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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(Mark One)

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

For the quarter ended December 31, 2016

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

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

Commission file number 1-34240

**COLLECTORS UNIVERSE, INC.**  
(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
Incorporation or organization)

33-0846191  
(I.E. Employer Identification No.)

1921 E. Alton Avenue, Santa Ana, California 92705  
(address of principal executive offices and zip code)

Registrant's telephone number, including area code: (949) 567-1234

Not Applicable

(Former name, former address and former fiscal year, if changed, since last year)

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 website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Securities Exchange Act Rule 12b-2). YES  NO

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of January 31, 2017
Common Stock \$.001 Par Value	8,920,998

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FOR THE QUARTER ENDED DECEMBER 31, 2016  
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**PART 1 – FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In Thousands, except per share data)  
(Unaudited)

	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 10,097	\$ 11,967
Accounts receivable, net of allowance of \$60 and \$35 at December 31, 2016 and June 30, 2016, respectively	4,506	3,883
Inventories, net	2,347	1,835
Prepaid expenses and other current assets	1,188	1,273
<b>Total current assets</b>	<b>18,138</b>	<b>18,958</b>
Property and equipment, net	3,032	2,839
Goodwill	2,083	2,083
Intangible assets, net	1,798	1,762
Deferred income tax assets	2,229	2,229
Other assets	287	240
Non-current assets of discontinued operations	79	79
<b>Total assets</b>	<b>\$ 27,646</b>	<b>\$ 28,190</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,392	\$ 2,728
Accrued liabilities	2,725	2,491
Accrued compensation and benefits	3,319	3,414
Income taxes payable	1,615	782
Deferred revenue	2,867	2,563
Current liabilities of discontinued operations	624	619
<b>Total current liabilities</b>	<b>13,542</b>	<b>12,597</b>
Deferred rent	337	381
Non-current liabilities of discontinued operations	-	217
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, \$.001 par value; 3,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$.001 par value; 20,000 shares authorized; 8,921 and 8,898 issued and outstanding at December 31, 2016 and June 30, 2016, respectively.	9	9
Additional paid-in capital	80,852	80,642
Accumulated deficit	(67,094)	(65,656)
<b>Total stockholders' equity</b>	<b>13,767</b>	<b>14,995</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 27,646</b>	<b>\$ 28,190</b>

See accompanying notes to condensed consolidated financial statements.

**COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In Thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Net revenues	\$ 17,862	\$ 12,636	\$ 33,610	\$ 27,254
Cost of revenues	6,475	5,010	12,614	10,156
Gross profit	<u>11,387</u>	<u>7,626</u>	<u>20,996</u>	<u>17,098</u>
Operating expenses:				
Selling and marketing expenses	2,327	2,040	4,748	4,209
General and administrative expenses	4,549	3,897	8,963	8,004
Total operating expenses	<u>6,876</u>	<u>5,937</u>	<u>13,711</u>	<u>12,213</u>
Operating income	4,511	1,689	7,285	4,885
Interest income and other expense, net	(96)	(15)	(72)	(42)
Income before provision for income taxes	4,415	1,674	7,213	4,843
Provision for income taxes	1,491	679	2,701	1,906
Income from continuing operations	2,924	995	4,512	2,937
Income (loss) from discontinued operations, net of income taxes	(2)	(6)	(10)	(17)
Net income	<u>\$ 2,922</u>	<u>\$ 989</u>	<u>\$ 4,502</u>	<u>\$ 2,920</u>
Net income per basic share:				
Income from continuing operations	\$ 0.34	\$ 0.12	\$ 0.53	\$ 0.35
Income from discontinued operations	-	-	-	-
Net income per basic share	<u>\$ 0.34</u>	<u>\$ 0.12</u>	<u>\$ 0.53</u>	<u>\$ 0.35</u>
Net income per diluted share:				
Income from continuing operations	\$ 0.34	\$ 0.12	\$ 0.53	\$ 0.34
Income (loss) from discontinued operations	-	-	-	-
Net income per diluted share	<u>\$ 0.34</u>	<u>\$ 0.12</u>	<u>\$ 0.53</u>	<u>\$ 0.34</u>
Weighted average shares outstanding:				
Basic	8,478	8,441	8,476	8,438
Diluted	8,578	8,549	8,569	8,541
Dividends declared per common share	\$ 0.35	\$ 0.35	\$ 0.70	\$ 0.70

See accompanying notes to condensed consolidated financial statements.

**COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In Thousands)  
(Unaudited)

	Six Months Ended December 31,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 4,502	\$ 2,920
Discontinued operations	10	17
Income from continuing operations	4,512	2,937
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization expense	830	699
Stock-based compensation expense	210	291
Provision for bad debts	26	1
Provision for inventory write-down	29	42
Provision for warranty	336	224
Gain on sale of property and equipment	5	(2)
Change in operating assets and liabilities:		
Accounts receivable	(650)	362
Inventories	(541)	(188)
Prepaid expenses and other	85	(51)
Other assets	(46)	(141)
Accounts payable and accrued liabilities	(372)	(657)
Accrued compensation and benefits	(95)	(1,724)
Income taxes payable	832	382
Deferred revenue	305	293
Deferred rent	(44)	(28)
Net cash provided by operating activities of continuing operations	5,422	2,440
Net cash used in operating activities of discontinued businesses	(240)	(199)
Net cash provided by operating activities	5,182	2,241
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of business	9	9
Capital expenditures	(726)	(292)
Capitalized software	(371)	(371)
Patents and other intangibles	(5)	(26)
Net cash used in investing activities	(1,093)	(680)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid to common stockholders	(5,959)	(6,021)
Net cash used in financing activities	(5,959)	(6,021)
Net decrease in cash and cash equivalents	(1,870)	(4,460)
Cash and cash equivalents at beginning of period	11,967	17,254
Cash and cash equivalents at end of period	\$ 10,097	\$ 12,794

See accompanying notes to condensed consolidated financial statements.

**COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
(In Thousands)  
(Unaudited)

	Six Months Ended	
	December 31,	
	2016	2015
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Interest paid during the period	\$ -	\$ -
Income taxes paid during the period	\$ 1,857	\$ 1,513

See accompanying notes to condensed consolidated financial statements.

**COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Principles of Consolidation*

The accompanying unaudited interim condensed consolidated financial statements include the accounts of Collectors Universe, Inc. and its operating subsidiaries (the “Company”, “we”, “us”, or “our”). At December 31, 2016, our operating subsidiaries were Certified Asset Exchange, Inc. (“CAE”), Collectors Universe (Hong Kong) Limited, Collectors Universe (Shanghai) Limited, and Expos, LLC. (“Expos”), all of which are ultimately 100% owned by Collectors Universe, Inc. All significant intercompany transactions and accounts have been eliminated in consolidation.

*Unaudited Interim Financial Information*

The accompanying interim condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial reporting. These interim condensed consolidated financial statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary to present fairly the Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, and Condensed Consolidated Statements of Cash Flows for the periods presented in accordance with generally accepted accounting principles in the United States of America (“GAAP”). Operating results for the three and six months ended December 31, 2016 are not necessarily indicative of the results that may be expected for the year ending June 30, 2017 or for any other interim period during such year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted in accordance with the rules and regulations of the SEC. These interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2016, as filed with the SEC (our “Fiscal 2016 10-K”). Amounts related to disclosure of June 30, 2016 balances within these interim condensed consolidated financial statements were derived from the aforementioned audited consolidated financial statements and the notes thereto.

*Reclassifications*

Certain prior period amounts have been reclassified to conform to the current period presentation.

*Revenue Recognition Policies*

We record revenue at the time of shipment of the authenticated and graded collectible to the customer, net of any taxes collected. Due to the insignificant delay between the completion of our authentication and grading services and the shipment of the collectible or high-value asset back to the customer, the time of shipment corresponds to the completion of our authentication and grading services. We recognize revenue from the sale of special coin inserts at the time the customer takes legal title to the insert. Many of our authentication and grading customers prepay our authentication and grading fees when they submit their collectibles to us for authentication and grading. We record those prepayments as deferred revenue until the collectibles have been authenticated and graded and shipped back to them. At that time, we record the revenues from the authentication and grading services we have performed for the customer and deduct this amount from deferred revenue. For certain dealers to whom we extend open account privileges, we record revenue at the time of shipment of the authenticated and graded collectible to the dealer. With respect to our Expos trade show business, we recognize revenue from each show in the period in which the show takes place.

A portion of our net revenues are comprised of subscription fees paid by customers for one year memberships in our Collectors Club. Those membership subscription fees entitle members to access our on-line and printed publications and, in some cases, to receive limited life vouchers for free grading services. We recognize revenue attributable to free grading vouchers on a specific basis and classify those revenues as part of authentication and grading fees. The balance of the membership fee is recognized over the life of the one year membership on a time-apportioned basis.

We recognize product sales when items are shipped to customers. Product revenues consist primarily of sales of collectible coins that we purchase pursuant to our coin authentication and grading warranty program. However, those sales are not considered an integral part of the Company's ongoing revenue generating activities.

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results from continuing and discontinued operations could differ from results expected on the basis of those estimates, and such differences could be material to our future results of operations and financial condition. Examples of such estimates that could be material include determinations made with respect to the capitalization and recovery of software development costs, the valuation of stock-based compensation awards and the timing of the recognition of related stock-based compensation expense, the valuation of coin inventory, the amount and assessment of goodwill for impairment, the sufficiency of warranty reserves, the provision or benefit for income taxes and related valuation allowances, and adjustments to the fair value of remaining lease obligations for our discontinued jewelry businesses.

#### *Goodwill and Other Long-Lived Assets*

We evaluate the carrying value of goodwill and indefinite-lived intangible assets at least annually, or more frequently if facts and circumstances indicate that impairment may have occurred. Qualitative factors are considered in performing our goodwill impairment assessment, including the significant excess of fair value over carrying value in prior years, and any material changes in the estimated cash flows of the reporting unit. We also evaluate the carrying values of all other tangible and intangible assets for impairment if circumstances arise in which the carrying values of these assets may not be recoverable on the basis of future undiscounted cash flows. We determined that no impairment of goodwill or other long-lived assets existed as of December 31, 2016.

#### *Foreign Currency*

The Company has determined that the U.S. Dollar is the functional currency for its French branch office and its Hong Kong and China subsidiaries. Based on this determination, the Company's foreign operations are re-measured by reflecting the financial results of such operations as if they had taken place within a U.S. dollar-based economic environment. Fixed assets and other non-monetary assets and liabilities are re-measured from foreign currencies to U.S. dollars at historical exchange rates; whereas cash, accounts receivable and other monetary assets and liabilities are re-measured at current exchange rates. Gains and losses resulting from those re-measurements, which are included in income for the current period, were not material.

#### *Stock-Based Compensation*

We recognize stock-based compensation attributable to service-based equity grants over the service period based on the grant date fair value. For performance-based equity grants with financial performance goals, we begin recognizing compensation expense based on the grant date fair value when it becomes probable that we will achieve the financial performance goals.

#### *Restricted Stock Awards*

As previously disclosed, in fiscal 2013, the Compensation Committee of the Board of Directors adopted a Long-Term Incentive Plan ("LTIP") for the Company's Chief Executive Officer and Chief Financial Officer, as well as for other selected key management employees (collectively, "Participants") and currently there are approximately 411,000 unvested restricted shares outstanding under the LTIP. At the time of the adoption of the LTIP, the Compensation Committee established a threshold annual financial performance goal, and four increasingly higher financial performance goals and made the vesting of the LTIP shares conditioned on the Company's achievement of one or more of those financial performance goals during any fiscal year within a six year period ending on June 30, 2018 (the "Performance Period"). Through fiscal 2015, the Company had achieved the threshold and the first of the other financial performance goals, resulting in the vesting of 25% of the restricted shares that had been granted under the LTIP.

The Company did not achieve any additional financial performance goals in fiscal 2016 and, therefore, no additional restricted shares became vested in fiscal 2016. However, a determination was made that it had become probable the Company would achieve at least the next higher financial performance goal prior to the expiration of the LTIP in fiscal 2018. Therefore, the Company is accruing the remaining stock-based compensation expense for that goal on a prospective basis, through the expected later vesting date.

At this time, it is considered too early to determine if it is probable that the Company will achieve any additional financial goals under the LTIP in fiscal 2017 or 2018. We will continue to reassess at each reporting date whether it has become probable that any additional performance goals will be achieved. If it becomes probable that any of the remaining financial performance goals will be achieved, the Company would recognize additional stock-based compensation expense based on the expected vesting dates.

Stock-based compensation in the three and six months ended December 31, 2016 was \$108,000 and \$210,000, respectively, as compared to \$140,000 and \$291,000 in the three and six months ended December 31, 2015.

#### *Concentrations*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

Financial Instruments and Cash Balances. At December 31, 2016 we had cash and cash equivalents totaling approximately \$10,097,000, of which approximately \$5,176,000 was invested in money market accounts, and the balance of \$4,921,000 was in non-interest bearing bank accounts for general day-to-day operations. Cash in overseas bank accounts was approximately \$2,537,000 at December 31, 2016 of which \$2,112,000 was in China. We will remit excess cash from China in accordance with Chinese exchange control regulations.

Substantially all of our cash is deposited at two FDIC insured financial institutions. We maintained cash due from banks, inclusive of cash in overseas accounts, in excess of the bank's FDIC insured deposit limits of approximately \$6,683,000 at December 31, 2016.

Accounts Receivable. A substantial portion of accounts receivable are due from collectibles dealers. One individual customer's accounts receivable balance exceeded 10% of the Company's total gross accounts receivable balances at December 31, 2016 whereas there were none at June 30, 2016. We perform an analysis of the expected collectability of accounts receivable based on several factors, including the age and extent of significant past due accounts and economic conditions or trends that may adversely affect the ability of debtors to pay their account receivable balances. Based on that review, we establish an allowance for doubtful accounts, when deemed necessary. The allowance for doubtful accounts receivable was \$60,000 and \$35,000 at December 31, 2016 and June 30, 2016, respectively. Ultimately, we will write-off accounts receivable balances when it is determined that there is no possibility of collection.

Coin Revenues. The authentication, grading and sales of collectible coins, related services and product sales accounted for approximately 68% of our net revenues for six months ended December 31, 2016, and 65% of our net revenues for the six months ended December 31, 2015.

Customers. One of our China coin authentication and grading customers, in the aggregate, accounted for approximately 18% and 11% of our total net revenues in the three and six months ended December 31, 2016, respectively. There were no customers that exceed 10% of revenues in three and six months ended December 31, 2015.

#### *Inventories*

Our inventories consist primarily of (i) coins which we have purchased pursuant to our coin authentication and grading warranty program and (ii) consumable supplies and special inserts that we use in our continuing authentication and grading businesses. Coin collectibles inventories are recorded at the lower of cost or estimated market value using the specific identification method. Consumable supplies are recorded at the lower of cost (using the first-in first-out method) or market. Inventories are periodically reviewed to identify slow-moving items, and an allowance for inventory losses is recognized, as considered necessary. It is possible that our estimates of market value of collectible coins in inventory could change due to market conditions in the various collectibles markets served by the Company, which could require us to increase that allowance for inventory losses.

### *Capitalized Software*

We capitalize certain costs incurred in the development and upgrading of our software, either from internal or external sources, as part of intangible assets and we amortize these costs on a straight-line basis over the estimated useful life of the software of three years. In the three and six months ended December 31, 2016 we capitalized approximately \$199,000 and \$371,000, respectively of software development cost as compared to \$169,000 and \$371,000 in the three and six months ended December 31, 2015, respectively. In the three and six months ended December 31, 2016, we recorded approximately \$116,000 and \$220,000, respectively as amortization expense for capitalized software as compared to \$63,000 and \$104,000 in the three and six months ended December 31, 2015. Planning, training, support and maintenance costs incurred either prior to or following the implementation phase are recognized as expense in the period in which they occur. We evaluate the carrying value of capitalized software for possible impairment, and, if necessary, an impairment loss is recorded in the period in which any impairment is determined to have occurred.

### *Warranty Costs*

We offer a limited warranty covering the coins and trading cards that we authenticate and grade. Under the warranty, if any collectible coin or trading card that was previously authenticated and graded by us is later submitted to us for re-grading and either (i) receives a lower grade upon that re-submittal or (ii) is determined not to have been authentic, we will offer to purchase the collectible or, in the alternative, at the customer's option, pay the difference in value of the item at its original grade, as compared with its lower grade. However, this warranty is voided if the collectible, upon re-submittal to us, is not in the same tamper-resistant holder in which it was placed at the time we last graded it. We accrue for estimated warranty costs based on historical trends and related experience. We monitor the adequacy of our warranty reserves on an ongoing basis for significant claims resulting from resubmissions receiving lower grades, or deemed not to be authentic.

### *Dividends*

In accordance with the Company's current quarterly dividend policy, we paid quarterly cash dividends of \$0.35 per share of common stock in the second quarter of fiscal 2017. The declaration of cash dividends in the future is subject to final determination each quarter by the Board of Directors based on a number of factors, including the Company's financial performance and its available cash resources, its cash requirements and alternative uses of cash that the Board may conclude would represent an opportunity to generate a greater return on investment for the Company.

### *Recent Accounting Pronouncements*

In August 2016, FASB issued Accounting Standards Update No. 2016-15 on Statement of Cash Flows-Classification of Certain Cash Receipts and Cash Payments. The updated guidance addresses the following eight specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The adoption of this guidance is not expected to have a material effect on the Company's Consolidated Financial Statements and related disclosures. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods thereafter.

2. INVENTORIES

Inventories consist of the following (in thousands):

	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Coins	\$ 453	\$ 437
Other collectibles	338	292
Grading raw materials consumable inventory	2,322	1,845
	3,113	2,574
Less inventory reserve	(766)	(739)
Inventories, net	<u>\$ 2,347</u>	<u>\$ 1,835</u>

The inventory reserve represents a valuation allowance on certain items of our coins, other collectibles and consumable inventories based upon our review of the current market value of such coins and collectibles and the usage of consumables.

The estimated value of coins can be subjective and can vary depending on market conditions for precious metals, the number of qualified buyers for a particular coin and the uniqueness and special features of a particular coin.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Coins grading reference sets	\$ 263	\$ 263
Computer hardware and equipment	2,851	2,777
Computer software	1,202	1,202
Equipment	5,696	5,134
Furniture and office equipment	1,133	1,116
Leasehold improvements	1,211	1,138
Trading card reference library	52	52
	12,408	11,682
Less accumulated depreciation and amortization	(9,376)	(8,843)
Property and equipment, net	<u>\$ 3,032</u>	<u>\$ 2,839</u>

4. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Warranty reserves	\$ 1,014	\$ 892
Professional fees	422	484
Other	1,289	1,115
	<u>\$ 2,725</u>	<u>\$ 2,491</u>

The following table presents the changes in the Company's warranty reserve during the six months ended December 31, 2016 and 2015 (in thousands):

	<b>Six Months Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Warranty reserve beginning of period	\$ 892	\$ 1,492
Provision charged to cost of revenues	336	224
Payments	(214)	(266)
Warranty reserve, end of period	<u>\$ 1,014</u>	<u>\$ 1,450</u>

#### 5. DISCONTINUED OPERATIONS

During fiscal 2009, the Board of Directors authorized the divestiture and sale of the jewelry businesses and the currency grading business, the remaining assets and liabilities of which have been reclassified as assets and liabilities of discontinued operations on the Condensed Consolidated Balance Sheets as of December 31, 2016 and June 30, 2016.

The operating results of the discontinued businesses that are included in the accompanying Condensed Consolidated Statements of Operations were not material.

The remaining lease obligation in connection with the fiscal 2009 disposal of our jewelry business was \$476,000 at December 31, 2016, all of which was classified as a current liability in the accompanying condensed consolidated balance sheet at December 31, 2016.

#### 6. INCOME TAXES

In the six months ended December 31, 2016 and 2015, we recognized provisions for income taxes based upon estimated annual effective tax rates of approximately 37% and 39% respectively. The lower estimated annual effective rate in the six months ended December 31, 2016, reflects the release of valuation allowances for prior year losses in China, due to the expectation that all prior year losses in China will be utilized in fiscal 2017.

#### 7. NET INCOME PER SHARE

The following table presents the changes in the Company's weighted average shares outstanding for the three and six months ended December 31, 2016 and 2015 (in thousands):

	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Weighted average shares outstanding: Basic	8,478	8,441	8,476	8,438
Dilutive effect of restricted shares	100	108	93	103
Weighted average shares outstanding: Diluted	<u>8,578</u>	<u>8,549</u>	<u>8,569</u>	<u>8,541</u>

There were no anti-dilutive unvested restricted shares of common stock that were excluded from the computation of diluted income per share, in the six months ended December 31, 2016, as compared to 30,000 anti-dilutive unvested restricted shares that were excluded from the computation, in the six months ended December 31, 2015.

In addition, approximately 263,000 of unvested performance-based restricted shares of common stock were excluded from the computation of diluted earnings per share in the three and six months ended December 31, 2016, respectively, as compared to 261,000 and 256,000 of unvested performance based shares in the three and six months ended December 31, 2015, respectively, because we had not achieved the related performance goals required for those shares to vest.

## 8. BUSINESS SEGMENTS

Operating segments are defined as the components or “segments” of an enterprise for which separate financial information is available that is evaluated regularly by the Company’s chief operating decision maker, or decision-making group, in deciding how to allocate resources to and in assessing performance of those components or “segments”. The Company’s chief operating decision-maker is its Chief Executive Officer. The Company’s operating segments are organized based on the respective services that they offer to customers. Similar operating segments have been aggregated to reportable operating segments based on having similar services, types of customers, and other criteria.

For our continuing operations, we operate principally in three reportable service segments: coins, trading cards and autographs and other collectibles. Services provided by these segments include authentication, grading, publications, advertising and commissions earned, subscription-based revenues and product sales. The other collectibles segment is comprised of CCE, Coinflation.com, Collectors.com and our collectibles trade show business.

We allocate operating expenses to each service segment based upon each segment’s activity level. The following tables set forth on a segment basis, including a reconciliation with the condensed consolidated financial statements, (i) external revenues, (ii) amortization and depreciation, (iii) stock-based compensation expense, and (iv) operating income for the three months and six months ended December 31, 2016 and 2015, respectively. Net identifiable assets are provided by business segment as of December 31, 2016 and June 30, 2016, respectively (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Net revenues from external customers:				
Coins <sup>(1)</sup>	\$ 12,978	\$ 8,285	\$ 22,950	\$ 17,598
Trading cards and autographs	4,098	3,575	8,537	7,572
Other	786	776	2,123	2,084
Consolidated total revenue	<u>\$ 17,862</u>	<u>\$ 12,636</u>	<u>\$ 33,610</u>	<u>\$ 27,254</u>
Amortization and depreciation:				
Coins	\$ 161	\$ 124	\$ 298	\$ 262
Trading cards and autographs	52	57	108	112
Other	121	122	271	219
Total	334	303	677	593
Unallocated amortization and depreciation	76	56	153	106
Consolidated amortization and depreciation	<u>\$ 410</u>	<u>\$ 359</u>	<u>\$ 830</u>	<u>\$ 699</u>
Stock-based compensation:				
Coins	\$ 17	\$ 22	\$ 28	\$ 45
Trading cards and autographs	3	3	5	5
Other	1	2	4	4
Total	21	27	37	54
Unallocated stock-based compensation	87	113	173	237
Consolidated stock-based compensation	<u>\$ 108</u>	<u>\$ 140</u>	<u>\$ 210</u>	<u>\$ 291</u>
Operating income:				
Coins	\$ 4,796	\$ 2,328	\$ 7,552	\$ 5,601
Trading cards and autographs	922	623	2,003	1,516
Other	125	(222)	420	(5)
Total	5,843	2,729	9,975	7,112
Unallocated operating expenses	(1,332)	(1,040)	(2,690)	(2,227)
Consolidated operating income	<u>\$ 4,511</u>	<u>\$ 1,689</u>	<u>\$ 7,285</u>	<u>\$ 4,885</u>

(1) Includes service revenues of \$4.3 million and \$5.8 million generated from outside the United States in the three and six months ended December 31, 2016, respectively as compared to \$1.1 million and \$2.0 million in the three and six months ended December 31, 2015, respectively.

	December 31, 2016	June 30, 2016
<b>Identifiable Assets:</b>		
Coins <sup>(2)</sup>	\$ 9,414	\$ 7,824
Trading cards and autographs	1,380	1,451
Other	3,261	3,360
<b>Total</b>	<b>14,055</b>	<b>12,635</b>
Unallocated assets <sup>(2)</sup>	13,591	15,555
<b>Consolidated assets</b>	<b>\$ 27,646</b>	<b>\$ 28,190</b>
<b>Goodwill:</b>		
Coins	\$ 515	\$ 515
Other	1,568	1,568
<b>Consolidated goodwill</b>	<b>\$ 2,083</b>	<b>\$ 2,083</b>

<sup>(2)</sup> Includes assets of \$6.0 million and \$2.9 million outside the United States at December 31 and June 30, 2016, respectively.

#### 9. RELATED-PARTY TRANSACTIONS

During the three and six months ended December 31, 2016, an adult member of the immediate family of Mr. David Hall, the President of the Company, paid grading and authentication fees to us of \$480,000 and \$946,000, respectively, as compared to \$188,000 and \$1,005,000 for the three and six months ended December 31, 2015. At December 31, 2016, the amount owed to the Company for these services was approximately \$142,000, as compared to \$92,000 at June 30, 2016.

An associate of Richard Kenneth Duncan Sr., who as of July 2015 was the beneficial owner of approximately 5% of our outstanding shares, paid us grading and authentication fees of \$167,000 and \$406,000 in the three and six months ended December 31, 2016, respectively, as compared to \$233,000 and \$566,000, respectively, in the same three and six months of fiscal 2016. At December 31, 2016, the amount owed to the Company for these services was approximately \$102,000, as compared to \$101,000 at June 30, 2016.

In each case, these authentication and grading fees were comparable in amount to the fees which we charge, in the ordinary course of our business, for similar authentication and grading services we render to unaffiliated customers.

#### 10. CONTINGENCIES

The Company is named from time to time, as a defendant in lawsuits and disputes that arise in the ordinary course of business. We believe that none of the lawsuits or disputes currently pending against the Company is likely to have a material adverse effect on the Company's financial position or results of operations.

#### 11. SUBSEQUENT EVENTS

On January 10, 2017, the Company obtained a \$10 million three year unsecured revolving credit line from a commercial bank. The Company is entitled to draw down borrowings under the credit line at such times and in such amounts as it may request, provided that the maximum principal amount of the borrowings that may be outstanding at any one time under the Credit Line may not exceed \$10 million and there must be a period of 30 consecutive days each year during which no borrowings may be outstanding. The Company also may, at any time or from time to time and at its option, repay outstanding borrowings, in whole or in part, and may reborrow amounts so repaid at such times and in such amounts as it deems appropriate. The loan agreement governing the credit line contains a financial covenant that requires the Company to maintain a funded debt coverage ratio, and to comply with certain other covenants typical for this type of credit line. Based on the Company's financial performance for the last 4 quarters ended December 31, 2016, the Company is entitled to borrow \$10 million under the credit line.

On January 23, 2017, the Company announced that, in accordance with its dividend policy the Board of Directors had approved a third quarter cash dividend of \$0.35 per share of common stock and such dividend will be paid on February 24, 2017 to stockholders of record on February 15, 2017.

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

### Forward-Looking Statements

The discussion in this Item 2 of this Quarterly Report on Form 10-Q (this "Report") includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "1933 Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "1934 Act"). Those Sections of the 1933 Act and 1934 Act provide a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their expected future financial performance so long as they provide cautionary statements identifying important factors that could cause their actual results to differ from projected or anticipated results. Other than statements of historical fact, all statements in this Report and, in particular, any projections of or statements as to our expectations or beliefs concerning our future financial performance or financial condition or as to trends in our business or in our markets, are forward-looking statements. Forward-looking statements often include the words "believe," "expect," "anticipate," "intend," "plan," "estimate," "project," or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could," or "may." Our actual financial performance in future periods may differ significantly from the currently expected financial performance set forth in the forward-looking statements contained in this Report due to the risks to which our business is subject and other circumstances or occurrences which are not presently predictable and over which we do not have control. Consequently, the forward-looking statements and information contained in this Report are qualified in their entirety by, and readers of this Report are urged to read the risk factors that are described in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended June 30, 2016 (the "Fiscal 2016 10-K"), which we filed with the Securities and Exchange Commission (the "SEC") on August 30, 2016, and the section, entitled "Factors that Can affect our Results of Operations or Financial Position," below in this Item 2.

Due to these and other possible uncertainties and risks, readers are cautioned not to place undue reliance on the forward-looking statements that are contained or recent trends that we describe in this Report, which speak only as of the date of this Report, or to make predictions about our future financial performance based solely on our historical financial performance. We also disclaim any obligation to update or revise any forward-looking statements contained in this Report or in our Fiscal 2016 10-K or any of our other prior filings with the SEC, except as may be required by applicable law or applicable NASDAQ rules.

### Our Business

Collectors Universe, Inc. ("we", "us", "our", or the "Company") provides authentication and grading services to dealers and collectors of high-value coins, trading cards, event tickets, autographs, sports and historical memorabilia. We believe that our authentication and grading services add value to these collectibles by providing dealers and collectors with a high level of assurance as to the authenticity and quality of the collectible they seek to buy or sell; thereby enhancing their marketability and providing increased liquidity to the dealers, collectors and consumers that own, buy and sell such collectibles.

We principally generate revenues from the fees paid for our authentication and grading services. To a lesser extent, we generate revenues from other related services which consist of: (i) revenues from sales of advertising placed and commissions earned on our websites; (ii) sales of printed publications and collectibles price guides and sales of advertising in our publications; (iii) sales of membership subscriptions in our Collectors Club, which is designed primarily to attract interest in high-value collectibles among new collectors; (iv) sales of subscriptions to our CCE dealer-to-dealer Internet bid-ask market for coins that have been authenticated and graded (or "certified") and (v) the management and operation of collectibles trade shows and conventions. We also generate revenues from sales of our collectibles inventory, which is comprised primarily of collectible coins that we have purchased under our coin grading warranty program; however, such product sales are neither the focus nor an integral part of our on-going revenue generating activities.

## Overview of Three and Six Months ended December 31, 2016 Operating Results

The following table sets forth comparative financial data for the three and six months ended December, 2016 and 2015 (in thousands):

	Three Months Ended December 31,				Six Months Ended December 31,			
	2016		2015		2016		2015	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
<b>Net Revenues:</b>								
Grading authentication and related services	\$ 17,862	100.0%	\$ 12,636	100.0%	\$ 33,610	100.0%	\$ 27,254	100.0%
<b>Cost of Revenues:</b>								
Grading authentication and related services	6,475	36.3%	5,010	39.6%	12,614	37.5%	10,156	37.3%
<b>Gross Profit:</b>	<b>11,387</b>	<b>63.7%</b>	<b>7,626</b>	<b>60.4%</b>	<b>20,996</b>	<b>62.5%</b>	<b>17,098</b>	<b>62.7%</b>
Selling and marketing expenses	2,327	13.0%	2,040	16.2%	4,748	14.1%	4,209	15.4%
General & administrative expenses	4,549	25.4%	3,897	30.8%	8,963	26.7%	8,004	29.4%
Operating income	4,511	25.3%	1,689	13.4%	7,285	21.7%	4,885	17.9%
Interest and other income, net	(96)	(0.6%)	(15)	(0.2%)	(72)	(0.2%)	(42)	(0.1%)
Income before provision for income taxes	4,415	24.7%	1,674	13.2%	7,213	21.5%	4,843	17.8%
Provision for income taxes	1,491	8.3%	679	5.3%	2,701	8.1%	1,906	(7.0%)
Income from continuing operations	2,924	16.4%	995	7.9%	4,512	13.4%	2,937	10.8%
Income (loss) from discontinued operations, net of income taxes	(2)	-	(6)	(0.1%)	(10)	-	(17)	(0.1%)
Net income	<u>\$ 2,922</u>	<u>16.4%</u>	<u>\$ 989</u>	<u>7.8%</u>	<u>\$ 4,502</u>	<u>13.4%</u>	<u>\$ 2,920</u>	<u>10.7%</u>
<b>Net income per diluted share:</b>								
Income from continuing operations	\$ 0.34		\$ 0.12		\$ 0.53		\$ 0.34	
Loss from discontinued operations	-		-		-		-	
Net income	<u>\$ 0.34</u>		<u>\$ 0.12</u>		<u>\$ 0.53</u>		<u>\$ 0.34</u>	

Grading authentication and related service revenues increased to a quarterly record of \$17.9 million and a first-half record of \$33.6 million in the three and six months ended December 31, 2016, respectively, as compared to \$12.6 million and \$27.3 million in the three and six months ended December 31, 2015. These increases in services revenues, of \$5.2 million, or 41%, in the second quarter and \$6.4 million, or 23%, in the first six months of this fiscal year were attributable to coin increases of \$4.7 million or 57% in the second quarter and \$5.4 million or 30% in the first six months, respectively, and card and autograph increases \$0.5 million or 15% in the second quarter and \$1.0 million or 13% in the first six months. Contributing to the coin revenue increases were increased China revenues of \$3.1 million or 547% and \$3.5 million or 317% in the second quarter and first half of the current year, respectively. See *Net Revenues* below.

Operating income increased to a quarterly record of \$4.5 million and a first half record of \$7.3 million in the three and six months ended December 31, 2016, respectively, as compared to \$1.7 million and \$4.9 million in the three and six months ended December 31, 2015. The increase in operating income primarily reflects the increased revenues generated in this year's second quarter.

These, as well as other factors affecting our operating results in the three and six months ended December 31, 2016, are described in more detail below. See "Factors that Can Affect our operating Results and Financial Position" and "Results of Operations for the Three and Six Months Ended December 31, 2016, as compared to the Three and Six Months Ended December 31, 2015", below.

## Factors That Can Affect our Operating Results and Financial Position

*Factors That Can Affect our Revenues and Gross Profit Margins.* Authentication and grading fees accounted for approximately 91% and 89% of our service revenues in the three and six months ended December 31, 2016, respectively. The amount of those fees and our gross profit margins are primarily driven by the volume and mix of coin and collectibles sales and purchase transactions by collectibles dealers and collectors, because our authentication and grading services generally facilitate sales and purchases of coins and other high value collectibles by providing dealers and collectors with a high level of assurance as to the authenticity and quality of the collectibles they seek to sell or buy. Consequently, dealers and collectors most often submit coins and other collectibles to us for authentication and grading at those times when they are in the market to sell or buy coins and the other high-value collectibles, that we authenticate and grade.

In addition, our coin authentication and grading and revenues are impacted by the volume of modern coin submissions, which can be volatile, primarily depending on the timing and size of modern coin marketing programs by the United States Mint and by customers or dealers who specialize in sales of such coins. Furthermore, we have experienced a significant increase in world coin authentication and grading revenues, primarily in China, in the first half of fiscal 2017. That increase in China is primarily attributed to the previously announced Guojin contract (a multi-year services agreement for the provision of coin grading services to Guojin in China). The levels of future revenues that we will generate from this contract are dependent upon the success of Guojin's coin marketing programs in the banking channels in China. Therefore, there may be volatility in the level of world coin revenues on a quarterly basis depending upon the level of submissions from Guojin and specifically in our third fiscal quarter due to the Chinese New Year holidays that occur in that quarter.

Our authentication and grading revenues and gross profit margins are affected by (i) the volume and mix of authentication and grading submissions among coins and trading cards; (ii) in the case of coins and trading cards, the turnaround times requested by our customers, because we charge higher fees for faster service times; and (iii) the mix of authentication and grading submissions between vintage or "classic" coins and trading cards, on the one hand, and modern coins and trading cards, on the other hand, because dealers generally request faster turnaround times for vintage or classic coins and trading cards than they do for modern submissions, as vintage or classic collectibles generally are of significantly higher value than modern coins and trading cards; and (iv) as discussed above, the volume and timing of marketing programs for modern coins. Furthermore, because a significant proportion of our costs of revenues are relatively fixed in nature in the short term, our gross profit margin is also affected by the overall volume of collectibles that we authenticate and grade in any period.

Our revenues and gross profit margin are also affected by the number of coin authentication and grading submissions we receive at collectibles trade shows where we provide on-site authentication and grading services to show attendees, because show attendees typically request higher priced same-day turnaround for the coins they submit to us for authentication and grading at those shows. The number of trade show submissions varies from period to period depending upon a number of factors, including the number and the timing of the shows in each period and the volume of collectible coins that are bought and sold at those shows by dealers and collectors. In addition, the number of such submissions and, therefore, the revenues and gross profit margin we generate from the authentication and grading of coins at trade shows can be impacted by dealer and collectors sentiment arising from short-term changes in the prices of gold that may occur around the time of shows, because short-term changes in gold prices can affect the willingness of dealers and collectors to sell and purchase coins at the shows.

One of our coin authentication and grading customers accounted, in the aggregate, for approximately 18% and 11% of our total net revenues in the three and six months ended December 31, 2016, respectively. In addition, our top five customers accounted, in the aggregate, for approximately 30% and 22% of our total revenues in the three and six months ended December 31, 2016, respectively. As a result, the loss of any of those customers, or a significant decrease in the volume of grading submissions from any of them to us, could cause our net revenues to decline and, therefore, could adversely affect our results of operations.

The following tables provide information regarding the respective numbers of coins, trading cards and autographs that we authenticated and graded in the three and six months ended December 31, 2016 and 2015, and their estimated values, which are the amounts at which those coins and trading cards were declared for insurance purposes by the dealers and collectors who submitted them to us for grading and authentication:

	Units Processed				Declared Value (000s)			
	Three Months Ended December 31,				Three Months Ended December 31,			
	2016		2015		2016		2015	
Coins	919,100	68.8%	443,700	53.2%	457,733	91.0%	\$ 430,465	92.1%
Trading cards and autographs <sup>(1)</sup>	417,500	31.2%	390,600	46.8%	45,242	9.0%	36,722	7.9%
Total	<u>1,336,600</u>	<u>100.0%</u>	<u>834,300</u>	<u>100.0%</u>	<u>502,975</u>	<u>100.0%</u>	<u>\$ 467,187</u>	<u>100.0%</u>

  

	Units Processed				Declared Value (000s)			
	Six Months Ended December 31,				Six Months Ended December 31,			
	2016		2015		2016		2015	
Coins	1,518,400	64.0%	877,200	51.4%	1,041,768	88.8%	\$ 974,977	92.5%
Trading cards and autographs <sup>(1)</sup>	854,300	36.0%	831,000	48.6%	131,878	11.2%	79,570	7.5%
Total	<u>2,372,700</u>	<u>100.0%</u>	<u>1,708,200</u>	<u>100.0%</u>	<u>1,173,646</u>	<u>100.0%</u>	<u>\$1,054,547</u>	<u>100.0%</u>

<sup>(1)</sup> Consists of trading card units authenticated and graded by our PSA trading card authentication and grading business and autographs certified by our PSA/DNA autograph authentication and grading business.

*Impact of Economic Conditions on our Financial Performance.* As discussed above, our operating results are affected by the number of collectibles transactions by collectibles dealers and collectors which, in turn, is primarily affected by (i) the cash flows generated by collectibles dealers and their confidence about future economic conditions, which affect their willingness and the ability of such dealers to purchase collectibles for resale; (ii) the availability and cost of borrowings because collectibles dealers often rely on borrowings to fund their purchases of collectibles, (iii) the disposable income available to collectors and their confidence about future economic conditions, because high-value collectibles are generally purchased with disposable income; (iv) prevailing and anticipated rates of inflation and the strength or weakness of the U.S. dollar, and uncertainties regarding the strength of the economy in the United States, Western Europe and China, because conditions and uncertainties of this nature often lead investors and consumers to purchase or invest in gold and silver coins as a hedge against inflation or reductions in the purchasing power of the U.S. currency; as well as an alternative to investments in government bonds and other treasury instruments; and (v) the performance and volatility of the gold and other precious metals markets, which can affect the level of purchases and sales of collectible coins, because investors and consumers will often increase their purchases of gold coins, as well as other hard assets if they believe that the market prices of those assets will increase. As a result, the volume of collectibles transactions and, therefore, the demand for our authentication and grading services, generally increase during periods characterized by increases in disposable income and the availability of lower cost borrowings, on the one hand, or increases in inflation or in gold prices, economic uncertainties and declines in business and consumer confidence or a weakening of the U.S. dollar on the other hand. By contrast, collectibles transactions and, therefore, the demand for our services generally decline during periods characterized by economic downturns or recessions, declines in consumer and business confidence, an absence of inflationary pressures, or periods of stagnation or a downward trend in the market prices of gold. However, these conditions can sometimes counteract each other as it is not uncommon, for example, for investors to shift funds from gold to other investments during periods of economic growth and growing consumer and business confidence and from stocks and other investments to gold during periods of economic uncertainties and decreases in disposable income and consumer and business confidence.

*Factors That Can Affect our Liquidity and Financial Position.* A substantial number of our authentication and grading customers pay our authentication and grading fees when they submit their collectibles to us for authentication and grading or prior to the shipment of the collectible back to them. As a result, historically, we have been able to rely on internally generated cash and have never incurred borrowings to fund our continuing operations.

In addition to the operating performances of our businesses, and in particular our coin authentication and grading business, our overall financial position can also be affected by the dividend policy adopted by the Board of Directors from time to time, the Company's decisions to invest in and to fund the acquisition of established and/or early stage businesses and any capital raising activities or stock repurchases. In addition, our financial position is impacted by the Company's tax position. As previously disclosed, the Company has fully utilized all of its federal net operating loss carry forwards and other tax attributes, and therefore we pay federal income taxes at a rate of approximately 35% of taxable income on an annual basis. The Company continues to have net operating losses and other tax credits available for state income tax purposes in California, which should allow us to pay taxes at minimum levels in California for the foreseeable future.

As discussed, in note 11 to the condensed consolidated financial statements included elsewhere in this Quarterly Report, in January 2017 the Company obtained a \$10 million three year unsecured revolving credit line from a commercial bank. The Company is entitled to draw down borrowings under the credit line at such times and in such amounts as it may request, provided that the maximum principal amount of the borrowings that may be outstanding at any one time under the Credit Line may not exceed \$10 million and there must be a period of 30 consecutive days each year during which no borrowings may be outstanding. The Company also may, at any time or from time to time and at its option, repay outstanding borrowings, in whole or in part, and may reborrow amounts so repaid at such times and in such amounts as it deems appropriate. We intend to use borrowing under the credit line for working capital and other general corporate purposes. Based on the Company's financial performance for the last 4 quarters ended December 31, 2016, the Company is entitled to borrow \$10 million under the credit line. See "Liquidity and Capital Resources—*Future Sources of Cash*" below for additional information regarding the credit line.

We currently expect that internally generated cash flows, current cash and cash equivalent balances and borrowings available under the credit line will be sufficient to fund our continuing operations at least through the end of fiscal 2017.

### **Critical Accounting Policies and Estimates**

During the six months ended December 31, 2016 there were no changes in our critical accounting policies or estimates which are described in Item 7 of our Annual Report on Form 10-K, filed with the SEC, for the fiscal year ended June 30, 2016. Readers of this report are urged to read that Section of the Annual Report for a more complete understanding and detailed discussion of our critical accounting policies and estimates.

#### *Goodwill*

We test the carrying value of goodwill and other indefinite-lived intangible assets at least annually on their respective acquisition anniversary dates, or more frequently if indicators of impairment are determined to exist. When testing for impairment, in accordance with Accounting Standards Update No. 2011-08, we consider qualitative factors, and where determined necessary, we proceed to the two-step goodwill impairment test. When applying the two-step impairment test, we apply a discounted cash flow model or an income approach in determining a fair value that is used to estimate the fair value of the reporting unit on a total basis, which is then compared to the carrying value of the reporting unit. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, no impairment of goodwill exists as of the measurement date. However, if the fair value is less than the carrying value, then there is the possibility of goodwill impairment and further testing and re-measurement of goodwill is required.

During the first quarter ended September 30, 2016, we completed the annual goodwill impairment assessment with respect to the goodwill acquired in our fiscal year 2006 purchases of CCE and CoinFacts. We assessed qualitative factors, including the significant excess of their fair values over carrying value in prior years, and any material changes in the estimated cash flows of the reporting units, and determined that it was more likely than not that the fair values of CCE and CoinFacts were greater than their respective carrying values, including goodwill, and therefore, it was not necessary to proceed to the two-step impairment test.

#### *Stock-Based Compensation*

We recognize stock-based compensation attributable to service-based equity grants over the service period based on the grant date fair value. For performance-based equity grants with financial performance goals, we begin recognizing compensation expense based on the grant date fair value when it becomes probable that we will achieve the financial performance goals.

#### *Restricted Stock Awards*

As previously disclosed, in fiscal 2013, the Compensation Committee of the Board of Directors adopted a Long-Term Incentive Plan ("LTIP") for the Company's Chief Executive Officer and Chief Financial Officer, as well as for other selected key management employees (collectively, "Participants") and currently there are approximately 411,000 unvested restricted shares outstanding under that LTIP. At the time of the adoption of the LTIP, the Compensation Committee established a threshold annual financial performance goal, and four increasingly higher financial performance goals and made the vesting of the LTIP shares conditioned on the Company's achievement of one or more of those annual financial performance goals prior to the expiration of the LTIP on June 30, 2018. Through fiscal 2015, the Company had achieved the threshold and the first of the other financial performance goals, resulting in the vesting of 25% of the restricted shares that had been granted under the LTIP.

The Company did not achieve any additional financial performance goals in fiscal 2016 and, therefore, no additional restricted shares became vested in fiscal 2016. However, a determination was made that it had become probable the Company would achieve at least the next higher financial performance goal prior to the expiration of the LTIP in fiscal 2018. Therefore, we are accruing the remaining stock-based compensation expense for that goal on a prospective basis, through the expected later vesting date.

At this time, it is considered too early to determine if it is probable that the Company will achieve any additional financial performance goals under the LTIP in fiscal 2017 or 2018. We will continue to reassess at each reporting date whether it has become probable that any additional performance goals will be achieved. If it does become probable, then the Company would recognize additional stock-based compensation expense in respect of the shares that will become vested as a result of the achievement of the additional financial performance goal or goals based on the expected vesting dates of those shares and, consistent with prior periods, there would be a catch-up expense required to be recognized for prior services from the grant date of those shares to the date such vesting becomes probable.

Stock-based compensation for the three and six months ended December 31, 2016 was \$108,000 and \$210,000 as compared to \$140,000 and \$291,000 for the three and six months ended December 31, 2015. The reductions of \$32,000 and \$81,000, primarily related to lower stock-based compensation expense recognized for service grants that became fully vested as of June 30, 2016.

### **Results of Operations for the Three and Six Months Ended December 31, 2016 as compared to the Three and Six Months Ended December 31, 2015**

#### *Net Revenues*

Net revenues consist primarily of fees that we generate from the authentication and grading of high-value collectibles, including coins, trading cards and autographs, and related special inserts, if applicable. To a lesser extent, we generate collectibles related service revenues (which we refer to as “other related revenues”) from advertising and commissions earned on our websites and in printed publications and collectibles price guides; subscription/membership revenues related to our CCE (dealer-to-dealer Internet bid-ask market for certified coins), CoinFacts and Collectors Club; and fees earned from promoting, managing and operating collectibles trade shows. Net revenues also include, to a significantly lesser extent, revenues from the sales of products, which consist primarily of coins that we have purchased under our coin authentication and grading warranty policy. We do not consider such product sales to be the focus or an integral part of our ongoing revenue generating activities.

The following table sets forth the information regarding our net revenues for the three and six months ended December 31, 2016 and 2015 (in thousands):

	Three Months Ended December 31,					
	2016		2015		Increase (Decrease)	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Authentication and grading fees	\$ 16,260	91.0%	\$ 10,933	86.5%	\$ 5,327	48.7%
Other related services	1,602	9.0%	1,703	13.5%	(101)	(5.9%)
Total service revenues	\$ 17,862	100.0%	\$ 12,636	100.0%	\$ 5,226	41.4%

  

	Six Months Ended December 31,					
	2016		2015		Increase (Decrease)	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Authentication and grading fees	\$ 29,868	88.9%	\$ 23,278	85.4%	\$ 6,590	28.3%
Other related services	3,742	11.1%	3,976	14.6%	(234)	(5.9%)
Total net revenues	\$ 33,610	100.0%	\$ 27,254	100.0%	\$ 6,356	23.3%

The following tables set forth certain information regarding the increases (decreases) in net revenues in our larger markets (which are inclusive of revenues from our other related services) and in the number of units authenticated and graded in the three and six months ended December 31, 2016 and 2015 (in thousands):

	Three Months Ended December 31,							
	2016		2015		2016 vs. 2015			
	Amount	% of Net Revenues	Amount	% of Net Revenues	Increase (Decrease)			
					Revenues	Units Processed	Amounts	%
Coins	\$ 12,978	72.7%	\$ 8,285	65.6%	\$ 4,693	56.6%	475	107.1%
Cards and autographs (1)	4,098	22.9%	3,575	28.3%	523	14.6%	27	6.9%
Other (2)	786	4.4%	776	6.1%	10	1.3%	-	-
	\$ 17,862	100.0%	\$ 12,636	100.0%	\$ 5,226	41.4%	502	60.2%

  

	Six Months Ended December 31,							
	2016		2015		2016 vs. 2015			
	Amount	% of Net Revenues	Amount	% of Net Revenues	Increase (Decrease)			
					Revenues	Units Processed	Amounts	%
Coins	\$ 22,950	68.3%	\$ 17,598	64.6%	\$ 5,352	30.4%	641	73.1%
Cards and autographs (1)	8,537	25.4%	7,572	27.8%	965	12.7%	23	2.8%
Other (2)	2,123	6.3%	2,084	7.6%	39	1.9%	-	-
	\$ 33,610	100.0%	\$ 27,254	100.0%	\$ 6,356	23.3%	664	38.9%

(1) Consists of revenues from our trading card and our autograph authentication and grading businesses.

(2) Includes CCE subscription fees, Coinflation.com revenues and revenues earned from our Expos convention business.

For the three months ended December 31, 2016, our total service revenues increased by \$5,226,000, or 41.4%, to a quarterly record of \$17,862,000. That increase was attributable to a \$5,327,000, or 48.7%, increase in authentication and grading fees partially offset by a decrease of \$101,000, or 5.9%, in other related services. The increase in authentication and grading fees was attributable to a \$4,833,000, or 62.8%, increase in coin fees and a \$494,000, or 15.2%, increase in cards and autograph fees.

For the six months ended December 31, 2016, our total service revenues increased by \$6,356,000 or 23.3%, to a first half record of \$33,610,000. That increase was attributable to a \$6,590,000, or 28.3%, increase in authentication and grading fees, partially offset by a decrease of \$234,000, or 5.9%, in other related services. The increase in authentication and grading fees was attributable to a \$5,712,000, or 34.9% increase in coin fees and an \$878,000, or 12.7%, increase in cards and autograph fees.

The reductions in other related services in the three and six month ended December 31, 2016 reflects the previously disclosed decision to eliminate, effective January 2016, the subscription fee previously charged for access to our CoinFacts website.

The increases in coin authentication and grading fees in the second quarter and six months ended December 31, 2016 led to record coin fees for both those periods and reflected (i) higher world coin fees of \$3,127,000 or 227.7% in the second quarter and \$3,814,000 or 150.9% in the six months, primarily attributable to higher fees generated in China from the previously announced Guojin multi-year contract (ii) higher modern fees of \$915,000 or 51.3% in the second quarter and \$801,000 or 19.7% in the six months (iii) higher vintage coin fees of \$664,000 or 22.5% in the second quarter and \$775,000 or 12.7% in the six months, and (iv) increased coin trade show revenues of \$128,000 or 8.1% in the second quarter and \$322,000 or 8.7% in the six months. The increases in modern, vintage and trade shows reflected generally higher U.S. submissions, primarily in the second quarter.

Due to the increase in our coin authentication and grading revenues in the first half of the year, our coin business represented approximately 68% of total service revenues in the first half of the current year, as compared to 65% of total service revenues for the same period of the prior year, and reflects the continued importance of our coin authentication and grading business to our overall financial performance.

As discussed above under “Factors That Can Affect our Revenues and Gross Profit Margin”, and “Impact of Economic Conditions on our Financial Performance”, the level of coin revenues can be volatile.

Revenues from our trading cards and autographs business continued to show consistent growth. Those revenues increased by 14.6% in the second quarter, and 12.7% in the first half of the year and represented record second quarter and first half revenues for that business. Moreover, our card and autographs business has achieved quarter-over-quarter revenue growth in 25 of the last 26 quarters.

As previously disclosed, our third fiscal quarter is typically our seasonally strongest quarter of the year, due to the release of Gold and Silver Eagles by the US Mint in that quarter. To stimulate increased demand for our services, effective January 1, 2016, the Company implemented more competitive programs for our modern coin business, which we expect will continue to drive submissions in calendar 2017. In addition, as discussed above, there was a significant increase in revenues generated in China in this year's second quarter attributable to the Guojin contract. Therefore, our third quarter revenues will be impacted by the level of revenues generated from that contract, which in turn are dependent on the success of Guojin's marketing programs in the banking channels in China and the impact of Chinese New Year holidays that occur in the third quarter. However, it is too early to determine the impact of these programs and other market conditions on the level of revenues that we will generate in the third quarter and the second half of fiscal 2017.

### Gross Profit

Gross profit is calculated by subtracting the cost of revenues from net revenues. Gross profit margin is gross profit stated as a percent of net revenues. The costs of authentication and grading revenues consist primarily of labor to authenticate and grade collectibles, production costs, credit card fees, warranty expense and occupancy, security and insurance costs that directly relate to providing authentication and grading services. Cost of revenues also includes printing, other direct costs of the revenues generated by our other non-grading related services and the costs of product revenues, which represent the carrying value of the inventory of products (primarily collectible coins) that we sold and any inventory related reserves, considered necessary.

Set forth below is information regarding our gross profit in the three and six months ended December 31, 2016 and 2015 (in thousands):

	Three Months Ended December 31,				Six Months Ended December 31,			
	2016		2015		2016		2015	
	Amount	% of Revenues	Amount	% of Revenues	Amounts	% of Revenues	Amounts	% of Revenues
Gross profit	\$ 11,387	63.7%	\$ 7,626	60.4%	\$ 20,996	62.5%	\$ 17,098	62.8%

As indicated in the above table, our services gross profit margin was 63.7% and 62.5% for the three and six months ended December 31, 2016, respectively, as compared to 60.4% and 62.8% for the three and six months ended December 31, 2015. The higher gross profit margin that arose in this year's second quarter was related to our coins and card and autograph businesses. The higher coin gross profit margin reflects the mix of coin revenues and the higher overall level of coin revenues in the quarter, due to certain of our direct cost being relatively fixed in nature. In addition, due to the significantly higher revenues earned in China in the second quarter, the gross profit margin for our China operations improved and reflects, we believe, a more normalized coin gross profit margin for that business. The higher gross profit margin for our cards and autographs business reflects improving average service fees earned in that business. As discussed in prior filings, there can be variability in the services gross profit margin due to the mix of revenue in any quarter and the seasonality of our business that can impact the level of revenues generated in any given quarter. During the three years ended June 30, 2016, our quarterly services gross profit varied between 59% and 65%.

### Selling and Marketing Expenses

Selling and marketing expenses include advertising and promotions costs (including costs associated with Collectors.com), trade-show related expenses, customer service personnel costs, business development incentives, depreciation and outside services. Set forth below is information regarding our selling and marketing expenses in the three and six months ended December 31, 2016 and 2015 (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Selling and marketing expenses	\$ 2,327	\$ 2,040	\$ 4,748	\$ 4,209
Percent of net revenue	13.0%	16.2%	14.1%	15.4%

As indicated in the above table, selling and marketing expenses declined to 13.0% and 14.1% of net revenues in the three and six months ended December 31, 2016, respectively, as compared to 16.2% and 15.4% in the same respective periods of the prior year. In absolute dollars, selling and marketing expenses increased by \$287,000 and \$539,000 in the three and six months ended December 31, 2016, respectively, as compared to the same respective periods of the prior year and was primarily due to (i) increased marketing and business development payroll and incentive costs, of \$319,000 and \$457,000, respectively, attributable to the growth of our China and Hong Kong coin operations and in the U.S., in support of our U.S. general marketing activities and (ii) increased trade show and travel costs of \$137,000 and \$262,000, respectively in support of trade show grading activities and the growth of our business in China and Hong Kong. These increases were partially offset by a reduction in promotional costs for Collectors.com in the second quarter and six months ended December 31, 2016.

### General and Administrative Expenses

General and administrative (“G&A”) expenses are comprised primarily of compensation paid to general and administrative personnel, including executive management, finance and accounting and information technology personnel, non-cash stock-based compensation, facilities management costs, depreciation, amortization and other miscellaneous expenses, and G&A expenses of Collectors.com. Set forth below is information regarding our G&A expenses in the three and six months ended December 31, 2016 and 2015, (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
General and administrative expenses	\$ 4,549	\$ 3,897	\$ 8,963	\$ 8,004
Percent of net revenue	25.4%	30.8%	26.7%	29.4%

As indicated in the above tables, G&A expenses declined to 25.4% and 26.7% of revenues in the three and six months ended December 31, 2016, respectively, as compared to 30.8% and 29.4% in the same respective period of the prior year. In absolute dollars, G&A expenses increased by \$652,000 and \$959,000 in the three and six months ended December 31, 2016, respectively, as compared to the same periods of fiscal 2016 and primarily reflected (i) higher G&A bonuses and incentives of \$562,000 and \$547,000, respectively, primarily based on the improved operating performance of our businesses in the second quarter (ii) higher on-going legal and litigation related expenses of \$115,000 and \$234,000, respectively, and (iii) higher depreciation and amortization costs of \$48,000 and \$136,000, respectively, related to Collectors.com and IT infrastructure equipment.

### Stock-Based Compensation

As discussed in Note 1, *Stock-Based Compensation Expense* to the Company’s condensed consolidated financial statements, included elsewhere in this report, the Company recognized stock-based compensation expense (in thousands), as follows:

Included In:	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Cost of authentication, grading and related services	-	\$ 11	-	\$ 22
Selling and marketing expenses	14	8	21	16
General and administrative expenses	94	121	189	253
	<u>108</u>	<u>\$ 140</u>	<u>210</u>	<u>\$ 291</u>

See *Critical Accounting Policies and Estimates: Stock-Based Compensation and Restricted Stock Awards* for further discussion of stock-based compensation in the three and six months ended December 31, 2016 as compared to the same periods in the prior year.

The following table sets forth unrecognized non-cash stock-based compensation expense totaling \$678,000 related to unvested stock-based awards at December 31, 2016 and represents the expense expected to be recognized through fiscal year 2020, on the assumptions that the holders of the equity awards will remain in the Company's service through fiscal 2020 and the Company will achieve the next financial performance goal under the LTIP by June 30, 2017. The amounts do not include the costs or effects of (i) possible grant of additional stock-based compensation awards in the future or, (ii) the cost of achieving any additional financial performance goals under the Company's LTIP (in thousands):

<b>Fiscal Year Ending June 30,</b>	<b>Amount</b>
2017 (remaining 6 months)	\$ 239
2018	321
2019	89
2020	29
	<u>\$ 678</u>

#### *Income Tax Expense*

	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	(In Thousands)			
Provision for income taxes	\$ 1,491	\$ 679	\$ 2,701	\$ 1,906

The income tax provisions in the three and six months ended December 31, 2016, were determined based on estimated annual effective tax rates of approximately 34% and 37%, respectively, as compared to 41% and 39% in the three and six months ended December 31, 2015, respectively. The current year provisions reflect the release of valuation allowances for prior year losses in China due to the expectation that all prior year losses in China will be utilized in fiscal 2017. In addition, our annual effective tax rates assume the repatriation of foreign earnings.

#### *Discontinued Operations*

	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	(In Thousands)			
Loss from discontinued operations, net of income taxes	\$ (2)	\$ (6)	\$ (10)	\$ (17)

The losses from discontinued operations (net of income taxes) for both the three and six months ended December 31, 2016 and 2015, were due to accretion expense associated with the Company's ongoing obligations for the New York City facility, formerly occupied by our discontinued jewelry businesses.

## **Liquidity and Capital Resources**

#### *Cash and Cash Equivalent Balances*

Historically, we have been able to rely on internally generated funds, rather than borrowings, as our primary source of funds to support our operations, because many of our authentication and grading customers pay our fees at the time they submit their collectibles to us for authentication and grading or prior to the shipment of their collectibles back to them.

At December 31, 2016, we had cash and cash equivalents of approximately \$10,097,000, as compared to cash and cash equivalents of \$11,967,000 at June 30, 2016.

#### *Cash Flows*

Cash Flows from Continuing Operations. During the six months ended December 31, 2016 and 2015, our operating activities from continuing operations generated cash of \$5,422,000 and \$2,440,000, respectively. The higher cash provided by operating activities in the six months ended December 31, 2016, primarily reflects the improved operating performance of our businesses as adjusted for changes in working capital.

**Cash Flows of Discontinued Operations.** Discontinued operations used cash of \$240,000 and \$199,000 in the six months ended December 31, 2016 and 2015, respectively, primarily related to payments for our ongoing obligation for the New York facility, formerly occupied by our discontinued jewelry business.

**Cash generated or used by Investing Activities.** Investing activities used cash of \$1,093,000 and \$680,000 in the six months ended December 31, 2016 and 2015, respectively. In the six months ended December 31, 2016 we used \$726,000 for capital expenditures and \$371,000 for capitalized software. In the six months ended December 31, 2015, we used \$292,000 for capital expenditures, and \$371,000 for capitalized software.

**Cash used in Financing Activities.** In the six months ended December 31, 2016 and 2015, financing activities used cash of \$5,959,000 and \$6,021,000, respectively, to fund cash dividends paid to our stockholders.

*Outstanding Financial Obligations*

**Continuing Operations.** The following table sets forth the amounts of our financial obligations, consisting primarily of rent expense, and sublease income, under operating leases for our continuing operations, in each of the years indicated below (in thousands):

<b>Fiscal Year</b>	<b>Gross Amount</b>	<b>Sublease Income</b>	<b>Net</b>
2017(remaining 6 months)	\$ 1,059	\$ 42	\$ 1,017
2018	1,998	87	1,911
2019	1,386	67	1,319
2020	196	-	196
2021	91	-	91
Thereafter	12	-	12
	<u>\$ 4,742</u>	<u>\$ 196</u>	<u>\$ 4,546</u>

**Discontinued Operations.** At December 31, 2015, one of the facility obligations, related to our discontinued jewelry businesses, expired. The following table sets forth our expected remaining minimum base payment obligation in respect of the remaining facility. The obligation, which is payable in monthly installments is scheduled to expire on December 31, 2017.

<b>Fiscal Year</b>	<b>Remaining Obligation</b>
2017(remaining 6 months)	\$ 245
2018	244
	<u>\$ 489</u>
Less: Discounted estimated fair value of lease payments	(476)
Accretion expense to be recognized in future periods	<u>\$ 13</u>

With the exception of facility obligations for continuing and discontinued operations, we do not have any material financial obligations, such as long-term debt, capital leases or purchase obligations.

**Dividends.** We paid dividends of \$5,959,000 and \$6,021,000 in the six months ended December 31, 2016 and 2015, respectively and our current dividend policy calls for us to pay quarterly cash dividends of \$0.35 per share of common stock to our stockholders, for an expected total annual cash dividend of \$1.40 per common share.

The declaration of cash dividends in the future, pursuant to our current dividend policy, is subject to determination each quarter by the Board of Directors based on a number of factors, including the Company's financial performance (and in particular the on-going performance to the Company's coin business), its available cash resources, its cash requirements and alternative uses of cash that the Board may conclude would represent an opportunity to generate a greater return on investment for the Company. For these reasons, as well as others, there can be no assurance that the Board of Directors will not decide to reduce the amount, or suspend or discontinue the payment, of cash dividends in the future.

**Share Buyback Program.** In December 2005, our Board of Directors approved a common stock buyback program that authorized up to \$10,000,000 of stock repurchases in open market or privately negotiated transactions, in accordance with applicable SEC rules, when opportunities to make such repurchases, at attractive prices, become available. At December 31, 2016, we continued to have \$3.7 million available under this program. However, no open market repurchases of common stock have been made under this program since the fourth quarter of fiscal 2008.

### *Future Sources and Uses of Cash.*

**New Credit Line.** As discussed under note 11 to the condensed consolidation financial statements contained elsewhere in the Quarterly Report, on January 10, 2017 the Company obtained a three-year, \$10 million unsecured revolving credit line (the “Credit Line”) from a commercial bank. The Company is entitled to obtain borrowings under the Credit Line at such times and in such amounts as it may request, provided that the maximum principal amount of the borrowings that may be outstanding at any one time under the Credit Line may not exceed \$10 million and each year there must be a period of 30 consecutive days during which no borrowings are outstanding. The Company also may, at any time or from time to time and at its option, repay outstanding borrowings, in whole or in part, and may reborrow amounts so repaid at such times and in such amounts as it deems appropriate.

The loan agreement governing the Credit Line (the “Loan Agreement”) provides for the Company to make interest-only payments on outstanding borrowings until the maturity date of January 10, 2020, when any outstanding borrowings must be repaid together with any accrued but unpaid interest. Credit Line borrowings will bear interest, at the Company’s option, at LIBOR plus 2.25% or at 0.25% below the highest prime lending rate published from time to time by the Wall Street Journal. The Company will be required to pay a quarterly used commitment fee of 0.0625% of the amount by which (if any) that the average of the borrowings outstanding under the Credit Line in any calendar quarter is less than \$4 million. Based on the Company’s financial performance for the 4 quarters ended December 31, 2016, the Company is entitled to borrow \$10 million under the credit line.

The foregoing description of the Credit Line is not intended to be complete and is qualified in its entirety by reference to the Loan Agreement. A copy of the Loan Agreement, as amended, and a related Promissory Note, as amended, were attached as Exhibits 10.98 and 10.99, respectively, to our Current Report dated January 10, 2017, which we filed with the SEC on January 13, 2017.

Based on the Company’s financial performance for the last 4 quarters ended December 31, 2016, the Company is entitled to borrow \$10 million under the credit line.

We plan to use our cash resources, consisting of available cash and cash equivalent balances, internally generated cash flows, and borrowing (if any) under our line of credit, (i) to introduce new collectibles related services and initiatives for our existing customers and other collectibles customers (ii) to fund the international expansion of our business; (iii) to fund working capital requirements; (iv) fund acquisitions; (v) to fund the payment of cash dividends; (vi) to pay the remaining obligations for the facility formerly occupied by our discontinued jewelry businesses; and (vii) for other general corporate purposes.

Although we have no current plans to do so, we also may seek to sell additional shares of our stock to finance the growth of our collectibles businesses. However, there is no assurance that we would be able to raise additional capital on terms acceptable to us, if at all.

### *Recent Accounting Pronouncements*

In August 2016, FASB issued Accounting Standards Update No. 2016-15 on Statement of Cash Flows-Classification of Certain Cash Receipts and Cash Payments. The updated guidance addresses the following eight specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The adoption of this guidance is not expected to have a material effect on the Company’s Consolidated Financial Statements and related disclosures. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods thereafter.

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

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, commodity price risk and other relevant market rate or price risks.

Due to the cash and cash equivalent balances that we maintain, we are exposed to risk of changes in short-term interest rates. At December 31, 2016, we had \$10,097,000 in cash and cash equivalents, of which, \$5,176,000 was invested in money market accounts, and the balance was held in non-interest bearing accounts. Reductions in short-term interest rates could result in reductions in the amount of income we are able to generate on available cash. However, any adverse impact on our operating results from reductions in interest rates is not expected to be material.

Cash balances overseas at December 31, 2016 were approximately \$2,537,000. We do not engage in any activities that would expose us to significant foreign currency exchange rate risk.

### **ITEM 4. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our CEO and CFO, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognized that any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

In accordance with SEC rules, an evaluation was performed under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of the effectiveness, as of December 31, 2016, of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2016, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2016, that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1A. Risk Factors

There have been no material changes in the risk factors previously disclosed in Item 1A of Part 1 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2016 that we filed with the SEC on August 30, 2016.

### ITEM 6. Exhibits

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

**SIGNATURES**

Pursuant to the requirement 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.

**COLLECTORS UNIVERSE, INC.**

Date: February 2, 2017

By: /s/ ROBERT G. DEUSTER  
Robert G. Deuster  
Chief Executive Officer

**COLLECTORS UNIVERSE, INC.**

Date: February 2, 2017

By: /s/ JOSEPH J. WALLACE  
Joseph J. Wallace  
Chief Financial Officer

## INDEX TO EXHIBITS

<b>Exhibit No.</b>	<b>Description</b>
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**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
UNDER  
SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Robert G. Deuster, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Collectors Universe, Inc. for the quarter ended December 31, 2016.
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(s) 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(s) 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: February 2, 2017

By: /s/ ROBERT G. DEUSTER

Robert G. Deuster  
Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
UNDER  
SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Joseph J. Wallace, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Collectors Universe, Inc. for the quarter ended December 31, 2016.
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(s) 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(s) 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: February 2, 2017

By: /s/ JOSEPH J. WALLACE  
Joseph J. Wallace  
Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
UNDER  
SECTION 906 OF THE SARBANES-OXLEY ACT**

COLLECTORS UNIVERSE, INC.

Quarterly Report on Form 10-Q  
For the quarter ended December 31, 2016

The undersigned, who is the Chief Executive Officer of Collectors Universe, Inc. (the "Company"), hereby certifies that (i) the Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, as filed by the Company with the Securities and Exchange Commission (the "Quarterly Report"), to which this Certification is an Exhibit, fully complies with the applicable requirements of Section 13(a) and 15(d) of the Exchange Act; and (ii) the information contained in this Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 2, 2017

By: /s/ ROBERT G. DEUSTER

Robert G. Deuster  
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Collectors Universe, Inc. and will be retained by Collectors Universe, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Exhibit 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
UNDER  
SECTION 906 OF THE SARBANES-OXLEY ACT**

COLLECTORS UNIVERSE, INC.

Quarterly Report on Form 10-Q  
For the quarter ended December 31, 2016

The undersigned, who is the Chief Financial Officer of Collectors Universe, Inc. (the "Company"), hereby certifies that (i) the Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, as filed by the Company with the Securities and Exchange Commission (the "Quarterly Report"), to which this Certification is an Exhibit, fully complies with the applicable requirements of Section 13(a) and 15(d) of the Exchange Act; and (ii) the information contained in this Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 2, 2017

By: /s/ JOSEPH J. WALLACE

Joseph J. Wallace  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Collectors Universe, Inc. and will be retained by Collectors Universe, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

