractor shall schedule its work so it does not interfere with, or impede the progress of other work at the site, including work done by Lessor's own forces. Any work that is in conflict shall be rescheduled by the Contractor without any Lessor liability for costs or expenses incurred in connection with such rescheduling.

**3. Building Keying Requirements**

Contractor shall contact Lessor's Project Manager at the start of construction for instructions on the permanent building keying. All permanent keying to be established by Lessor and the Lessee during the hardware submittal approval process.

**4. Lessor Approval to Start Work**

Contractor will not be allowed to move into an area of the Building other than the Premises until approval is given by Lessor.

**5. Contractor Storage Areas**

Materials and tool storage will be limited to the areas for which access has been granted. Space available to Contractor for his job office, lock-ups, etc., will be in the areas for which access has been granted by Lessor.



## 6. Contractor Clean-up

Contractor, at his expense, must clean up the work area recurrently on a daily basis and deposit all non-hazardous rubbish and waste material in containers located in the loading dock area, provided by the Contractor. The Lessee will pay all costs associated with the rental, and transportation of the containers, and the disposal costs. Such costs will be included in the Construction Costs. No open fires or rubbish burning is allowed. Do not pour any materials or liquids down the building sanitary waste or storm drain lines.

## 7. Delivery & Distribution of Materials & Equipment

- a. All material deliveries and debris removal shall be made as expeditiously as possible through the loading dock and service elevators, where applicable. The Building has no dedicated freight elevators. All elevators are passenger/freight elevators, which the Contractor shall be responsible for protecting during use for construction purposes.
- b. Materials may need to be delivered from exterior of Building by crane or fork lift and brought over balconies through sliding glass doors. The Contractor will be responsible for protecting existing improvements on the exterior, and responsible for repairing any damage caused by any Contractor or subcontractor activities on the exterior of the Buildings. The location and scheduling of such hoisting is to be approved in advance by Lessor's Project Manager. The loading dock area may be utilized for material deliveries with Lessor's approval.
- c. As conditions permit, the elevators will be available for use under the following conditions. Service elevators cannot be monopolized during Normal Hours. Contractor will be afforded these facilities at such times during Normal Hours as is convenient to the Lessor. If these facilities are not available to Contractor during Normal Hours, Contractor shall make arrangements with the Lessor for use outside of Normal Hours.
- d. Contractor will be afforded unloading areas as prearranged with the Lessor's Project Manager. All materials unloaded at these areas will be moved to the area of use immediately, and shall not be stored or used in a way which adversely impacts use of the Building. Contractor shall relocate any stored materials or equipment which interfere with the operation of the Building or other contractors at the Building.

## 8. Protection of Existing Improvements

- a. At the start of Construction, and throughout the course of Construction, Contractor shall provide damp walk-off mats at entrances to construction areas from freight elevator and stairwells and shall protect all existing and new walls and flooring where needed, as directed by Lessor's Project Manager, including protecting carpeted areas by covering with Masonite, if Lessor deems it necessary.
- b. Contractor shall also be responsible for damage caused by Contractor or his subcontractors to any other new or existing work. Any such damages will be promptly repaired at no cost and to the satisfaction of the Lessor.

## 9. Designated Storage Areas

- a. Any activity that in Lessor's judgment materially interferes with existing tenants' use of their space, because of the noise or offensive odors generated, other disruptive activities, or health hazards created such as x ray work, must be done outside of Normal Hours, or other late or week-end non-office activities in the Building.
- b. Contractor will be afforded on-site storage areas for materials and equipment, if available, in areas designated by Lessor's Project Manager. Any stored material, shed, office, etc., which interferes with orderly progress of the work, or the operation of the building, shall promptly be relocated or removed from the site as directed by Lessor. An approved flammable liquid storage locker shall be provided by the Contractor to store all flammables left on site. Paints and thinners must be brought to site as needed and not stockpiled on the floor. No linseed oil products may be used without expressed prior written permission of the Lessor. Rags used with flammable materials shall not be stored on site. Contractor is solely responsible for the safe-keeping and protection of all his stored material and that of his subcontractors.

## 10. Compliance With Codes, Laws & Regulations

Contractor shall comply with all applicable codes, laws and regulations pertaining to the Construction, including all safety and health regulations. Spray painting may not be done during the day, without specific written permission from Lessor. Permits, if required, must be secured from the Fire Department for any spray application and work must comply with all Fire Department regulations and those of other regulatory agencies having jurisdiction, including AQMD.

## 11. Delay or Interference With Other Work at the Site

- a. Contractor will not engage in any labor practice that may delay or otherwise impact other work at the Building.
- b. The Contractor shall in no way interfere with or endanger the normal pedestrian and vehicular traffic adjacent to the project site, nor interrupt the flow of traffic in and out of the Building. The Contractor shall provide his own traffic control personnel as required, at its expense.

## 12. Designated Parking Areas

There will be designated parking on site made available for Contractor and subcontractor personnel, in areas designated by the Lessor's Project Manager at no cost to Contractor.

## 13. Contractor Access to the Site & Work Area

Contractor and all subcontractor personnel, materials, tools and equipment are to enter and exit the building only through the service entrance and elevator, and are to go to the work floor(s) on the service elevators or stairwells only. Use of the passenger elevators is expressly prohibited in all circumstances. Lessor may at any time initiate a check-in/check-out system, for all people and materials in the Building, and the Contractor agrees to cooperate with any such system. Contractor shall secure its own work space after working hours, at the earliest opportunity.

**14. Verifying Existing Conditions**

Before ordering material or doing work which is dependent upon existing building conditions for proper size or installation, the Contractor shall verify all dimensions by taking measurements at the site and shall be responsible for correctness of same. If there are any conflicts, notify CDC's project manager.

**15. Food Consumption on Site**

The Lessor will control any vending machines, concessions, etc., permitted onsite at the Building. Food shall be consumed in designated areas only, which the Contractor must keep in a cleaned-up condition and shall provide waste receptacle for workers' use.

**16. Identification Signs**

Contractor shall not be permitted any identifying signage except for informational and directional signage as approved by the Lessor prior to installation

**17. Contractor's On-Site Supervision**

At all times during his construction activities, Contractor shall have supervisory personnel onsite. Such supervisory personnel shall be fully authorized to coordinate and authorize Contractor's work, and respond for the Contractor, as necessary, so that all work proceeds in a timely and well-ordered fashion. Contractor may be requested to carry a Lessor two-way radio to facilitate communications.

**18. Cutting & Patching**

No cutting or patching of Lessor's premises or installations, or those of any building occupant, shall be permitted without Lessor's prior written consent.

Requests for permission to do cutting shall include explicit details and description of work. Such cutting and patching shall not diminish the structural integrity of the building components or systems. Contractors should be aware that the Building floor slabs are post-tensioned concrete. Any x-ray work required, in connection with the cutting and patching, must be done outside of Normal Hours, and will require scheduling five days in advance to allow notification of other tenants.

**19. Work in Occupied Areas**

If any work is to be done in occupied areas, such work is to be done only with Lessor's explicit written permission, when and as directed by Lessor. Such work is to be done only under the direct supervision of a competent member of the Contractor's staff. The area is to promptly be repaired and returned to a fully functioning, complete, and clean condition.

**20. Work on Base Building Systems**

All Life/Safety systems of the Building are to be maintained, and all of the Contractor's work is to be properly interfaced with and connected to the Base Building systems as required by the Lease and Laws, or by Building operation. All construction is to be done in such a way as to protect all Base Building operations and warranties.

**21. Final Cleanup**

In addition to cleaning requirements described elsewhere, the Contractor shall, in preparation for substantial completion or occupancy of the project by each individual tenant, shall coordinate its final cleaning with Lessor's final cleaning operations in the Contractor's work area. Contractor may utilize Lessor's cleaning contractor, the cost for which the Contractor would negotiate and pay for directly.

**22. Verifications of Conditions**

Before the Contractor starts work in the Premises, Contractor shall ascertain that the area is in a safe and sanitary condition, and shall maintain the area as necessary, (at Contractor's sole cost and expense), in a safe and sanitary condition, and to standards meeting all applicable Laws.

**23. Weekly Coordination/Job Progress Meetings**

Lessor will require weekly coordination/job progress meetings. The Contractor shall attend with a representative empowered to speak and act on the Contractor's behalf. The Contractor shall be responsible for preparing all meeting minutes, which designate the responsible Party for follow-up, and for distribution of those minutes within 48 hours of meeting.

**24. As-Built Drawings**

Contractor shall maintain a complete set of marked-up construction drawings prints, neatly drawn and legibly lettered, and used exclusively for the purpose. Such as-built drawings, which are subject to Lessor inspection without notice, shall be prepared contemporaneously with all changes and additions to the Property. The as-built drawings shall be submitted to the Lessor's Project Manager, prior to final payment in the required CADD form with paper copies as required.



## NOTES:

1. **List of all subcontractors** must be provided with the closeout package. A sub list shall also be provided at the beginning of the job. The list shall include: Company Name, Address, Contact person, Phone #, Fax #, Email Address, Contractor's License # City Business License #, Supervisor's Name and Phone #.
2. **The Permit Application Card** with building and fire inspection sign off.
3. **City Permit Inspection Card** with signoff signatures for building and fire.
4. **Permit Set of Plans** to be submitted in good & legible condition. (Not to be used as scrap paper or a doodle pad).
5. **As Built Plans** legibly marked with any changes, stamped with the contractors identifying stamp and stamped as, AS BUILT or RECORD SET and signed by the job superintendent or the job project manager with their name clearly printed adjacent to the signature. Two sets of plans, one shall be reproducible.
6. **Fire Life Safety Permit Set** stamped with the installing contractors identifying stamp and stamped as, AS BUILT and signed by the installing craft supervisor or Project Manager with their name clearly printed adjacent to the signature. Two sets, one (1) shall be reproducible.
7. **Fire Sprinkler Permit Set** stamped with the installing contractors identifying stamp and stamped as, AS BUILT and signed by the installing craft supervisor or project manager with their name clearly printed adjacent to the signature. Two sets, one (1) shall be reproducible.
8. **Mechanical Permit Set** stamped with the installing contractors identifying stamp and stamped as, AS BUILT and signed by the installing craft supervisor or project manager with their name clearly printed adjacent to the signature. Two sets, one (1) shall be reproducible.
9. **Air Balance Report** stamped with the testing contractors identifying stamp signed by the test mechanic with their name clearly printed adjacent to the signature. Two sets. **Note:** Some buildings require "Certified Air Balance Reports." The Air Balance Report shall have an accompanying drawing referencing each VAV and diffuser.
10. **Electrical Permit Set** stamped with the installing contractors identifying stamp and stamped as, AS BUILT and signed by the installing craft supervisor or project manager with their name clearly printed adjacent to the signature. Two sets, one (1) shall be reproducible.
11. **Electrical Panel Schedules:** A current "as connected" Typed copy to be installed at the electrical panel and one copy of the same, included with the close out packages.
12. **Plumbing Permit Set** stamped with the installing contractors identifying stamp and stamped as, AS BUILT and signed by the installing craft supervisor or project manager with their name clearly printed adjacent to the signature. (Must show supply line shut offs & cleanouts locations, etc.) Two sets, one (1) shall be reproducible.
13. **Operating Manuals and Equipment Warranties:** Original Copies of all equipment operating manuals and equipment warranties showing the startup dates. All warranties shall be dated as the date the General Contractors Warranty begins.
14. **Conditional Waiver and Release Upon Final Payment** original documents for every subcontractor who performed work on said job.

## BUILDING STANDARD SERVICES AND UTILITIES

The furnishing of building services and utilities to Lessee shall be accomplished in accordance with and subject to the terms and conditions set forth in this Exhibit and elsewhere in this Lease. Lessor reserves the right to adopt from time to time such reasonable modifications and additions hereto as Lessor may deem appropriate.

1. Subject to the full performance by Lessee of all of Lessee's obligations under this Lease, Lessor shall, during Normal Hours as set forth in Section 1.1 of this Lease ("Normal Hours"), provide the standard building services and utilities set forth in this Section 1. Lessor shall:

(a) Provide automatic elevator facilities during all hours;

(b) Provide to the Premises, during Normal Hours, heating, ventilating and air conditioning ("HVAC") required for the comfortable occupancy of the Premises for general office purposes (subject, however, to any governmental act, proclamation or regulation). Lessor shall not be responsible for any room temperatures if Lessee's lighting and receptacle loads exceed those listed in Section 1(c) of this Exhibit, or if the Premises are used for other than general office purposes. If the Premises have an open ceiling, or if Lessee shall request Lessor provide Lessee with Premises with a partial open ceiling rather than Premises with a suspended or drop ceiling, then Lessee acknowledges it will not require of Lessor any remediation or other maintenance and repair work that may be required should a failure of the HVAC mechanical systems and/or comfort level in the Premises occur because of such open ceiling, or any repair/remediation work if such configuration should impact lighting, noise or other comfort conditions of the Premises. Lessee further acknowledges and accepts all costs relative to insulation, encapsulation and relocation of any and all mechanical equipment in the plenum in order to provide an enhanced aesthetic appearance;

(c) Provide to the Premises, during Normal Hours, electric current for routine lighting and the operation of general office machines such as typewriters, dictating equipment, desk model adding machines, photocopy machines and desk top computers incidental to the conduct of normal general office business, which use 110/220-volt electric power, not to exceed the reasonable capacity of Building Standard office lighting and receptacles, and not in excess of limits imposed by any governmental authority. Specifically, the requirement shall not exceed an average of 3 watts per usable square foot of the Premises. Lessee agrees, should its electrical installation or electrical consumption be in excess of the aforesaid use or extend beyond Normal Hours, to reimburse Lessor for the excess utilities as provided in Article 11 of this Lease;

(d) Provide at all times reasonably necessary water for restrooms and other facilities, if any, furnished by Lessor in amounts in proportion

to the size of the Premises relative to the Building; and

(e) Provide janitorial services to the Premises each evening, Monday through Friday (except state and/or Federal holidays), provided the Premises are used exclusively in accordance with Section 1.1 and Article 6 of this Lease, and are kept reasonably in order by Lessee. Lessee shall pay to Lessor the cost of removal of any of Lessee's refuse and rubbish, to the extent that the same exceeds the refuse and rubbish usually attendant upon the use of the Premises for general office purposes. Said janitorial services, and said janitorial services shall be performed at Lessor's direction without interference by Lessee or Lessee's Employees.

2. Lessor shall only have the obligation to replace Building Standard fluorescent light bulbs, tubes and ballasts in the Premises throughout the Term. Only fluorescent, LED, and halogen lighting shall be permitted in the Premises. The Lessor may, at Lessor's sole discretion, adopt a system of periodic relamping and rebalasting the Building Standard fluorescent fixtures on a group basis in accordance with good practice, but shall have no obligation to replace, repair, maintain, service or otherwise perform any work on any light fixtures in the Premises other than Lessor's Building Standard fluorescent fixtures. Lessee shall be solely responsible for the replacement, repair, maintenance and service, including all costs thereof relating to any lighting fixtures in the Premises which are not the Building Standard fixtures.

3. No electrical equipment, air conditioning or heating units, or plumbing additions shall be installed, nor shall any changes to the Building's HVAC, electrical or plumbing systems be made without the prior written consent of Lessor, which consent shall be subject to Lessor's sole and absolute discretion. In the event any changes or additions are requested and provided, then Lessee understands and agrees to maintain and/or repair the equipment and/or additions installed. Lessor reserves the right to designate and/or approve the contractor to be used by Lessee. Any permitted installations shall be made under Lessor's supervision. Lessee shall pay any additional cost on account of any increased support to the floor load or additional equipment required for such installation, and such installations shall otherwise be made in accordance with Section 7.2 of this Lease.

4. Lessor shall not provide in the Premises, reception outlets or television or radio antennas for television or radio broadcast or reception, and Lessee shall not install any such equipment without the prior written consent of Lessor, which consent may not be unreasonably withheld, conditioned or delayed.

5. Lessee shall not, without the prior written consent of Lessor, use any apparatus, machine or device in the Premises, which will in any way increase the amount of electricity or water usually furnished or supplied for use of the Premises as general office space, nor connect with electric current, except through existing outlets in the Premises, any apparatus or device for the purpose of using electric current in excess of that usually furnished or supplied for use of the Premises as general office space.

6. Lessee shall separately arrange with the applicable local public authorities, utility companies and telephone companies, as the case may be, for the furnishing of, and payment of, all telephone services as may be required by Lessee in the use of the Premises; provided, however, that Lessee shall neither bear the cost of nor be responsible for installation of the telephone wiring stubbed to the telephone room. Lessee shall directly pay for such telephone services, including the establishment and connection thereof, at the rates charged for such services by said authority, telephone company or utility, and the failure of Lessee to obtain or to continue to receive such services for any reason whatsoever shall not relieve Lessee of any of its obligations under this Lease nor constitute a breach of this Lease by Lessor.

7. Lessee agrees to cooperate fully at all times with Lessor to assure, and to abide by all regulations and requirements which Lessor may prescribe for the proper functioning and protection of the Building's HVAC, electrical, security (if any) and plumbing systems. Lessee shall comply with all Laws now in force or which may later be enacted or promulgated in connection with building services furnished to the Premises, including, without limitation, any governmental rule or regulation relating to the heating and cooling of the Building.

8. Lessor shall provide to the Lessee at the time of Lessee's move-in a minimum of two (2) sets of keys to the Lessee's suite regardless of the size of the suite. A set of keys shall consist of one key for the entrance door to the suite and one key for the entrance door to the Building. In addition to the initial two (2) sets of keys the Lessor shall provide, as a standard allowance, one (1) set of keys per 1,000 usable square feet of the Premises. The costs of such keys shall be part of the Tenant Improvement Allowance, if there is one. All keys and locksmith charges for any other work (extra keys, interior suite door keys, or rekeying any lock in the suite after the move-in) shall be charged to the Lessee as an additional service.

## **RULES AND REGULATIONS**

1. The sidewalks, entrances, exits, passages, parking areas, courts, elevators, vestibules, stairways corridors, terraces, lobbies or halls shall not be obstructed or used for any purpose other than ingress and egress. The halls, passages, entrances, exits, elevators and stairways are not for the use of the general public, and Lessor shall retain the right to control and prevent access thereto of all persons whose presence, in the judgment of Lessor, is deemed to be prejudicial to the safety, character, reputation and interests of the Building and its tenants. No tenant shall go up on the roof of the Building.

2. No curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window of the Premises other than Lessor's standard window covering; without Lessor's prior written consent. No electric ceiling fixtures, other than those installed by Lessor are permitted. Neither the interior nor exterior of any windows shall be coated or otherwise sunscreened without the prior written consent of Lessor.

3. No sign, picture, placard, advertisement notice, lettering, direction or handbill shall be exhibited, distributed, painted, installed, displayed, inscribed, placed or affixed by any tenant on any part of the exterior of the Premises, the Building, the Property, or Continental Park, or the interior of the Premises which is visible from the exterior of the Premises, without the prior written consent of Lessor. In the event of the violation of the foregoing by any tenant, Lessor may remove same without any liability, and may charge the expense incurred in such removal to the tenant violating this rule. Interior signs on doors shall be inscribed, painted or affixed for each tenant by the Lessor at such tenant's expense, and shall be of a size, color and style acceptable to the Lessor. Nothing may be placed on the exterior of corridor walls or corridor doors other than Lessor's building standard sign on the corridor door, applied and installed by Lessor.

4. Lessee shall not, and Lessee shall not permit Lessee's Employees to (a) drill into, or in any way deface any part of the Premises, Building, or Property, or (b) affix any fixture, overhead bin or furniture to any wall without proper reinforcement, as determined in advance by a structural engineer. No boring, cutting or stringing of wires or any floor coverings shall be permitted, except with the prior written consent of the Lessor.

5. No bicycles, vehicles, birds or animals (except guide dogs) of any kind shall be brought into or kept in or about the Premises or the Building,

and no birds or animals (except guide dogs) shall be brought into or kept in or about the Building. No cooking shall be done or permitted by Lessee on the Premises, except that the preparation of coffee, tea, hot chocolate and similar items for Lessee shall be permitted, and Lessee shall also be permitted to heat foods in a microwave oven for use by Lessee or its employees; provided, however, that the power required shall not exceed that amount which can be provided by a 30-amp circuit. No Lessee shall cause or permit any food, unusual or objectionable odors or smells to be produced or to permeate the Premises or Building (including any common areas), and the Premises shall not be used for any dangerous, noxious or offensive trade or business that will adversely affect the indoor air quality ("IAQ") of the Premises or Building (including any common areas).

6. The Premises shall not be used for manufacturing or for the storage of merchandise except as such storage may be incidental to the use of the Premises for general office purposes. No Lessee shall occupy or permit any portion of the Premises to be occupied as an office for any persons other than those persons employed by Lessee and conducting the business of Lessee for which this Premises was originally rented without the prior written consent of Lessor. No Lessee shall sell or permit retail sales of any goods or merchandise in or on its Premises. No Lessee shall engage or pay any employees on its Premises except those actually working for such Lessee on its Premises, nor shall any Lessee, without Lessor's prior written consent, use the Premises address in any advertisements for laborers working at a location other than the Premises. No Premises shall be used for lodging or sleeping or for any immoral or illegal purposes.

7. No Lessee shall make, or permit to be made, any noises which disturb other occupants of the Building, or Continental Park, whether by the use of any musical instrument, radio, television, phonograph, screening room, loud, unusual or disruptive noise, or in any other way. No Lessee shall use, keep or permit to be used any foul or noxious gas or substance in, on or about the Premises.

8. Lessee shall not at any time bring or keep, and Lessee shall not permit Lessee's Employees to at any time bring or keep, within the Premises or the Building, any flammable, combustible or explosive fluid, chemical substance or material. Electric spaceheaters shall not be used at any time by Lessee or Lessee's Employees.

9. No new or additional locks or bolts of any kind shall be placed upon any of the doors by Lessee, nor shall any changes be made in existing locks or the mechanism thereof without the prior written consent of Lessor. If Lessor consents in writing to such a lock change, Lessee must furnish Lessor with a key. Lessee must, upon the termination of its tenancy, give, return and restore to Lessor all keys of stores, offices, vaults and toilet rooms, either furnished to, or otherwise procured by Lessee, and in the event at any time of any loss of keys so furnished, Lessee shall pay to Lessor the cost of replacing the same or of changing the lock or locks opened by such lost key if Lessor shall deem it necessary to make such changes.

10. Furniture, freight, packages, equipment, safes, bulky matter or supplies of any description shall be moved in or out of the Building, only after Lessor has been furnished with prior notice and approved thereof in writing and only during such hours and in such manner as may be prescribed by the Lessor from time to time. The scheduling and manner of all Lessee move-ins and move-outs shall be subject to the discretion and approval of Lessor, and said move-ins and move-outs shall only take place after 7:00 p.m. on weekdays, on weekends, or at such other times as Lessor may designate. Lessor shall have the right to approve or disapprove the movers or moving company employed by Lessee, and Lessee shall cause said movers to use only the loading facilities and elevators designated by Lessor. In the event Lessee's movers damage the elevator or any other part of the Property, Lessee shall immediately pay to Lessor the amount required to repair said damage. The moving of safes or other fixtures or bulky or heavy matter of any kind must be done under the Lessor's supervision, and the person employed by any Lessee for such work must be acceptable to Lessor, but such persons shall not be deemed to be agents or servants of the Lessor, and Lessee shall be responsible for all acts of such persons. The Lessor reserves the right to inspect all safes, freight or other bulky or heavy articles to be brought into the Building and to exclude from the Building all safes, freight or other bulky or heavy articles which violate any of these Rules or this Lease of which these Rules are a part. The Lessor reserves the right to determine the location and position of all safes, freight, furniture or bulky or heavy matter brought onto the Premises, and Lessor shall have the right to require that same be placed upon supports approved in writing by Lessor to distribute the weight.

11. No furniture shall be placed in front of the Building, or in any lobby or corridor or balcony, without the prior written consent of Lessor. Lessor shall have the right to remove all non-permitted furniture, without notice to Lessee, and at the expense of Lessee.

12. Lessor reserves the right to disapprove any vendor, including but not limited to, those which provide the following services or products: water, ice, towel, janitorial, maintenance, delivery, courier, private postal, or other like services. No Lessee shall obtain or purchase food or beverages on the Property from any vendor or supplier except at hours and under regulations established by Lessor.

13. Lessor shall have the right to prohibit any advertising by any Lessee which, in Lessor's opinion, tends to impair the reputation of the Building or its desirability as an office building and, upon written notice from Lessor, Lessee shall immediately refrain from or discontinue such advertising.

14. Lessor reserves the right to exclude from the Building between the hours of 6:00 p.m. and 7:00 a.m., Monday through Friday, and at all hours on Saturday, Sunday and state and/or Federal holidays, all persons who are not authorized by Lessee. Such authorization shall be in accordance with procedures established by Lessor in its sole and absolute discretion. Each Lessee shall be responsible for all persons whom it causes to be present in the Building and shall be liable to Lessor for all acts of such persons. In the case of invasion, riot, public excitement, Act of God, or other circumstance rendering such action advisable in Lessor's opinion, Lessor reserves the right to prevent access of all persons, including Lessee, to the Building during the continuance of the same by such actions as Lessor may deem appropriate, including the closing and locking of doors.

15. All of Lessee's Employees, while in the Building and outside of the Premises, shall be subject to and under the control and direction of Lessor (but shall not be deemed to be an agent or servant of Lessor), and Lessee shall be responsible for all acts of such Lessee's Employees.

16. All doors opening onto public corridors shall be kept closed, except when in use for ingress and egress. All doors leading to equipment and utility rooms shall be kept closed.

17. Canvassing, soliciting and peddling in the Building are prohibited and each Lessee shall cooperate to prevent the same.

18. All office equipment of any electrical nature (other than that office equipment which is typically used in normal office uses and which does not cause excessive vibration noise or annoyance) shall be placed by Lessee in the Premises in settings and locations approved in writing by Lessor, to absorb or prevent any vibration, noise or annoyance.

19. No air conditioning unit or other similar apparatus shall be installed or used by Lessee without the prior written consent of Lessor.

20. Lessee shall faithfully observe and comply with the terms of any and all covenants, conditions and restrictions recorded against the Property.

21. Restrooms and other water fixtures shall not be used for any purpose other than that which the same are intended, and any damage resulting to the same from misuse on the part of Lessee shall be paid for by Lessee.

22. The Building is equipped with an electronic access control device. Lessee shall give Lessor the sum of ten dollars (\$10.00) for each identification key or card issued to Lessee as a deposit against the return of the identification key or card to Lessor.

23. The terms used in this Exhibit shall have the same meanings as defined in the respective Lease for each Lessee, unless a contrary meaning is expressly set forth herein. For all purposes of this Exhibit, (i) the term "Lessee" shall be defined as the respective tenant under each Lease to which this Exhibit is attached and to all other tenants of the Property and shall include and encompass each of those tenants' employees, agents, contractors, licensees and invitees, and (ii) the term "Premises" shall be defined as the respective Premises leased under each Lease to which this Exhibit is attached and to the Premises of all other tenants of the Building.

24. No distress sale, fire sale, bankruptcy sale, liquidation, relocation sale, closing sale, going-out-of-business sale, auction, sheriff's sale, receiver's sale, or any other sale that, in Lessor's opinion, adversely affects the reputation of the Building or suggests that the business operations are to be discontinued in the Premises shall be advertised or conducted in or about the Premises.

25. Lessee shall not place any grease or cooking oil into any trash compactor, normal garbage containers, floor drains, sink drains or toilets.

#### **PARKING FACILITIES**

So long as the Lease pertaining to the Premises remains in effect, and Lessee is not in default thereunder, Lessor shall, during the term of the Lease, (a) grant Lessee monthly parking privileges for Lessee, for Lessee's employees, and for any additional persons agreed to by Lessor, for that number of automobiles in the aggregate set forth in Section 1.1 [Monthly Parking Permit Charges] at the monthly rates or charges from time to time established by Lessor in its sole discretion, and (b) park said automobiles in the Parking Facilities. Lessor may, in its sole discretion, modify said rates or charges from time to time during the Term of the Lease (except, however, in no event shall the parking charges increase prior to April 1, 2018). In each case, Lessee shall enter into parking licenses or lease agreements or other arrangements then in use by Lessor (or Lessor's operator) with respect to such monthly parking. Lessor may, from time to time during the Term of the Lease, relocate any or all of Lessee's reserved parking spaces from one location to another within the Parking Facilities as Lessor may elect in its sole discretion. Lessee understands that as a condition to its obtaining the parking privileges provided by the Lease, Lessee shall not charge any other person or company for parking.

A condition of any parking shall be compliance by all parkers with parking rules and regulations and all modifications and additions thereto from time to time established by Lessor (or Lessor's operator) in their sole discretion, including any sticker or other identification system established by Lessor (or Lessor's operator). Lessor (and Lessor's operator) shall not be responsible to Lessee for the non-performance of any of said rules and regulations by any other parker. The rules and regulations for the Parking Facilities are as follows:

#### **RULES AND REGULATIONS**

1. Parking hours are currently established from 7:30 a.m. to 6:30 p.m., Monday through Friday. Lessee shall have parking privileges during any other times or on Saturdays, Sundays, or state and/or Federal holidays, but Lessor shall not have the obligation to enforce reserved permits or the number of permits allocated to Lessee hereunder. Lessor retains the right to change these hours or the manner of operation of the Parking Facility in the exercise of its reasonable discretion. Overnight parking is at the vehicle owner's risk. Lessee must provide Lessor with written notification of any of its vehicles parked in the space for more than twenty-four (24) continuous hours. Lessee shall provide Lessor with the make, model, color, license plate number, parking permit number, and shall indicate the date the vehicle will be parked overnight in the parking facilities. Long-term vehicle storage is prohibited. No vehicle may be parked in any stall for more than forty-eight (48) continuous hours.

2. Automobiles must be parked entirely within the stall lines on the pavement.

3. All directional signs and arrows must be observed.

4. The speed limit shall be 5 miles per hour.

5. Parking in areas not striped for parking is prohibited.

6. Parking stickers or any other device or form of identification supplied by Lessor (or its operator) shall remain the property of Lessor (or its operator). Such parking identification device must be displayed as required and may not be mutilated in any manner. The serial number of the parking identification device may not be obliterated. Parking identification devices are not transferable or assignable and any parking identification device in the possession of any unauthorized holder will be void. There will be a deposit of \$10.00 required for each parking card and a replacement charge to Lessee or person designated by Lessee of \$10.00 for loss of any parking card, which amounts can be adjusted from time to time by Lessor at its discretion.

7. The monthly rate for parking is payable one (1) month in advance and must be paid on or before the first day of each calendar month during the entire term of the Lease. No deductions or allowances from the monthly rate will be made for the days a parker does not use the Parking Facilities.

8. Lessor (and its operator) may refuse to permit any person who violates the within rules to park in the parking area, and any violation of the rules shall subject the automobile to removal from the parking area at the parker's expense. In either of said events, Lessor (or its operator) shall refund a pro rata portion of the current monthly parking rate, and Lessee shall immediately return to Lessor the parking card, sticker and any other form of identification supplied by Lessor (or its operator).

9. Parking area managers or attendants are not authorized to make or allow any exceptions to these rules and regulations.

10. Every parker is required to park and lock his/her own automobile. All responsibility for any loss or damage to automobiles or any personal property therein is assumed by the parker.

11. Loss or theft of parking identification devices from automobiles must be reported to the parking area manager immediately, and a lost or stolen report must be filed by the parker at that time.

12. The Parking Facilities are for the sole purpose of parking one (1) automobile per permit, unless otherwise permitted or changed by Lessor. Washing, waxing, cleaning or servicing of any vehicle by the parker of his/her agents is prohibited, except by persons expressly authorized in writing to do so, in advance, by Lessor.

13. Lessor (and its operator) reserves the right to refuse the issuance of monthly stickers or other parking identification devices to any Lessee and/or its employees who refuse to comply with the above Rules and Regulations and all posted and unposted city, state or federal ordinances, laws or agreements.

14. Any vehicle parked improperly may be towed away. Lessor may place a "boot" on any vehicle improperly parked, and may levy a charge to remove the "boot." Lessee shall indemnify, hold and save harmless Lessor of any liability arising from the towing or booting of any vehicles belonging to Lessee or to Lessee's employees.

15. No vehicle shall be parked as a "billboard" vehicle in the Parking Facilities.

16. Lessee agrees to acquaint all employees with these Rules and Regulations.

#### RIDER NO. ONE

#### OPTION TO EXTEND TERM

**This Rider No. One for OPTION TO EXTEND** ("Rider") is attached and made a part of that certain Lease between The Plaza CP LLC, a California limited liability company ("Lessor"), and A-Mark Precious Metals, Inc., a California corporation ("Lessee"), which Lease is dated July 7, 2016 ("Lease"). Lessor and Lessee hereby agree that the following shall be included as part of said Lease:

1. **Grant of Option.** Lessee is hereby granted an option (sometimes called the "Renewal Option") to extend the Term of the Lease upon all of the provisions contained in the Lease, except for Base Rental and for this Extended Term Rider, for a period of five (5) years (the "Option Term"). Such option shall be irrevocably exercised only by Lessee delivering written notice to Lessor of such exercise of such option ("Option Notice") at least two hundred seventy (270) days, but not more than one hundred eighty (180) days before the expiration of the initial Term. The title of the Option Notice shall be "NOTICE OF OPTION TO EXTEND TERM." No waiver by Lessor to Lessee's obligation to provide the Option Notice, in accordance with all of the terms and conditions stated above, shall be valid unless the same is specifically set forth in a writing signed by Lessor entitled "LESSOR'S WAIVER TO LESSEE'S OBLIGATION TO PROVIDE THE OPTION NOTICE." Reference to the "Term" of the Lease as used in the Lease shall include the Option Term in the event the Renewal Option is exercised in accordance herewith. Lessee shall have no other right to extend the Term except as set forth in this section.

2. **Base Rental During Option Term.** In the event Lessee exercises its option to extend the Term of the Lease, as permitted herein, then the Base Rental for the Option Term shall be at the then current market value of comparable space within Continental Park, which shall be determined as hereinafter provided. Additionally, and notwithstanding anything contained in the Lease to the contrary throughout the Option Term, Lessee and Lessee's Employees shall pay the charges for parking in the Parking Facilities as are then in effect from time to time. The Base Rental for the Option Term shall be determined as follows:

(a) Within fifteen (15) days of receipt by Lessor of Lessee's Option Notice, Lessor shall deliver written notice (the "Lessor's Notice") to Lessee advising Lessee of Lessor's opinion of the fair market rental value (the "Value") of the Premises;

(b) If Lessor's opinion of the Value of the Premises is acceptable to Lessee, then Lessee shall so notify Lessor in writing within fifteen (15) days of receipt by Lessee of Lessor's Notice, and the Lease shall, thereafter, be extended for the Option Term;

(c) In the event Lessee challenges Lessor's opinion of the Value of the Premises, Lessee shall deliver written notice thereof (the "Lessee's Notice") to Lessor within fifteen (15) days of receipt by Lessee of Lessor's Notice. In such Lessee's Notice, Lessee shall also advise Lessor of Lessee's opinion of the Value of the Premises. If Lessee fails to deliver Lessee's Notice to Lessor containing the required information within such fifteen (15) day time period, then same shall be considered as Lessee's acceptance of Lessor's Opinion of the Value of the Premises. If Lessee timely delivers the Lessee's Notice, and if Lessor and Lessee cannot agree upon the Value of the Premises within fifteen (15) days after Lessor's receipt of Lessee's Notice, then the Value of the Premises shall be determined by appraisal in accordance with this Rider. All costs of such appraisal shall be paid by Lessee.

3. **Determination of Value by Appraiser.** Lessor and Lessee shall appoint a mutually acceptable MAI appraiser with at least five (5) years' experience in valuing office buildings within the general area of the Premises to also determine whether Lessor's or Lessee's opinion of the Value is more accurate. The decision of the appraiser shall be binding on both of the Parties hereto. The Value of the Premises as determined herein shall be the Base Rental for the Premises for the first year of the Option Term, which Base Rental shall be subject to increase each year thereafter, if any, as provided hereinabove. Notwithstanding anything to the contrary contained herein, in no event shall the total of the Base Rental and Operating Expense Adjustment for the first month of the Option Term be less than the total of the Base Rental for the last full calendar month preceding the first month of the Option Term. Lessee shall receive a new base year for Operating Expenses during the Option Term. Lessee shall pay to Lessor as additional Rent the sum of five cents (\$0.05) per Rentable Square Foot of Premises per month beginning on the first (1st) day of the thirteenth (13th) full calendar month of the Option Term and increasing by five cents (\$0.05) per Rentable Square Foot of Premises per month annually thereafter throughout the balance of the Option Term. Such amount shall be added to the amount of Base Rental payable hereunder.

4. **Definition of Value of the Premises.** The Value of the Premises shall be determined based upon rentals then being charged for other renewal space similarly situated and within Class A buildings located in the El Segundo/Manhattan Beach market of equivalent condition and amenities as the Building and the Property, taking into account the size, location, floor level, the length of the term of the Option Term, the extent of services to be provided, and any other relevant terms and conditions, but, in each instance, including "tenant concessions," if any, then being offered to prospective new tenants in the Building or comparable buildings. The term "tenant concessions" shall include, without limitation, so-called free rent, half rent or other reduced rent, free parking or reduced parking charges, load factor for rentable area of the Premises that is lower than that calculated in accordance with BOMA, tenant improvements, etc. All Base Rental payable during the Option Term shall be payable in the same manner and under the same terms and conditions as Base Rental is paid during the Initial Term. In no event shall Lessor be obligated to construct any additional improvements within or about the Premises in connection with Lessee's exercise of such option.

5. **Payment of Base Rental.** During the period of time the Parties are determining the Value of the Premises, if such period extends beyond the



scheduled expiration of the Initial Term, Lessee shall pay Lessor, as Base Rental, the amount which would be payable under Section 22.1 of the Lease if Lessee had held over possession of the Premises with Lessor's consent, but had not exercised the Renewal Option. If the monthly Base Rental for the first year of the Option Term, as determined herein, is different than the amount paid by Lessee as Base Rental during the period of time following the end of the Initial Term of the Lease, then an adjustment shall be made effective as of the commencement of the Option Term, and one Party shall pay the other Party, within ten (10) days following the determination of the Base Rental for the first year of the Option Term, an amount sufficient to reconcile the amount so paid by Lessee as Base Rental as compared with the actual amount of Base Rental due.

6. **Option Personal.** The option granted to Lessee herein is personal to Lessee and may not be exercised or assigned voluntarily or involuntarily, by or to any person or entity other than the original Lessee. The option herein granted to Lessee is not assignable separate and apart from the Lease. In the event that at the time this Option is exercisable by Lessee, the Lease has been assigned, or a sublease exists as to twenty percent (20%) or more of the Premises, this Option shall automatically terminate and become null and void and Lessee, any assignee, or any sublessee, shall not have the right to exercise the Renewal Option.

7. **Effect Of Default On Option.**

(a) Lessee shall have no right to exercise the Renewal Option, notwithstanding any provision herein to the contrary, (i) during the time commencing from the date Lessor gives to Lessee a notice of default pursuant to Section 17.1 of the Lease and continuing until the default alleged in said notice of default is cured, (ii) during the period of time commencing on the date after a monetary obligation to Lessor is due from Lessee and unpaid (without any necessity for notice thereof to Lessee) and continuing until the obligation is paid, (iii) at any time after an event of default described in Sections 17.1(c) or (d) of the Lease (without any necessity for notice thereof to Lessee), or (iv) in the event that Lessor has given to Lessee three or more notices of default during the twelve (12) month period prior to the time that Lessee exercises such option.

(b) The period of time within which such option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise such option.

(c) All rights of Lessee under the provisions of such option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of such option, if, after such exercise, (i) Lessee fails to pay to Lessor a monetary obligation of Lessee for a period of ten (10) days after such obligation becomes due (without any necessity for notice thereof to Lessee), (ii) Lessee fails to commence to cure a default specified in Section 17.1(b) of the Lease within fifteen (15) days after the date that Lessor gives notice to Lessee of such default and/or Lessee fails thereafter to diligently prosecute said cure to completion within the applicable period, (iii) Lessee commits a default described in Sections 17.1(c) or (d) of the Lease without any necessity of Lessor to give notice thereof to Lessee, or (iv) Lessor gives to Lessee three or more notices of default for the same type of default during the period commencing twelve (12) months prior to the exercise of the Renewal Option and continuing through the date of the commencement of the Option Term, whether or not the defaults are cured.

8. **Option Revoked Through Lease Amendment.** In the event the Parties should execute an amendment to the Lease that would extend or reduce, in any manner whatsoever, the Term of the Lease, then the grant to Lessee of this "Option to Extend" shall automatically be revoked and withdrawn, with no further notice to Lessee, unless agreed by the Parties to the contrary in the amendment to be executed by the Parties (which documents must set forth, in detail, the terms and conditions upon which Lessor grants Lessee rights to extend the lease).

9. **Miscellaneous.** Lessor and Lessee shall execute and deliver appropriate documentation to evidence any renewal of the Lease and the terms and conditions of the Lease during the Option Term. All terms used herein shall have the same meanings as used in the Lease. In the event of a conflict between the provisions of the Lease and those of this Rider, the terms of this Rider shall control. Except as hereinabove provided, said Lease shall remain in full force and effect.

Reviewed: \_\_\_\_\_ Lessor's (Landlord's) initials: \_\_\_\_\_ Lessee's (Tenant's) initials: \_\_\_\_\_

**LIMITED LIABILITY COMPANY AGREEMENT**

**OF**

**AM&ST ASSOCIATES, LLC**

**A Delaware Limited Liability Company**

---

**Dated August 31, 2016**

---

## TABLE OF CONTENTS

Page

### ARTICLE I FORMATION AND OTHER ORGANIZATIONAL MATTERS1

Section 1.1. Formation 1

Section 1.2. Name 1

Section 1.3. Term 1

Section 1.4. Business 2

Section 1.5. Names and Addresses of Members 2

Section 1.6. Registered Office and Principal Place of Business 2

Section 1.7. Agreement: Effect of Inconsistencies with the Delaware Act or the Code 3

### ARTICLE II CERTAIN TAX AND ACCOUNTING MATTERS3

### ARTICLE III CONTRIBUTIONS BY MEMBERS3

Section 3.1. Initial Capital Contributions 3

Section 3.2. Additional Capital Contributions 3

Section 3.3. Company Loans 7

### ARTICLE IV DISTRIBUTIONS TO MEMBERS8

Section 4.1. Distributions of Available Cash 8

---

Section 4.2.Tax Withholding; Withholding Advances	8
Section 4.3Distribution In Kind .....	10
ARTICLE V RIGHTS AND DUTIES OF MANAGEMENT COMMITTEE; AND OFFICERS.....	10
Section 5.1.Management Committee	10
Section 5.2.Approval Requirments	11
Section 5.3.Major Decision Voting Requirments	11
Section 5.4.Annual Budget	12
Section 5.5.Resignations	13
Section 5.6.Removal	14
Section 5.7.Vacancies	14
Section 5.8.Meetings of the Management Committee	14
Section 5.9.Quorum	15
Section 5.10.Action By Written Consent	15
Section 5.11.Officers	15
Section 5.12.Compensation	16
Section 5.13.No Participation By Members	16
Section 5.14Financial Statements.....	16
Section 5.15Records, Audits and Reports .....	17
Section 5.16Other Activities; Affiliates.....	18
ARTICLE VI STATUS OF MEMBERS	18
Section 6.1.Relationship of Members	18
Section 6.2.Liability of Members	18
Section 6.3.Dissolution of Member	18
Section 6.4.Access to Records	19
ARTICLE VII TRANSFER OF MEMBERSHIP INTERESTS	19
Section 7.1.Restrictions on Transferability	19
Section 7.2.Permitted Transfers	19
Section 7.3Right of First Refusal.....	20
ARTICLE VIII DEFAULTS/CERTAIN REMEDIES	21

Section 8.1.Events of Default 21

Section 8.2.Termination 21

Section 8.3.No Partition 21

Section 8.4.Litigation Without Termination 21

Section 8.5.Attorneys’ Fees 21

Section 8.6.Cumulative Remedies 21

Section 8.7.No Waiver 21

Section 8.8.Limitation Under Liability 22

ARTICLE IX DISSOLUTION OF COMPANY22

Section 9.1.Events Giving Rise to Dissolution 22

Section 9.2.Procedure 22

ARTICLE X REPRESENTATIONS, WARRANTIES AND COVENANTS23

Section 10.1.Formation and Existence of Members; Other Matters 23

Section 10.2.Confidentiality 24

ARTICLE XI EXCULPATION AND INDEMNIFICATION.....25

Section 11.1.Exculpation of Covered Persons 25

Section 11.2.Liabilites and Duties of Covered Persons 26

Section 11.3.Indemnification .....26

ARTICLE XII MISCELLANEOUS29

Section 12.1.Notices 29

Section 12.2.Entire Agreement 29

Section 12.3.Amendments 29

Section 12.4.Governing Law 29

Section 12.5.Successors and Assigns 30

Section 12.6.Captions 30

Section 12.7.Severability 30

Section 12.8.Counterparts 30

Section 12.9.Submission to Jurisdiction 30

Section 12.10.Waiver of Jury Trial 30

Section 12.11.Attorneys’ Fees 31

Section 12.12.Indulgences, Not Waivers 31

Section 12.13.No Third Party Rights 31

Section 12.14 Time is of the Essence 31

Section 12.15 Creditors 31

Section 12.16 Specific Performance 31

**Exhibit A** Definitions

**Exhibit B** Certain Tax and Accounting Matters

**Exhibit C** Initial Capital Contributions and Percentage Interests of the Members

**Exhibit D** Initial Annual Budget

---

**LIMITED LIABILITY COMPANY AGREEMENT  
OF  
AM&ST ASSOCIATES, LLC**

**THIS LIMITED LIABILITY COMPANY AGREEMENT** (this “Operating Agreement” or this “Agreement”) is dated effective as of the 31<sup>st</sup> day of August, 2016 (the “Effective Date”), by and between **A-MARK PRECIOUS METALS, INC.**, a Delaware corporation (“A-Mark”), and **SILVER TOWNE, L.P.**, an Indiana limited partnership (“ST/LP”), being all of the Members (as defined below) as of the date hereof, of **AM&ST ASSOCIATES, LLC**, a Delaware limited liability company (the “Company”). Capitalized terms that are not otherwise defined in this Agreement shall have the meanings ascribed to such terms in **Exhibit A** attached to this Agreement.

**RECITALS**

WHEREAS, the Members have formed the Company under the laws of the state of Delaware pursuant to a Certificate of Formation filed with the Delaware Secretary of State on July 13, 2016.

WHEREAS, the Members desire to enter into a venture to acquire substantially all of the operating assets of the Silver Towne Mint, and thereafter to operate the Silver Towne Mint, as more particularly described in Section 1.4 of this Agreement.

WHEREAS, the Members desire to enter into this Agreement to set forth their respective financial obligations, responsibilities and rights in connection with the Business (defined below) of the Company and to govern the relationship between them with respect to all matters relating to the Company.

**AGREEMENT**

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Members hereby agree as follows:

**ARTICLE I  
FORMATION AND OTHER ORGANIZATIONAL MATTERS**

Section 1.1 Formation. AM&ST Associates, LLC (the “Company”) is a limited liability company formed under the Delaware Act pursuant to its Certificate of Formation and this Agreement. The Members hereby enter into this Agreement as of the Effective Date in order to set forth the rights and obligations of the Members.

Section 1.2 Name. The name of the Company is AM&ST ASSOCIATES, LLC.

Section 1.3 Term. The term (“Term”) of the Company commenced on Effective Date, the date of the filing of the Certificate of Formation of the Company pursuant to the Delaware Act, and shall continue in perpetuity, unless terminated as hereinafter provided.

Section 1.4 Business. Subject to the provisions of this Agreement, the business of the Company (the “Business”) is solely: (a) to acquire substantially all of the assets related to the Silver Towne Mint from ST/LP and acquire related real estate assets from HAB Development; (b) to operate the Silver Towne Mint; (c) to enter into an exclusive supplier agreement with Asahi Refining USA, Inc. a Delaware corporation doing business as Asahi Refining (the “Supplier Agreement”); (d) to enter into an exclusive distribution agreement with A-Mark Precious Metals, Inc., a Delaware corporation (the “Distribution Agreement”); (e) to enter into an administrative services agreement with ST/LP (the “Administrative Services Agreement”); and (f) do any and all other acts or things that may be incidental or necessary to carry on the Business of the Company as described in clauses (a), (b), (c), (d), and (e) above. The Company is a single purpose joint venture and is not authorized to, and shall not engage in any business other than as described in this Section 1.4.

Section 1.5 Names and Addresses of Members. The names and addresses of the Members are as follows:

**For A-Mark**

A-MARK PRECIOUS METALS, INC.  
429 Santa Monica Boulevard, Suite 230  
Santa Monica, California 90401  
Attention: Gregory N. Roberts, CEO

**For ST/LP**

SILVER TOWNE, L.P.  
120 East Union City Pike  
Winchester, Indiana 47394  
Attention: David Hendrickson

Section 1.6 Registered Office and Principal Place of Business. The registered office of the Company in the State of Delaware is located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The registered Agent of the Company for service of process at such address is Corporation Services Company. The principal place of business of the Company shall be located at 950 East Base Road, Winchester, Indiana 47394 or such other location hereafter determined by the Management Committee.

Section 1.7 Agreement; Effect of Inconsistencies with the Delaware Act or the Code. It is the express intention of the Members that this Operating Agreement shall be the sole source of agreement of the parties with respect to the structure, governance and the operation of the Company and, except to the extent a provision of this Operating Agreement expressly incorporates federal



income tax rules by reference to sections of the Code or Treasury Regulations or is expressly prohibited or ineffective under the Delaware Act, this Operating Agreement shall govern the structure and operation of the Company, even when inconsistent with, or different than, the provisions of the Delaware Act or any other law or rule. To the extent that any provision of this Operating Agreement is prohibited or ineffective under the Delaware Act, this Operating Agreement shall be deemed to be amended to the smallest degree possible in order to make this Operating Agreement effective under the Delaware Act in accordance with the intent of the parties. In the event the Delaware Act is subsequently amended or interpreted in such a way to make any provision of this Operating Agreement that was formerly invalid valid, such provision shall be considered to be valid from the effective date of such interpretation or amendment. Each Member shall be entitled to rely on the provisions of this Operating Agreement, and no Member shall be liable to the Company or to any Member for any action or refusal to act taken in good faith reliance on the terms of this Operating Agreement. The Members hereby agree that the duties and obligations imposed on the Members as such shall be those set forth in this Operating Agreement, which is intended to govern the relationship among and between the Company and the Members, notwithstanding any provision of the Delaware Act or common law to the contrary.

## **ARTICLE II CERTAIN TAX AND ACCOUNTING MATTERS**

The Members intend that the Company shall be taxed as a partnership for federal and state income tax purposes and shall not take any action that may result in the Company being taxed as a corporation for such purposes. Each and all of the provisions of **Exhibit B** attached hereto and made a part hereof are incorporated herein and shall constitute part of this Agreement. **Exhibit B** provides for, among other matters, the maintenance of Capital Accounts, the allocation of profits and losses, and the maintenance of books and records.

## **ARTICLE III CONTRIBUTIONS BY MEMBERS**

Section 3.1 **Initial Capital Contributions.** Each Member will contribute capital to the Company as set forth in this **Section 3.1**. The Initial Capital Contribution of each Member is set forth opposite its name below. The Members' Capital Contributions shall be credited to their respective Capital Accounts as of the date of such contribution.

3.1.1 A-Mark shall contribute cash in the amount of Three Million Seven Hundred Twenty-One Thousand Two Hundred Fifty Dollars (\$3,721,250.00) on the date hereof and an additional Five Hundred Thousand Dollars (\$500,000.00) no later than August 22, 2017, for a total of Four Million Two Hundred Twenty-One Thousand Two Hundred Fifty Dollars (\$4,221,250.00) in exchange for its Fifty-Five Percent (55%) Membership Percentage Interest.

3.1.2 ST/LP shall contribute an undivided Forty-Eight and 47/100 percent (48.47%) interest in the SilverTowne Mint Assets, with a Book Value of Three Million Four Hundred Fifty-Three Thousand Seventy Hindered and Fifty Dollars (\$3,453,750.00) in exchange for its Forty-Five Percent (45%) Membership Percentage Interest.

### Section 3.2 Additional Capital Contributions.

3.2.1 General. After the Initial Capital Contributions have been contributed and received by the Company, the Members shall make additional Capital Contributions in cash, in proportion to their respective Membership Percentage Interests, as approved by the Management Committee or the Members from time to time, in accordance with Sections 5.2, 5.3 and 5.4, determined to be reasonably necessary to fund: (i) operating costs and sustaining capital to the extent revenue is insufficient to cover the same, and (ii) capital improvements for the Silver Towne Mint (the "Additional Capital Contributions"). Upon making a determination to approve Additional Capital Contributions, the Management Committee shall deliver to the Members a written notice of the Company's need for Additional Capital Contributions, which notice shall specify in reasonable detail (i) the purpose for such Additional Capital Contributions, (ii) the aggregate amount of such Additional Capital Contributions, (iii) each Member's share of such aggregate amount of Additional Capital Contributions based upon each such Member's Membership Percentage Interest, and (iv) the date (which date shall not be less than ten (10) Business Days from the date that such notice is given) on which such Additional Capital Contributions shall be required to be made by the Members. In the case of Additional Capital Contributions required to fund an Approved Capital Budget, the Management Committee may require the Additional Capital Contributions be made in installments, over a period of time, consistent with the needs of the Approved Capital Budget, in which case the each notice herein shall address that portion of the Approved Capital Budget required for the next period.

3.2.2 Defaults in Making Additional Capital Contributions. The provisions of this Section 3.2.2 apply to all Additional Capital Contributions other than those addressed in Section 3.2.3, related to an Approved Capital Budget.

3.2.2.1 If any Member shall fail to timely make, or notifies the other Member that it shall not make, all or any portion of any Additional Capital Contribution which such Member is obligated to make under Section 3.2.1, then such Member shall be deemed to be a "Non-Contributing Member". The non-defaulting Member (the "Contributing Member") shall be entitled, but not obligated, to loan to the Non-Contributing Member, by contributing to the Company on its behalf, all or any part of the amount (the "Default Amount") that the Non-Contributing Member failed to contribute to the Company (each such loan, a "Default Loan"), *provided*, that such Contributing Member shall have timely contributed to the Company its pro rata share of the applicable Additional Capital Contribution. Such Default Loan shall be treated as an Additional Capital Contribution by the Non-Contributing Member. Each Default Loan shall bear interest (compounded monthly on the first day of each calendar month) on the unpaid principal amount thereof from time to time remaining from the date advanced until repaid, at the lesser of (i) Ten Percent (10%) per annum or (ii) the maximum rate permitted at law (the "Default Rate"). Each Default Loan shall be recourse solely to the Non-Contributing Member's Membership Interest. Default Loans shall be repaid out of the distributions that would otherwise be made to the Non-Contributing Member under Section 4.1 or Section 9.2.2, as more fully provided for in Section 3.2.4. So long as a Default Loan is outstanding, the Non-Contributing Member shall have the right to repay the Default Loan (and interest then due and owing) in whole or in part. Upon the repayment

in full of all Default Loans (but not upon their conversion as provided in this Section 3.2.2) made in respect of a Non-Contributing Member (and so long as the Non-Contributing Member is not otherwise a Non-Contributing Member), such Non-Contributing Member shall cease to be a Non-Contributing Member.

3.2.2.2 At any time after the date sixty (60) days after a Default Loan is made, at the option of the Contributing Member and with no less than ten (10) days prior written notice to the Non-Contributing Member, (i) such Default Loan shall be converted into an Additional Capital Contribution of the Contributing Member in an amount equal to the principal and unpaid interest on such Default Loan pursuant to this Section 3.2.2, (ii) the Non-Contributing Member shall be deemed to have received a distribution, pursuant to Section 4.1, of an amount equal to the principal and unpaid interest on such Default Loan, (iii) such distribution shall be deemed paid to the Contributing Member in repayment of the Default Loan, (iv) such amount shall be deemed contributed by the Contributing Member as an Additional Capital Contribution (a “Cram-Down Contribution”), and (v) the Contributing Member's Capital Account shall be increased by, and the Non-Contributing Member's Capital Account shall be decreased by, an amount equal to the principal and unpaid interest on such Default Loan; provided however, that if the Default Loan pertained to an Approved Capital Budget that the Non-Contributing Member voted in favor of, or an Approved Capital Budget for which ST/LP did not provide a Carry Notice, the adjustments in this clause (v) shall be at 150% of the principal and unpaid interest on such Default Loan amount. A Cram-Down Contribution shall be deemed an Additional Capital Contribution by the Contributing Member making (or deemed making) such Cram-Down Contribution as of the date such Cram-Down Contribution is made or the date on which such Default Loan is converted to a Cram-Down Contribution. At the time of a Cram-Down Contribution, the Membership Interest of the Contributing Member shall be increased proportionally by the amount of such contribution, thereby diluting the Membership Interest of the Non-Contributing Member. For example if: (i) the aggregate Additional Capital Contribution is \$1,000,000 of which \$550,000.00 is to be contributed by A-Mark and \$450,000.00 is to be contributed by ST/LP; (ii) A-Mark makes ST/LP's contribution after it fails to and, as such, ST/LP is the Non-Contributing Member, (iii) the Cram-Down Contribution amount is \$495,000, and (iv) on the date of the Cram-Down Contribution (immediately before the Additional Capital Contribution) A-Mark's Capital Account is \$5,500,000 and its Membership Interest is 55% and ST/LP's Capital Account is \$4,500,000 and its Membership Interest is 45%. As a result of the foregoing, the Membership Interest of A-Mark will be adjusted upwards to 59.50% and the Membership Interest of ST/LP will be adjusted downwards to 40.50% (A-Mark's Capital Account is  $\$5,500,000 + \$550,000 + \$495,000$  (the deemed contribution) =  $\$6,545,000$  and ST/LP's Capital Account is  $\$4,500,000 + \$450,000 - \$495,000$  (the deemed distribution) =  $\$4,455,000$ . A-Mark's Membership Interest is  $\$6,545,000.00 / \$11,000,000 = 59.50\%$ . ST/LP's Membership Interest is  $\$4,455,000 / \$11,000,000 = 40.50\%$ ). Once a Cram-Down Contribution has been made (or deemed made), no subsequent payment or tender in respect of the Cram-Down Contribution shall affect the Membership Interests of the Members, as adjusted in accordance with this Section 3.2.2.

3.2.3 Carry Loan for Approved Capital Budget Contributions. This Section applies to Additional Capital Contributions related to an Approved Capital Budget for which (i) ST/LP has provided a Carry Notice pursuant to Section 5.4.2, and (ii) A-Mark has elected to

contribute the ST/LP Capital Contribution (as defined in Section 5.4.2) for such Approved Capital Budget, on the terms contained herein.

3.2.3.1 Each notice to ST/LP under Section 3.2.1 for Additional Capital Contributions to an Approved Capital Budget subject to the Carry Notice for which A-Mark has elected to make the ST/LP Contribution, shall also be sent to A-Mark, and A-Mark shall pay the ST/LP Capital Contribution requested by the notice under Section 3.2.1 in accordance with its terms. Each ST/LP Capital Contribution paid by A-Mark on behalf of ST/LP shall be treated as loan to ST/LP and shall bear interest (compounded monthly on the first day of each calendar month) on the unpaid principal amount thereof from time to time remaining from the date advanced until repaid, at ten percent (10%) per annum. All such ST/LP Capital Contributions and accumulated interest thereon shall be collectively referred to as the “Carry Loan”.

3.2.3.2 The Carry Loan shall be recourse solely to ST/LP’s Membership Interest and shall be repaid out of the distributions that would otherwise be made to ST/LP under Section 4.1 or Section 9.2.2, as more fully provided for in Section 3.2.4, for a period not to exceed [five (5) years] from the date of the initial payment of the ST/LP Capital Contribution by A-Mark to the Company. So long as a Carry Loan is outstanding, ST/LP shall also have the right to repay it in whole or in part at any time during the [five (5) year period].

3.2.3.3 No later than the last day of the five (5) year period, ST/LP shall repay any portion of the Carry Loan that remains outstanding (the “outstanding amount”). If ST/LP fails to repay the outstanding amount in full by such date, its Membership Interest shall be diluted to the extent of the outstanding amount, as follows (i) the outstanding amount shall be converted into an Additional Capital Contribution of A-Mark (ii) ST/LP shall be deemed to have received a distribution, pursuant to Section 4.1, of an amount equal to the outstanding amount, (iii) such deemed distribution to ST/LP shall be deemed paid to A-Mark in repayment of the Carry Loan, (iv) the outstanding amount shall be deemed contributed by A-Mark as an Additional Capital Contribution, (v) A-Mark’s Capital Account shall be increased by, and ST/LP’s Capital Account shall be decreased by, an amount equal to [110%] of the outstanding amount, and (vi) proportional adjustments to A-Mark’s and ST/LP’s Membership Interests shall be made effective as of the last day of the five (5) year period, with no subsequent payment or tender by ST/LP permitted.

3.2.4 Payment Priority. Notwithstanding any other provisions of this Agreement, any amount that otherwise would be paid or distributed to a Non-Contributing Member (in the case of Default Loan described in Section 3.2.2) or ST/LP (in the case of an ST/LP Capital Contribution described in Section 3.2.3) pursuant to Article IV shall not be paid to the Non-Contributing Member or ST/LP, as the case may be, but shall instead be deemed paid and applied on behalf of such Non-Contributing Member in the case of a Default Loan, or ST/LP, in the case of an ST/LP Capital Contribution, in the following priority: (i) first, to accrued and unpaid interest on all Default Loans (in the order of their original maturity date), (ii) second to the principal amount of such Default Loans (in the order of their original maturity date), (iii) third, to any Additional Capital Contribution of such Non-Contributing Member or ST/LP that has not been paid and is not deemed to have been paid, (iv) fourth, to accrued and unpaid interest on the Carry Loan, and (v)

fifth, to the principal amount of the Carry Loan, until such time as the Default Loan, the unpaid Additional Capital Contribution, and the Carry Loan has been paid in full.

3.2.5 If a Member is characterized as a Non-Contributing Member, then so long as the Member remains a Non-Contributing Member it shall forfeit and no longer be entitled to any consent or voting rights granted in this Agreement, including without limitation the right to vote on actions described in Section 5.3.

3.2.6 Grant of Security Interest. Each Member hereby grants to the other Member a security interest in its Membership Interest, and any accessions thereto and any proceeds and products therefrom, to secure the payment obligations of the granting Member hereunder, to make Additional Capital Contributions and to repay Default Loans and Carry Loans. Upon the incurrence of any such payment obligation, each Member hereby authorizes the other to file and record all financing statements, continuation statements and other instruments necessary or desirable to perfect or effectuate the provisions of this Section 3.2.6

3.2.6.1 The Non-Defaulting Member or A-Mark, as applicable, shall have, on its own behalf and on behalf of the Company, all of the rights and remedies available at law or in equity as it may deem appropriate in its sole discretion to obtain payment of a Default Loan or Carry Loan, including the rights of a secured party under the Uniform Commercial Code with respect to the security interest granted under this Section. THE MEMBERS AGREE THAT THE REMEDIES DESCRIBED IN SECTIONS 3.2.2 AND 3.2.3 ARE A FAIR AND ADEQUATE ARE NOT A PENALTIES.

3.2.6.2 Each Member shall, from time to time, take all necessary actions, including execution of appropriate agreements, to pledge its Membership Interest, to subordinate any encumbrances its holds in the Membership Interest of the other Member under this Section 3.2.6, or to cause to be subordinated any permitted encumbrances on its Membership Interest to any secured borrowings approved by the Management Committee.

3.2.7 Except as set forth in this Section 3.2, neither Member shall be required to make additional Capital Contributions or make loans to the Company.

### Section 3.3 Company Loans.

3.3.1 In the event the Company requires, in the reasonable discretion of the Management Committee, additional funds to carry out its purposes, the Management Committee is authorized to borrow funds on terms deemed acceptable to the Management Committee, including, without limitation, loans from Members. [Any loan from the Members to the Company shall be made by the Members in proportion to their respective Membership Percentage Interests.]

3.3.2 The relationship created by a Member making loans and advances to the Company is intended to be that of a lender and borrower (the "Lender Relationship"). In addition to such loans, such Member also has certain separate and distinct rights to distributions of cash as a Member of the Company. The relationship created between the Members and the Company (and the other Members of the Company) is intended to be that of a partner (the "Company Relationship"). The Members of the Company each acknowledge and agree that it is their intent that the Lender

Relationship is to be treated as separate and distinct from its Company Relationship for all purposes. Without limiting the generality of the foregoing, (i) rights pursuant to the Lending Relationship shall in no way be impaired or limited by the fact that the lender is also a Member of the Company, nor shall rights pursuant to its Company Relationship be limited or impaired in any way by the fact that it is also a lender to the Company, (ii) any distributions of cash pursuant to the Company Relationship shall be considered as paid or distributed solely in its capacity as a Member of the Company and shall, under no circumstances, be treated as a payment on account of any Member Loan (including, without limitation, payments of interest accrued thereon) pursuant to the Lender Relationship, and (iii) any repayment of a Member Loan shall be considered as paid or repaid solely in the capacity as a lender to the Company and shall, under no circumstances, be treated as a payment or distribution on account of its Company Relationship.

#### **ARTICLE IV DISTRIBUTIONS TO MEMBERS**

Section 4.1 Distributions of Available Cash. Distributions of Available Cash shall be made in the following priority:

4.1.1 Any Available Cash of the Company, after (a) allowance for all reasonable costs and expenses incurred by the Company and for such reasonable reserves as determined by the Management Committee or contemplated in any approved Budget, and (b) making Earnout Payments, if any, under the Asset Purchase Agreement, shall be distributed to the Members, on at least a quarterly basis, pro-rata in accordance with their respective Membership Percentage Interest. Notwithstanding the foregoing, a Member, upon prior written notice the Management Committee, may elect to defer taking its distribution of Available Cash for tax or other reason.

4.1.2 If a Member has (i) an unpaid Additional Capital Contribution that is overdue and/or (ii) an outstanding Default Loan or Carry Loan due to another Member and/or (iii) unpaid obligations under the Asset Purchase Agreement owed by it or its Affiliate or predecessor to another Member, any amount that otherwise would be distributed to such Member pursuant to Section 4.1.1 or (up to the amount of such Additional Capital Contribution, outstanding Default Loan, together with interest accrued thereon or Carry Loan) shall not be paid to such Member but shall be deemed distributed to such Member and applied on behalf of such Member pursuant to Section 3.2.4 or to reduce the unpaid obligations under the Asset Purchase Agreement.

4.1.3 Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make any distribution to Members if such distribution would violate § 18-607 of the Delaware Act or other applicable law.

Section 4.2 Tax Withholding; Withholding Advances.

4.2.1 Tax Withholding. If requested by the Management Committee, each Member shall, if able to do so, deliver to the Management Committee:

4.2.1.1 an affidavit in form satisfactory to the Management Committee that the applicable Member (or its members, as the case may be) is not subject to withholding under the provisions of any federal, state, local, foreign or other applicable law;

4.2.1.2 any certificate that the Management Committee may reasonably request with respect to any such laws; and/or

4.2.1.3 any other form or instrument reasonably requested by the Management Committee relating to any Member's status under such law.

If a Member fails or is unable to deliver to the Management Committee the affidavit described in Section 4.2.1, the Management Committee may withhold amounts from such Member in accordance with Section 4.2.2.

4.2.2 Withholding Advances. The Company is hereby authorized at all times to make payments (“Withholding Advances”) with respect to each Member in amounts required to discharge any obligation of the Company (as determined by the Tax Matters Member based on the advice of legal or tax counsel to the Company) to withhold or make payments to any federal, state, local or foreign taxing authority (a “Taxing Authority”) with respect to any distribution or allocation by the Company of income or gain to such Member and to withhold the same from distributions to such Member. Any funds withheld from a distribution by reason of this Section 4.2.2 shall nonetheless be deemed distributed to the Member in question for all purposes under this Agreement.

4.2.3 Repayment of Withholding Advances. Any Withholding Advance made by the Company to a Taxing Authority on behalf of a Member and not simultaneously withheld from a distribution to that Member shall, with interest thereon accruing from the date of payment at a rate equal to the prime rate published in the *Wall Street Journal* on the date of payment plus two percent (2.0%) per annum (the “**Company Interest Rate**”):

4.2.3.1 be promptly repaid to the Company by the Member on whose behalf the Withholding Advance was made (which repayment by the Member shall not constitute a Capital Contribution, but shall credit the Member's Capital Account if the Management Committee shall have initially charged the amount of the Withholding Advance to the Capital Account); or

4.2.3.2 with the consent of the Management Committee, be repaid by reducing the amount of the next succeeding distribution or distributions to be made to such Member (which reduction amount shall be deemed to have been distributed to the Member, but which shall not further reduce the Member's Capital Account if the Management Committee shall have initially charged the amount of the Withholding Advance to the Capital Account).

Interest shall cease to accrue from the time the Member on whose behalf the Withholding Advance was made repays such Withholding Advance (and all accrued interest) by either method of repayment described above.

4.2.4 Indemnification. Each Member hereby agrees to indemnify and hold harmless the Company and the other Member from and against any liability with respect to taxes, interest or penalties that may be asserted by reason of the Company's failure to deduct and withhold tax on amounts distributable or allocable to such Member. The provisions of this Section 4.2.4 and the obligations of a Member pursuant to Section 4.2 shall survive the termination, dissolution, liquidation and winding up of the Company and the withdrawal of such Member from the Company or Transfer of its Membership Interests. The Company may pursue and enforce all rights and remedies it may have against each Member under this Section 4.2, including bringing a lawsuit to collect repayment with interest of any Withholding Advances.

4.2.5 Overwithholding. Neither the Company nor the Management Committee shall be liable for any excess taxes withheld in respect of any distribution or allocation of income or gain to a Member. In the event of an overwithholding, a Member's sole recourse shall be to apply for a refund from the appropriate Taxing Authority.

#### 4.3 Distributions in Kind.

4.3.1 The Management Committee is hereby authorized, as it may reasonably determine, to make distributions to the Members in the form of securities or other property held by the Company. In any non-cash distribution, the securities or property so distributed will be distributed among the Members in the same proportion and priority as cash equal to the Fair Market Value of such securities or property would be distributed among the Members pursuant to Section 4.1.

4.3.2 Any distribution of securities shall be subject to such conditions and restrictions as the Management Committee determines are required or advisable to ensure compliance with applicable law. In furtherance of the foregoing, the Management Committee may



require that the Members execute and deliver such documents as the Management Committee may deem necessary or appropriate to ensure compliance with all federal and state securities laws that apply to such distribution and any further Transfer of the distributed securities, and may appropriately legend the certificates that represent such securities to reflect any restriction on Transfer with respect to such laws.

**ARTICLE V**  
**RIGHTS AND DUTIES OF MANAGEMENT COMMITTEE; AND OFFICERS**

Section 5.1 Management Committee.

5.1.1 The business and affairs of the Company shall be managed by a management committee (the "Management Committee") of three (3) Managers, composed of two (2) representatives appointed by A-Mark, who shall initially be Gregory N. Roberts, and Thor Gjerdrum (the "A-Mark Managers"), and one (1) representative appointed by ST/LP, who shall initially be David Hendrickson (the "ST/LP Manager," and together with the A-Mark Managers, the "Managers"). In the absence of a Member's Manager, such Member may designate by notice to the other Member an alternate to act for the absent Manager. Except for situations in which the approval of the Members is expressly required by this Operating Agreement or by the Delaware Act (where such requirement cannot be overridden by the agreement of Members), the Management Committee shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's Business. The members of the Management Committee shall direct, manage and control the Business of the Company to the best of their ability. Subject to the foregoing, the Management Committee shall delegate the authority to the President to manage the day-to-day activities of the Company in accordance with the purposes and provisions set forth herein. The Managers need devote to the Business and affairs of the LLC only such time and attention as they shall deem reasonably necessary.

5.1.2 The Management Committee shall serve without compensation from the Company. The Managers shall be entitled to be reimbursed by the Company for any actual, out-of-pocket expenses incurred directly for the benefit of the Company to bona fide third parties.

5.1.3 Except as may be expressly set forth herein to the contrary, decisions of the Management Committee shall be made in the sole discretion of the Managers of the Management Committee; provided any decision which results in a Member receiving a benefit (other than in its capacity as a Member of the Company pursuant to this Agreement) shall be just and reasonable to the Company at the time the decision is made.

5.1.4 Any of the Managers may execute agreements, documents and certificates on behalf of the Company as Managers, which have been expressly approved by the Management Committee.

5.1.5 The Company shall have a President, who shall appointed by the Management Committee, who shall have the primary responsibility for the day-to-day operations of the Company in accordance with any approved Budget and any other guidelines or policies approved by the Management Committee and shall have the powers of a president of a corporation.

5.1.6 The Company shall have such other officers as may be designated by the Management Committee, with such powers and duties as may be specified by, or in accordance with, resolutions adopted by the Management Committee and subject to oversight and control of the Management Committee.

5.1.7 The Management Committee shall have the right to terminate any officer of the Company, or change the job description of any such officer.

Section 5.2 Approval Requirements. Except as provided in Sections 5.3, 5.4 and 5.9, all decisions, actions or approvals of the Management Committee shall be determined by a vote of two of the Managers present at a meeting at which a Quorum is present, or by unanimous written consent of the Managers.

Section 5.3 Major Decision Voting Requirements. Notwithstanding any provision to the contrary contained in this Agreement, the following actions (“Major Decisions”) shall be voted on by the Members and shall require at least 51% of the Membership Percentage Interests of the Members, except for the matters described in Sections 5.3.1 and 5.3.4, which shall require a unanimous vote of the Members:

5.3.1 the admission of additional Members and the issuance of additional Membership Interests;

5.3.2 the sale, license, lease, rent, transfer, assignment, or other disposition of all or substantially all of the assets of the Company as a part of a single transaction or plan or series of related transactions (whether by way of merger, the sale of stock or other equity interests, the sale of assets or otherwise);

5.3.3 the dissolution, liquidation or winding up of the affairs of the Company;

5.3.4 any merger, consolidation, divestiture or dissolution and winding up the Business and affairs of the Company

5.3.5 the adoption of any amendment to the Certificate of Formation or this Operating Agreement;

5.3.6 the approval of any transaction involving the payment of compensation to a Member or an Affiliate of a Member, including without limitation, amendments of or replacements to the Supplier Agreement, the Distribution Agreement, or the Administrative Services Agreement.

5.3.7 the approval of Additional Capital Contributions;

5.3.8 the making of any election to treat the Company other than as a partnership for income tax purposes or making any tax filing that is inconsistent with such partnership structure for tax purposes;

5.3.9 the imposition, change or removal of any restriction on the definition of “Business” in this Operating Agreement that would permit the Company to engage in a different business or limit the scope of the Business of the Company in a way that would be detrimental to the Company or any Member; and

5.3.10 fixing the compensation of any officer or employee who is also an employee of a Member.

#### Section 5.4 Annual and Capital Budgets.

5.4.1 Annual Budgets. The initial Annual Budget for the period commencing on the Effective Date and ending on June 30, 2017 is attached as Exhibit D to this Agreement. At least sixty (60) days prior to the beginning of each fiscal year commencing July 1, 2017, the President shall propose and submit to the Management Committee a proposed Annual Budget for the next Fiscal Year. The Management Committee shall review the Annual Budget proposed by the President and shall make such changes as the Management Committee shall determine. Thereafter, the Management Committee (by unanimous vote of the Managers) shall adopt the Annual Budget for the next Fiscal Year, based on the Annual Budget proposed by the President as the same may be revised or modified by the Management Committee, in their sole and absolute discretion. If the Management Committee fails for any reason to approve all or part of a proposed Annual Budget by the commencement of the Fiscal Year for which such Annual Budget is applicable, (a) the portions of the proposed Annual Budget that have been approved by the Management Committee shall become effective as of the commencement of such Fiscal Year, and (b) the portions of the prior Annual Budget that are equivalent to the portions of the proposed Annual Budget that were not approved by the Management Committee shall remain in effect and shall be carried over into the following Fiscal Year. Any Company Costs and Expenses in the portion(s) of the prior Annual Budget so carried over (other than for capital expenditures), shall be increased by the percentage increase in the Consumer Price Index during the prior Fiscal Year. The portions of the proposed Annual Budget that have been approved by the Management Committee, together with the portions of the existing Annual Budget that are so carried over, shall constitute the approved Annual Budget for the following Fiscal Year.

5.4.2 Capital Budgets. When requested by the Management Committee, the President shall prepare and submit to the Management Committee a proposed Capital Budget for an expansion of the Silver Towne Mint. The Management Committee shall review the proposed Capital Budget and make such changes as the Management Committee shall determine. Capital Budgets shall be approved by the Management Committee in accordance with Section 5.2 (an “Approved Capital Budget”). For any Approved Capital Budget, ST/LP may, by notice to the Management Committee (a “Carry Notice”) within ten (10) days after the final vote adopting the

Approved Capital Budget, request that all or any portion of its share of the Approved Capital Budget be satisfied through a Carry Loan as defined in, and subject to the terms and conditions of, Section 3.2.3. A-Mark shall have the right (but not the obligation) to elect, by notice to ST/LP delivered within five (5) days after its receipt of the Carry Notice, to elect to contribute on behalf of ST/LP, ST/LP's share (the "ST/LP Capital Contribution") of the Approved Capital Budget. If A-Mark elects to contribute the ST/LP Capital Contribution, the provisions of Section 3.2.3 shall apply. If A-Mark does not elect to contribute the ST/LP Capital Contribution, the Approved Capital Budget to which it relates shall be withdrawn and may thereafter revised by the Management Committee, in which case the provisions of this Section 5.4.2 shall apply to the revised Capital Budget.

Section 5.5. Resignation. Any Manager may resign at any time by giving written notice to the Members of the Company. The resignation of any Manager shall take effect upon receipt of such notice or at such later time as shall be specified in the notice. Unless otherwise specified in such notice, acceptance of the resignation of a Manager by the Company, the Members or the remaining Managers shall not be necessary to make it effective.

Section 5.6. Removal. A-Mark may at any time remove and replace any A-Mark Manager with or without cause. ST/LP may at any time remove and replace any ST/LP Manager with or without cause. Except as otherwise provided herein, no Member other than A-Mark may remove or replace any A-Mark Manager and no Member other than ST/LP may remove or replace any ST/LP Manager. In the event either A-Mark or ST/LP shall cease to be a Member for any reason, each of the A-Mark Managers or the ST/LP Managers, as applicable, shall be automatically removed as Managers without any further action required to be taken by any party; and, notwithstanding Section 5.7, in such instance, the Member whose Manager designee(s) are so removed will not be entitled to appoint a replacement Manager or Managers to fill the vacancies so created.

Section 5.7. Vacancies. Any vacancy occurring for any reason in the number of Managers may be filled pursuant to the following procedures:

5.7.1 If a vacancy occurs as a result of the death, disability, resignation or removal of an A-Mark Manager or a ST/LP Manager, A-Mark or ST/LP, as applicable, shall be entitled to appoint a replacement Manager; and

5.7.2 Any Person appointed as a replacement Manager shall hold office until such Person's death, disability, resignation or removal.

Section 5.8. Meetings of Management Committee.

5.8.1 The Management Committee may hold any of its meetings at such place or places within or outside the State of Delaware as the Management Committee may from time to time by resolution designate. Managers may participate in any regular or special meeting of the Management Committee by means of conference telephone or similar communications equipment pursuant to which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

5.8.2 Regular meetings of the Management Committee may be held at such times as the Management Committee shall from time to time by resolution determine, but in any event no less often than once per calendar quarter. Notice of the time and place of any regular meeting shall be sent by facsimile or email to each Manager (or such Manager's designated substitute), addressed to him at his residence or usual place of business, at least ten (10) days before the day on which the meeting is to be held. Special meetings of the Management Committee shall be held whenever called by any Manager. Notice of the time and place of any special meeting shall be sent by facsimile or email to each Manager (or such Manager's designated substitute), addressed to him at his residence or usual place of business, at least five (5) business days before the day on which the meeting is to be held. The purpose of and agenda items for any regular or special meeting shall be required to be included in any notice of a regular or special meeting on the same basis as is required with respect to notices of meetings of stockholders of a Delaware corporation under Section 222 of the Delaware General Corporation Law. Notice of any meeting of the Management Committee shall not be required to be given to any Manager who is present at such meeting, except for a Manager who shall attend such meeting for the express purpose of objecting, at the beginning of such meeting, to the transaction of any business because the meeting is not lawfully called or convened.

5.8.3 For all regular and special meetings of the Management Committee, minutes shall be prepared and circulated by facsimile or email to each Manager promptly following each such meeting, with a copy thereof kept at the records office of the Company.

Section 5.9. Quorum. Except as otherwise provided in this Operating Agreement, the presence of at least one (1) ST/LP Manager and one (1) A-Mark Manager (or such Manager's substitute if such Manager is unavailable) shall constitute a quorum for the transaction of business at any regular, special or adjourned meeting of the Management Committee for which notice has been duly given in the manner provided in Section 5.8.2 above. In the event that such a quorum is not present at the time that a regular or special meeting was to have been held in accordance with such a Section 5.8.2 notice, the meeting in question shall be adjourned for five (5) days, with further notice of such adjourned meeting to be sent by facsimile and email to each Manager. Notwithstanding the foregoing, in the event (a) the ST/LP Manager fails **or** (b) the A-Mark Managers fail to be present at two (2) consecutive duly noticed meetings of the Management Committee, the other Managers shall constitute a quorum for the transaction of business by the Management Committee. If as provided in the preceding sentence a quorum is based on two (2) Managers because the ST/LP Manager fails to attend, a vote of the two (2) Managers present shall constitute an effective vote of the Management Committee.

Section 5.10. Action by Written Consent. Any action required or permitted to be taken at any meeting of the Management Committee (or of any committee thereof) may be taken without a meeting by unanimous written consent signed by each of the Managers (or such Manager's substitute if such Manager is unavailable).

Section 5.11. Officers.

5.11.1 The Company shall have a Chief Executive Officer. Gregory N. Roberts ("Mr. Roberts") is hereby appointed the initial Chief Executive Officers of the Company.

In his capacity as Chief Executive Officer, Mr. Roberts shall have the primary responsibility for the strategic direction and management of the Company in accordance with the applicable Annual Budget and any Approved Capital Budget adopted by the Management Committee and any other guidelines or policies approved by the Management Committee and shall have the powers of a chief executive officer of a corporation

5.11.2 The Company shall have a President, who shall appointed by the Management Committee. Jamie Meadows is hereby appointed as President. The President shall have the primary responsibility for the day-to-day operations of the Company in accordance with the applicable Annual Budget and any Approved Capital Budget adopted by the Management Committee and any other guidelines or policies approved by the Management Committee and shall have the powers of a president of a corporation.

5.11.4 The Company shall have such other officers as may be designated by the Management Committee, with such powers and duties as may be specified by, or in accordance with, resolutions adopted by the Management Committee and subject to oversight and control of the Management Committee.

5.11.5 The Management Committee shall have the right to terminate any officer of the Company, or change the job description of any such officer.

Section 5.12. Compensation. The compensation of the officers (other than the Chief Executive Officer) and employees shall be paid directly by the Company and not by any Member. The compensation of the officers of the Company shall be fixed from time to time by the Management Committee and the compensation (including benefits) of all other employees of the Company shall be fixed from time to time by the president in amounts not to exceed the Annual Budget for such year.

Section 5.13. No Participation by Members. Except as expressly set forth in this Operating Agreement or as expressly required by the Delaware Act (where such requirement cannot be superseded by the agreement of Members), the Members shall not have any vote or take any part in the control or management of the business of the Company, nor have any authority or power to act for or on behalf of the Company in any manner whatsoever. No Member that is not otherwise expressly authorized by the Management Committee as an agent shall take any action to bind the Company, and each Member shall indemnify the Company for any costs or damages incurred by the Company as a result of the unauthorized action of such Member. [Each Member shall be reimbursed by the Company for all reasonable, out-of-pocket costs and expenses incurred by it in connection with the authorized carrying out of the Company's Business pursuant to the Annual Budget]

Section 5.14. Financial Statements. The Company shall furnish to each Member the following reports:

5.14.1 Annual Financial Statements. As soon as available after the end of each Fiscal Year, and in any event no later than as reasonably determined by the Management Committee, unaudited balance sheet of the Company as at the end of each such Fiscal Year and

statements of income and Members' equity for such Fiscal Year, in each case setting forth in comparative form the figures for the previous Fiscal Year. Such financial statements shall be prepared in accordance with GAAP, applied on a basis consistent with prior years, and fairly present in all material respects the financial condition of the Company as of the dates thereof and the results of their operations.

5.14.2 Quarterly Financial Statements. As soon as available after the end of each quarterly accounting period in each Fiscal Year (other than the last fiscal quarter of the Fiscal Year), and in any event no later than as reasonably determined by the Management Committee, unaudited balance sheet of the Company as at the end of each such fiscal quarter and for the current Fiscal Year to date and unaudited statements of income and Members' equity for such fiscal quarter and for the current Fiscal Year to date, in each case setting forth in comparative form the figures for the corresponding periods of the previous fiscal quarter, all in reasonable detail and all prepared in accordance with GAAP.

5.14.3 Monthly Financial Statements. As soon as available after the end of each monthly accounting period in each fiscal quarter (other than the last month of the fiscal quarter), and in any event no later than as reasonably determined by the Management Committee, unaudited balance sheet of the Company as at the end of each such monthly period and for the current Fiscal Year to date and unaudited statements of income and Members' equity for each such monthly period and for the current Fiscal Year to date, all in reasonable detail and all prepared in accordance with GAAP.

5.15 Records and Reports. At the expense of the Company, proper and complete records and books of account shall be kept or shall be caused to be kept by the Management Committee (or a designee thereof) in which shall be entered fully and accurately all transactions and other matters relating to the Company's Business in the detail and completeness customary and usual for businesses of the type engaged in by the Company. The books and records shall at all times be maintained at the principal executive offices of the Company and shall be open to the inspection and examination of the Members or their duly authorized agents during business hours. At a minimum, the Company shall keep at its principal place of business:

5.15.1 A current list of the full name and last known business, residence or mailing address and email address of each Member and Manager;

5.15.2 A copy of the Certificate of Formation and all amendments thereto;

5.15.3 Copies of the Company's federal, state and local income tax returns and reports, if any, for the four most recent years;

5.15.4 A copy of this Operating Agreement, as amended to date, any correspondence relating to any Member's obligation to contribute cash, property or services, and copies of any financial statements of the Company for the three most recent years;

5.15.5 Minutes of every meeting of the Management Committee and any written consents obtained from Managers with respect to actions taken or approval by Managers;

5.15.6 Any written consents obtained from Members with respect to any actions taken or approved by Members;

5.15.7 A balance sheet, income statement and statement of Member Capital Accounts as of the end of each Fiscal Year, or for the period then ended, as applicable, which shall be reviewed by an accounting firm approved by the Management Committee;

5.15.8 A balance sheet, income statement and statement of Member Capital Accounts as of the end of each calendar month and Fiscal Quarter, or the period then ended, as applicable; and

5.15.9 A copy of each Annual Budget and any Approved Capital Budget and each amendment thereto.

The Management Committee shall maintain and preserve, for a period of five (5) years or, if longer, for such number of years as is consistent with the retention policy of the Company or as required by applicable law, all accounts, books and other relevant Company documents.

Section 5.16 Other Activities; Affiliates.

5.16.1 The Managers shall not be required to perform their respective management roles as their sole and exclusive functions. The Members and the Managers may have other business interests and may engage in other activities in addition to those relating to the Company, including the operation of their respective businesses, and making or management of other investments. Without limitation on the generality of the foregoing, each Member acknowledges and agrees that:

5.16.1.1 neither the Company nor any Member shall have any right by virtue of this Agreement or the relationship created hereby in or to any other ventures or activities in which any Member or its Affiliates are involved or to the income or proceeds derived therefrom;

5.16.1.2 the pursuit of other ventures and activities by each Member or its Affiliates is hereby consented to by the other Member and shall not be deemed wrongful or improper under this Agreement; and

5.16.1.3 No Member or Affiliate shall be obligated to present any particular investment opportunity to the Company, even if such opportunity is of a character which, if presented to the Company, could be taken by the Company, and each Member and each Affiliate shall have the right to take for its own account, or to recommend to others, any such particular investment opportunity;

Provided, however that the Member pursuing other ventures, activities or investments has not breached confidentiality or other obligations under this Operating Agreement or misused Company assets.

**ARTICLE VI  
STATUS OF MEMBERS**



Section 6.1 Relationship of Members. Each Member agrees that, to the fullest extent permitted by the Delaware Act and except to the extent expressly stated in this Agreement or in any other agreement to which each Member is a party:

6.1.1 No Member shall have any authority to bind or act for, or assume any obligation or responsibility on behalf of, any other Member or the Company.

6.1.2 Any consent, approval, determination or other action by a Member shall be given or taken in the discretion of that Member in its own best interests and without regard to the best interests of another Member or the Company or the financial, tax or other effect on another Member or the Company.

6.1.3 No Member is authorized to act as the agent, representative or attorney-in-fact for any other Member.

Section 6.2 Liability of Members. No Member shall have any personal liability whatsoever, whether to the Company, to other Member or to the creditors of the Company, for the debts of the Company or any of its losses in excess of the amounts such Member has contributed or agreed to contribute to the Company, unless any such Member otherwise expressly consents in writing. The foregoing shall not, however, limit the personal liability of a Member for its obligations to the Company under this Agreement or to the Company or other Member under any other agreement to which such Member may be a party. Except for any duties imposed by this Agreement, a Member shall owe no duty of any kind towards the Company or the other Member in performing its duties and exercising its rights hereunder or otherwise.

Section 6.3 Dissolution of Member. The dissolution of a Member shall not cause a dissolution of the Company, but the rights of such Member to share in the profits and losses of the Company and to receive distributions of Company funds shall, on the happening of such an event, devolve upon its trustee or successor, subject to the terms and conditions of this Agreement, and the Company shall continue as a limited liability company. The successor of such Member shall be liable for all of the obligations of such Member under this Agreement. However, in no event shall such trustee or successor become a substitute Member, except with the prior written consent of the remaining Member.

Section 6.4 Access to Records. The Members shall, upon reasonable notice, be provided with access to all tax, financial and other books and records of the Company in accordance with the Delaware Act.

## **ARTICLE VII TRANSFER OF MEMBERSHIP INTERESTS**

Any Transfer by a Member that is permitted by this Article shall be a Transfer of the entire Membership Interest of such Member. With the Other Member's prior written consent, which consent may be withheld or, if given, conditioned in the Other Member's sole discretion, a Member may Transfer less than its entire Membership Interest, provided that the Selling Member and the transferee are treated as a single Member.

Section 7.1 Restrictions on Transferability.

7.1.1 Subject to Section 7.3 below, no Member shall withdraw or resign from the Company or sell, assign, transfer, mortgage, hypothecate, charge or otherwise encumber, or suffer any third party to sell, assign, transfer, mortgage, charge or otherwise encumber, or contract to do or permit any of the foregoing, directly or indirectly and whether voluntarily or by operation of law (collectively referred to as a “Transfer”) any part or all of its interest in the Company without the prior written approval of the other Member, which approval may include such conditions as the other Member deems appropriate (including, without limitation, subordination of any security interest proposed). Any attempted sale, assignment, mortgage, charge, or encumbrance in violation of this Section 7.1, shall be void and of no force or effect.

7.1.2 For the purposes of this Section 7.1, transfers of controlling interests in the Members shall be deemed Transfers subject to the restrictions of this Section 7.1. Notwithstanding any provision of this Agreement or the Delaware Act to the contrary, no Member may resign, withdraw or withdraw capital from the Company.

Section 7.2 Permitted Transfers. A Member may Transfer its Membership Interest, without the consent of the other Member, to an Affiliate of the transferring Member (in which it and/or its Affiliates retain a majority ownership interest and actual day-to-day and major decision control) (a “Permitted Transfer”). Nothing contained in this Article VII shall prohibit a Transfer indirectly of a Member’s Membership Interest if a direct Transfer would otherwise be permitted under this Section 7.2.

Section 7.3 Right of First Refusal.

7.3.1 Proposed Transfer. If a Member (a “Selling Member”) proposes to a Transfer of its Membership Interest constituting a sale (but not any other form Transfer), and provided that the Transfer is not a Permitted Transfer, then (i) first the Company shall have the right to purchase from the Selling Member the Membership Interest proposed to be transferred and (ii) then the Member other than the Selling Member (the “Other Member”) shall have the right to purchase from the Selling Member the Membership Interest proposed to be transferred.

7.3.2 ROFR Notice. The Selling Member shall promptly notify the Company and the Other Member if it proposes to make a sale of its Membership Interest giving rise to rights of first refusal pursuant to this Section 7.3 (the “Initial ROFR Notice”). The Initial ROFR Notice shall set forth the material terms and conditions of the proposed sale, including (i) the Membership Interest proposed to be sold, (ii) the proposed date of the sale, which shall be at least thirty (30) days from the date of the Initial ROFR Notice, and (iii) the proposed purchase price.

7.3.3 Exercise of Right of First Refusal by Company. The Company may exercise its right of first refusal by delivery of a written notice to the Selling Member (the “Company ROFR Exercise Notice”) within fifteen (15) days following its receipt of the Initial ROFR Notice

(the “Company ROFR Exercise Period”). The Company ROFR Exercise Notice shall state the Membership Percentage Interest that the Company proposes to purchase.

7.3.4 Exercise of Right of First Refusal by Other Members. No later than five (5) days following the expiration of the Company ROFR Exercise Period, the Selling Member shall notify the Other Member in writing of the Membership Percentage Interest that the Company has agreed to purchase (including, for the avoidance of doubt, where such number is zero) (the “Initial Member ROFR Notice”). The Other Member may exercise its right of first refusal by delivery of a written notice to the Selling Member (the “Initial Member ROFR Exercise Notice”) within fifteen (15) days following its receipt of the Initial Member ROFR Notice (the “Initial Member ROFR Exercise Period”). The Initial Member ROFR Exercise Notice shall state the Membership Percentage Interest that such Other Member proposes to purchase, not to exceed the percent determined in accordance with Section 7.3.1.

7.3.5 Closing. At the closing of any sale to the Company and/or a Member pursuant to this Section 7, the Company and/or the Other Member exercising its right of first refusal shall remit to the Selling Member the consideration for the total sales price of the Membership Interest being purchased by the Company or such Other Member pursuant hereto, upon delivery by such Selling Member an assignment for such Membership Interest, free and clear of any liens or encumbrances other than those arising pursuant to this Agreement.

7.3.6 Transfer to the Prospective Transferee. If, after the expiration of the ROFR Exercise Period, the Company and/or the Other Members have not exercised their right of first refusal with respect to all of the Membership Interest proposed to be transferred, then, provided that the Selling Member has also complied with the provisions of this Section 7.3, the Selling Member shall be free to complete the proposed sale of any Membership Interest described in the Initial ROFR Notice that were not purchased by the Company and/or the Other Members on terms no less favorable to the Selling Member than those set forth in the Initial ROFR Notice (except that the amount of Membership Percentage Interest to be sold by the Selling Member may be reduced) within ninety (90) days after the expiration of the ROFR Exercise Period; provided however that the Other Member shall have the right to require that the Selling Member cause the third party transferee to purchase all or a portion of the Membership Interest of the Other Member along with the Membership Interest of the Selling Member, at the same price and upon the same terms and conditions as are contained in the offer of the third party transferee. In the event the Selling Member has not sold all of the Membership Interest within such time period, the Selling Member shall not thereafter Transfer any remaining Membership Percentage Interest without first again complying with the procedures set forth in this Section 7.3.

**ARTICLE VIII  
DEFAULTS/CERTAIN REMEDIES**

Section 8.1 Events of Default. Any material breach of this Agreement by a Member that is not cured within a Reasonable Period after receipt of written notice by the non-breaching Member shall be an “Event of Default” under this Agreement.

Section 8.2 Termination. In the Event of Default, the non-breaching Member may terminate this Agreement by delivering written notice to the breaching Member.

Section 8.3 No Partition. Each Member hereby irrevocably waives any and all rights that it may have to maintain any action for partition of the Company.

Section 8.4 Litigation Without Termination. Each Member shall be entitled to maintain, on its own behalf or on behalf of the Company, any action or proceeding against the other Member or the Company (including, without limitation, any action for damages, specific performance or declaratory relief) for or by reason of the breach by such party of this Agreement or any other agreement entered into in connection with this Agreement, notwithstanding the fact that any or all of the parties to such proceeding may then be Members in the Company, and without dissolving the Company as a limited liability company.

Section 8.5 Attorneys’ Fees. If the Company or any Member obtains a judgment against the other Member by reason of breach of this Agreement or failure to comply with the provisions hereof, a reasonable attorneys’ fee as fixed by the court shall be included in such judgment.

Section 8.6 Cumulative Remedies. No remedy conferred upon the Company or any Member pursuant to this Agreement is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law, in equity or by statute (subject, however, to the limitations expressly herein set forth).

Section 8.7 No Waiver. No waiver by a Member or the Company of any breach of this Agreement shall be deemed to be a waiver of any other breach of any kind or nature, and no acceptance of payment or performance by a Member or the Company after any such breach shall be deemed to be a waiver of any breach of this Agreement, whether or not such Member or the Company knows of such breach at the time it accepts such payment or performance. Subject to any applicable statutes of limitation and any provisions in this Agreement to the contrary, no failure or delay on the part of a Member or the Company to exercise any right it may have under this Agreement shall prevent the exercise thereof by such Member or the Company, and no such failure or delay shall operate as a waiver of any breach of, or default under, this Agreement.

Section 8.8 Limitation of Liability. In no event will any Member or their agents or Affiliates be liable to the other for consequential (including, without limitation, loss of profits or business opportunities), collateral special or exemplary, incidental or indirect or punitive damages of loss of goodwill in connection with any claim arising from this Agreement, even if the Members, their agents or Affiliates have been advised of the possibility of such damages.

**ARTICLE IX  
DISSOLUTION OF COMPANY**

Section 9.1 Events Giving Rise to Dissolution. No act, thing, occurrence, event or circumstance shall cause or result in the dissolution of the Company, except that the happening of any one of the following events shall work an immediate dissolution of the Company:

9.1.1 The unanimous agreement in writing by the Members to dissolve the Company;

9.1.2 The voluntary or involuntary dissolution of all Members;

9.1.3 Termination of this Agreement pursuant to Section 8.2 hereof; or

9.1.4 Any other event that, under the Delaware Act, requires the Company's dissolution except that the Company shall not be terminated nor its affairs wound up if the Management Committee elects to continue the Company and its business within ninety (90) days after the occurrence of said event. If the Management Committee so elects to continue the Company, the business of the Company shall be continued, if necessary, in a reconstituted form as the successor to the Company upon the same terms as set forth in this Agreement.

Without limitation on the other provisions hereof, neither the assignment of all or any part of a Membership Interest permitted hereunder nor the admission of a substitute Member shall cause the dissolution of the Company. Except as otherwise provided in this Agreement, each Member agrees that, without the written consent of the other Member, such Member may not withdraw from or cause a voluntary dissolution of the Company.

## Section 9.2 Procedure.

9.2.1 Upon the dissolution of the Company, the Management Committee, or such other Person approved by the Management Committee, shall wind up the affairs of the Company. The Members shall continue to receive allocations of Net Profits and Net Losses and distributions of Available Cash during the period of liquidation in the same manner and proportion as though the Company had not dissolved. The Management Committee, or, if the Person designated to wind up the affairs of the Company in accordance with this Section 9.2.1 is a Person other than the Management Committee, then, subject to the prior written approval of the Management Committee, such Person, shall determine in good faith the time, manner and terms of any sale or sales of the Company's assets pursuant to such liquidation, having due regard to the activity and condition of the relevant market and general financial and economic conditions. The customer list developed by the Company from the sale of the Products shall not be sold, but shall be distributed to each of the Members for their non-exclusive use.

9.2.2 Following the payment of all debts and liabilities of the Company and all expenses of liquidation, and subject to the right of the Management Committee (or such other Person approved by the Management Committee to wind up the affairs of the Company) to set up such cash reserves as and for so long as it may deem reasonably necessary in good faith for any contingent or unforeseen liabilities or obligations of the Company, the proceeds of the liquidation and any other funds of the Company shall be distributed in accordance with Section 4.1. Any reserves referred to in this Section 9.2.2 shall be released and distributed as soon as practicable after

the date that corresponding liabilities reserved against are satisfied, discharged or otherwise terminated.

9.2.3 Within a reasonable time following the completion of the liquidation of the Company, the Management Committee (or such other Person approved by the Management Committee to wind up the affairs of the Company) shall supply to each of the Members a statement audited by the Accountants, which shall set forth the assets and liabilities of the Company as of the date of complete liquidation and each Member's portion of distributions pursuant to this Section 9.2.

9.2.4 Each Member shall look solely to the assets of the Company for all distributions that such Member may be entitled to under this Agreement, including the return of such Member's Capital Contributions thereto and share of profits or losses thereof and shall have no recourse therefor (in the event of any deficit in a Member's Capital Account or otherwise) against any other Member; provided that nothing herein contained shall relieve any Member of such Member's obligation to make the Capital Contributions herein provided or to pay any liability or indebtedness owed to the Company or the other Member by such Member, and the Company and the other Member shall be entitled at all times to enforce such obligations of such Member. No Member shall have any right to demand or receive property other than cash upon dissolution and termination of the Company.

9.2.5 Upon the completion of the liquidation of the Company and the distribution of all Company funds, the Company shall terminate and the Management Committee (or such other Person approved by the Management Committee to wind up the affairs of the Company) shall have the authority to execute and record a certificate of cancellation of the Company, as well as any and all other documents required to effectuate the dissolution and termination of the Company.

9.2.6 Notwithstanding the foregoing, any Person approved by the Management Committee to wind up the affairs of the Company shall consult with and seek the advice of the Management Committee and their respective representatives in connection with the winding up of the affairs of the Company pursuant to this Article IX.

## **ARTICLE X REPRESENTATIONS, WARRANTIES AND COVENANTS**

Section 10.1 Formation and Existence of Members; Other Matters. Each Member represents and warrants to the other Member as follows:

10.1.1 It is duly organized, validly existing and in good standing under the laws of its jurisdiction of formation with all requisite power and authority to enter into this Agreement and to conduct the business of the Company.

10.1.2 This Agreement constitutes the legal, valid and binding obligation of the Member enforceable in accordance with its terms.

10.1.3 No consents or approvals are required from any Governmental Authority or other Person for the Member to enter into this Agreement and the Company. All limited liability company, corporate or partnership action on the part of the Member necessary for the authorization, execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby, have been duly taken.

10.1.4 The execution and delivery of this Agreement by the Member, and the consummation of the transactions contemplated hereby, does not conflict with or contravene the provisions of its organizational documents or any agreement or instrument by which it or its properties are bound or any law, rule, regulation, order or decree to which it or its properties are subject.

10.1.5 It has not retained any broker, finder or other commission or fee agent, and no such person has acted on its behalf in connection with the execution and delivery of this Agreement.

Section 10.2 Confidentiality. Each of the Members and their respective Affiliates shall not, at any time while it is a Member or thereafter, without the prior written consent of the other Member, directly or indirectly, communicate or disclose to any Person any confidential information regarding the other Member or its Affiliates howsoever acquired by that Member, or any Company Confidential Information relating to or concerning the customers, products, technology, trade secrets, systems, operations or other confidential information regarding the Business and the affairs of the Company or the other Member and its Affiliates, nor shall it utilize or make available any such information directly or indirectly in connection with any business or activity in which it is or proposes to be involved or in connection with the solicitation or acceptance of employment with any Person, except as follows:

10.2.1 Disclosure to their officers, directors, employees, Managers, agents and advisors who need to know that information in connection with any claim under or in relation to this Agreement or any of the transactions contemplated hereby and who have agreed to keep that information confidential;

10.2.2 As required by courts of competent jurisdiction, stock exchange rules or policies of or undertakings given to governmental entities having jurisdiction, provided that the Member that is compelled to disclose Company Confidential Information gives the Company and the other Member written notice of the Confidential Information to be disclosed as far in advance of its disclosure as is practicable and, at the disclosing party's expense, uses its reasonable good faith efforts to obtain reasonable assurances that confidential treatment will be accorded to such Confidential Information; or

10.2.3. To a governmental entity to which the disclosure is required by law and where there is not reasonable means to avoid that disclosure, provided that the Member that is compelled to disclose Company Confidential Information gives the Company and the other Member written notice of the Confidential Information to be disclosed as far in advance of its disclosure as is practicable and, at the disclosing party's expense, uses its reasonable good faith efforts to obtain reasonable assurances that confidential treatment will be accorded to such Confidential Information.

10.2.4 The standard of care of a Member for protecting information under Section 10.2 shall be that degree of reasonable care which that Member would use to prevent disclosure, publication or dissemination of its own proprietary or confidential information, but in no event less than reasonable care.

10.2.5 No Member shall be obligated to keep in confidence or shall incur any liability for disclosure of information to a third party (the "Recipient") of the nature aforesaid which: (a) was permitted to be disclosed by the party from whom that information was obtained; (b) has been public or is otherwise within the public domain at the time of its disclosure to the recipient; (c) comes into the public domain without any breach of this Agreement; or (d) becomes known or available to the recipient other than as a result of the activities of the Company but without any breach of this Agreement by a Member.

10.2.6 The obligations of each Member under this Section 10.2 shall survive for so long as such Member remains a Member, and for two (2) years following the earlier of (i) termination, dissolution, liquidation and winding up of the Company, (ii) the withdrawal of such Member from the Company, and (iii) such Member's Transfer of its Membership Interest.

## **ARTICLE XI**

### **Exculpation and Indemnification**

#### **Section 11.1 Exculpation of Covered Persons.**

11.1.1 As used herein, the term "**Covered Person**" shall mean (i) each Member; (ii) each officer, director, stockholder, partner, member, Affiliate, employee, agent or representative of each Member, and each of their Affiliates; and (iii) each Officer, employee, agent or representative of the Company.

11.1.2 No Covered Person shall be liable to the Company or any other Covered Person for any loss, damage or claim incurred by reason of any action taken or omitted to be taken by such Covered Person within the scope of authority granted to the Covered Person hereunder and in good faith reliance on the provisions of this Agreement, so long as such action or omission does not constitute fraud, gross negligence, willful misconduct or a material breach of this Agreement by such Covered Person or is not made in knowing violation of the provisions of this Agreement.

11.1.3 A Covered Person shall be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements (including financial statements and information, opinions, reports or statements as to the value or amount of the assets, liabilities, Net Income or Net Losses of the Company or any facts pertinent to the existence and amount of assets from which distributions might properly be paid) of the following Persons or groups: (i) another Member; (ii) one or more Officers or employees of the Company; (iii) any attorney, independent accountant, appraiser or other expert or professional employed or engaged by or on behalf of the Company; or (iv) any other Person selected in good faith by or on behalf of the Company, in each case as to matters that such relying Person reasonably believes to be within



such other Person's professional or expert competence. The preceding sentence shall in no way limit any Person's right to rely on information to the extent provided in § 18-406 of the Delaware Act.

## 11.2 Liabilities and Duties of Covered Persons

11.2.1 This Agreement is not intended to, and does not, create or impose any fiduciary duty on any Covered Person. Furthermore, each of the Members and the Company hereby waives any and all fiduciary duties that, absent such waiver, may be implied by applicable law, and in doing so, acknowledges and agrees that the duties and obligations of each Covered Person to each other and to the Company are only as expressly set forth in this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the Members to replace such other duties and liabilities of such Covered Person.

11.2.2 Whenever in this Agreement a Covered Person is permitted or required to make a decision (including a decision that is in such Covered Person's "discretion" or under a grant of similar authority or latitude), the Covered Person shall be entitled to consider only such interests and factors as such Covered Person desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Company or any other Person. Whenever in this Agreement a Covered Person is permitted or required to make a decision in such Covered Person's "good faith," the Covered Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or any applicable law.

## 11.3 Indemnification.

11.3.1 To the fullest extent permitted by the Delaware Act, as the same now exists or may hereafter be amended, substituted or replaced (but, in the case of any such amendment, substitution or replacement, only to the extent that such amendment, substitution or replacement permits the Company to provide broader indemnification rights than the Delaware Act permitted the Company to provide prior to such amendment, substitution or replacement), the Company shall indemnify, hold harmless, defend, pay and reimburse any Covered Person against any and all losses, claims, damages, judgments, fines or liabilities, including reasonable legal fees or other expenses incurred in investigating or defending against such losses, claims, damages, judgments, fines or liabilities, and any amounts expended in settlement of any claims (collectively, "**Losses**") to which such Covered Person may become subject by reason of:

11.3.1.1 any act or omission or alleged act or omission performed or omitted to be performed on behalf of the Company, any Member or any direct or indirect Subsidiary of the foregoing in connection with the Business of the Company; or

11.3.1.2 such Covered Person being or acting in connection with the Business of the Company as a member, stockholder, Affiliate, manager, director, officer, employee or agent of the Company, any Member, or any of their respective Affiliates, or that such Covered Person is or was serving at the request of the Company as a member, manager, director, officer, employee or agent of any Person including the Company; *provided*, that (x) such Covered Person acted in good faith and in a manner believed by such Covered Person to be in, or not opposed to, the best interests

of the Company and, with respect to any criminal proceeding, had no reasonable cause to believe his conduct was unlawful, and (y) such Covered Person's conduct did not constitute fraud, gross negligence, willful misconduct or a material breach of this Agreement by such Covered Person or a knowing violation of the provisions of this Agreement, in either case as determined by a final, non-appealable order of a court of competent jurisdiction. In connection with the foregoing, the termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the Covered Person did not act in good faith or, with respect to any criminal proceeding, had reasonable cause to believe that such Covered Person's conduct was unlawful, or that the Covered Person's conduct constituted fraud, gross negligence, willful misconduct or a knowing violation or material breach of this Agreement.

11.3.2 Control of Defense. Upon a Covered Person's discovery of any claim, lawsuit or other proceeding relating to any Losses for which such Covered Person may be indemnified pursuant to this Section 11.3 the Covered Person shall give prompt written notice to the Company of such claim, lawsuit or proceeding, *provided*, that the failure of the Covered Person to provide such notice shall not relieve the Company of any indemnification obligation under this Section 11.3.2, unless the Company shall have been materially prejudiced thereby. Subject to the approval of the disinterested Member, the Company shall be entitled to participate in or assume the defense of any such claim, lawsuit or proceeding at its own expense. After notice from the Company to the Covered Person of its election to assume the defense of any such claim, lawsuit or proceeding, the Company shall not be liable to the Covered Person under this Agreement or otherwise for any legal or other expenses subsequently incurred by the Covered Person in connection with investigating, preparing to defend or defending any such claim, lawsuit or other proceeding. If the Company does not elect (or fails to elect) to assume the defense of any such claim, lawsuit or proceeding, the Covered Person shall have the right to assume the defense of such claim, lawsuit or proceeding as it deems appropriate, but it shall not settle any such claim, lawsuit or proceeding without the consent of the Company (which consent shall not be unreasonably withheld, conditioned or delayed).

11.3.3 Reimbursement. The Company shall promptly reimburse (and/or advance to the extent reasonably required) each Covered Person for reasonable legal or other expenses (as incurred) of such Covered Person in connection with investigating, preparing to defend or defending any claim, lawsuit or other proceeding relating to any Losses for which such Covered Person may be indemnified pursuant to this Section 11.3; *provided*, that if it is finally judicially determined that such Covered Person is not entitled to the indemnification provided by this Section 11.3, then such Covered Person shall promptly reimburse the Company for all reimbursed or advanced expenses.

11.3.4 Entitlement to Indemnity. The indemnification provided by this Section 11.3 shall not be deemed exclusive of any other rights to indemnification to which those seeking indemnification may be entitled under any agreement or otherwise. The provisions of this Section 11.3 shall continue to afford protection to each Covered Person regardless of whether such Covered Person remains in the position or capacity pursuant to which such Covered Person became entitled to indemnification under this Section 11.3 and shall inure to the benefit of the executors, administrators, legatees and distributees of such Covered Person.

11.3.5 Insurance. To the extent available on commercially reasonable terms, the Company may purchase, at its expense, insurance to cover Losses covered by the foregoing indemnification provisions and to otherwise cover Losses for any breach or alleged breach by any Covered Person of such Covered Person's duties in such amount and with such deductibles as the Management Committee may reasonably determine; *provided*, that the failure to obtain such insurance shall not affect the right to indemnification of any Covered Person under the indemnification provisions contained herein, including the right to be reimbursed or advanced expenses or otherwise indemnified for Losses hereunder. If any Covered Person recovers any amounts in respect of any Losses from any insurance coverage, then such Covered Person shall, to the extent that such recovery is duplicative, reimburse the Company for any amounts previously paid to such Covered Person by the Company in respect of such Losses.

11.3.6 Funding of Indemnification Obligation. Notwithstanding anything contained herein to the contrary, any indemnity by the Company relating to the matters covered in this Section 11.3 shall be provided out of and to the extent of Company assets only, and no Member (unless such Member otherwise agrees in writing) shall have personal liability on account thereof or shall be required to make additional Capital Contributions to help satisfy such indemnity by the Company.

11.3.7 Savings Clause. If this Section 11.3 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless each Covered Person pursuant to this Section 11.3 to the fullest extent permitted by any applicable portion of this section that shall not have been invalidated and to the fullest extent permitted by applicable law.

11.3.8 Amendment. The provisions of this Section 11.3 shall be a contract between the Company, on the one hand, and each Covered Person who served in such capacity at any time while this Section 11.3 is in effect, on the other hand, pursuant to which the Company and each such Covered Person intend to be legally bound. No amendment, modification or repeal of this Section 11.3 that adversely affects the rights of a Covered Person to indemnification for Losses incurred or relating to a state of facts existing prior to such amendment, modification or repeal shall apply in such a way as to eliminate or reduce such Covered Person's entitlement to indemnification for such Losses without the Covered Person's prior written consent.

11.3.9 Survival. The provisions of this Section 11.3 shall survive the dissolution, liquidation, winding up and termination of the Company for a period of four (4) years, provided that, if at the end of such period there are any actions, proceedings or investigations then pending, any Indemnitee may so notify the Company and the other Members at such time (which notice shall include a brief description of each such action, proceeding or investigation and the liabilities asserted therein) and the provisions of this Article XI shall survive with respect to each such action, proceeding or investigation set forth in such notice (or any related action, proceeding or investigation based upon the same or similar claim) until such date that such action, proceeding or investigation is finally resolved.

## ARTICLE XII MISCELLANEOUS

Section 12.1 Notices. All notices, consents or waivers shall be in writing and shall be deemed to have been duly given:

12.1.1 when delivered personally; or

12.1.2 three (3) Business Days after being mailed, registered or certified mail, return receipt requested, postage prepaid, to the respective addresses set forth below; or

12.1.3 one (1) Business Day after being delivered to a reputable overnight courier service, prepaid, marked for next day delivery, addressed to the addressee at its address set forth below; or

12.1.4 when delivered during Normal Working Hours (or the next Business Day if delivered after Normal Working Hours) by facsimile transmission to the fax number (if any) of the receiving party listed below, if receipt is confirmed in writing by the sending facsimile machine. The addresses for notice are set forth in Section 1.5 above

Section 12.2 Entire Agreement. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof. This Agreement supersedes any prior agreement or understanding between the parties with respect to the subject matter hereof.

Section 12.3 Amendments. This Agreement may be amended only by written agreement of amendment executed by each Member.

Section 12.4 Governing Law. This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to its conflict of law provisions.

Section 12.5 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their legal representatives, successors and permitted assigns.

Section 12.6 Captions. Captions contained in this Agreement in no way define, limit or extend the scope or intent of this Agreement.

Section 12.7 Severability. If any provision of this Agreement, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provision to other Persons or circumstances, shall not be affected thereby.

Section 12.8 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document. Any xerographic, PDF, or similar copy of this Agreement, with all signatures reproduced on one or more sets of signature pages, shall be considered for all purposes as if it were an executed counterpart of this Agreement. Signatures may be given by facsimile or other electronic transmission, and such signatures shall be fully binding on the party sending the same.

Section 12.9 Submission to Jurisdiction. The parties hereby agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby, whether in contract, tort or otherwise, shall be brought in the United States District Court for the District of Delaware or in the Court of Chancery of the State of Delaware (or, if such court lacks subject matter jurisdiction, in the Superior Court of the State of Delaware), so long as one of such courts shall have subject-matter jurisdiction over such suit, action or proceeding, and that any case of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of Delaware. Each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding that is brought in any such court has been brought in an inconvenient form. Service of process, summons, notice or other document by registered mail to the address set forth in Section 1.5 shall be effective service of process for any suit, action or other proceeding brought in any such court.

Section 12.10 Waiver of Jury Trial. TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, WITH RESPECT TO ANY DISPUTE ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY RELATED AGREEMENT, AS TO WHICH NO MEMBER INVOKES THE RIGHT TO REFERENCE HEREINABOVE PROVIDED, OR AS TO WHICH LEGAL ACTION NEVERTHELESS OCCURS, EACH MEMBER HEREBY IRREVOCABLY WAIVES ALL RIGHTS IT MAY HAVE TO DEMAND A JURY TRIAL. THIS WAIVER IS KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY MADE BY THE MEMBERS, AND EACH MEMBER ACKNOWLEDGES THAT NONE OF THE OTHER MEMBERS, MANAGER, NOR ANY PERSON ACTING ON BEHALF OF THE OTHER PARTIES HAS MADE ANY REPRESENTATION OF FACT TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. THE MEMBERS EACH FURTHER ACKNOWLEDGE THAT IT HAS BEEN REPRESENTED (OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL. EACH OF THE MEMBERS FURTHER ACKNOWLEDGES THAT IT HAS READ AND UNDERSTANDS THE MEANING AND RAMIFICATIONS OF THIS WAIVER PROVISION.

Section 12.11 Attorneys' Fees. In the event of any arbitration, litigation or other dispute or proceeding arising as a result of or by reason of this Agreement, the prevailing party in any such arbitration, litigation or other dispute or proceeding shall be entitled to, in addition to any other damages assessed, its reasonable attorneys' fees and all other costs and expenses incurred in connection with settling or resolving such dispute. The reasonable attorneys' fees which the prevailing party is entitled to recover shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees to the prevailing party, the prevailing party in any lawsuit or arbitration procedure on this Agreement shall be entitled to its reasonable attorneys'

fees and costs incurred in any post judgment proceedings to collect or enforce the judgment. This attorneys' fees provision is separate and several and shall survive the merger of this Agreement into any judgment.

Section 12.12 Indulgences, Not Waivers. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

Section 12.14 No Third Party Rights. This Agreement is intended to create enforceable rights between the parties hereto only, and creates no rights in, or obligations to any other Persons whatsoever.

Section 12.14 Time is of the Essence. Time is of the essence in the performance of each and every obligation herein imposed.

Section 12.15 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company, and no creditor will be entitled to require any Member to solicit or demand Capital Contributions from the other Member. The Company may not assign a Member's obligation to make Capital Contributions to any third party without the prior written consent of such Member.

Section 12.16 Specific Performance. Each Member agrees that the Company and the other Member would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that monetary damages would not provide an adequate remedy in such event. Accordingly, it is agreed that, in addition to any other remedy to which the Company and the non-breaching Member may be entitled, at law or in equity, the Company and the non-breaching Member shall be entitled to injunctive relief to prevent breaches of the provisions of this Agreement and to specifically enforce the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction thereof

1.1

.SIGNED ON THE FOLLOWING PAGE

**SIGNATURES OF THE PARTIES**

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered, or caused to be executed and delivered by a duly authorized officer or other representative, this LIMITED LIABILITY COMPANY AGREEMENT OF AM&ST ASSOCIATES, LLC effective as of the same day and year first above written.

**Further, the undersigned, as Members of the Company, acknowledge we have read and understand the foregoing Operating Agreement, and, as evidenced by our signatures below, the undersigned hereby acknowledge and agree to the provisions contained herein.**

**“A-Mark”**

A-Mark Precious Metals, Inc.  
a Delaware corporation

By: \_\_\_\_\_  
Gregory N. Roberts, CEO

**“ST/LP”**

Silver Towne, L.P.  
an Indiana limited partnership

By: Silver Towne, Inc., Its General partner

By: \_\_\_\_\_  
David Hendrickson, President

[AM&ST ASSOCIATES, LLC OPERATING AGREEMENT SIGNATURE PAGE]

---



**EXHIBIT A**  
**DEFINITIONS**

“Accountants” means an accounting firm as selected by the Management Committee.

“Additional Capital Contributions” means those capital contributions required pursuant to Section 3.2 of the Agreement.

“Affiliate” means, with respect to any specified Person, any other Person controlling, controlled by or under common control with such specified Person. For the purposes of this Agreement, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities or other beneficial interests, by contract or otherwise; and the terms “controls,” “controlling” and “controlled” have the meanings correlative to the foregoing means any Person controlling, controlled by or under common control with such Member.

“Agreement” means this Limited Liability Operating Agreement of AM&ST Associates, LLC, a Delaware limited liability company.

“A-Mark Manager” has the meaning set forth in Section 5.1.1 of the Agreement.

“Annual Budget” means, for each Fiscal Year, a budget adopted pursuant to Section 5.4 of the Agreement setting forth an annual budget for the operations of the Company, including sustaining capital expenses.

“Approved Capital Budget” has the meaning set forth in Section 5.4.2.

“Available Cash” means [eighty percent (80%)] of the Company’s Net Cash Flow.

“Business” has the meaning set forth in Section 1.4.

“Business Day” means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States, the State of Delaware, State of Indiana or the State of California shall not be regarded as a Business Day.

“Capital Account” has the meaning set forth in **Exhibit B** hereto.

“Capital Budget” means a budget adopted pursuant to Section 5.4 setting for the budget for a major capital project, including by way of example, an expansion of the Silver Towne Mint.

“Capital Contribution” means all of the Initial Capital Contributions and all of the Additional Capital Contributions of the Members required under the Agreement.

“Carry Notice” has the meaning set forth in Section 5.4.2.

“Carry Loan” has the meaning set forth in Section 3.2.3.

“Code” means the Internal Revenue Code of 1986, as amended.

“Company” means AM&ST Associates, LLC, a Delaware limited liability company, formed pursuant to its Certificate of Formation and the Agreement.

“Company Confidential Information” means any and all trade secrets, knowledge, data or know-how of the Company, and any technical, training and/or business information treated as confidential by the Company, whether relating to Company Proprietary Technology or the business or operations of the Company, including, without limitation, any formula, concept, process, design, device, software, system, list of customers, list of consignors, training manuals, marketing or sales or service plans, records, financial information, source codes, programs, inventions, techniques, new products, budgets, projections, licenses, prices, costs, compilations of information used in the Company’s Business or any other information of the Company, in each case, that is not readily available to the public; *provided* that Company Confidential Information shall not include information that (a) subsequent to its disclosure, is obtained from a third party in possession of such information and not under a contractual or fiduciary obligation to the Company to keep such information in confidence, (b) subsequent to its disclosure, enters the public domain (except where such occurrence is the direct result of a violation of Section 10.2), (c) prior to disclosure, was already known to the Person receiving such information, as evidenced by its written records, (d) is filed with any government or regulatory agency in a manner that makes such information publicly available, provided that the requirements of Section 10.2 have been satisfied, (e) is disclosed pursuant to any judicial or governmental requirement or order, provided that the requirements of Section 10.2 have been satisfied, or (f) is otherwise required by applicable law to be disclosed, provided that the requirements of Section 10.2 have been satisfied.

“Company Costs and Expenses” means all of the expenditures of any kind made or to be made with respect to the operations of the Company and permitted by the Annual Budget then in effect or otherwise permitted under the terms of this Agreement, which shall include, without limitation, any reasonable Company purpose relating to the Company, advertising and other marketing expenses, production costs, costs of precious metals, professional fees, utilities costs, overhead costs, general and administrative costs, and all other types of costs, expenses, charges, liabilities and obligations of the Company.

“Company Interest Rate” has the meaning set forth in Section 4.2.3

“Company Proprietary Technology” means any and all Company Confidential Information consisting of inventions, discoveries, formulas, concepts, processes, designs, devices, software, systems, new products, trademarks, trade names, service marks, copyrights, patents, trade secrets, knowledge, data or know-how owned by the Company or developed or made by, or caused to be developed or made by, the Company during the term of this Agreement.

“Company Relationship” has the meaning set forth in Section 3.3.2 .

“Company ROFR Exercise Notice” has the meaning set forth in Section 7.3.3.

“Company ROFR Exercise Period” has the meaning set forth in Section 7.3.3.

“Contributing Member” has the meaning set forth in Section 3.2.2

“Cram-Down Contribution” has the meaning set forth in Section 3.2.2

“Covered Person” has the meaning set forth in Section 11.1.1.

“Default Amount” has the meaning set forth in Section 3.2.2

“Default Capital Contributions” has the meaning set forth in Section 3.2.2

“Default Loan” has the meaning set forth in Section 3.2.2

“Default Rate” has the meaning set forth in Section 3.2.2

“Delaware Act” means the Delaware Limited Liability Company Law, as it may be amended from time to time and any successor to such Act.

“Effective Date” means the date of this Agreement.

“Fiscal Year” means the 12-month period ending on June 30th of each year; provided that the initial Fiscal Year shall be the period beginning on the Effective Date and ending June 30, 2017, and the last Fiscal Year shall be the period beginning on July 1 of the calendar year in which the final liquidation and termination of the Company is completed and ending on the date such final liquidation and termination is completed. To the extent any computation or other provision hereof provides for an action to be taken on a Fiscal Year basis, an appropriate proration or other adjustment shall be made in respect of the initial and final Fiscal Years to reflect that such periods are less than full calendar year periods.

“Governmental Authority” means any national or federal government, any state, regional, local or other political subdivision thereof with jurisdiction and any Person with jurisdiction exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Initial Capital Contributions” means those capital contributions required pursuant to Section 3.1 of this Agreement.

“Initial Member ROFR Notice” has the meaning set forth in Section 7.3.4.

“Initial Member ROFR Exercise Notice” has the meaning set forth in Section 7.3.4.

“Initial Member ROFR Exercise Period” has the meaning set forth in Section 7.3.4.

“Initial ROFR Notice” has the meaning set forth in Section 7.3.2.

“Initiation Notice” has the meaning set forth in Section 7.3.1.

“Lender Relationship” has the meaning set forth in Section 3.3.2.

“Managers” has the meaning set forth in Section 5.1.1.

“Management Committee” has the meaning set forth in Section 5.1.1.

“Major Decision” has the meaning set forth in Section 5.3.

“Members” means A-Mark and ST/LP, together with their permitted successors and assigns in their respective capacities as Members in the Company.

“Membership Interest” means the interest of a Member in the Company and its rights in the capital, profits, losses, gains, distributions or other economic interests of any type in or from the Company including, without limitation, such Member’s right: (a) to allocations of items of income, gain, loss, deduction, and credit of the Company as set forth in Exhibit B hereto; (b) to a distributive share of the assets of the Company as set forth in Article IV and Article IX; (c) to inspect the books and records of the Company; and (d) to participate in the management and operation of the Company in accordance with the terms set forth in Article V.

“Member Percentage Interest” means the percentage interest of a Member in certain allocations and distributions, as set forth on Exhibit C hereto.

“Net Cash Flow” means, for the period, the net income (or loss) of the Company for such period as determined in accordance with GAAP consistently applied, (a) adjusted to add thereto (to the extent deducted in determining net income), without duplication, the sum of (i) amortization expense for such period plus (ii) depreciation expense and any other non-cash items reducing net income for such period, (b) adjusted to deduct therefrom the sum of all capital expenditures during such period to the extent not deducted in determining such net income, (c) adjusted to add thereto, to the extent not duplicative of any adjustments provided for in clause (b), any decrease in working capital (current assets less current liabilities) of the Company during such period, (d) adjusted to deduct therefrom, to the extent not duplicative of any adjustments provided for in clause (b), any increase in working capital (current assets less current liabilities) of the Company during such period.

“Net Profit” and “Net Loss” have the meaning set forth in Exhibit B hereto.

“Non-Contributing Member” has the meaning set forth in Section 3.2.2.

“Normal Working Hours” means 8:00 a.m. through 5:00 p.m. in the time zone of the recipient.

“Other Member” has the meaning set forth in Section 7.3.1.

“Permitted Transfer” has the meaning set forth in Section 7.2.

“Person” means an individual, corporation, partnership, limited liability company, trust, estate, unincorporated organization, association or other legally recognized entity.

“Reasonable Period” means, with respect to any defaulting Member, a period of thirty (30) calendar days after such defaulting Member receives written notice of its default from a non-defaulting Member; provided, however, that if such a default cannot be reasonably cured within such thirty (30) day period, the period shall continue, if such defaulting Member commences to cure the default within such thirty (30) day period, for so long as such defaulting Member diligently prosecutes the cure to completion up to a maximum of sixty (60) calendar days.

“Recipient” has the meaning set forth in Section 10.2.5.

“Selling Member” has the meaning set forth in Section 7.3.1.

“Silver Towne Mint” means the precious metals mint acquired by the Company pursuant to the Asset Purchase Agreement between the Company as buyer and ST/LP as Seller, dated August \_\_, 2016

“Silver Towne Mint Assets” means the Acquired Assets as that term is defined in the Asset Purchase Agreement between the Company as buyer and ST/LP as Seller, dated August 31, 2016.

“ST/LP Capital Contribution” has the meaning set forth in Section 5.4.2.

“ST/LP Manager” has the meaning set forth in Section 5.1.1.

“ST/LP Representative” has the meaning set forth in Section 5.4.1.

“Taxing Authority” has the meaning set forth in Section 4.2.2.

“Term” has the meaning set forth in Section 1.3.

“Transfer” has the meaning set forth in Section 7.1.1.

“Withholding Advances” has the meaning set forth in Section 4.2.2.

**EXHIBIT B**

**CERTAIN TAX AND ACCOUNTING MATTERS**

**ARTICLE I  
ALLOCATION OF INCOME AND LOSSES**

Section 1.1 Certain Definitions. As used herein, the following terms have the following meanings, and capitalized terms not defined in this **Exhibit B** have the meanings ascribed to such terms in the Agreement of which this exhibit is a part:

“Adjusted Capital Account Balance” shall mean, with respect to any Member, the balance of such Member’s Capital Account as of the end of the relevant Fiscal Year adjusted by crediting to such Capital Account any amounts which such Member is obligated to restore pursuant to this Agreement or as determined pursuant to Regulations Section 1.704-1(b)(2)(ii)(c), or is deemed to be obligated to restore pursuant to the penultimate sentence of Regulations Section 1.704-2(g)(1) or Regulations Section 1.704-2(i)(5).

“Adjusted Capital Account Deficit” means, with respect to any Member for any taxable year or other period, the deficit balance, if any, in such Member’s Capital Account as of the end of such year or other period, after giving effect to the following adjustments:

(a) Credit to such Capital Account any amounts that such Member is obligated to restore or is deemed obligated to restore as described in the penultimate sentence of Treasury Regulation Section 1.704-2(g)(1) and in Treasury Regulation Section 1.704-2(i); and

(b) Debit to such Capital Account the items described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d) (4), (5) and (6).

“Book Basis” means, with respect to any asset of the Company, the adjusted basis of such asset for federal income tax purposes; provided, however, that (a) if any asset is contributed to the Company, the initial Book Basis of such asset shall equal its fair market value on the date of contribution, and (b) the Book Basis of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Management Committee, as of the following times: (i) the acquisition of an additional Membership Interest by any new or existing Member in exchange for more than a de minimis Capital Contribution; (ii) the distribution by the Company to a Member of more than a de minimis amount of property as consideration for a Membership Interest; and (iii) in connection with the liquidation of the Company within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (i) and (ii) above shall be made only if the Management Committee reasonably determine that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company. The Book Basis of all assets of the Company shall be adjusted thereafter by depreciation as provided in Treasury Regulation Section 1.704-1(b) (2) (iv)(g) and any other adjustment to the basis of such assets other than depreciation or amortization.

**B.**

“Capital Account” means the separate account maintained for each Member under Section 1.2 of this **Exhibit**

“Company Minimum Gain” means “partnership minimum gain” as defined in Treasury Regulation Section 1.704-2(d).

“Loss” means, for each taxable year or other period, an amount equal to the Company’s items of taxable deduction and loss for such year or other period, determined in accordance with Section 703(a) of the Code (including all items of loss or deduction required to be stated separately under Section 703(a)(1) of the Code), with the following adjustments:

(a) Any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) expenditures under Treasury Regulation Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Loss, will be considered an item of Loss;

(b) Loss resulting from any disposition of the assets of the Company with respect to which gain or loss is recognized for federal income tax purposes will be computed by reference to the Book Basis of such property, notwithstanding that the adjusted tax basis of such property may differ from its Book Basis;

(c) In lieu of depreciation, amortization and other cost recovery deductions taken into account in computing taxable income or loss, there will be taken into account depreciation for the taxable year or other period as determined in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(g);

(d) Any items of deduction and loss specially allocated pursuant to Section 1.4(a)-(g) of this **Exhibit B** shall not be considered in determining Loss; and

(e) Any decrease to Capital Accounts as a result of any adjustment to the Book Basis of Company assets pursuant to Treasury Regulation Section 1.704-1(b)(2) (iv)(f) or (g) or clauses (i) through (iii) if the definition of Book Basis shall constitute an item of Loss.

“Member Minimum Gain” means the Company’s “partner nonrecourse debt minimum gain” as defined in Treasury Regulation Section 1.704-2(i)(2).

“Member Nonrecourse Deductions” means “partner nonrecourse deductions” as defined in Treasury Regulation Section 1.704-2(i)(2).

“Net Loss” means, for any period, the excess of Losses over Profits, if applicable, for such period.

“Net Profit” means, for any period, the excess of Profits over Losses, if applicable, for such period.

“Nonrecourse Deductions” has the meaning set forth in Treasury Regulation Section 1.704-2(b)(1).

“Partially Adjusted Capital Account” shall mean, with respect to any Member as of the end of any period, the Adjusted Capital Account Balance of the Member at the beginning of the period, adjusted for all contributions to the capital of the Company and distributions by the Company during the period and all special allocations made in accordance with Section 1.4 of this **Exhibit B** with respect to the period, and assuming that amounts distributable for the period under Article IV are distributed during the period (and that such amounts are not taken into account again when they are actually distributed), but before giving effect to any allocations of Profits or Losses for the period under Section 1.3 of this **Exhibit B**.

“Profit” means, for each taxable year or other period, an amount equal to the Company’s items of taxable income and gain for such year or other period, determined in accordance with Section 703(a) of the Code (including all items of income and gain required to be stated separately under Section 703(a)(1) of the Code), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profit will be added to Profit;

(b) Gain resulting from any disposition of the property with respect to which gain or loss is recognized for federal income tax purposes will be computed by reference to the Book Basis of such property, notwithstanding that the adjusted tax basis of such property may differ from its Book Basis;

(c) Any items specially allocated pursuant to Section 1.4(a)-(g) of this **Exhibit B** shall not be considered in determining Profit; and

(d) Any increase to Capital Accounts as a result of any adjustment to the Book Basis of Company assets pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(f) or (g) or clauses (i) through (iii) if the definition of Book Basis shall constitute an item of Profit.

“Regulatory Allocations” has the meaning set forth in Section 1.4(g) of this **Exhibit B**.

“Target Capital Account” shall mean, with respect to any Member at any time, the Adjusted Capital Account Balance equal to (i) the hypothetical distribution that the Member would receive if all Company properties were transferred for cash equal to their Book Basis taking into account any adjustments for all prior periods, all liabilities of the Company became due and were satisfied according to their terms (limited, with respect to each nonrecourse liability, to the Book Basis of the property securing that liability), and all net assets of the Company (including the proceeds from the hypothetical transfer and any cash balances of the Company) were distributed pursuant to Article IV as of the last day of the period, reduced by (ii) the share of Company Minimum Gain and Member Nonrecourse Debt Minimum Gain allocable to the Member, as determined pursuant to Treasury Regulation Section 1.704-2, immediately prior to the hypothetical transfer.

“Treasury Regulation” or “Regulation” means, with respect to any referenced provision, such provision of the regulations of the United States Department of the Treasury or any successor provision.



Section 1.2 Maintenance of Capital Accounts. A separate Capital Account will be maintained for each Member in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv). Consistent therewith, the Capital Account of each Member will be determined and adjusted as follows.

(a) Each Member's Capital Account will be credited with:

(i) Any contributions of cash made by such Member to the capital of the Company plus the fair market value of any property contributed by such Member to the capital of the Company (net of any liabilities to which such property is subject or which are assumed by the Company);

(ii) The Member's distributive share of Net Profit and any items in the nature of income or gain specially allocated to such Member pursuant to Section 1.4 of this **Exhibit B**; and

(iii) Any other increases required by Treasury Regulation Section 1.704-1(b)(2)(iv).

(b) Each Member's Capital Account will be debited with:

(i) Any distributions of cash made from the Company to such Member plus the fair market value of any property distributed in kind to such Member (net of any liabilities to which such property is subject or which are assumed by such Member);

(ii) The Member's distributive share of Net Loss and any items in the nature of expenses or losses specially allocated to such Member pursuant to Section 1.4 of this **Exhibit B**; and

(iii) Any other decreases required by Treasury Regulation Section 1.704-1(b)(2)(iv).

(c) The initial Capital Account balance of each Member is set forth in **Exhibit C**, which balances have been determined in accordance with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(f).

(d) Notwithstanding anything in the Agreement or this Exhibit to the contrary, Capital Accounts shall not govern distributions by the Company, but rather shall be used solely for the purpose of assisting the Company in allocating items of income, gain, loss, deduction and credit for applicable income tax purposes.

Section 1.3 Allocations of Net Profit and Net Loss. For each taxable year or portion thereof, Net Profit and Net Loss shall be allocated as follows:

(a)

Generally. Except as provided in Section 1.1(b), after making any special allocations required under Section 1.4, Net Profits or Net Losses allocable to each Fiscal Year and

other taxable period shall be allocated to and among the Members so as to reduce, to the greatest extent possible, the respective differences between the Partially Adjusted Capital Account and Target Capital Account of each Member. To the extent the allocation of Net Profits or Net Losses does not cause the Partially Adjusted Capital Account of a Member to equal the Member's Target Capital Account, items of income or gain shall be reallocated to any Member with a Partially Adjusted Capital Account which is less than its Target Capital Account, and items of loss, deduction, or expense shall be reallocated to any Member with a Partially Adjusted Capital Account that is greater than its Target Capital Account, in each case in such manner so as to reduce, to the greatest extent possible, the aggregate differences between the Members' Target Capital Accounts and Partially Adjusted Capital Accounts.

(b)

Special Profits and Losses Allocations. At any time when all of the Members' Adjusted Capital Account Balances have been reduced to zero or below, the following allocations shall apply:

(i)

Net Losses. Net Losses shall be allocated (A) first, to the Members in proportion to and to the extent of the aggregate principal and interest balances on recourse borrowings by the Company (including Member loans) for which a Member or any Person related to such Member (within the meaning of Code Section 267(b) or 707(b)) bears the economic risk of loss, and (B) second, to the Members in proportion to their Percentage Interests.

(ii)

Net Profits. Net Profits shall be allocated (A) first, to the Members in proportion to and in reverse order of the Net Losses previously allocated to the Members pursuant to Section 1.3(b)(i)(B), and (B) second, to the Members in proportion to and in reverse order of the Net Losses previously allocated to the Members pursuant to Section 1.3(b)(i)(A). After making any special allocations required under Section 1.4, Net Profits or Net Losses of the Company for each Fiscal Year shall be allocated among the Members in accordance with their respective Percentage Interests. To the extent that there is a shift in the Percentage Interests of the Members due to substitutions, admissions, withdrawals, or otherwise, Net Profits, Net Losses, and, if necessary, items of income, gain, loss, or deduction shall be allocated to the Members other than in accordance with their Percentage Interests to the extent necessary to eliminate any distortions that might otherwise result from timing differences in the allocation of Net Profits or Net Losses and the distributions pursuant to Article IV.

Section 1.4 Other Allocation Provisions. The following special allocations shall, except as otherwise provided, be made in the following order:

(a) If there is a net decrease in Company Minimum Gain or in any Member Minimum Gain during any taxable year or other period, prior to any other allocation pursuant hereto, such Member shall be specially allocated items of income and gain for such year (and, if necessary, subsequent years) in an amount and manner required by Treasury Regulation Sections 1.704-2(f) or 1.704-2(i)(4). The items to be so allocated shall be determined in accordance with Treasury Regulation Section 1.704-2.

(b) Nonrecourse Deductions for any taxable year or other period shall be allocated (as nearly as possible) under Treasury Regulation Section 1.704-2 to the Members, pro rata in proportion to their respective Percentage Interests.

(c) Any Member Nonrecourse Deductions for any taxable year or other period shall be allocated to the Member that made or guaranteed or is otherwise liable with respect to the loan to which such Member Nonrecourse Deductions are attributable in accordance with principles under Treasury Regulation Section 1.704-2(i).

(d) Any Member who unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) which causes or increases a negative balance in his or its Capital Account shall be allocated items of Profit sufficient to eliminate such increase or negative balance caused thereby, as quickly as possible, to the extent required by such Treasury Regulation.

(e) No allocation or loss or deduction shall be made to any Member if, as a result of such allocation, such Member would have an Adjusted Capital Account Deficit. Any such disallowed allocation shall be made to the Members entitled to receive such allocation under Treasury Regulation Section 1.704-1(b)(2)(iv) in proportion to their respective Percentage Interests. If losses or deductions are reallocated under this Section 1.4(e) of this **Exhibit B**, subsequent allocations of income and losses (and items thereof) shall be made so that, to the extent possible, the net amount allocated under this Section 1.4(e) of this **Exhibit B** equals the amount that would have been allocated to each Member if no reallocation had occurred under this Section 1.4(e) of this **Exhibit B**.

(f) For purposes of Section 752 of the Code and the Treasury Regulations thereunder, excess nonrecourse liabilities (within the meaning of Treasury Regulations Section 1.752-3(a)(3)) shall be allocated to the Members pro rata in proportion to their respective Percentage Interests.

(g) The allocations contained in Sections 1.4(a), (b), (c), (d) and (e) of this **Exhibit B** (the “Regulatory Allocations”) are intended to comply with certain requirements of Treasury Regulation Sections 1.704-1 and 1.704-2. The Regulatory Allocations shall be taken into account in allocating Profits, Losses, Net Profit and Net Loss and other items of income, gain, loss and deduction among the Members so that to the extent possible, the aggregate of (i) the allocations made to each Member under this Agreement other than the Regulatory Allocations and (ii) the Regulatory Allocations made to each Member shall equal the net amount that would have been allocated to each Member had the Regulatory Allocations not occurred. The Management Committee shall take account of the fact that certain of the Regulatory Allocations will occur at a period in the future for purposes of applying this Section 1.4(g) of this **Exhibit B**.

(h) Transfer of Membership Interest. Except to the extent otherwise required by the Code and Regulations, if a Membership Interest or part thereof is transferred in any Fiscal Year, the items of income, gain, loss, deduction and credit allocable to such Membership Interest for such Fiscal Year shall be apportioned between the transferor and the transferee in proportion to the number of days in such Fiscal Year the Membership Interest is held by each of

them, except that, if they agree between themselves and so notify the Company within thirty days after the transfer, then at their option, (i) all items or (ii) extraordinary items, including capital gains and losses, may be allocated to the person who held the interest on the date such items were realized or incurred by the Company. At the request of the transferee, the Company shall make the election provided for in Code Section 754; provided, that the transferee reimburses the Company for the reasonably anticipated cost of such election, as determined by the Company.

Section 1.6 Allocations for Income Tax Purposes. The income, gains, losses, deductions and credits of the Company for federal, state and local income tax purposes shall be allocated in the same manner as the corresponding items entering into the computation of Net Profit and Net Loss were allocated pursuant to Sections 1.3 and 1.4 of this **Exhibit B**; provided that solely for federal, local and state income and franchise tax purposes and not for book or Capital Account purposes, income, gain, loss and deduction shall be allocated, other than with respect to the tax basis of property, as follows: (i) in the case of property contributed in kind, in accordance with the requirements of Code Section 704(c) and such Regulations as may be promulgated thereunder from time to time, and (ii) in the case of other property, in accordance with the principles of Code Section 704(c) and the Regulations thereunder as incorporated among the requirements of the relevant provisions of the Regulations under Code Section 704(b).

## **ARTICLE II MISCELLANEOUS MATTERS**

### Section 2.1 Preparation of Records and Returns: Tax Matters Partner.

(a) All financial and accounting books and records of the Company shall be prepared under the direction of A-Mark. The determination of whether the Company shall make available elections for accounting or federal, state or local income tax purposes shall be made by A-Mark. A-Mark is hereby designated as the “tax matters partner” for the Company (as such term is defined in Section 6231(a)(7) of the Code). The tax matters partner shall promptly notify Members who do not qualify as “notice partners” within the meaning of Code Section 6231(a)(8) and all other Members at the beginning and completion of an administrative proceeding at the Company level promptly upon such notice being received by the tax matters partner.

(b) All federal, state and local income tax returns shall be prepared, and all tax audits and litigation shall be conducted under the direction of A-Mark, after consultation with ST/LP, at the expense of the Company. Promptly after the end of each Fiscal Year, A-Mark will prepare and will cause the Accountants to review, sign and deliver to each Member a federal tax return for the Company and individual federal K-1’s and related state information to enable the each Member to timely prepare its federal, state and local income tax returns in accordance with applicable laws, rules and regulations.

Section 2.2 Method of Making Contributions. References to contributions of property appearing in the Agreement are included for the purpose of conforming to the requirements set forth in the Regulations and shall not give rise to an inference that contributions may be made in a form other than cash except as set forth in the Agreement or any other written agreement of the Members.



**EXHIBIT C**

**INITIAL CAPITAL CONTRIBUTIONS AND PERCENTAGE INTERESTS  
OF THE MEMBERS**

<b><u>Member</u></b>	<b><u>Initial Capital Contribution</u></b>	<b><u>Percentage Interest</u></b>
A-Mark Precious Metals, Inc.	\$4,221,250.00	55%
Silver Towne, L.P.	\$3,453,750.00	45%

**EXHIBIT D**

**INITIAL ANNUAL BUDGET**

C-1

**ASSET PURCHASE AGREEMENT**

**BY AND BETWEEN**

**SILVER TOWNE, L.P.**

**AS**

**SELLER**

**AND**

**AM&ST ASSOCIATES, LLC**

**AS**

**BUYER**

**Dated: August 31, 2016**

---



## ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") dated as of August 31, 2016 is between SILVER TOWNE, L.P., an Indiana limited partnership ("Seller"), and AM&ST ASSOCIATES, LLC, a Delaware limited liability company, or its assignee ("Buyer").

### R E C I T A L S:

A. Seller through an unincorporated division owns and operates a precious metals mint under the trade name "Silver Towne Mint" which produces bullion custom rounds, bars and private mint coins, including privately minted specialty proprietary branded coins (the "Mint Business") from its mint located at 950 East Base Road, Winchester, Indiana 47394 (the "Silver Towne Mint").

B. Seller desires to sell and contribute and Buyer desires to purchase and accept the Silver Towne Mint and the Mint Business and the assets used in connection with the operation of the Mint Business that are identified in Section 2.1 hereof through a combination of the purchase of an Fifty-One and 53/100 Percent (51.53%) undivided interest in the Acquired Assets (as defined in Section 2.1 below) and the contribution of the remaining Forty-Eight and 47/100 Percent (48.47%) undivided interest in the Acquired Assets to the Buyer, in exchange for the Membership Interest (as defined below), and Buyer desires to license from Seller and Seller is willing to license to Buyer the rights to use certain other assets used in connection with the Mint Business as more fully set forth in Section 2.1, all upon the terms and conditions contained in this Agreement.

C. Seller also owns and operates other businesses (hereinafter, the "Seller Retained Business") that are engaged solely in the purchase and sale of numismatic coins on a wholesale and retail basis, under the name Silver Towne. Seller is not selling, but is retaining, the Seller Retained Business, and Seller is not selling, but is licensing to Buyer, the use of the name "Silver Towne" and related logos, for use in the Mint Business, all as more fully set forth hereinafter.

The parties therefore agree as follows:

### ARTICLE I DEFINITIONS

When used in this Agreement, the following terms have the following meanings:

"Affiliate" means, with respect to any given Person, any other Person at the time directly or indirectly controlling, controlled by or under common control with that Person. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Buyer Indemnites" means Buyer, each Affiliate of Buyer, and each of its respective Representatives and each of the heirs, executors, successors and assigns of any of the foregoing.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor law, and regulations issued by the IRS pursuant thereto.

---

“Consent” means any approval, consent, ratification, filing, declaration, registration, waiver, or other authorization required to be obtained to enable either of the parties to enter into this Agreement or to consummate the transactions contemplated hereby.

“Contract” means any agreement, contract, equipment lease, obligation, promise, arrangement, or undertaking that is legally binding.

“Environmental Claim” means (i) any investigative, enforcement, remediation, cleanup, abatement, removal, response, Remedial Action or governmental or regulatory action at any time threatened, instituted or completed pursuant to any applicable Environmental Law against Seller or against or with respect to the Mint Business or any other business conducted at the Silver Towne Mint, or against or with respect to the Acquired Assets, or any condition, use or activity on or relating to the Mint Business or any other business conducted at the Silver Towne Mint or the Acquired Assets, and (ii) any claim at any time threatened or made by any person against Seller or against or with respect to the Mint Business or any other business conducted at the Silver Towne Mint, or against or with respect to the Acquired Assets, or any condition, use or activity on or relating to the Mint Business, or any other business conducted at the Silver Towne Mint, or the Acquired Assets relating to damage, contribution, cost recovery, compensation, loss, liability or injury resulting from or in any way arising in connection with any Hazardous Material or any Environmental Law.

“Environmental Law” means any Law relating to the environment, natural resources, or public or employee health and safety, and includes the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq., the Clean Water Act, 33 U.S.C. § 1251 et seq., the Clean Air Act, 33 U.S.C. § 2601 et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., the Oil Pollution Act of 1990, 33 U.S.C. § 2701 et seq., and the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq.

“ERISA” means the Employee Retirement Income Security Act of 1974 or any successor law, and regulations and rules issued pursuant thereto.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, or any successor law, and any rules or regulations issued pursuant thereto.

“GAAP” means generally accepted United States accounting principles.

“Governmental Authority” means any (1) nation, state, county, city, town, village, district, (2) federal, state, local, municipal, foreign, or other government, (3) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal, including an arbitral tribunal), (4) multi-national organization or body, or (5) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing power of any nature.

“Hazardous Material” means any substance, material or waste which is regulated under Environmental Law, including, without limitation, any material, substance or waste that is defined as a "solid waste," "hazardous waste," "hazardous material," or "hazardous substance" under any provision of Environmental Law. "Hazardous Material" shall include any hazardous, dangerous or

toxic chemical, waste, byproduct, pollutant, contaminant, compound, product or substance, including without limitation, asbestos, solvents, degreasers, urea formaldehyde, polychlorinated biphenyls, dioxins, petroleum, petroleum products, gasoline, diesel fuel or other petroleum hydrocarbons, including crude oil and fractions thereof, natural gas, synthetic gas and any mixtures thereof, and any other material (a) the exposure to or the possession, presence, use, management, handling, generation, manufacture, production, storage, treatment, Release, threatened Release, discharge, disposal, transportation, reporting, remediation, Remedial Action, cleanup, abatement or removal of which is prohibited, controlled or regulated in any manner under any Environmental Law; or (b) the presence of which on a property causes or threatens to cause a contamination or nuisance upon the property or to adjacent properties or poses or threatens to pose a hazard to the environment or to health or safety of persons on or about a property.

“Indemnifiable Losses” means (a) all out of pocket losses, liabilities, taxes, damages, deficiencies, obligations, fines, out of pocket expenses, claims, demands, actions, suits, proceedings, judgments or settlements, whether or not resulting from third party claims, incurred or suffered by an indemnitee, including interest and penalties with respect thereto and reasonable out-of-pocket expenses and reasonable attorneys’ and accountants’ fees and disbursements incurred in the investigation or defense of any of the same or in asserting or enforcing any of the indemnitee’s rights hereunder, (b) all losses, damages (including compensatory, punitive and natural resource damages), demands, claims, suits, proceedings, actions, causes of action, assessments, judgments, liens, encumbrances, taxes, fines, penalties (civil or criminal), costs (including, without limitation, storage, treatment, disposal, transportation, remediation, Remedial Action, cleanup, abatement, removal, response, inspection, reporting and other costs relating to Hazardous Material), expenses (including, without limitation, reasonable litigation and defense expenses, court costs, and attorneys’ fees, whether incurred with or without the filing of suit, on appeal or otherwise, and consultant and expert fees, investigation expenses and laboratory expenses), good faith settlements of claims and liabilities of any kind, nature or character whatsoever, including without limitation, those arising under any applicable Environmental Law (including strict and joint and several liability); and (c) all losses, liens, encumbrances, taxes, fines, penalties (civil or criminal), costs of investigation and defense of a claim (whether or not such claim is ultimately defeated) and good faith settlement of claims relating to liability to or arising from the failure to obtain or maintain necessary Permits to operate the Mint Business or any other business conducted at the Silver Towne Mint.

“Intellectual Property” means all intellectual property owned, used or licensed by the Seller, or in any product, service, technology or process currently offered by the Seller for use in the Mint Business.

“IRS” means the United States Internal Revenue Service or any successor agency, and, to the extent relevant, the United States Department of the Treasury.

“Law” means any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or treaty.

“Legal Proceeding” means any judicial, administrative or arbitral action, suit, claim, investigation or proceeding, whether at law or in equity, civil or criminal in nature, before a Governmental Authority.

“Lien” means, with respect to the property of any Person, any claim, lien, pledge, option, charge, easement, security interest, deed of trust, mortgage, right-of-way, encroachment, building or use restriction, conditional sales agreement, encumbrance, whether voluntarily incurred or arising by operation of law, and includes, without limitation, any agreement to give any of the foregoing in the future, and any contingent sale or other title retention agreement or lease in the nature thereof.

“Material Adverse Effect” means:

- (1) When used with reference to the Mint Business, a state of facts, event, consequence, result or change (collectively herein “effect”) that materially and adversely affects, or would reasonably be expected to affect materially and adversely, any portion of the Mint Business or the Mint Business considered as a whole or the Acquired Assets or the condition (financial or other), or operating results of the Mint Business considered as a whole or which would prevent Seller from consummating the transactions contemplated hereby or which would prevent the Buyer from assuming the operation of the Mint Business as represented by the Seller, the costs of such effect, when aggregated with all other costs of similar effect, exceeds Twenty Five Thousand Dollars (\$25,000); and
- (2) When used with reference to the Buyer, a state of facts, event, consequence, result or change that materially and adversely affects, or would reasonably be expected to affect materially and adversely, the condition (financial or other) or operating results of Buyer or that would prevent Buyer from consummating the transactions contemplated hereby, the costs of such effect, when aggregated with all other costs of similar effect, exceeds Twenty Five Thousand Dollars (\$25,000).

“Mint Business Confidential Information” means information that is owned and used by Seller in the conduct of the Mint Business and is not publicly available, nor available from sources other than Seller and shall include, without limitation, the Mint Business Records (as defined below); provided, however, that each of the parties hereby acknowledges and agrees that neither the “Mint Business Confidential Information” nor the Mint Business Records shall include the Retained Business Information (as defined below in this Article 1).

“Mint Business Customers” means all Persons that purchased any Mint Products or services prior to the Closing Date.

“Mint Business Records” means all business and accounting records in the possession or control of Seller that relate to the Mint Business (and the Acquired Assets including, but not limited to, website and application content (including all graphics, text, articles, information on the Mint Business website), all logs outgoing/incoming e-mails, website traffic and all backups, all of which are being transferred to the Buyer), including, but not limited to, (i) all historical purchase and production records and data, acquired, created or generated by or for and used in or by the Mint Business, such as, but not limited to, any records or information relating to transactions between any of the Mint Business, on the one hand, and any Persons who are or were Mint Business Customers (even if they also are or were customers or vendors of the Seller Retained Business); (ii) all other information relating to or arising out of the operation of the Mint Business, including all internal reports and purchasing records. For avoidance of doubt, Mint Business Records expressly exclude Seller’s employee personnel records.

“Mint Products” means any products produced by the Mint Business, including bullion custom rounds, bars and private mint coins, including privately minted specialty proprietary branded coins

“Order” means any award, decision, injunction, judgment, order, ruling, or verdict of any court, arbitral tribunal, administrative agency, or other Governmental Authority.

“Ordinary Course of Business” means, with respect to an action taken by a Person, that that action is (1) consistent with the past practices of that Person and taken in the ordinary course of the normal day-to-day operations of that Person, and (2) is not required under applicable law to be authorized by the board of directors of that Person (or by any Person or group of Persons exercising similar authority).

“Permits” means governmental licenses, permits, authorizations, franchises, certificates or rights required to operate the Mint Business.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, governmental body or authority or any other entity.

“Release” means any release, spill, emission, leaking, pumping, pouring, dumping, emptying, injection, deposit, disposal, discharge, dispersal, leaching, or migration on or into the indoor or outdoor environment or into or out of any property.

“Related Party” means an Affiliate, or any Person owning ten percent (10%) or more of an Affiliate.

“Remedial Action” means all actions, including, without limitation, any capital expenditures, required by any Governmental Authority to (1) remediate, clean up, abate, remove, respond, store, treat, dispose, transport, inspect, report or in any other way address any Hazardous Material or other substance, (2) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material or other substance so it does not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, (3) prepare work plans and other reports related to the Remedial Action, (4) perform pre-remedial studies and investigations, feasibility studies, remedial design or post-remedial operations, maintenance or monitoring, or (5) bring facilities on any property owned, operated or leased by Seller and the facilities located and operations conducted thereon into compliance with all Environmental Laws.

“Representative” means with respect to a particular Person, any director, officer, employee, agent, consultant, or advisor of that Person, including legal counsel, accountants, and financial advisors.

“Retained Business Information” means any information which is or has been used by or in the conduct of the Seller Retained Business, and not otherwise used by or in the conduct of the Mint Business, as follows: (i) the identities of and other information about Persons who are or have been customers of one or more of the Seller Retained Business, but who are not Mint Business Customers; (ii) information relating to transactions between the Seller Retained Business and its customers or vendors, even if any such customers or vendors also are or have been Mint Business Customers, but excluding information which constitutes Mint Business Confidential Information or Mint Business

Records; (iii) any and all trade names, brand names or trade marks used by Seller (other than the tradenames which are being licensed hereunder to Buyer and identified in Schedules 2.1(1), or (2) hereto), and (iv) all other information relating to or arising out of the operations of the Seller Retained Business that is not Mint Business Confidential Information or Mint Business Records .

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, or any successor law, and rules or regulations issued pursuant thereto.

“Seller Indemnitees” means Seller, each Affiliate of Seller, and each of its respective Representatives and each of the heirs, executors, successors and assigns of any of the foregoing.

“Seller Retained Assets” means the assets of Seller which are not being sold or transferred to Buyer pursuant to this Agreement.

## ARTICLE 2 PURCHASE AND SALE

2.1 Acquired Assets. Seller will sell to Buyer, and Buyer will purchase from Seller, at Closing (as defined in Section 7.1 herein), all of Seller’s rights, title and interests in and to an Fifty-One and 53/100 Percent (51.53%) undivided interest the following assets and properties used in the operation of or otherwise in connection with the Mint Business, including the goodwill of such Business (collectively, the “Acquired Assets”):

- (1) an irrevocable, perpetual, exclusive, royalty free, world-wide, assignable, license to use the trade name “Silver Towne” and any variation thereof in connection with the Mint Business, and any trademarks and service marks consisting of or incorporating the designation “Silver Towne”, including all intellectual property rights and logos related thereto, owned by Seller (the “License Agreement”), as set forth on Schedule 2.1(1).
- (2) all other Intellectual Property rights in Minted Products, and or related to the operation of the Silver Towne Mint, as more particularly described on Schedule 2.1(2).
- (3) all current and historical Silver Towne Mint product designs and related dies, and any other designs or dies related to the Acquired Assets.
- (4) all post office box addresses and access and the following telephone numbers exclusively used in connection with the conduct of the Mint Business, which includes: (765) 584-6468 (telephone) and (765) 584-3419 (facsimile), and Buyer’s right to retain (at Buyer’s expense following the Closing) placement in any directory or advertising associated with such telephone numbers and names of the Mint Business, and as set forth on Schedule 2.1(4).
- (5) The exclusive rights to have and to use the Mint Business Customers, who are identified on Schedule 2.1(5) hereto (the “Mint Business Customer List”).

- (6) all domain names and web site assets owned by Seller and used in the conduct of the Mint Business, including, without limitation, those which are listed on Schedule 2.1(6) hereto (the "Mint Business Website Assets").
- (7) The Mint Business Records (as defined above), whether created by Seller or acquired from any third party, whether in electronic form or hard copy, subject to the right of Seller to retain copies of such Mint Business Records in electronic form solely for purposes of satisfying its obligations under Section 2.8(9).
- (8) all of Seller's rights arising from and after the Closing under the Contracts relating to the conduct of the Mint Business which Buyer has agreed to assume, a list of which Contracts is set forth on Schedule 2.1(8) hereto (the "Assumed Contracts").
- (9) the office furniture, fixtures, supplies, machinery, tools, spare parts and equipment, production consumables, and vehicles utilized by Seller in the Mint Business, including without limitation, those items identified in Schedule 2.1(9) hereto (including customer data, e-mail address lists), website and application content (including all graphics, text, articles, information on the Mint Business websites), all logs outgoing/incoming e-mails, website traffic and all backups and all associated documentation which is loaded on any computer or server ("Tangible Personal Property").
- (10) all of Seller's rights and remedies under warranty or otherwise, against a manufacturer, vendor, or other Person for any defects in any Acquired Asset.
- (11) all of Seller's prepaid expenses related to the Mint Business;
- (12) all Permits used or required on the operation of the Mint Business if and to the extent that (i) such Permits are assignable under applicable law and (ii) Buyer has obtained any necessary Consents for the assignment thereof by Seller to Buyer. A list of such Permits is set forth in Schedule 2.1(12).
- (13) the causes of action, claims, suits, proceedings, or demands, of whatsoever nature, of or held by Seller against any third parties arising out of or related to the Mint Business and which concern operation of the Mint Business after the Closing, all of which are listed on Schedule 2.1(13) (the "Assigned Claims").
- (14) all promotional materials, photographs and images and stationary, that have been used by Seller in the conduct of any of the Mint Business.
- (15) all goodwill associated with the Mint Business and the Acquired Assets (exclusive of any goodwill associated with any trademarks and service marks consisting of or incorporating the designation "Silver Towne", which are the subject of the License Agreement).
- (16) Any other assets of Seller that are not identified above in this Section 2.1 that are used by Seller in the conduct of the Mint Business and which are reasonably necessary for the conduct of the Mint Business in the manner and to the extent to which Seller has conducted it prior to the Closing; provided that, in no event shall these other assets include (i) any of the assets included

among the Excluded Assets as set forth in Section 2.2, or (ii) the Retained Business Information; provided further if any property is included in the Real Property PSA/Lease that is necessary for the conduct of the Mint Business but is not owned by Seller, Seller shall arrange for Buyer to acquire an interest in such property at the Closing.

2.2 Excluded Assets. Seller shall retain and not sell to Buyer, and Buyer will not purchase from Seller: (i) any of the Seller Retained Assets, and (ii) the following (collectively, the “Excluded Assets”), which shall include, without limitation:

- (1) all of Seller’s in process silver, finished goods and pre-paid orders
- (2) all of Seller’s accounts, notes and other receivables and any other rights to payment, that arose, or may arise between the date hereof and the Closing, out of any of the operations of any of the Mint Business, (the “Mint Business Accounts Receivable”).
- (3) Seller’s cash on hand or in transit, bank deposits, and all of Seller’s cash equivalents and securities or other investments.
- (4) all books, records, files, and other documents solely relating to any of the Seller Retained Business; and
- (5) all office furniture and equipment not acquired by Buyer pursuant to Section 2.1(7).

2.3 Assumption of Liabilities and Obligations.

- (1) Retained Liabilities. Except for the Buyer Assumed Obligations set forth or referenced in Section 2.3(2) below, Seller shall retain and perform or otherwise discharge when due in accordance with their terms (without any liability, cost or expense to Buyer), the following liabilities or obligations, whether known or unknown, fixed or contingent, matured or unmatured, certain or uncertain, disclosed or undisclosed (the “Seller Retained Liabilities”):

(i) obligations and liabilities of Seller, including those of the Mint Business, that have or will have arisen prior to the Closing Date, including without limitation, all liabilities or obligations of Seller resulting from Seller’s activities in operating the Mint Business prior to the Closing Date, all Mint Business accounts payable, and all accrued payroll and other amounts owed to Seller’s employees, (ii) obligations and liabilities relating to the failure to obtain necessary Permits, including the cost to obtain such permits, and to accomplish the Post Closing Matters, (iii) obligations and liabilities relating to any Environmental Claim that is made after the Closing Date to the extent arising from or related to Seller’s or its predecessors’ activities in operating the Mint Business or any other business conducted at the Silver Towne Mint prior to the Closing Date, and (iv) the obligations and liabilities of Seller arising from and after the Closing Date, other than the Buyer Assumed Obligations.

- (2) Assumed Obligations. Notwithstanding Section 2.3(1) above, on the Closing Date Buyer shall assume, and from and after the Closing Date Buyer shall be responsible for and shall discharge



when due, in accordance with their terms (without any liability, cost or expense to Seller) only the following described obligations and liabilities: (i) the executory obligations arising from or after the Closing Date under the Assumed Contracts which are identified in Schedule 2.1(8) hereto, and (ii) all obligations and liabilities arising out of or in connection with or resulting from Buyer's ownership and operation of the Mint Business after the Closing Date (collectively, the "Buyer Assumed Obligations"). Buyer is not assuming and is not responsible for any obligations or liabilities of any nature that are not Buyer Assumed Obligations.

2.4 Purchase Price. The purchase price for the Acquired Assets (the "Purchase Price") is Three Million Six Hundred Seventy-One Thousand Two Hundred Fifty Dollars (\$3,671,250.00). Buyer shall pay the Purchase Price as follows:

- (1) At the Closing, Buyer shall: (i) pay to Seller the amount of Three Million One Hundred Seventy-One Thousand Two Hundred Fifty Dollars (\$3,171,250.00), by wire transfer of funds to a bank account designated by Seller on or prior to the Closing Date, (ii) deliver its unsecured promissory note in the principal amount of Five Hundred Thousand Dollars (\$500,000.00), in the form attached hereto as Exhibit 2.4(1) (the "Buyer's Note"), due and payable on the first anniversary date of the Closing,

#### 2.5 Contingent Purchase Price/Earnout Payments.

- (1) As additional consideration for Seller's sale of the Mint Business and Acquired Assets to Buyer, Buyer shall pay Seller three (3) additional payments (the "Earnout Payments") determined by the performance of the Mint Business during each of the three (3) twelve (12) month periods commencing on the Closing Date (each an "Earnout Period"). Each Earnout Payment shall be calculated as set forth on Schedule 2.5 (1) attached hereto.
- (2) Buyer agrees to maintain, throughout the Earnout Periods and for at least one year thereafter, complete and accurate books, records and accounts needed to enable determinations to be made, without undue effort and expense, of the Earnout Payment. Within sixty (60) days following the end of each Earnout Period Buyer shall submit to Seller a written report setting forth the calculation of the Earnout Payment, if any, due for such Period (an "Earnout Report"). The Earnout Report also shall be accompanied by a certification, signed by the President or Chief Financial Officer of Buyer, in their capacities as such and on behalf of Buyer, certifying that the information contained in the Earnout Report is accurate and complete in all material respects and that the determinations of the Earnout Payment, if any, due Seller, were made in accordance with Section 2.5(1). In the event that an Earnout Report shows that an Earnout Payment is due to Seller, such payment shall be made to Seller concurrently with the issuance of the Earnout Report subject to the other provisions of this Agreement.
- (3) Seller shall have a period of thirty days (30) days after the receipt of each Earnout Report within which to have its outside accountants review Buyer's books and records related to the preparation of the Earnout Report on a confidential basis to verify the correctness and completeness of the information contained in the Earnout Report. Buyer and Seller acknowledge the confidential nature of Buyer's books and records, accordingly Buyer shall only make such books and records, available for inspection by Seller's outside accountants who agree to be bound by a written confidentiality agreement, at Buyer's principal offices in

Santa Monica, California and/or Winchester, Indiana and shall cooperate with Seller's outside accountants with such review. If Seller's outside accountants believe that any of Buyer's determinations as to the Earnout Payment set forth in Buyer's Earnout Report was not correct and that Seller is entitled to a Earnout Payment (in the event Buyer's Earnout Report indicated that no such Payment was due) or a Earnout Payment greater in amount than was shown in that Report, Seller shall have until the thirtieth (30th) day following its receipt of Buyer's Earnout Report (the "Deficiency Notice Deadline") to provide Buyer with a written notice (a "Deficiency Notice"), specifying the amount of the Earnout Payment that Seller believes was properly due it for the Earnout Period to which that Report relates, together with a written statement setting forth the basis for such belief. If Seller fails to provide a Deficiency Notice by the Deficiency Notice Deadline, Buyer's determination of the Earnout Payment (if any) for such Earnout Period shall be final and binding on the parties and non-appealable by the Seller, and Seller shall be deemed to have accepted and shall not be entitled thereafter to dispute the information contained in the Buyer Earnout Report for such Earnout Period or to have access to Buyer's books and records for purposes of asserting any dispute. If, on the other hand, such a Deficiency Notice is provided to Buyer by Seller on or prior to the Deficiency Notice Deadline, Buyer shall have a period of ten (10) days following its receipt of such Deficiency Notice to review same, and if Buyer does not agree with Seller's determinations, to provide Seller a written notice (a "Dispute Notice") specifying the Buyer's response or exceptions to the Seller's assertions in the Deficiency Notice. Failure by Buyer to provide Seller with a Dispute Notice within that 10-day period shall constitute Buyer's acceptance of Seller's determination of the amount of the Earnout Payment as set forth in Seller's Deficiency Notice and, in that event Seller's determination shall be final and binding on and nonappealable by the parties.

- (4) If Buyer has disputed Seller's determination of the amount of the Earnout Payment set forth in a Seller Deficiency Notice, as aforesaid, then during the succeeding five (5) days the parties shall attempt in good faith to resolve their differences by mutual agreement. If they are not able to do so, then each of Seller and Buyer shall have a period of five (5) days thereafter within which to notify the other, in writing, that it desires to have the dispute resolved by binding resolution. In that event, within the next succeeding five (5) days, the parties by mutual agreement shall select an accounting firm to resolve the dispute (the "Review Accountant") who shall enter into a written confidentiality agreement with Buyer for this purpose, or, if the parties cannot agree on the Review Accountant within such five (5) days, the Review Accountant shall be selected by mutual agreement of the parties' respective independent public accountants. The determination of the Review Accountant shall be final and binding on and non-appealable by the parties. If it is finally determined, either by mutual agreement of the parties or by the Review Accountant that Buyer underpaid the amount of the Earnout Payment due Seller (a "Payment Shortfall"), then within the succeeding five (5) days Buyer shall pay that Payment Shortfall to Seller plus accrued interest thereon from the date of the underpayment at 5% per annum or the maximum interest permitted by law, whichever is less, and, if the amount of the disputed Earnout Payment originally paid by Buyer was less than ninety-five percent (95%) of the amount of the Earnout Payment finally determined to be due by Buyer to Seller, Buyer also shall reimburse Seller for the reasonable fees and expenses of its outside accountant in connection with the review of Buyer's books and records that led to the determination of the Payment Shortfall. If the Review Accountant determines, instead, that there was no Payment Shortfall, then, no additional amount shall be due by Buyer to Seller. If the Review Accountant

determines there has been an overpayment, the amount thereof shall be repaid by Seller to Buyer within five (5) days of Seller's receipt of the Review Accountant's determination. The fees and expenses of the Review Accountant shall be paid by the losing party in the dispute. The prevailing party shall be the Seller if the Review Accountant determines that there was a Payment Shortfall in excess of five percent (5%) of the total Payment Shortfall (and not individual components of the Earnout Payment as described in Schedule 2.5(1)) and shall, instead, be the Buyer if the Review Accountant determines that the Payment Shortfall is less than five percent (5%). Notwithstanding any term of this Section to the contrary, the Review Accountant shall not determine any issue of interpretation of this Agreement and shall only provide accounting determinations. The determinations of the Review Accountant shall be final, binding and conclusive upon the parties.

- (5) Notwithstanding anything else to the contrary in this Section 2.5, if the Earnout Payment has been reduced by setoff as permitted by this Agreement, the parties shall resolve the Earnout Payment without reference to the setoff reduction, and any disagreement regarding the setoff reduction shall not be subject to this Section 2.5 but shall be addressed pursuant to other provisions of this Agreement.

2.6 Purchase Price Allocation. The parties shall do the following:

- (1) allocate the Purchase Price among the Acquired Assets in accordance with Section 1060 of the Code and the regulations thereunder; and
- (2) reflect the allocation of the Purchase Price as set forth on Schedule 2.6(2) on a completed Internal Revenue Service Form 8594.

2.7 Transaction Documents. It is a condition to consummation of the transactions contemplated by this Agreement that the parties to or signatories of the following agreements and other documents (together with this Agreement, the "Transaction Documents") execute and deliver them at or on the Closing Date:

- (1) Buyer's Note in the form of Exhibit 2.4(1)
- (2) An assignment and assumption agreement in the form of Exhibit 2.7(1) (the "Assignment and Assumption Agreement"), pursuant to which Seller shall assign the Assumed Contracts to Buyer and Buyer shall expressly assume and agree to perform when due, the Buyer Assumed Obligations.
- (3) any deeds, assignments, assignment of trademark, bills of sale, certificates of title and other instruments of transfer and conveyance as are reasonably necessary to convey to Buyer good and marketable title to the Acquired Assets and are satisfactory to Buyer's counsel.
- (4) the License Agreement in the form of Exhibit 2.7 (3).
- (5) the Non-Competition Agreement between Buyer and Seller in the form of Exhibit 2.7(4);
- (6) the Administrative Services Agreement in the form of Exhibit 2.7(5) hereto, which shall, among other things, set forth the obligations of Seller post-Closing; and

- (7) any other document reasonably required by Buyer or Seller to better evidence or effectuate the transactions contemplated by this Agreement, including the matters set forth in Section 2.8 below.

2.8 Certain Other Agreements:

- (1) Confidentiality. Except as otherwise set forth below in this Section 2.8(1), Seller shall not, without the prior written consent of Buyer, retain, use, reveal or make accessible to any Person any of the Mint Business Confidential Information (as hereinabove defined). For purposes of this Section 2.8(1), the term “Mint Business Confidential Information” does not include any information that is already available to the public or becomes available to the public or from third parties other than by means of a breach of this Section 2.8(1). In addition, Seller may, without breaching this Section 2.8(1), disclose any Mint Business Confidential Information that it is required to disclose pursuant to any subpoena or other legal process served on Seller or any of its Affiliates or Representatives or pursuant to any Laws applicable to Seller or any of its Affiliates, provided that Seller shall promptly (and in any event at least 72 hours in advance of any proposed disclosure) notify Buyer of its receipt of any such subpoena or other legal process or its determination that it is required to disclose any Mint Business Confidential Information under any applicable Law, and identifying the information to be so disclosed and, at the expense of Buyer, Seller shall provide Buyer with such reasonable cooperation as Buyer may request of Seller in any efforts by Buyer to quash any such subpoena or other legal process or obtain a protective order with respect to the Mint Business Confidential Information to be so disclosed.
- (2) Use of Customer and Consignor Lists. Upon consummation of the transactions contemplated by this Agreement and for the duration of the Confidentiality Period specified in the Non-Competition Agreement, neither Seller nor any of its Affiliates or Representatives may use the information contained in the Mint Business Customer List, except as may be permitted by the Non-Competition Agreement. Seller will be liable for any action by any of its Affiliates or Representatives inconsistent with this Section 2.8(2). This provision shall survive the Closing.
- (3) Bulk Transfer Laws. Seller shall comply with any applicable bulk sale or bulk transfer laws of any relevant jurisdiction in connection with the sale of the Acquired Assets to Buyer pursuant to this Agreement.
- (4) Further Assurances. Each party hereto shall execute and deliver after the date hereof such instruments and take such other actions as the other party may reasonably request in order to carry out the intent of this Agreement or to better evidence or effectuate the transactions contemplated herein.
- (5) Transaction Expenses. Each party shall pay all of the respective costs and expenses incurred or to be incurred by it in negotiating and preparing this Agreement and in carrying out and closing the transactions contemplated by this Agreement. It is acknowledged and agreed by the Parties that the Buyer’s transaction expenses will be borne by the members of them in accordance with their Membership Percentage Interests under the LLC Agreement.

- (6) Liability for Transfer Taxes. Seller shall be responsible for the timely payment of and shall indemnify and hold Buyer harmless from and against all sales, use, documentary, gross receipts, transfer, conveyance, excise, recording, and other similar taxes and fees (the “Transfer Taxes”), arising out of or in connection with or attributable to the transactions effected pursuant to this Agreement, all of which shall constitute Seller Retained Liabilities within the meaning of Section 2.3(1) of this Agreement. The provisions of this Section 2.8(6) shall survive Closing.
- (7) Click Through. Commencing on the Closing Date, Seller will maintain on the home page of its website, a “click through” link solely to the websites maintained by Buyer for its operation of the Mint Business.

ARTICLE 3  
SELLER REPRESENTATIONS

Seller represents to Buyer as of the date of this Agreement, subject to the disclosures set forth in Schedules 3.4 to and including Schedule 3.26 hereto, inclusive (the “Seller Disclosure Schedules”), which representation shall also apply to the 48.47% undivided interest in the Acquired Assets being contributed to the Buyer as set forth in the Buyer’s LLC Agreement, as follows:

3.1 Organization and Good Standing. Seller is a limited partnership validly existing and in good standing under the laws of its state of formation with the limited partnership power to own all of its properties and assets and to carry on its business as it is currently being conducted. Seller is duly qualified to do business and is in good standing in every jurisdiction in which the failure to be so qualified or in good standing would have a Material Adverse Effect on the Mint Business or on Seller’s ability to consummate the transactions contemplated hereby.

3.2 Authorization. Seller has the requisite limited partnership power to execute and deliver this Agreement and the other Transaction Documents to which it is party and to consummate the transactions contemplated hereby and thereby. Seller’s General Partner and Limited Partners have duly authorized Seller to execute and deliver this Agreement and perform its obligations under this Agreement and the Transaction Documents to which it is party, and no other limited partnership proceedings or authorization of Seller are necessary with respect thereto. Assuming that Buyer has been duly authorized, as warranted in Article 4, to execute and deliver and perform this Agreement and the other Transaction Documents to which it is party, this Agreement constitutes, and each of the other Transaction Documents to which Seller is a party will constitute when executed and delivered by Seller, the valid and binding obligation of Seller, enforceable in accordance with its terms, except as enforceability is limited by (i) any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors’ rights, or (ii) general principles of equity relating to the availability of equitable remedies (whether considered in a proceeding at law or in equity).

3.3 No Violations. Seller’s execution and delivery of this Agreement and performance of its obligations under this Agreement do not (i) violate any provision of Seller’s certificate of limited partnership or limited partnership agreement as currently in effect, (ii) conflict with, result in a breach of, constitute a default under (or an event which, with notice or lapse of time or both, would constitute a default under), accelerate the performance required by, result in the creation of any Lien upon any of Seller’s properties or assets under, or create in any party the right to accelerate, terminate, modify,

or cancel, or require any notice under, any Contract to which Seller is a party or by which any of Seller's properties or assets are bound, or (iii) violate any Law or Order currently in effect to which Seller is subject.

3.4 Consents. Except as set forth in Schedule 3.4, Seller is not required to obtain the Consent of any Person, including the Consent of any party to any Contract to which Seller is a party or to transfer any Permit, in connection with execution and delivery of this Agreement or the Transaction Documents to which it is party and performance of its obligations hereunder or thereunder.

3.5 Title; Absence of Liens. Except as set forth on Schedule 3.5, Seller has good and marketable title to all of the Acquired Assets, free and clear of any Liens, and upon consummation of the transactions contemplated by this Agreement, Buyer will have good and marketable title to the Acquired Assets free and clear of any Liens (other than those, if any, set forth in Schedule 3.5). Without limiting the foregoing, Seller owns free and clear of any Liens and has the right to use and knows of no other person having any right or claim in or to use the name "Silver Towne Mint,"

3.6 Left Intentionally Blank

3.7 Absence of Certain Changes. Except as may be set forth to the contrary on Schedule 3.7 hereto, since December 31, 2015, Seller has not done the following:

- (1) suffered any change in the operations or financial condition of the Mint Business, considered as a whole, except changes that, in the aggregate, have not had and are not reasonably expected to have a Material Adverse Effect on the Mint Business;
- (2) except in the ordinary course of business, sold, transferred or otherwise disposed of any tangible or intangible assets of the Mint Business;
- (3) created or permitted to exist any Lien on any Acquired Assets;
- (4) failed to promptly pay and discharge, prior to default, any of the liabilities of the Mint Business except those disputed in good faith by appropriate proceedings;
- (5) instituted, been served with or settled any Legal Proceeding relating to the Mint Business;
- (6) terminated or amended any of the Assumed Contracts, or any Permit or other instrument necessary for the conduct of any of the Mint Business after the Closing or suffered any loss or termination, or have been threatened with the loss or termination, of any existing material business arrangement, the termination or loss of which, in the aggregate, is reasonably expected to have a Material Adverse Effect on the Mint Business; or
- (7) changed accounting methods; or
- (8) otherwise operated the Mint Business in a manner outside the ordinary course, consistent with past practice.

3.8 Litigation. Except as set forth on Schedule 3.8, no Legal Proceeding is pending or, to Seller's knowledge threatened, against Seller that relates to any of the Mint Business or any of the

Acquired Assets, and to Seller's knowledge there is no basis for any such Legal Proceeding. The Mint Business is not subject to any Order. To Seller's knowledge, no one has filed a complaint regarding Seller's conduct or business practices relating to the Mint Business with any Better Business Bureau.

3.9 Permits. Except for Permits described in Section 7.1 (9) (a) and (b), Seller has all Permits required for the ownership and operation of the Mint Business as presently being operated by Seller and the Acquired Assets, which Permits are listed on Schedule 3.9. No notice of a material violation of any such Permit has been received by Seller or, to Seller's knowledge, recorded or published, and no Legal Proceeding is pending or, to Seller's knowledge, threatened to revoke or limit any such Permit.

3.10 Mint Business Records. The Mint Business Records, all of which have been made available to Buyer, are accurate and complete in all material respects and, to Seller's knowledge, contain no material omissions of any kind.

3.11 Compliance With Laws. Seller has complied with all Laws and Orders applicable to the Mint Business or the Acquired Assets, except where the failure to so comply has not had and is not reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect on the Mint Business. Seller has not received any written notice alleging noncompliance with any Laws or Orders applicable to the Mint Business or the Acquired Assets, including, without limitation, those related to antitrust and trade matters, civil rights, zoning and building codes, public health and safety, worker health and safety and labor and nondiscrimination, where such non-compliance has had or is reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect on the Mint Business and, to Seller's knowledge, no such notice has been recorded or published.

3.12. Taxes. Seller has filed all tax returns required to be filed and has paid, or provided for the payment, of all taxes that have become due pursuant to those tax returns or any assessment relating to or arising out of the conduct of any of the Mint Business, other than those taxes or assessment being diligently contested in good faith by appropriate Legal Proceedings and against which adequate reserves are being maintained. There is no Legal Proceeding pending, or to Seller's knowledge threatened, with respect to taxes of Seller relating to or arising in connection with the conduct of any of the Mint Business.

3.13 Environmental Matters. The operations of Seller's Mint Business and any other business conducted at the Silver Towne Mint are and have always been in compliance with all applicable Environmental Laws, except where any non-compliance has not had and is not reasonably expected to have a Material Adverse Effect on the Mint Business.

- (1) None of the Mint Business nor any other business conducted at the Silver Towne Mint are subject to any Order or Contract respecting (i) Environmental Laws, (ii) Remedial Action, (iii) any Environmental Claim, or (iv) the Release or threatened Release of any Hazardous Material.
- (2) Except as described in Schedule 3.13, none of the operations of the Mint Business or any other business conducted at the Silver Towne Mint involves the generation, transportation, treatment, storage or disposal of Hazardous Material.

- (3) Seller has not received any written notice alleging noncompliance with any Environmental Law applicable to the Mint Business, or any other business conducted at the Silver Towne Mint, or the Acquired Assets, where such non-compliance has had or is reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect on the Mint Business and, to Seller's knowledge, no such notice has been recorded or published.
- (4) No Environmental Claim or litigation is pending or, to Seller's knowledge threatened, against Seller that relates to any of the Mint Business or any of the Acquired Assets, and to Seller's knowledge there is no basis for any such Environmental Claim or litigation.

3.16 Brokers. No broker, finder or investment advisor acted directly or indirectly as such for Seller in connection with this Agreement or the other Transaction Documents relating to the transactions contemplated hereby, and no broker, finder, investment advisor or other Person is entitled to any fee or other commission, or other remuneration, in respect thereof based in any way on any action, agreement, arrangement or understanding taken or made by or on behalf of Seller.

3.17 Labor and Employment Agreements; Employee Benefit Plans.

- (1) Schedule 3.17 sets forth the name of each salaried employee of Seller who is employed primarily in the operations of any of the Mint Business, together with the positions they hold with Seller and the compensation that is payable to each such individuals as a result of their employment by Seller (including any collective bargaining or other labor, employment, deferred compensation, bonus or incentive agreement, plan or contract). Buyer shall not have any obligation to hire any such employees of Seller or, to the extent hired, to continue such employment, nor shall Buyer have or incur any liability or obligation whatsoever arising out of, any personnel policies or practices, either written or oral, promulgated or followed by Seller (except to the extent Buyer elects to continue such policies or practices). Except as set forth in Schedule 3.17 hereto, during the past six (6) months there has not been (i) any increase in salaries, wages or benefits of any such employees or the awarding or payment of any bonuses to any such employees, other than cost of living increases and annual salary increases on or about the anniversary dates of employment of such employees, in each case consistent with Seller's past practices, or (ii) the adoption of any new or amendment of any existing employee benefit plan in which such employees participate, or the execution of any new, or the renewal, extension, or amendment of any existing, employment or consulting agreements with any such employees that are not reflected on Schedule 3.17.
- (2) Except to the extent set forth in Schedule 3.17, to the knowledge of Seller (i) each of the Mint Business is in compliance with all applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and is not engaged in any unfair labor practice, except for any such non-compliance that has not had and is not reasonably expected to have a Material Adverse Effect on the Mint Business; and (ii) there is no unfair labor practice complaint pending or, to the knowledge of Seller threatened, against Seller with respect to the operations of any of the Mint Business, nor, to the knowledge of Seller, is there any factual basis for any such complaint.
- (3) Except to the extent set forth in Schedule 3.17 hereto, Seller does not have and, during the past five (5) years has not had any Employee Plans, including, without limitation, any funded



Employee Plan in which any of the employees of the Mint Business are or have participated which are required to be qualified under Section 401 of the Code. For purposes of this Section 3.17, the term “Employee Plan” means all present (including those terminated or transferred within the past five (5) years) plans, programs, agreements, arrangements, and methods of contribution or compensation (including all amendments to and components of the same, such as a trust with respect to a plan) providing any remuneration or benefits, other than current cash compensation, to any current or former employee of Seller or to any other person who provides services to Seller, whether or not such plan or plans, programs, agreements, arrangements, and methods of contribution or compensation are subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and whether or not such plan or plans, programs, agreements, arrangements and methods of contribution or compensation are qualified under the Code. The term Employee Plan includes, by way of example and not as a limitation, pension, retirement, profit sharing, stock option, stock bonus, and nonqualified deferred compensation plans, and disability, medical, dental, worker’s compensation, health insurance, life insurance, incentive plans, vacation benefits, and other fringe benefits and includes any Employee Plan that is a multiemployer plan as defined in Section 3(37) of ERISA. Any and all tax returns, reports, forms or other documents required to be filed by Seller under applicable federal, state or local law with respect to the Employee Plans set forth on Schedule 3.17 have been timely filed and are correct and complete in all material respects; and any and all amounts due by Seller to any governmental agency or entity with respect to such Employee Plans have been timely and fully paid.

- (4) Except to the extent set forth in Schedule 3.17, all Employee Plans are now, and have always been, established, maintained and operated in accordance in all material respects with all applicable laws (including, but not limited to, ERISA and the Code) and all regulations and interpretations thereunder and in accordance with their plan documents. All communications with respect to each Employee Plan by any person (including, but not limited to, the members of any plan committee, all plan fiduciaries, plan administrators, Seller and its management, and Seller’s employees) accurately reflect the documents and operations of each such Employee Plan. All contributions required to be made to or with respect to any Employee Plan by Seller have been completely and timely paid and all reports, forms and other documents required to be filed by Seller with any governmental entity with respect to any Employee Plan have been timely filed and are accurate. No amount is due or owing from Seller to any “multiemployer plan” (as defined in Section 3(37) of ERISA) on account of any withdrawal therefrom. There has been no event or condition, nor is any event or condition expected, that would present a risk of termination of any Employee Plan, or which would constitute a “reportable event” within the meaning of Section 404(3) of ERISA and the regulations and interpretations thereunder. There has been no merger, consolidation, or transfer of assets or liabilities (including, but not limited to, a split-up or split-off) with respect to any Employee Plan in which any of the employees of the Mint Business participate. There is and there has been no actual or, to the best knowledge of Seller, anticipated, threatened or expected litigation or arbitration concerning or involving any such Employee Plan. No complaints to or by any government entity have been filed or, to the best knowledge of Seller, have been threatened or are expected with respect to any such Employee Plan. No such Employee Plan or any other person has any liability to any plan participant, beneficiary or other person under any provision of ERISA, the Code or any other applicable law by reason of any action or failure to act in connection with any

Employee Plan, other than plan distributions payable under the terms of such Plan. There has been no prohibited transaction as described in Section 406 of ERISA and Section 4975 of the Code with respect to any Employee Plan. No such Employee Plan provides medical benefits to one or more former employees (including retirees), other than benefits required to be provided under Section 4980B of the Code. There is no contract, agreement or benefit arrangement covering any employee of any of the Mint Business which individually or collectively would constitute an "excess parachute payment" under Section 280G of the Code.

- (5) No employees of the Mint Business have or will by passage of time hereinafter become entitled to receive any vacation time, vacation pay or severance pay or COBRA benefits attributable to services rendered prior to the Closing Date which are or may become the responsibility of Buyer.

3.18 Assumed Contracts. Schedule 2.1(8) contains an accurate and complete list of the Assumed Contracts. The Assumed Contracts are the only contracts necessary to the operation of the Mint Business or the Acquired Assets. Accurate and complete copies of all of the Assumed Contracts, including all amendments thereto and written waivers thereunder, have been furnished by Seller to Buyer. Each of the Assumed Contracts is a valid and binding obligation of Seller and, is assignable to Buyer pursuant to this Agreement and enforceable in accordance with its terms, except as may be affected by bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights and general principles of equity relating to the availability of equitable remedies (whether considered in a proceeding at law or in equity). Except as otherwise set forth in Schedule 2.1(8) hereto, there have not been any defaults by Seller or defaults or any claims of default or claims of nonenforceability by the other party or parties under or with respect or any of the Assumed Contracts and, to Seller's knowledge there are no facts or conditions that have occurred or that are anticipated to occur with respect to or under any of the Assumed Contracts which, with the passage of time or the giving of notice, or both, would (i) constitute a default by Seller or by the other party or parties under any of the Assumed Contracts or (ii) cause the creation or imposition of any Lien upon any of the Acquired Assets or (iii) otherwise have a Material Adverse Effect on the Mint Business. There are no prepayments or other circumstances under any Assumed Contract that would give rise to a performance obligation of the Buyer without Buyer having received the corresponding compensation for the performance. Seller has not received any indication by a customer or supplier of an intention to discontinue or change the terms of the parties' relationship.

3.19 Employee Contributions. Seller warrants that there are no contributions, interest or penalties due to the Indiana Department of Workforce Development from Seller with respect to any of the employees of the Mint Business that have not been paid or otherwise provided for, other than contributions that are not yet payable.

3.20 Sales and Use Tax. Seller warrants that it has not failed to withhold or pay to the appropriate taxing authority, any sales and use taxes that it was required to withhold or pay pursuant to Indiana or other applicable states law in respect of any sales heretofore made by the Mint Business.

3.21 Adequacy of Assets. Except for licenses for any off-the-shelf computer software used in connection with the operation of the Mint Business, the Acquired Assets, together with the License and the property located at 950 East Base Road, Winchester, Indiana, 47394, constitute in the aggregate all of the property reasonably necessary for the conduct of the Mint Business in the manner and to the

extent to which Seller has historically and immediately prior to Closing conducted it. All Tangible Personal Property that consists of equipment used in the operation of the Mint Business has been maintained consistent with practices of a prudent operator, is in good working condition, and is not in need of repair or replacement other than as a part of routine maintenance in the Ordinary Course of Business.

3.22 Customer List. The Mint Business Customer List is accurate and complete and, to Seller's knowledge, contain no omissions of any kind.

3.23 Insurance. During at least the last three (3) years, Seller has maintained policies insuring Seller against (i) liability arising from the operations of the Mint Business, and (ii) fire, theft and vandalism covering personal property, including the Tangible Assets being acquired by Buyer from Seller hereunder, in amounts deemed sufficient by Seller to cover the risks to which the Mint Business and such property are ordinarily subject. Each of those policies is in full force and effect and, to Seller's knowledge, is valid and enforceable in accordance with its terms. Seller is not in default under any such policy nor has Seller failed to give any notice or present any claim under any such policy in due and timely fashion, and to Seller's knowledge there exist no grounds for the insurer's canceling or voiding any of those policies, or for reducing the coverage provided by those policies.

3.24 Intellectual Property.

- (1) The Seller has good and valid title to, or otherwise possesses the rights to use, subject to any time limitations set forth in any licensing or other agreement to use its Intellectual Property, all Intellectual Property necessary to permit the Buyer to conduct the Mint Business from and after the Closing Date, in the same manner as it is being conducted as of the date hereof, and, to the knowledge of the Seller, as currently contemplated to be conducted by the Buyer. Except for Intellectual Property owned by third parties as identified on Schedule 2.1(2), no Person other than the Seller has any right or interest of any kind or nature in or with respect to the Intellectual Property, or any portion thereof, or any rights to sell, license, lease, transfer or use or otherwise exploit the Intellectual Property or any portion thereof. All officers, employees and contractors of the Seller who have created Intellectual Property have no ownership interest or other rights in the Intellectual Property and/or have executed agreements under which all rights, title and ownership in and to such Intellectual Property have been assigned to the Seller.
- (2) Except as disclosed in Schedule 3.24 the Seller has not been alleged to have, nor has the Seller infringed upon, misappropriated or misused any intellectual property or other proprietary information of another Person. Except as disclosed in Schedule 3.24 there are no pending claims or Legal Proceedings, or, to the knowledge of the Seller, threatened claims or Legal Proceedings, contesting or challenging the Intellectual Property, or the Seller's use of the Intellectual Property owned by another Person. To knowledge of the Seller, no third party including any current or former employee or contractor of the Seller, is infringing upon, misappropriating, or otherwise violating the Seller's rights to the Intellectual Property.
- (3) To the Seller's knowledge, other than as set forth in Schedule 3.24, there has been no breach of security involving the Seller's websites or information assets. To the Seller's knowledge all data which has been collected, stored, maintained or otherwise used by the Seller has been collected, stored, maintained and used in accordance with all applicable Laws, guidelines and

industry standards. The Seller has not received a notice of noncompliance with applicable data protection Laws, guidelines or industry standards.

3.25. Security Breaches. To the Seller's knowledge, other than as set forth in Schedule 3.25, there has been no breach of security involving the Seller's websites or information assets. To the Seller's knowledge all data which has been collected, stored, maintained or otherwise used by the Seller has been collected, stored, maintained and used in accordance with all applicable Laws, guidelines and industry standards. The Seller has not received a notice of noncompliance with applicable data protection Laws, guidelines or industry standards.

3.26 Related Party Transactions. Except as set forth in Schedule 3.26, neither Seller nor any Related Person (a) is a party to any Contract with, or has any claim or right against, Seller, relating to the Mint Business, and (b) has engaged or currently engages in any business in competition with the Mint Business.

3.27 Disclosure. No representation of Seller contained in this Article 3 made by Seller, as modified by the disclosures contained in the Seller Disclosure Schedules, contains any misstatement of a material fact or omits to state a material fact necessary to make such representations of Seller contained in this Section, in light of the circumstances under which they were made, not misleading.

#### ARTICLE 4 BUYER REPRESENTATIONS

Buyer hereby represent to Seller as follows:

4.1 Organization and Good Standing. Buyer is a limited liability company validly existing and in good standing under the laws of its jurisdiction of organization with the power to own all of its properties and assets and to carry on its business as it is currently being conducted. Buyer is duly qualified to do business and is in good standing in every jurisdiction in which the failure to be so qualified or in good standing would have a Material Adverse Effect on Buyer.

4.2 Authorization. Buyer has the power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is party and to consummate the transactions contemplated hereby and thereby. Buyer's members have duly authorized Buyer to execute and deliver this Agreement and perform its obligations under this Agreement and the other Transaction Documents to which it is party, and no other limited liability company proceedings of Buyer or its members are necessary with respect thereto. Assuming that Seller has duly authorized execution and delivery of this Agreement and the other Transaction Documents to which it is party as warranted in Article 3, this Agreement constitutes, and each of the other Transaction Documents to which Buyer is party will constitute when executed and delivered by Buyer, the valid and binding obligation of Buyer, enforceable in accordance with its terms, except as enforceability is limited by (i) any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, or (ii) general principles of equity relating to the availability of equitable remedies, whether considered in a proceeding in equity or at law.

4.3 No Violations. Execution and delivery by Buyer of this Agreement and the Transaction Documents to which Buyer is or will be a party and performance by Buyer of its obligations hereunder

and thereunder do not and will not (i) violate any provision of Buyer's Certificate of Formation or LLC Agreement as currently in effect, (ii) conflict with, result in a breach of, constitute a default under (or an event which, with notice or lapse of time or both, would constitute a default under), accelerate the performance required by, result in the creation of any Lien upon any of Buyer's properties or assets under, or create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under, any Contract to which Buyer is a party or by which any of its properties or assets are bound, or (iii) violate any Law or Order currently in effect to which Buyer is subject, except, in the case of clauses (ii) and (iii) above, for any such consequence which would not have a Material Adverse Effect on Buyer or its ability to consummate the transactions contemplated by this Agreement or the Transaction Documents.

4.4 Consents. Except as set forth in Schedule 4.4, Buyer is not required to obtain the Consent of any Person in connection with execution and delivery by Buyer of this Agreement or the Transaction Documents to which it is party or the performance by Buyer of any of its obligations hereunder or thereunder.

4.5 Brokers. No broker, finder or investment advisor acted directly or indirectly as such for Buyer in connection with this Agreement or any other Transaction Documents contemplated hereby, and no broker, finder, investment advisor or other Person is entitled to any fee or other commission, or other remuneration, in respect thereof based in any way on any action, agreement, arrangement or understanding taken or made by or on behalf of Buyer.

## ARTICLE 5 EMPLOYEES

5.1 Employees. Seller hereby agrees that, Buyer or its Affiliates shall be entitled to offer and has offered, as it deems appropriate, employment to any or all of the employees of Seller named on Schedule 5.1 hereto through the Closing Date. Buyer shall advise Seller of those of the employees listed on Schedule 5.1 that Buyer or any of its Affiliates has or will be extending offers of employment and Seller further agrees to provide such assistance and cooperation to Buyer as it may reasonably request in connection with Buyer's efforts to hire any of such employees. With respect to any of Seller's employees hired by Buyer or any of its Affiliates, Seller agrees not to enforce after the Closing any proprietary information or confidentiality agreement which any employees listed on Schedule 5.1 have entered into for the benefit of Seller, other than to prevent any such employee from using or disclosing any of the Seller Retained Information for or to any Person other than Buyer or any of its Affiliates. Seller or Seller's Affiliates shall not solicit, offer employment to rehire or attempt to retain any of the employees listed on Schedule 5.1, except for (i) those of such employees which Buyer has elected not to offer employment and (ii) those employees who Buyer offers, but who elect not to accept, employment with Buyer, provided that any offer of employment by Seller to any such employees shall be at the sole discretion of Seller and at an annual rate of compensation no greater than the rate currently being paid such employees as shown on Schedule 3.17, provided that the covenants of Seller contained in this sentence shall terminate 36 months after the Closing Date.

5.2 Terms of Subsequent Employment. Nothing in this Agreement will be construed to require Buyer to hire any of the employees listed on Schedule 5.1, or limit or restrict Buyer from changing the terms of employment of, or terminating, any Person hired by Buyer.

ARTICLE 6  
INDEMNIFICATION

6.1 Survival Period

- (1) The representations and warranties of each party hereto contained in this Agreement (as modified by such party's Disclosure Schedules), will survive for a period of thirty-six (36) months from the Closing Date or as extended pursuant to subparagraphs 6.1(a) or 6.1(b) below (which shall be referred to as the "Survival Period" that shall be applicable thereto), at the end of which Survival Period they shall cease to have any force and effect, except as follow:
- (a) the Survival Period applicable with respect to any representation or warranty of Seller contained in Section 3.2 (Authorization), Section 3.5 (Title, Absence of Liens), Section 3.12 (Taxes), Section 3.20 (Sales and Use Tax) shall be equal to the statutory limitations period applicable thereto regardless of any investigation, verification, knowledge or approval by the Buyer, or by anyone on its behalf.
  - (b) the Survival Period applicable with respect to any representation or warranty of Seller contained in Section 3.13 (Environmental) and Section 3.24 (Intellectual Property), shall be indefinite.
  - (c) the Survival Period applicable with respect to any representation or warranty of Buyer contained in Section 4.2 (Authorization), shall be equal to the statutory limitations period applicable thereto under Delaware law.
- (2) The Survival Period for each covenant, obligation or agreement of each party hereto contained in this Agreement shall continue until such covenant has been fully performed, or waived in writing by the other party, whichever first occurs; provided however that the Survival Period for the indemnification obligations of Seller contained in Sections 2.8(7) and 6.2 and for the Seller's Retained Liabilities shall be indefinite.

6.2 Indemnification of Buyer. Subject to the terms, conditions and limitations set forth hereinafter in this Article 6, Seller shall indemnify and hold harmless the Buyer against Indemnifiable Losses, including Indemnifiable Losses asserted by any third party: (a) arising out of breach or nonfulfillment by Seller of any of its covenants, obligations or agreements under this Agreement or any inaccuracy in any representation or breach of any warranty by Seller in this Agreement; (b) arising out of or related to Seller's or Seller's predecessors' ownership or operation of the Mint Business or any other business conducted at the Silver Towne Mint prior to Closing, (c) arising out of or related to any acts or omissions by Seller, (d) arising from or related to (i) the actual or alleged presence, Release, threatened Release, discharge or emission of any Hazardous Material into the environment at or from the Mint Business or any other business conducted at the Silver Towne Mint, including any and all Indemnifiable Losses arising from or related to the study, testing, investigation, cleanup, removal, remediation, Remedial Action, abatement, response, containment, restoration or corrective action of any such Hazardous Material (A) on, beneath or above the Mint Business, or (B) emanating or migrating, or threatening to emanate or migrate, from the Mint Business or any off-site properties; and (ii) the on or off-site treatment, storage or disposal of Hazardous Material generated in connection with the Mint Business or any other business conducted at the Silver Towne Mint, and (e) arising from

or related to the failure to obtain and maintain Permits necessary for operation of the Mint Business or any other business conducted at the Silver Towne Mint, (f) arising from or related to violations of any applicable Environmental Law or Permits relating to the Mint Business or any other business conducted at the Silver Towne Mint and (g) arising from or related to any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to either the violation of any applicable Environmental Law or the presence or migration of any Hazardous Material relating to the Mint Business or any other business conducted at the Silver Towne Mint.

6.3 Indemnification of Seller. Subject to the terms, conditions and limitations set forth hereinafter in this Article 6, Buyer shall indemnify and hold harmless the Seller against Indemnifiable Losses arising out of breach or nonfulfillment by Buyer of any of its covenants, obligations or agreements under this Agreement or any inaccuracy in any representation or breach of any warranty by Buyer in this Agreement

6.4 Procedures for Third Party Claim.

(1) In order to be entitled to indemnification under this Article 6 in connection with a claim made by any Person (hereinafter, a "Third Party Claim"), against any Person entitled to indemnification pursuant to this Article 6 (an "Indemnified Party"), that Indemnified Party must do the following:

(a) notify the Person or Persons obligated to indemnify it (the "Indemnifying Party") in writing, and in reasonable detail, of that Third Party Claim promptly but in any event within ten (10) days after receipt of notice of that Third Party Claim, except that any failure to give any such notification will only affect the Indemnifying Party's obligation to indemnify the Indemnified Party if the Indemnifying Party has been prejudiced as a result of that failure; and

(b) deliver to the Indemnifying Party promptly but in any event within (10) days after the Indemnified Party receives them a copy of all notices and documents (including court papers) delivered to or otherwise obtained by that Indemnified Party relating to that Third Party Claim.

(2) In the event of a Third Party Claim against one or more Indemnified Parties, the Indemnifying Party will be entitled to participate in the defense of that Third Party Claim and, if the Indemnifying Party so chooses, to assume at its expense the defense of that Third Party Claim with counsel selected by the Indemnifying Party and reasonably acceptable to the Indemnified Party (which acceptance shall not be unreasonably withheld or delayed). If the Indemnifying Party elects to assume the defense of a Third Party Claim, the Indemnifying Party will not be liable to the Indemnified Party for any legal fees or expenses subsequently incurred by the Indemnified Party in connection with the defense of that Third Party Claim, except that if, under applicable standards of professional conduct, there exists a conflict on any significant issue between the Indemnified Party and the Indemnifying Party in connection with that Third Party Claim, the Indemnifying Party shall pay the reasonable fees and expenses of one additional counsel, for all of the Indemnified Parties, to act with respect to that issue to the extent necessary to resolve that conflict. If the Indemnifying Party assumes defense of any Third Party Claim, the Indemnified Party will be entitled to participate in the defense of that Third Party Claim and to employ counsel, at its own expense, separate from counsel employed by the Indemnifying Party, it being understood that the Indemnifying Party will be entitled to control that defense.

The Indemnifying Party will be liable for the fees and expenses of counsel employed by the Indemnified Party for any period during which the Indemnifying Party did not assume the defense of any Third Party Claim (other than during any period in which the Indemnified Party failed to give notice of the Third Party Claim as provided above and a reasonable period after such notice). If the Indemnifying Party chooses to defend or prosecute a Third Party Claim, all the parties shall cooperate in the defense or prosecution of that Third Party Claim, including by retaining and providing to the Indemnifying Party records and information reasonably relevant to that Third Party Claim, and making employees available on a reasonably convenient basis. If the Indemnifying Party chooses to defend or prosecute any Third Party Claim, the Indemnified Party will agree to any settlement, compromise or discharge of that Third Party Claim that the Indemnifying Party recommends and that by its terms obligates the Indemnifying Party to pay the full amount of liability in connection with that Third Party Claim, except that the Indemnifying Party may not without the Indemnified Party's prior written consent agree to entry of any judgment or enter into any settlement that provides for injunctive or other nonmonetary relief affecting the Indemnified Party or that does not include as an unconditional term that each claimant or plaintiff give to the Indemnified Party a release from all liability with respect to that Third Party Claim. Whether or not the Indemnifying Party has assumed the defense of a Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, that Third Party Claim without the Indemnifying Party's prior written consent.

- (3) For greater certainty, Third Party Claims shall include any and all claims of Seller's current or former employees, the exclusive liability of which remains with Seller.

6.5 Procedures for Other Claims. In order for an Indemnified Party to be entitled to any indemnification under this agreement in respect of a claim that does not involve a Third Party Claim (a "Claim"), that Indemnified Party must within 30 days of its being notified of that Claim notify the Indemnifying Party, in writing, of that Claim, and describe in reasonable detail the basis for that Claim, except that any failure to give any such notification will only affect the Indemnifying Party's obligation to indemnify the Indemnified Party if the Indemnifying Party has been prejudiced as a result of that failure; provided, however, that in no event shall an Indemnified Party be entitled to assert any claim for indemnification, including any Third Party Claim, after the expiration of the Survival Period that is applicable to that Claim. If the Indemnifying Party does not dispute that the Indemnified Party is entitled to indemnification with respect to that Claim asserted in the manner set forth above in this Section 6.5 prior to the expiration of the Survival Period that is applicable to such Claim, by notice to the Indemnified Party prior to the expiration of a 30-day period following receipt by the Indemnifying Party of notice from the Indemnified Party of that Claim, that Claim will be conclusively deemed a liability of the Indemnifying Party and the Indemnifying Party shall pay the amount of that liability to the Indemnified Party on demand or, in the case of any notice in which the amount of the Claim (or any portion thereof) is estimated, on such later date as the amount of the Claim (or any portion thereof) becomes finally determined. If the Indemnifying Party has timely disputed its liability with respect to the Claim, the Indemnifying Party and the Indemnified Party shall proceed in good faith to negotiate a resolution of the Claim and, if the Claim is not resolved through negotiations, the Indemnified Party may pursue such remedies as may be available to enforce their rights to indemnification under this agreement.



6.6 Limitations on an Indemnifying Party's Indemnity Obligations. Notwithstanding anything to the contrary that may be contained elsewhere in this Agreement:

- (1) Seller shall have no obligation to indemnify the Buyer who is otherwise entitled to indemnification under this Article 6, nor shall Seller have any liability for any Indemnifiable Losses incurred or suffered by the Buyer, unless and until the Buyer has incurred or suffered, in the aggregate, Indemnifiable Losses in respect of Claims (including Third Party Claims) asserted within the Survival Period applicable thereto and for which the Buyer is entitled to indemnification hereunder, totaling more than Fifty Thousand Dollars (\$50,000.00) (the "Threshold"). In the event such Threshold is exceeded, then, Seller shall be liable to indemnify Buyer for all Indemnifiable Losses incurred by them for which Claims have been asserted prior to the expiration of the Survival Period applicable thereto, not only for Identifiable Losses in excess of the Threshold, but also for the first \$50,000.00 of Identifiable Losses, provided, however, that the Threshold shall not apply to any liabilities that Buyer may incur for or in respect of any of the Seller Retained Liabilities (as defined in Section 2.3(1) above). Notwithstanding the foregoing, the aggregate Indemnifiable Losses for which the Seller shall be liable under this Section 6.6 (1) shall not exceed \$1,000,000.00, which amount shall expressly exclude any and all Seller Retained Liabilities, for which there shall be no limitation.
- (2) Buyer shall have no obligation to indemnify Seller that would otherwise be entitled to indemnification under this Article 6, nor shall Buyer have any liability for any Indemnifiable Losses incurred or suffered by the Seller, unless and until Seller has incurred or suffered, in the aggregate, Indemnifiable Losses in respect of Claims (including Third Party Claims) asserted within the Survival Period applicable thereto and for which Seller is entitled to indemnification hereunder, totaling more than Fifty Thousand Dollars (\$50,000.00) (the "Threshold"). In the event such Threshold is exceeded, then Buyer shall be liable to indemnify Seller for all Indemnifiable Losses incurred by them for which Claims have been asserted prior to the expiration of the Survival Period applicable thereto, not only for Identifiable Losses in excess of the Threshold, but also for the first \$50,000.00 of Identifiable Losses, provided, however, that the Threshold shall not apply to (i) the obligations of Buyer to Seller to pay the Purchase Price to Seller specified in Section 2.4, when due, or any Earnout Payments if, as and when the same become due to Seller, or (ii) any Indemnifiable Liabilities that any of the Seller may incur for or in respect of any of the Buyer Assumed Obligations (as defined in Section 2.3(2) above) or any obligations or liabilities arising out of the conduct or operation of the Mint Business from or at any time after the Closing unless attributable to Seller or Seller's Affiliate (in which case the Threshold shall apply). Notwithstanding the foregoing, the aggregate Indemnifiable Losses for which the Buyer shall be liable under this Section 6.6 (2) shall not exceed \$1,000,000.00.
- (3) An Indemnifying Party's indemnity obligations under this Article 6, shall be offset by the amount of any insurance proceeds covering any Claim or Indemnifiable Loss, to the extent and when such insurance proceeds are actually received by an Indemnified Party. The Indemnified Party shall use reasonable commercial efforts to collect under any applicable insurance policy covering any Claim or Indemnifiable Loss. The collection of any such insurance proceed shall not be a condition to an Indemnified Party seeking Indemnification pursuant to this Article 6.

- (4) In no event shall any Indemnifying Party be liable to any Indemnified Party for any punitive, incidental, consequential, special or indirect damages, including loss of future revenue or income, related to a breach of this Agreement, except to the extent caused by fraud or willful misconduct of such Indemnifying Party.

6.7 Setoff Upon the occurrence and during the continuance of any event described in Section 6.2, but subject to Section 6.6 (1), the Buyer is hereby authorized at any time and from time to time, without notice to the Seller (any notice hereby being expressly waived) to set off and apply any and all amounts at any time held and other indebtedness at any time owing to the Seller, including amounts due under the Earnout, against any and all of the obligations of the Seller under this Agreement although such obligations may be unmatured. The Buyer shall promptly notify Seller after any such set off and application. This right of set-off shall be in addition to and not in substitution of any other rights Buyer shall be entitled to under this Article 6 and shall survive the Closing.

6.8 Remedies. Exclusive of claims for fraud, the remedies set forth in this Article 6, are the sole and exclusive remedies of the Parties pursuant to this Agreement.

## ARTICLE 7 CONDITIONS TO CLOSING

7.1 Conditions to Obligation of Buyer. The obligation of Buyer to consummate the transactions contemplated hereby is subject to the satisfaction, or waiver in writing by Buyer, at or prior to Closing, of the following conditions:

- (1) the Seller shall have duly performed and complied with all terms, agreements and conditions that are required by this Agreement to be performed or complied with by Seller prior to or at the Closing;
- (2) all of the representations and warranties of the Seller that are contained in this Agreement, as the same may have been modified by or in the Seller Disclosure Schedules, shall be true and correct as of the date when made, and also as of the Closing Date with the same force and effect as though such representations and warranties were made again at and as of the Closing Date. Seller shall immediately notify Buyer if Seller determines that a state of facts exists that will result in an untrue representation contained in this Agreement;
- (3) during the period from December 31, 2015, to and including the Closing, no event or circumstance shall have occurred with respect to any of the Mint Business that has had or could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Mint Business (other than any event or circumstance disclosed in or contemplated by any of the Seller Disclosure Schedules). Seller shall immediately notify Buyer if Seller determines that a state of facts exists that will result in a Material Adverse Effect on the Mint Business;
- (4) no suit, action, investigation, inquiry or administrative or other proceeding by any governmental body or other person or entity shall have been instituted or threatened which questions the validity or legality of the transactions contemplated hereby and there shall be no pending or

threatened litigation, or asserted claims or assessments which could reasonably be expected to have a Material Adverse Effect on the Mint Business; and

- (5) all Consents from third parties, governmental and other, required to be obtained by Seller to permit it to consummate the transactions contemplated hereby shall have been obtained, without the imposition of any burdensome conditions on Buyer or the Mint Business, and shall not have been revoked or withdrawn.
- (6) Buyer shall have entered into an Agreement with HAB Development to purchase the real property where the Silver Towne Mint is located (the "Real Property PSA"), which transaction shall close concurrently with the Closing hereunder.
- (7) Seller shall have complied with any applicable Bulk Sales Law.
- (8) Seller shall have caused all UCC-1 Finance Statements filed with the Indiana Secretary of State or in the County of Randolph, Indiana, affecting the Acquired Assets to be terminated (the "UCC-1 Statements"), or in the alternative, to the satisfaction of the Buyer, Seller shall have caused a UCC-3 Amendment to be filed with the Indiana Secretary of State or in the County of Randolph, Indiana, removing the Acquired Assets as collateral from the UCC-1 Statements.
- (9) Seller shall contribute and undivided forty-eight and 47/100 percent (48.47%) of the Acquired Assets to the Buyer in exchange for a Forty-Five Percent (45%) Membership Percentage Interest in Buyer, as defined in the Limited Liability Company Agreement of Buyer (the "LLC Agreement"), with an initial capital account of Three Million Four Hundred Fifty-Three Thousand Seven Hundred Fifty Dollars (\$3,453,750.00) (the "Membership Interest"). At the Closing, Seller shall become a party to Buyer's LLC Agreement, Buyer shall admit Seller as a Member of Buyer, and issue the Membership Interest to Seller.

7.2 Conditions to Obligation of Seller. The obligation of Seller to consummate the transactions contemplated hereby is subject to the satisfaction, or waiver in writing by Seller, at or prior to Closing, of the following conditions:

- (1) the Buyer shall have duly performed and complied with all terms, agreements and conditions that are required by this Agreement to be performed or complied with by Buyer prior to or at the Closing
- (2) no suit, action, investigation, inquiry or administrative or other proceeding by any governmental body or other person or entity shall have been instituted or threatened which questions the validity or legality or which seeks to prevent consummation of the transactions contemplated hereby;
- (3) all of the representations and warranties of the Buyer contained in this Agreement, as the same may have been modified by or in any of the Buyer Disclosure Schedules, shall be true and correct as of the date when made, and also as of the Closing Date with the same force and effect as though such representations and warranties were made again at and as of the Closing Date, provided, however, that a failure of this condition shall be deemed to have occurred only if the failure of any of the Buyer's representations or warranties to be true and correct, either on the date when made or at the Closing Date, would (individually or in the aggregate) have a Material

Adverse Effect on Buyer or the ability of Buyer to consummate the transactions contemplated hereby; and

- (4) all Consents from third parties, governmental and other, required to be obtained by Buyer to permit it to consummate the transactions contemplated hereby shall have been obtained, without the imposition of any burdensome conditions on Seller, and shall not have been revoked or withdrawn, provided, however, that a failure of this condition shall be deemed to have occurred only if the failure to obtain any such Consent or Consents, or the revocation or withdrawal thereof, would have a Material Adverse Effect on Buyer or would prevent Buyer from consummating the transactions contemplated hereby.
- (5) Seller shall contribute and undivided Forty-Eight and 47/100 percent (48.47%) of the Acquired Assets to the Buyer in exchange for a Forty-Five Percent (45%) Membership Percentage Interest in Buyer, as defined in the Limited Liability Company Agreement of Buyer (the "LLC Agreement"), with an initial capital account of Three Million Four Hundred Fifty-Three Thousand Seven Hundred Fifty Dollars (\$3,453,750.00) (the "Membership Interest"). At the Closing, Seller shall become a party to Buyer's LLC Agreement, Buyer shall admit Seller as a Member of Buyer, and issue the Membership Interest to Seller.

7.3 Each Party shall use its reasonable best efforts to cause to be satisfied as soon as possible the conditions precedent which it is required to perform or satisfy, as provided in Section 7.1 or 7.2.

7.4 If a party's performance obligations herein are not satisfied or waived by the other party, the other party shall have the right to terminate this Agreement by notice to the party whose performance obligations are not satisfied or waived.

## ARTICLE 8 CLOSING

8.1 Place and date. The closing of the sale and purchase contemplated hereunder (the "Closing") shall take place following the satisfaction or waiver of the conditions precedent set forth in Sections 7.1 and 7.2, but in no event after August 31, 2016 or at such other time as may be agreed to by the Buyer and Seller and shall effective as of the close of business on such date (the "Closing Date").

### 8.2 Deliveries.

- (1) At Closing, Seller shall deliver to Buyer:
  - (a) all Transaction Documents to which Seller is a party, duly executed by Seller;
  - (b) possession or control of all the Tangible Personal Property;
  - (c) the Mint Business Customer List, the Mint Business Confidential Information and the Mint Business Records;
  - (d) an Indiana Secretary of State Certificate of Existence and a Certificate of Clearance from the Indiana Department of Revenue, for Seller, each dated as of a recent date;

- (e) A certificate signed by the General Partner of Seller, and dated as of the Closing Date, certifying: (i) as true, correct and complete, a copy of Seller's Certificate of Limited Partnership as filed with the Indiana Secretary of State, attached thereto; (b) as true, correct and complete, a copy of Seller's Limited Partnership Agreement, attached thereto; (c) as true, correct and complete, a copy of resolutions duly adopted by the General Partner and Limited Partners of the Seller approving and authorizing Seller's execution and delivery of this Agreement and the Transaction Documents to be executed and delivered by Seller and the performance by Seller of its obligations hereunder and thereunder and the consummation by the Seller of the transactions contemplated hereby and thereby, attached thereto, and (e) to the incumbency of each officer of Seller that has executed this Agreement or any of the Transaction Documents to which Seller is a party, on behalf or in the name of Seller;
  - (vi) The Real Property PSA;
  - (vii) A counterpart signature page to the Buyer's LLC Agreement; and
  - (viii) Such other documents and instruments, including but not limited to additional documents of transfer or assignment with respect to the Acquired Assets, as Buyer or its counsel may reasonably request in furtherance of the consummation of the transactions contemplated by this Agreement.
- (2) At Closing, Buyer shall deliver to Seller:
- (i) The cash Purchase, by wire transfer of funds to the account designated by Seller;
  - (ii) Buyer's Note;
  - (iii) The Membership Interest;
  - (iv) All of the Transaction Documents to which Buyer is a party, executed by a duly authorized officer of Buyer;
  - (v) A Delaware Secretary of State good standing certificate dated as of a recent date, for Buyer;
  - (vi) A certificate signed by the Managing Member of Buyer, and dated as of the Closing Date, as to the incumbency of each officer of Buyer that has executed this Agreement or any of the Transaction Documents to which Buyer is a party, on behalf or in the name of the Buyer, and certifying the effectiveness, accuracy and completeness of the copies attached to such certificate of resolutions duly adopted by the Members of Buyer, approving and authorizing the execution and delivery of this Agreement and the Transaction Documents being executed and delivered pursuant hereto by the Buyer and the performance by Buyer of its obligations hereunder and thereunder and the consummation by Buyer of the transactions contemplated hereby and thereby; and

- (vii) Such other documents and instruments as Seller or Seller's counsel may reasonably request in furtherance of the consummation of the transactions contemplated by this Agreement.

ARTICLE 9  
POST CLOSING MATTERS

9.1 Post Closing Matters. Promptly after the Closing, Buyer shall take the following actions with respect to the existing environmental matters related to the Mint Business or any other business conducted at the SilverTowne Mint (the "Post Closing Matters"). Seller agrees to cooperate and assist Buyer in accomplishing the Post Closing Matters.

- (1) Seek, if required, a state air permit to address air emissions at the SilverTowne Mint consisting of volatile organic compounds from cleaning and painting operations, particulate matter from sandblasting operations, combustion products from the three natural gas fired melting furnaces and emissions from the one natural gas fired engine associated with an emergency generator. The strategy for obtaining the permit and other related activities shall be undertaken in cooperation with the Seller;
- (2) Seek, if required, to obtain a storm water permit or, alternatively, relocate or cover certain industrial materials exposed to storm water and submit a No Exposure Certification to the Indiana Department of Environmental Management to obtain an exclusion from the storm water permitting requirements. The strategy for obtaining the permit and other related activities shall be undertaken in cooperation with the Seller;
- (3) Prepare and submit a Tier II chemical inventory report to the designated state or local commission, committee or fire department pursuant to Section 312 of the Emergency Planning and Community Right-to-Know Act (EPCRA), and complete Toxic Release Inventory reporting form R for silver and any other chemicals manufactured, processed or otherwise used greater than EPCRA thresholds; and
- (4) Seek, if required, a permit or authorization to abandon the one water well used for non-contact cooling water.

All out of pocket costs and expenses incurred by the Buyer in connection with accomplishing the Post Closing Matters, excluding any necessary equipment or physical improvements, are agreed to be Seller Retained Liabilities.

ARTICLE 10  
MISCELLANEOUS

10.1 Governing Law. This Agreement is governed by, construed in accordance with and enforced under the laws of the State of Delaware without giving effect to principles of conflict of laws.

10.2 Entirety of Agreement. This Agreement, together with the Schedules hereto and the other Transaction Documents, constitute the entire agreement of the parties concerning the subject

matter hereof and thereof and supersede all prior agreements (whether written or oral), if any, between the parties with respect thereto.

10.3 Further Assurances.

- (1) Seller shall execute and deliver such additional documents and instruments and perform such additional acts as Buyer may reasonably request to effectuate or carry out and perform all the terms of this Agreement and the other Transaction Documents to which Seller is a party and the transactions contemplated thereby, to effectively assign and deliver the Acquired Assets to Buyer and to effectuate the intent of this Agreement.
- (2) Buyer shall execute and deliver such additional documents and instruments, and perform such additional acts as Seller may reasonably request to effectuate or carry out and perform all the terms of this Agreement and the other Transaction Documents to which Buyer is a party and the transactions contemplated by this Agreement, and to effectuate the intent and purposes of this Agreement.

10.4 Jurisdiction; Service of Process. Except for the process for resolving the amount of any Earnout Payment, which is governed exclusively by Section 2.5, any action or proceeding seeking to determine the respective rights or obligations of the parties under this Agreement or any of the Transaction Documents, to enforce any provision of, or based on any right arising out of this Agreement or any of the Transaction Documents, or relating to any actual or alleged breach of this Agreement or any such Transaction Documents, shall be brought solely and exclusively in the courts of the State of Delaware or, if it has or can acquire jurisdiction, in the United States District Court of Delaware, and each of the parties consents to the jurisdiction of those courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any such action or proceeding may be served by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for the giving of notices in Section 10.6. Nothing in this Section 10.4, however, affects the right of any party to serve legal process in any other manner permitted by law.

10.5 Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED BY LAW EACH PARTY HEREBY EXPRESSLY AND IRREVOCABLY WAIVES SUCH PARTY'S RIGHTS TO A TRIAL BY JURY WITH RESPECT IN ANY LEGAL PROCEEDING THAT MAY BE BROUGHT AS A RESULT OF ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN THE PARTIES RELATING TO OR ARISING OUT OF THIS AGREEMENT AND EACH PARTY EXPRESSLY AND IRREVOCABLY AGREES THAT THE TRIER OF FACT IN ANY SUCH PROCEEDING SHALL BE THE JUDGE.

10.6 Notices.

- (1) Every notice or other communication required or contemplated by this Agreement or which any party desires to give with respect to this Agreement must be in writing and sent by one of the following methods:
  - (i) personal delivery, in which case the giving and receipt of such notice or other communication will be deemed to occur the day of delivery or, if the intended recipient refuses delivery thereof, on the date that such personal delivery is attempted at the last

known mailing address of the recipient (as set forth below or given hereafter as provided for herein);

- (ii) certified or registered mail, postage prepaid, return receipt requested, in which case the giving and receipt of such notice or other communication will be deemed to occur the day it is officially recorded by the U.S. Postal Service as delivered to the intended recipient, or, if the intended recipient refuses delivery thereof, on the date that the U.S. Postal Service attempted to make such delivery; or
  - (iii) by next-day delivery to a U.S. address by recognized overnight delivery service (such as Federal Express), in which case the giving and receipt of such notice or other communication will be deemed to occur on the business day next succeeding the date it is given to such overnight delivery, freight prepaid, for next day delivery, as evidenced by the bill of lading or other receipt issued by the delivery service.
- (2) In each case, to be effective, a notice or other communication delivered or sent to a party must be directed to the address for that party set forth below, or to such other address designated hereafter by that party effective on 10 days prior written notice to the other party given by one of the methods set forth above in this Section 10.6:

If to Buyer: AM&ST Associates, LLC  
c/o A-Mark Precious Metals, Inc.  
429 Santa Monica Boulevard, Suite 230  
Santa Monica, California 90401  
Attn: Gregory N. Roberts, CEO

with copy to: Frye & Hsieh, LLP  
24955 Pacific Coast Highway, Suite A201  
Malibu, California 90265  
Attn: Douglas J. Frye, Esq.

If to Seller: Silver Towne, L.P.  
120 East Union City Pike  
Winchester, Indiana 47394  
Attn: David Hendrickson

with copy to: Densborn, Blachy LLP  
500 East 96<sup>th</sup> Street, Suite 100  
Indianapolis, Indiana 46240  
Attention John Fleming, Esq.

10.7 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement so held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.



10.8 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

10.9. Waivers.

- (1) At any time prior to the Closing, any party hereto may with respect to the other party hereto (a) extend the time for performance of any of the obligations or other acts of such other party, (b) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered pursuant hereto, or (c) waive compliance by the other party with any of the agreements or conditions of such other party contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby.
- (2) No failure or delay on the part of any party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other rights. Except as otherwise provided hereunder, all rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

10.10 Counterparts. This Agreement may be executed in several counterparts, each of which executed counterparts, and any photocopies or facsimile copies thereof, shall constitute an original and all of which together shall constitute one and the same instrument.

10.11 No Third-Party Rights. Nothing expressed or referred to in this Agreement gives any Person other than the parties to this Agreement and the Buyer Indemnitees and Seller Indemnitees, any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement, and this Agreement and all of its provisions are for the sole and exclusive benefit of the parties to this Agreement, such Indemnitees and their respective successors and assigns.

10.12 Public Announcements.

- (1) The parties shall cooperate with respect to any public statement regarding the transactions contemplated by this Agreement or any of the other Transaction Documents.
- (2) Neither Buyer nor Seller may make any public statement regarding the transactions contemplated by this Agreement or any of the other Transaction Documents without the prior written consent of the other, which may not be unreasonably withheld or delayed; provided, however, that a party may make any such public statement without such consent, if that party (i) believes, based upon advice of counsel, that it is required by law to make that public statement, and (ii) provides the other party with prior written notice of that public statement.

10.13 Survival. Section 6.1 sets forth the relevant Survival Period for representations and warranties of the parties and the indemnification and other obligations of the Seller. Any obligations or covenants other than those contained in Section 6.1, owed by any party hereto that cannot be or is not fully performed by such party on or prior to the Closing Date, including without limitation, the payment obligations of Buyer set forth in Section 2.4 hereof and the various matters set forth in Section

2.8 (Certain Other Agreements), shall survive the Closing until fully and finally performed in accordance with this Agreement.

10.14 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, legal representatives and assigns, but this Agreement may not be assigned by either party without the prior written consent of the other.

10.15 Best Efforts. Upon the terms and subject to the conditions of this Agreement, each of the parties hereto agrees to use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws and regulations to consummate and make effective the transactions contemplated by this Agreement or any of the other Transaction Documents as promptly as practicable including (i) the preparation and filing of all forms, registrations and notices required to be filed to consummate the transactions contemplated by this Agreement or any of the other Transaction Documents and the taking of such actions as are necessary to obtain any requisite approvals, consents, orders, exemptions or waivers by any third party or Governmental Body and (ii) the satisfaction of all conditions to Closing at the earliest practicable time. Each party shall promptly consult with the other with respect to, provide any necessary information not subject to legal privilege with respect to, and provide the other (or its counsel) copies of, all filings made by such party with any Governmental Body or any other information supplied by that party to a Governmental Body in connection with this Agreement or any of the other Transaction Documents and the transactions contemplated hereby and thereby.

10.16. Headings and Certain Rules of Interpretation. The Section and Paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Unless the context indicates otherwise, whenever used in this Agreement, (i) the term “including” shall mean “including but not limited to” or “including without limitation” and (ii) the terms “hereof,” “herein,” “hereto,” “hereunder,” “hereinafter,” “hereinabove” and similar terms shall refer to this Agreement as a whole and not to the Section or Paragraph where such term appears. The recitals to this Agreement are an integral part of this Agreement. No party, nor its counsel, shall be deemed the drafter of this Agreement for purposes of construing or applying the provisions of this Agreement, and all provisions of this Agreement shall be construed in accordance with their fair meaning, and not strictly for or against any party, due to any ambiguities that may be found to exist herein or for any other reason.

10.17 Attorneys Fees. In any action or proceeding brought to enforce or interpret this Agreement, the prevailing party shall be entitled to be awarded its reasonable attorney's fees and costs in such action or proceeding. If the prevailing party recovers a judgment in any such action or proceeding, it shall also be entitled to recover its reasonable attorney's fees and cost in enforcing the judgment.

*SIGNED ON THE FOLLOWING PAGE*

IN WITNESS WHEREOF, the undersigned are executing this Agreement on the date stated in the introductory clause.

SILVER TOWNE, L.P.  
an Indiana limited partnership

By: Silver Towne, Inc., Its General Partner

By: \_\_\_\_\_

David Hendrickson, President

AM&ST ASSOCIATES, LLC,  
a Delaware limited liability company

By: \_\_\_\_\_

Name: Gregory N. Roberts  
Title: CEO

## **CONFIDENTIAL SCHEDULES AND EXHIBITS**

<b><u>Seller Disclosure Schedules</u></b>	<b>SCHEDULES</b>
Schedule 2.1(1)	Silver Towne Mint Names
Schedule 2.1(2)	Intellectual Property Rights
Schedule 2.1(4)	Telephone Numbers and P.O. Boxes
Schedule 2.1(5)	Mint Business Customer Lists
Schedule 2.1(6)	Mint Business Web Site Assets
Schedule 2.1(8)	Assumed Contracts
Schedule 2.1(9)	Tangible Personal Property
Schedule 2.1(12)	Assignable Permits
Schedule 2.1(13)	Assigned Claims
Schedule 2.1(16)	Other Mint Business Intellectual Property
Schedule 2.5(1)	Earnout Payments
Schedule 2.6(2)	Allocation of Purchase Price
Schedule 3.4	Seller Consents
Schedule 3.5	Title/Lien Exceptions
Schedule 3.7	Absence of Certain Changes
Schedule 3.8	Litigation
Schedule 3.9	Permits
Schedule 3.13	Hazardous Material
Schedule 3.17	Labor and Employment Matters
Schedule 3.24	Intellectual Property Legal Proceedings
Schedule 3.25	Security Breaches
Schedule 3.26	Related Party Transactions.
Schedule 5.1	Employees Eligible for Offers of Employment by Buyer
<b><u>Buyer Disclosure Schedule</u></b>	
Schedule 4.4	Buyer Consents

## **EXHIBITS**

Exhibit 2.4(1)	Buyer's Promissory Note
Exhibit 2.7(1)	Assignment and Assumption Agreement
Exhibit 2.7(3)	License Agreement
Exhibit 2.7(4)	Non-Competition Agreement
Exhibit 2.7(5)	Administrative Services Agreement

Exhibit 2.4(1)

Buyer's Promissory Note  
(attached)

Exhibit 2.7(1)

Assignment and Assumption Agreement  
(attached)  
Exhibit 2.7(3)

License Agreement  
(attached)  
Exhibit 2.7(4)

Non-Competition Agreement  
(attached)  
Exhibit 2.7(5)

Administrative Services Agreement  
(attached)

**FIRST AMENDMENT TO  
UNCOMMITTED CREDIT AGREEMENT**

This **FIRST AMENDMENT TO UNCOMMITTED CREDIT AGREEMENT** (this "First Amendment") dated as of June \_\_, 2016 is among **A-MARK PRECIOUS METALS, INC.**, a Delaware corporation (the "Borrower"), the undersigned Lenders and **COÖPERATIEVE RABOBANK U.A., NEW YORK BRANCH**, as Administrative Agent (the "Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings given to them in the Credit Agreement (as defined below).

**WITNESSETH:**

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to the Uncommitted Credit Agreement dated as of March 31, 2016 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, the Borrower has requested certain amendments to the Credit Agreement and the Lenders and the Administrative Agent are willing to agree to such amendments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**SECTION 1.** Amendments.

The Credit Agreement is hereby amended, upon the occurrence of the Effective Date (as defined in Section 2 below), as follows:

(c) Section 1.1 is amended as follows:

(i) The definition of "Ownership Based Financing" is amended and restated as follows:

“**Ownership Based Financing**” means a transaction whereby an Ownership Based Financing Counterparty purchases Precious Metals from the Borrower, the proceeds the Borrower receives (directly or indirectly) for such transaction shall be cash and the Borrower has the option, but not the obligation (contingent or otherwise) to repurchase any amount of such Precious Metals at a later date including, without limitation (but subject to the foregoing), transactions under an Allocated Precious Metals Account Agreement between HSBC Bank Plc and the Borrower, in form and substance satisfactory to the Required Lenders.”

(ii) The definition of "Ownership Based Financing Counterparty" is amended as follows:

““**Ownership Based Financing Counterparty**” means a Lender or an Affiliate of a Lender, or other bank or financial institution (acceptable to the Administrative Agent), in each case which has entered into an Ownership Based Financing and any other obligor in connection therewith .”

(d) Section 5.1(b) is amended and restated in its entirety as follows:

“(b) as soon as available and in any event within thirty (30) days after the end of each month, (x) the consolidated and consolidating balance sheet and related statements of operations of the Borrower and its Subsidiaries as of the end of and for such month and the then elapsed portion of the Fiscal Year, setting forth in each case in comparative form the figures for (or, in the case of the balance sheet, as of the end of) the corresponding period or periods of the previous Fiscal Year and (y) a certification of a Responsible Officer that such consolidated and consolidating financial statements present fairly the financial condition and results of operations of the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes; **provided**, however, that notwithstanding the foregoing, such information and statements for the month of June in each year shall be delivered by the Borrower not later than the date that is sixty (60) days after the end of such month; and”

(e) Section 6.4(j) is amended and restated as follows:

“(j) the sale of Ownership Based Financing Property under Permitted Ownership Based Financings, so long as the cash proceeds of such sale shall be deposited by the applicable Ownership Based Financing Counterparty directly into a Controlled Account; and”

(f) Schedules 1.1B and 1.1D are amended and restated in their entirety as set forth on Annex I hereto.

## **SECTION 2. Effectiveness of Amendment.**

This First Amendment shall become effective on the date (the “Effective Date”) on which the Administrative Agent shall have received:

(c) this First Amendment duly executed by each of the Borrower, the Required Lenders, and the Administrative Agent;

(d) such corporate authorization documents and opinions of counsel as the Required Lenders shall require; and

(e) payment from the Borrower, in immediately available funds, of the reasonable fees of counsel to the Administrative Agent for which an invoice shall have been provided.

## **SECTION 3. Effect of Amendment; Ratification; Representations; etc.**

(c) On and after the Effective Date, this First Amendment shall be a part of the Credit Agreement, all references to the Credit Agreement in the Credit Agreement and the other Loan Documents shall be deemed to refer to the Credit Agreement as amended by this First Amendment, and the term “this Agreement”, and the words “hereof”, “herein”, “hereunder” and words of similar import, as used in the Credit Agreement, shall mean the Credit Agreement as amended hereby.

(d) Except as expressly set forth herein, this First Amendment shall not constitute an amendment, waiver or consent with respect to any provision of the Credit Agreement and the Credit Agreement is hereby ratified, approved and confirmed in all respects and remains in full force and effect.

(e) In order to induce the Administrative Agent and the Lenders to enter into this First Amendment, the Borrower represents and warrants to the Administrative Agent and the Lenders that before and after giving effect to the execution and delivery of this First Amendment:

(i) the representations and warranties of the Borrower set forth in the Credit Agreement and in the other Loan Documents are true and correct in all material respects as if made on and as of the date hereof, except for those representations and warranties that by their terms were made as of a specified date which were true and correct on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing.

**SECTION 4. Counterparts.**

This First Amendment may be executed by one or more of the parties to this First Amendment on any number of separate counterparts (including by facsimile or email transmission of signature pages hereto), and all of said counterparts taken together shall be deemed to constitute one and the same agreement. A set of the copies of this First Amendment signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

**SECTION 5. Severability.**

Any provision of this First Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**SECTION 6. GOVERNING LAW.**

THIS FIRST AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

**SECTION 7. WAIVERS OF JURY TRIAL.**

EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS FIRST AMENDMENT AND FOR ANY COUNTERCLAIM THEREIN.

*[Remainder of Page Intentionally Left Blank; Signature Pages Follow]*



IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed as of the day and year first above written.

**BORROWER**

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

By: \_\_\_\_\_  
Name:  
Title:

**ADMINISTRATIVE AGENT AND LENDERS**

**COÖPERATIEVE RABOBANK U.A., NEW YORK BRANCH**, as Administrative Agent and as a Lender

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**BROWN BROTHERS HARRIMAN & CO., as a Lender**

By: \_\_\_\_\_ Name:  
Title:

Signature Page to First Amendment to Uncommitted Credit Agreement (A-Mark Precious Metals, Inc.)

---

**BNP PARIBAS**, as a Lender

By: \_\_\_\_\_ Name:  
Title:

By: \_\_\_\_\_ Name:  
Title:

Signature Page to First Amendment to Uncommitted Credit Agreement (A-Mark Precious Metals, Inc.)

---

**NATIXIS, NEW YORK BRANCH, as a Lender**

By: \_\_\_\_\_ Name:  
Title:

By: \_\_\_\_\_ Name:  
Title:

Signature Page to First Amendment to Uncommitted Credit Agreement (A-Mark Precious Metals, Inc.)

---

**BANK HAPOALIM B.M., as a Lender**

By: \_\_\_\_\_ Name:  
Title:

By: \_\_\_\_\_ Name:  
Title:

Signature Page to First Amendment to Uncommitted Credit Agreement (A-Mark Precious Metals, Inc.)

---

## Annex I to First Amendment to Uncommitted Credit Agreement

## Schedule 1.1B

## Approved Depositories

Depository	Location	Limit
Brinks, Incorporated	1120 W. Venice Boulevard Los Angeles, California 90015	\$45,000,000 minus the amount held in its capacity as a CFC Approved Depository
Asahi Refining USA, Inc.	4601 West 2100 South Salt Lake City, Utah 84120	\$35,000,000
Brinks, Incorporated	2555 Century Lake Drive Irving, Texas 75062	\$15,000,000
Brinks Global Services USA Inc.	184-45 147 <sup>th</sup> Avenue Springfield Gardens, New York 11413	\$35,000,000
Brinks, Incorporated	1070 W. Parkway Avenue Salt Lake City, Utah 84119	\$65,000,000 minus the amount held in its capacity as a CFC Approved Depository
Sunshine Minting Inc.	750 West Canfield Avenue Coeur d'Alene, Idaho 83815	\$20,000,000
Brinks, Incorporated	5115 W. Nassau Street Tampa, Florida 33607	\$20,000,000
Loomis International (US), Inc.	130 Sheridan Boulevard Inwood, New York 11096	\$5,000,000
Loomis International (US), Inc.	656 South Vail Avenue Montebello, California 90640	\$35,000,000
IBI Secured Transport Inc.	3738 West 2340 South, Suite B West Valley City, Utah 84120	\$5,000,000
A-M Global Logistics, LLC as lessee	6055 Surrey Street Las Vegas, Nevada 89119	\$150,000,000
Numismatic Guaranty Corporation	5501 Communications Parkway Sarasota, Florida 34240	\$10,000,000 minus the amount held in its capacity as a CFC Approved Depository
Professional Coin Grading Service Division of Collectors Universe, Inc.	1921 East Alton Ave Santa Ana, California 92705	\$10,000,000 minus the amount held in its capacity as a CFC Approved Depository

## Schedule 1.1D

CFC Approved Depositories

Depository	Location	Limit
Brink's, Incorporated	1120 W. Venice Boulevard Los Angeles, California 90015	\$45,000,000 minus the amount held in its capacity as an Approved Depository
Numismatic Guaranty Corporation	5501 Communications Parkway Sarasota, Florida 34240	\$10,000,000 minus the amount held in its capacity as an Approved Depository
Professional Coin Grading Service Division of Collectors Universe, Inc.	1921 East Alton Ave Santa Ana, California 92705	\$10,000,000 minus the amount held in its capacity as an Approved Depository
Collateral Finance Corporation - On-Site Facility	429 Santa Monica Boulevard Santa Monica, California 90401	\$2,000,000
Brink's, Incorporated	1070 W. Parkway Avenue Salt Lake City, Utah 84119	\$65,000,000 minus the amount held in its capacity as an Approved Depository
Brinks Global Services USA Inc.	184-45 147 <sup>th</sup> Avenue Springfield Gardens, New York 11413	\$75,000,000
A-M Global Logistics, LLC as lessee	6055 Surrey Street Las Vegas, Nevada 89119	\$65,000,000



**SECOND AMENDMENT TO  
UNCOMMITTED CREDIT AGREEMENT**

This **SECOND AMENDMENT TO UNCOMMITTED CREDIT AGREEMENT** (this "Second Amendment") dated as of August 31, 2016 is among **A-MARK PRECIOUS METALS, INC.**, a Delaware corporation (the "Borrower"), the undersigned Lenders and **COÖPERATIEVE RABOBANK U.A., NEW YORK BRANCH**, as Administrative Agent (the "Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings given to them in the Credit Agreement (as defined below).

**WITNESSETH:**

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to the Uncommitted Credit Agreement dated as of March 31, 2016 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, the Borrower has requested certain amendments to the Credit Agreement and the Lenders and the Administrative Agent are willing to agree to such amendments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**SECTION 1.      Amendments.**

The Credit Agreement is hereby amended, upon the occurrence of the Effective Date (as defined in Section 2 below), as follows:

(c) The definitions of "Tier 1 CFC Loan" and "Tier 2 CFC Loan" in Section 1.1 are each amended by deleting the reference therein to "\$50,000,000" and replacing it with "\$80,000,000".

(d) Section 6.5(h) is amended by deleting "\$10,000,000" and replacing it with "\$12,500,000".

(e) Section 10.2(d) is amended and restated in its entirety as follows:

"(d) Notwithstanding anything to the contrary contained herein, (i) each of Schedules 1.1A, 1.1B, 1.1C, 1.1D, 1.1E and 1.1F hereto may be amended with the consent of the Borrower, the Administrative Agent and the Required Lenders and (ii) the Intercreditor Agreement shall not be amended, modified or waived without the written consent of the Administrative Agent and the Required Lenders. The following procedure may be used, in the sole discretion of the Administrative Agent, to effect any and all amendments or modifications requested

---

by the Borrower to Schedule 1.1A, 1.1B, 1.1C, 1.1D, 1.1E and/or 1.1F hereto: (x) the Borrower shall deliver a written request to the Administrative Agent, which request shall be provided by the Administrative Agent to the Lenders through posting on DebtDomain or other web site in use to distribute information to the Lenders, or by other electronic mail, or other notice procedure permitted under Section 10.1; (y) the Required Lenders shall inform the Administrative Agent of such approval in writing (by electronic mail (signed attachment not required) or facsimile); and (z) once approved in such manner, Schedule 1.1A, 1.1B, 1.1C, 1.1D, 1.1E and/or 1.1F hereto, as applicable, shall be deemed so amended and the Administrative Agent shall promptly thereafter circulate to or post for the Lenders an updated version of such amended schedule reflecting the agreed upon changes.”

(c) Schedule 1.1B is amended and restated in its entirety as set forth on Annex I hereto.

(d) Schedule 1.1E is amended and restated in its entirety as set forth on Annex II hereto.

**SECTION 2. Effectiveness of Amendment.**

This Second Amendment shall become effective on the date (the “Effective Date”) on which the Administrative Agent shall have received:

(c) this Second Amendment duly executed by each of the Borrower, the Lenders, and the Administrative Agent;

(d) such corporate authorization documents and opinions of counsel as the Required Lenders shall require; and

(e) payment from the Borrower, in immediately available funds, (i) for the account of each Lender which delivers to the Administrative Agent its signed signature page by 5:00 p.m. (New York City time) on August 31, 2016, a fully earned and non-refundable amendment fee in the amount of 0.05% of such Lender’s Revolving Line Portion and (ii) for the account of the Administrative Agent, such other fees and expenses as shall have been agreed between the Administrative Agent and the Borrower (including, without limitation, the reasonable fees of counsel to the Administrative Agent for which an invoice shall have been provided).

**SECTION 3. Effect of Amendment; Ratification; Representations; etc.**

(c) On and after the Effective Date, this Second Amendment shall be a part of the Credit Agreement, all references to the Credit Agreement in the Credit Agreement and the other Loan Documents shall be deemed to refer to the Credit Agreement as amended by this Second Amendment, and the term “this Agreement”, and the words “hereof”, “herein”, “hereunder” and words of similar import, as used in the Credit Agreement, shall mean the Credit Agreement as amended hereby.

(d) Except as expressly set forth herein, this Second Amendment shall not constitute an amendment, waiver or consent with respect to any provision of the Credit Agreement

and the Credit Agreement is hereby ratified, approved and confirmed in all respects and remains in full force and effect.

(e) In order to induce the Administrative Agent and the Lenders to enter into this Second Amendment, the Borrower represents and warrants to the Administrative Agent and the Lenders that before and after giving effect to the execution and delivery of this Second Amendment:

(i) the representations and warranties of the Borrower set forth in the Credit Agreement and in the other Loan Documents are true and correct in all material respects as if made on and as of the date hereof, except for those representations and warranties that by their terms were made as of a specified date which were true and correct on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing.

**SECTION 4. Counterparts.**

This Second Amendment may be executed by one or more of the parties to this Second Amendment on any number of separate counterparts (including by facsimile or email transmission of signature pages hereto), and all of said counterparts taken together shall be deemed to constitute one and the same agreement. A set of the copies of this Second Amendment signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

**SECTION 5. Severability.**

Any provision of this Second Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**SECTION 6. GOVERNING LAW.**

THIS SECOND AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

**SECTION 7. WAIVERS OF JURY TRIAL.**

EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS SECOND AMENDMENT AND FOR ANY COUNTERCLAIM THEREIN.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed as of the day and year first above written.

**BORROWER**

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

By: \_\_\_\_\_  
Name:  
Title:

**ADMINISTRATIVE AGENT AND LENDERS**

**COÖPERATIEVE RABOBANK U.A., NEW YORK BRANCH**, as Administrative Agent and as a Lender

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**BROWN BROTHERS HARRIMAN & CO., as a Lender**

By: \_\_\_\_\_ Name:  
Title:

**BNP PARIBAS**, as a Lender

By: \_\_\_\_\_ Name:  
Title:

By: \_\_\_\_\_ Name:  
Title:

**NATIXIS, NEW YORK BRANCH, as a Lender**

By: \_\_\_\_\_ Name:  
Title:

By: \_\_\_\_\_ Name:  
Title:



**BANK HAPOALIM B.M., as a Lender**

By: \_\_\_\_\_ Name:  
Title:

By: \_\_\_\_\_ Name:  
Title:

Annex I to First Amendment to Uncommitted Credit Agreement

Schedule 1.1B

Approved Depositories

Depository	Location	Limit
Brinks, Incorporated	1120 W. Venice Boulevard Los Angeles, California 90015	\$45,000,000 minus the amount held in its capacity as a CFC Approved Depository
Asahi Refining USA, Inc.	4601 West 2100 South Salt Lake City, Utah 84120	\$35,000,000
Brinks, Incorporated	2555 Century Lake Drive Irving, Texas 75062	\$15,000,000
Brinks Global Services USA Inc.	184-45 147 <sup>th</sup> Avenue Springfield Gardens, New York 11413	\$35,000,000
Brinks, Incorporated	1070 W. Parkway Avenue Salt Lake City, Utah 84119	\$65,000,000 minus the amount held in its capacity as a CFC Approved Depository
Sunshine Minting Inc.	750 West Canfield Avenue Coeur d'Alene, Idaho 83815	\$20,000,000
Brinks, Incorporated	5115 W. Nassau Street Tampa, Florida 33607	\$20,000,000
Loomis International (US), Inc.	130 Sheridan Boulevard Inwood, New York 11096	\$35,000,000
Loomis International (US), Inc.	656 South Vail Avenue Montebello, California 90640	\$5,000,000
IBI Secured Transport Inc.	3738 West 2340 South, Suite B West Valley City, Utah 84120	\$15,000,000
A-M Global Logistics, LLC as lessee	6055 Surrey Street Las Vegas, Nevada 89119	\$150,000,000
Numismatic Guaranty Corporation	5501 Communications Parkway Sarasota, Florida 34240	\$10,000,000 minus the amount held in its capacity as a CFC Approved Depository
Professional Coin Grading Service Division of Collectors Universe, Inc.	1921 East Alton Ave Santa Ana, California 92705	\$10,000,000 minus the amount held in its capacity as a CFC Approved Depository

Annex II to Second Amendment to Uncommitted Credit Agreement

Schedule 1.1E

Approved Carriers

Carrier	Limit
Brink's Global Services International Inc.	\$25,000,000
IBI Armored Services, Inc.	\$15,000,000
Loomis Armored Transport	\$15,000,000

**Subsidiaries of A-Mark Precious Metals, Inc.**

100% owned except where indicated

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
Collateral Finance Corporation	Delaware
A-Mark Trading AG	Austria
Transcontinental Depository Services, LLC	Delaware
A-M Global Logistics, LLC	Delaware
AM&ST Associates, LLC	Delaware (55% owned)

**Exhibit 31.1**

CERTIFICATION

I, Gregory N. Roberts, certify that:

1. I have reviewed this Annual Report on Form 10-K of A-Mark Precious Metals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 22, 2016

*/s/ Gregory N. Roberts*

Name: Gregory N. Roberts

Title: Chief Executive Officer

**Exhibit 31.2**  
**CERTIFICATION**

I, Cary Dickson, certify that:

1. I have reviewed this Annual Report on Form 10-K of A-Mark Precious Metals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 22, 2016

/s/ Cary Dickson

Name:

Cary Dickson

Title:

Chief Financial Officer

**Exhibit 32.1**

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with A-Mark Precious Metals, Inc.'s (the "Company") Annual Report on Form 10-K for the quarter-ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: September 22, 2016

*/s/ Gregory N. Roberts*

\_\_\_\_\_  
Name: Gregory N. Roberts

Title: Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**Exhibit 32.2**

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with A-Mark Precious Metals, Inc.'s (the "Company") Annual Report on Form 10-K for the quarter-ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Accounting Officer of the Company, hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: September 22, 2016

*/s/ Cary Dickson*

\_\_\_\_\_  
Name: Cary Dickson

Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.



