

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, 2012

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  Accelerated filer   
Non-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 February 4, 2013 |
|--------------------------------|------------------------------------|
| Common Stock \$ .001 Par Value | 8,489,844                          |

QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTER ENDED DECEMBER 31, 2012  
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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)

|   | December 31,<br>2012 | June 30,<br>2012 |
|---|----------------------|------------------|
| <b>ASSETS</b>   |                      |                  |
| Current assets:   |                      |                  |
| Cash and cash equivalents   | \$ 17,456            | \$ 21,214        |
| Accounts receivable, net of allowance of \$34 at December 31, 2012 and \$70 at June 30, 2012  | 1,832                | 1,794            |
| Inventories, net  | 1,892                | 2,273            |
| Prepaid expenses and other current assets   | 958                  | 813              |
| Deferred income tax assets  | 1,177                | 1,177            |
| Notes receivable from sale of net assets of discontinued operations   | 153                  | 148              |
| Current assets of discontinued operations   | 27                   | 27               |
| Total current assets  | <u>23,495</u>        | <u>27,446</u>    |
| Property and equipment, net   | 1,837                | 1,795            |
| Goodwill  | 2,083                | 2,083            |
| Intangible assets, net  | 1,674                | 1,788            |
| Deferred income tax assets  | 2,982                | 2,982            |
| Other assets  | 280                  | 169              |
| Non-current assets of discontinued operations   | 182                  | 182              |
|   | <u>\$ 32,533</u>     | <u>\$ 36,445</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                      |                  |
| Current liabilities:  |                      |                  |
| Accounts payable  | \$ 1,344             | \$ 1,625         |
| Accrued liabilities   | 1,944                | 1,917            |
| Accrued compensation and benefits   | 1,505                | 2,463            |
| Income taxes payable  | 368                  | 191              |
| Deferred revenue  | 3,143                | 2,322            |
| Current liabilities of discontinued operations  | 783                  | 804              |
| Total current liabilities   | <u>9,087</u>         | <u>9,322</u>     |
| Deferred rent   | 462                  | 447              |
| Non-current liabilities of discontinued operations  | 1,915                | 2,145            |
| Commitments and contingencies   |                      |                  |
| 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; 8,490 and 8,107 issued and outstanding at December 31, 2012 and June 30, 2012, respectively | 8                    | 8                |
| Additional paid-in capital  | 74,136               | 73,683           |
| Accumulated deficit   | (53,075)             | (49,160)         |
| Total stockholders' equity  | <u>21,069</u>        | <u>24,531</u>    |
|   | <u>\$ 32,533</u>     | <u>\$ 36,445</u> |

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<br>December 31, |                 | Six Months Ended<br>December 31, |                 |
|--|------------------------------------|-----------------|----------------------------------|-----------------|
|  | 2012                               | 2011            | 2012                             | 2011            |
| Net revenues   | \$ 9,595                           | \$ 11,472       | \$ 20,825                        | \$ 23,544       |
| Cost of revenues                                       | 3,964                              | 4,717           | 8,854                            | 9,441           |
| Gross profit   | <u>5,631</u>                       | <u>6,755</u>    | <u>11,971</u>                    | <u>14,103</u>   |
| Operating Expenses:                                    |                                    |                 |                                  |                 |
| Selling and marketing expenses                         | 1,552                              | 1,567           | 3,368                            | 3,218           |
| General and administrative expenses                    | 3,108                              | 3,294           | 6,342                            | 6,498           |
| Total operating expenses                               | <u>4,660</u>                       | <u>4,861</u>    | <u>9,710</u>                     | <u>9,716</u>    |
| Operating income                                       | 971                                | 1,894           | 2,261                            | 4,387           |
| Interest and other income, net                         | 9                                  | 18              | 71                               | 38              |
| Income before provision for income taxes               | 980                                | 1,912           | 2,332                            | 4,425           |
| Provision for income taxes                             | 399                                | 795             | 934                              | 1,814           |
| Income from continuing operations                      | 581                                | 1,117           | 1,398                            | 2,611           |
| Loss from discontinued operations, net of income taxes | (20)                               | (32)            | (31)                             | (50)            |
| Net income   | <u>\$ 561</u>                      | <u>\$ 1,085</u> | <u>\$ 1,367</u>                  | <u>\$ 2,561</u> |
| Net income per basic share:                            |                                    |                 |                                  |                 |
| Income from continuing operations                      | \$ 0.07                            | \$ 0.14         | \$ 0.17                          | \$ 0.33         |
| Loss from discontinued operations                      | -                                  | -               | -                                | (0.01)          |
| Net income   | <u>\$ 0.07</u>                     | <u>\$ 0.14</u>  | <u>\$ 0.17</u>                   | <u>\$ 0.32</u>  |
| Net income per diluted share:                          |                                    |                 |                                  |                 |
| Income from continuing operations                      | \$ 0.07                            | \$ 0.14         | \$ 0.17                          | \$ 0.33         |
| Loss from discontinued operations                      | -                                  | -               | -                                | (0.01)          |
| Net income   | <u>\$ 0.07</u>                     | <u>\$ 0.14</u>  | <u>\$ 0.17</u>                   | <u>\$ 0.32</u>  |
| Weighted average shares outstanding:                   |                                    |                 |                                  |                 |
| Basic  | 8,052                              | 7,904           | 8,038                            | 7,880           |
| Diluted  | 8,113                              | 7,999           | 8,099                            | 7,982           |
| Dividends declared per common share                    | \$ 0.325                           | \$ 0.325        | \$ 0.65                          | \$ 0.65         |

See accompanying notes to condensed consolidated financial statements.

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

|  | <b>Six Months Ended</b> |             |
|--|-------------------------|-------------|
|  | <b>December 31,</b>     |             |
|  | <b>2012</b>             | <b>2011</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                         |             |
| Net income   | \$ 1,367                | \$ 2,561    |
| Discontinued operations  | 31                      | 50          |
| Income from continuing operations  | 1,398                   | 2,611       |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities: |                         |             |
| Depreciation and amortization expense  | 504                     | 361         |
| Stock-based compensation expense   | 433                     | 677         |
| Provision for bad debts  | 3                       | 2           |
| Provision for inventory write-down   | 2                       | 131         |
| Provision for warranty   | 266                     | 339         |
| Loss (gain) on sale of property and equipment  | (22)                    | 2           |
| Interest on notes receivable   | (5)                     | (7)         |
| Provision for deferred income taxes  | -                       | 1,547       |
| Change in operating assets and liabilities:  |                         |             |
| Accounts receivable  | (42)                    | 176         |
| Inventories  | 379                     | (253)       |
| Prepaid expenses and other   | (145)                   | (246)       |
| Other assets   | (110)                   | 12          |
| Accounts payable and accrued liabilities   | (254)                   | (345)       |
| Accrued compensation and benefits  | (958)                   | (419)       |
| Income taxes payable   | 177                     | (7)         |
| Deferred revenue   | 821                     | (7)         |
| Deferred rent  | 15                      | 33          |
| Net cash provided by operating activities of continuing operations                                       | 2,462                   | 4,607       |
| Net cash used in operating activities of discontinued businesses   | (282)                   | (223)       |
| Net cash provided by operating activities  | 2,180                   | 4,384       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                         |             |
| Proceeds from sale of property and equipment   | 33                      | 8           |
| Capital expenditures   | (356)                   | (512)       |
| Capitalized software   | (28)                    | (207)       |
| Purchase of Coinflation.com, net of cash acquired  | -                       | (550)       |
| Patents and other intangibles  | (59)                    | -           |
| Net cash used in investing activities  | (410)                   | (1,261)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                         |             |
| Proceeds from exercise of stock options  | 28                      | 454         |
| Dividends paid to common stockholders  | (5,548)                 | (5,203)     |
| Payments for retirement of common stock  | (8)                     | -           |
| Net cash used in financing activities  | (5,528)                 | (4,749)     |
| Net decrease in cash and cash equivalents  | (3,758)                 | (1,626)     |
| Cash and cash equivalents at beginning of period   | 21,214                  | 21,926      |
| Cash and cash equivalents at end of period   | \$ 17,456               | \$ 20,300   |

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<br>December 31, |        |
|---|----------------------------------|--------|
|   | 2012                             | 2011   |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>                       |                                  |        |
| Income taxes paid during the period   | \$ 737                           | \$ 240 |
| Effective September 13, 2011, the Company acquired Coinflation.com, as follows: |                                  |        |
| Intangible Assets: Website  | \$ -                             | \$ 740 |
| Common Stock Issued at Fair Value   | -                                | (190)  |
| Cash Paid   | \$ -                             | \$ 550 |

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", "management", "us", "our"). At December 31, 2012, such operating subsidiaries were Certified Asset Exchange, Inc. ("CAE"), Collectors Universe (Hong Kong) Limited and Expos Unlimited, Inc. ("Expos"), all of which are 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, 2012 are not necessarily indicative of the results that may be expected for the year ending June 30, 2013 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 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, 2012, as filed with the SEC. Amounts related to disclosure of June 30, 2012 balances within these interim condensed consolidated financial statements were derived from the aforementioned audited consolidated financial statements and notes thereto included in that Annual Report on Form 10-K.

*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 grading and authentication 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 services. 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 in the period in which the show takes place.

A portion of our net revenues are comprised of subscription fees paid by customers for 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 vouchers for free grading services. Through December 31, 2011, we recorded revenue for this multi-element service arrangement by recognizing approximately 65% of the subscription fees as revenue in the month following the membership purchase. The balance of the membership fee was recognized as revenue over the life of the membership, which can range from one to two years. We evaluated, at least semi-annually, the relative fair values of the deliverables and the percentage factors used to allocate the membership fees between the grading services and the other services provided to members. In the third quarter ended March 31, 2012, arising from the upgrading of the Company's accounting systems, which enables us to track separately the issuance and redemption of individual Collectors Club free grading vouchers, the Company began recognizing revenue attributed to free grading vouchers on a specific basis and to classify those revenues as part of grading and authentication fees rather than other related service revenues. The balance of the membership fees continue to be recognized over the life of the membership. This refinement of the Company's Collectors Club revenue recognition policy resulted in approximately \$240,000 of revenue being deferred that otherwise would have been recognized in the six months ended December 31, 2012.

We recognize product sales when items are shipped to customers. Product revenues consist primarily 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 management 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 related stock-based compensation expense, the valuation of coin inventory, the amount of goodwill and the existence or non-existence of goodwill impairment, the amount of warranty reserves, the provision or benefit for income taxes and related valuation allowances against deferred tax assets, and adjustments to the fair value of remaining lease obligations for our discontinued jewelry businesses. These estimates are discussed in more detail in these notes to Condensed Consolidated Financial Statements, in the Critical Accounting Policies and Estimates section of Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, contained elsewhere in this Report or in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012.

#### *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. Management has determined that no impairment of goodwill or other long-lived assets occurred as of December 31, 2012.

#### *Foreign Currency*

The Company has determined that the U.S. Dollar is the functional currency for its French branch office, which maintains its accounting records in Euros, and its Hong Kong subsidiary, which maintains its accounting records in U.S. dollars. 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 respective periods, were not material.



### Stock-Based Compensation Expense

Stock-based compensation expense is measured at the grant date of an equity-incentive award, based on its estimated fair value, and is recognized as expense over the employee or non-employee director's requisite service period, which is generally the vesting period of the award. However, if the vesting of a stock-based compensation award is subject to satisfaction of a performance requirement or condition, the stock-based compensation expense is recognized if, and when, management determines that the achievement of the performance requirement or condition (and therefore the vesting of the award) has become probable. If stock-based compensation is recognized on the basis that the performance condition is probable, and management subsequently determines that the performance condition was not met, then all expense previously recognized with respect to the performance condition would be reversed.

The following table shows total stock-based compensation expense included as part of continuing operations in the Condensed Consolidated Statements of Operations for the three and six months ended December 31, 2012 and 2011 (in thousands):

|                                     | Three Months Ended<br>December 31, |               | Six Months Ended<br>December 31, |               |
|-------------------------------------|------------------------------------|---------------|----------------------------------|---------------|
|                                     | 2012                               | 2011          | 2012                             | 2011          |
| <b>Included In:</b>                 |                                    |               |                                  |               |
| Sales and marketing expenses        | \$ 5                               | \$ -          | \$ 5                             | \$ -          |
| General and administrative expenses | 142                                | 440           | 428                              | 677           |
|                                     | <u>\$ 147</u>                      | <u>\$ 440</u> | <u>\$ 433</u>                    | <u>\$ 677</u> |

Of the stock-based compensation recognized in the six months ended December 31, 2012, approximately \$103,000 was attributable to the accelerated vesting of restricted shares held by the Company's former CEO.

### Stock Options

No stock options were granted during the six months ended December 31, 2012 and 2011. The following table presents information relative to the stock options outstanding under all equity incentive plans as of December 31, 2012 and stock option activity during the six months ended December 31, 2012. The closing prices of our common stock as of December 31, 2012 and June 30, 2012 were \$10.03 and \$14.68, respectively.

|                                  | Shares         | Weighted<br>Average<br>Exercise Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term<br>(yrs.) | Aggregate<br>Intrinsic<br>Value<br>(In Thousands) |
|----------------------------------|----------------|---------------------------------------|---|---|
| <b>Options:</b>                  | (In Thousands) |                                       |   |   |
| Outstanding at June 30, 2012     | 203            | \$ 12.83                              | 2.17  | \$ 635  |
| Exercised                        | (8)            | \$ 3.45                               | -   | \$ -  |
| Outstanding at December 31, 2012 | <u>195</u>     | <u>\$ 13.23</u>                       | <u>1.71</u>   | <u>\$ 154</u>                                     |
| Exercisable at December 31, 2012 | <u>195</u>     | <u>\$ 13.23</u>                       | <u>1.71</u>   | <u>\$ 154</u>                                     |

### Fiscal 2013 Long-Term Performance-Based Equity Incentive Program

On December 28, 2012, the Compensation Committee of the Board of Directors adopted a Long-Term Performance-Based Equity Incentive Program ("LTIP") for the Company's executive officers (including the Company's Chief Executive Officer, Mr. Deuster, and the Chief Financial Officer, Mr. Wallace) and certain management employees ("Participants") and granted approximately 300,000 shares of restricted stock (the "restricted shares"), including 108,880 shares to Mr. Deuster and 40,830 shares to Mr. Wallace, pursuant to the Company's stockholder-approved 2006 Equity Incentive Plan (the "2006 Plan").

The Compensation Committee had intended to grant a total of approximately 550,000 restricted shares to the Participants (including 200,000 restricted shares to Mr. Deuster and 75,000 restricted shares to Mr. Wallace) under the LTIP. However, it was not able to do so, because there were not a sufficient number of shares available for such grants under the 2006 Plan. As a result, the Compensation Committee expects to approve grants of additional shares to the Participants under this LTIP, if the Board of Directors adopts a new equity incentive plan and that plan is approved by the Company's stockholders at the next Annual Meeting, which is scheduled to be held in December, 2013. The additional number of restricted shares to be granted at that time has not yet been determined, but could be as many as 250,000 additional shares, including 91,120 to Mr. Deuster and 34,170 to Mr. Wallace.

The vesting of those restricted shares is conditioned on the Company's achievement of increasing annual operating income during any fiscal year within a six-year period commencing with fiscal 2013 and continuing through the fiscal year ending June 30, 2018, as indicated in the following table:

|  | Cumulative Percent<br>of<br>Shares Vested |
|--|---|
| <b>If in any fiscal year during the term of the Program:</b> |   |
| The Threshold Performance Goal is Achieved                   | 10%                                       |
| Intermediate Performance Goal #1 is Achieved                 | 25%                                       |
| Intermediate Performance Goal #2 is Achieved                 | 45%                                       |
| Intermediate Performance Goal #3 is Achieved                 | 70%                                       |
| The Maximum Performance Goal is Achieved                     | 100%                                      |

Upon the determination that a milestone has been achieved for a fiscal year, 50% of the shares related to achieving that milestone will vest immediately and the remaining 50% will vest at June 30 of the following fiscal year.

If the Company never achieves the Threshold Performance Goal during the term of the Program, all of the restricted shares will be forfeited effective June 30, 2018. If, instead, the Threshold Performance Goal is achieved or exceeded, but the Maximum Performance Goal is not achieved during the term of the Program, then the unvested shares will be forfeited effective June 30, 2018.

The Participants may also earn a maximum 25% more shares if the Maximum Performance Goal is achieved in any fiscal year ending on or before June 30, 2015 and such shares would vest 50% upon the determination that the milestone has been achieved and the remaining 50% on June 30 of the following fiscal year.

As of December 31, 2012, management estimated that it was probable that the Company would achieve the Threshold Performance Goal by June 30, 2016 (representing the midpoint in the term of the LTIP) and, therefore, will recognize stock-based compensation expense of \$300,000, based on the closing price of the Company's common stock at the grant date of \$10.01, over the period beginning January 1, 2013 through June 30, 2016. Management will reassess at each reporting date whether any additional compensation expense is to be recognized.

#### *Other Fiscal 2013 Grants*

During the six months ended December 31, 2012, the Company granted 60,000 service-based shares with service periods ranging from three to four years to employees, including 40,000 shares to the Company's Chief Executive Officer and 12,500 shares to the Company's Chief Financial Officer. Management estimated the fair value of those shares to be approximately \$775,000, and such expense is being recognized over the awards respective service period.

In the second quarter of fiscal 2013, the Company granted approximately 24,000 restricted shares with a one-year service vesting period to the non-employee directors. The Company estimated the fair value of those shares to be approximately \$240,000, and such expense is being recognized over the one-year service period.

The following table presents the non-vested status of the restricted shares for the six months ended December 31, 2012 and the weighted average grant-date fair values:

| <b>Non-Vested Restricted Shares:</b> | <b>Shares<br/>(In Thousands)</b> | <b>Weighted<br/>Average<br/>Grant-Date<br/>Fair Values</b> |
|--------------------------------------|----------------------------------|--|
| Non-vested at June 30, 2012          | 93                               | \$ 15.28   |
| Granted                              | 384                              | 10.45  |
| Vested                               | (38)                             | 15.28  |
| Cancelled                            | (9)                              | 15.65  |
| Non-vested at December 31, 2012      | <u>430</u>                       | <u>\$ 10.96</u>  |

The following table sets forth total unrecognized compensation cost in the amount of \$1,678,000 related to non-vested restricted stock awards expected to be recognized through fiscal year 2016, on the assumption that the Participants remain in the Company's employment throughout the applicable vesting periods and the Company will achieve the Threshold Performance Goal for the LTIP. The amount does not include the cost or effect of the possible grant of any additional stock-based compensation awards in the future or any change that may occur in the Company's forfeiture percentage.

| <b>Fiscal Year Ending June 30,</b> | <b>Amount<br/>(In Thousands)</b> |
|------------------------------------|----------------------------------|
| 2013 (remaining 6 months)          | \$ 408                           |
| 2014                               | 566                              |
| 2015                               | 427                              |
| 2016                               | 277                              |
|                                    | <u>\$ 1,678</u>                  |

#### *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, 2012, we had cash and cash equivalents totaling approximately \$17,456,000, of which approximately \$15,344,000 was invested in money market accounts. At December 31, 2012, the Company had approximately \$2,112,000 in non-interest bearing bank accounts for general day-to-day operations.

Substantially all of our cash is deposited at two FDIC insured financial institutions. We maintained cash due from banks in excess of the banks' FDIC insured deposit limits of approximately \$14,800,000 at December 31, 2012.

**Accounts Receivable.** A substantial portion of accounts receivable are due from collectibles dealers. One individual customer's accounts receivable represented 10% of the Company's total gross accounts receivable balance at December 31, 2012; whereas at June 30, 2012, no individual customer accounts receivable represented 10% of the Company's total gross accounts receivable balance. The Company performs 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, management establishes an allowance for doubtful accounts, when deemed necessary. The allowance for doubtful accounts receivable was \$34,000 at December 31, 2012 and \$70,000 at June 30, 2012. Ultimately, management will write-off account receivable balances when it is determined that there is no possibility of collection.

**Coin Revenues.** The authentication, grading and sale of collectible coins, related services and product sales accounted for approximately 62% of our net revenues for the three and six months ended December 31, 2012, and 67% of our net revenues for the three and six months ended December 31, 2011.

Customers. Five of our coin authentication and grading customers represented, in the aggregate, approximately 12% and 11% of our total net revenues in the six months ended December 31, 2012 and 2011, respectively.

#### *Inventories*

Our inventories consist primarily of (i) our collectible coin inventories, and (ii) consumable supplies that we use in our authentication and grading businesses. Collectible coin inventories are recorded at 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 loss is recognized, as necessary. It is possible that our estimates of market value could change in the near term due to market conditions in the various collectibles markets served by the Company, which could require us to increase that allowance.

#### *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 amortize these costs on a straight-line basis over the estimated useful life of the software of three years. At December 31, 2012 and June 30, 2012, we had capitalized approximately \$2,910,000 and \$2,882,000, respectively, as capitalized software. The related net book value of capitalized software at December 31, 2012 and June 30, 2012 was \$201,000 and \$224,000, respectively. During the six months ended December 31, 2012 and 2011, we capitalized costs of \$28,000 and \$207,000, respectively. During the three and six months ended December 31, 2012, approximately \$26,000 and \$51,000 was recognized as amortization expense for capitalized software, respectively, and for the three and six months ended December 31, 2011, we amortized \$13,000 and \$34,000, respectively. 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. Management evaluates the carrying value of capitalized software to determine if the carrying value is impaired, 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 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 and significant claims resulting from resubmissions receiving lower grades, or deemed not to be authentic, could result in a material adverse impact on our results of operations.

#### *Dividends*

In accordance with the Company's current quarterly dividend policy, the Company paid quarterly cash dividends of \$0.325 per share of common stock in the second quarter of fiscal 2013. 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 July 2012, the Financial Accounting Standards Board ("FASB") issued an accounting standards update on the testing of indefinite-lived intangible assets for impairment. Under the guidance, management of a reporting unit has the option first to assess qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, management concludes that it is more likely than not that the indefinite-lived intangible asset is not impaired, then performing a quantitative impairment test is not necessary. Management of a reporting unit also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing a quantitative impairment test and, if such election is made, may resume performing the qualitative assessment in any subsequent period. The Company adopted this guidance on September 30, 2012. The adoption of this pronouncement did not have a material effect on the Company's Consolidated Financial Statements.

2. INVENTORIES

Inventories consist of the following (in thousands):

|  | <b>December 31,</b> | <b>June 30,</b> |
|--|---------------------|-----------------|
|  | <b>2012</b>         | <b>2012</b>     |
| Coins                                      | \$ 504              | \$ 1,166        |
| Other collectibles                         | 138                 | 110             |
| Grading raw materials consumable inventory | 1,430               | 1,375           |
|  | <u>2,072</u>        | <u>2,651</u>    |
| Less inventory reserve                     | (180)               | (378)           |
| Inventories, net                           | <u>\$ 1,892</u>     | <u>\$ 2,273</u> |

The reduction in coin inventory at December 31, 2012 reflects the sale of a coin for \$550,000 in August, 2012. The carrying value of the coin at June 30, 2012 was \$550,000.

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,</b> | <b>June 30,</b> |
|--|---------------------|-----------------|
|  | <b>2012</b>         | <b>2012</b>     |
| Coins and stamp grading reference sets         | \$ 294              | \$ 294          |
| Computer hardware and equipment                | 1,797               | 1,760           |
| Computer software                              | 1,051               | 1,051           |
| Equipment                                      | 3,029               | 2,999           |
| Furniture and office equipment                 | 953                 | 950             |
| Leasehold improvements                         | 827                 | 732             |
| Trading card reference library                 | 52                  | 52              |
|  | <u>8,003</u>        | <u>7,838</u>    |
| Less accumulated depreciation and amortization | (6,166)             | (6,043)         |
| Property and equipment, net                    | <u>\$ 1,837</u>     | <u>\$ 1,795</u> |

4. ASSET ACQUISITION

In September 2011, we acquired the websites, website-related assets and domain names of Coinflation.com™, which owned and operated websites, providing information on precious metal values and the intrinsic values of individual coins. Acquisition related costs of \$27,000 were incurred and have been included in general and administrative expenses for the six months ended December 31, 2011.

The following table summarizes the consideration paid and the assets acquired in the transaction (in thousands):

|   |               |
|---|---------------|
| Cash  | \$ 550        |
| 12,500 common shares of Collectors Universe, Inc. | 190           |
| Total Consideration                               | <u>\$ 740</u> |
| Allocated to:                                     |               |
| Websites, website-related assets, domain names    | <u>\$ 740</u> |

The fair value of our common shares issued as part of the consideration paid was determined based on the closing market price of \$15.17 on the acquisition date of September 13, 2011.

The cost of the website and related assets is being amortized over an estimated useful life of five years.

Approximately \$110,000 and \$131,000 of Coinflation.com revenue was included in net revenues for the three and six months ended December 31, 2011, representing the revenues earned from the date of acquisition through December 31, 2011.

The following unaudited pro forma financial information set forth in the following table was prepared assuming that the acquisition of Coinflation.com had occurred on July 1, 2011, rather than the actual date of acquisition. The following unaudited pro forma results of operations are not indicative of what our operating results would have been had the Coinflation.com acquisition been consummated on July 1, 2011 or what our results of operations will be in the future (in thousands).

|  | Three Months Ended<br>December 31, |                 | Six Months Ended<br>December 31, |                 |
|--|------------------------------------|-----------------|----------------------------------|-----------------|
|  | 2012                               | 2011            | 2012                             | 2011            |
|  | Actual                             | Actual          | Actual                           | Proforma        |
| Revenue  | \$ 9,595                           | \$ 11,472       | \$ 20,825                        | \$ 23,679       |
| Income from continuing operations                      | \$ 581                             | \$ 1,117        | \$ 1,398                         | \$ 2,660        |
| Loss from discontinued operations, net of income taxes | (20)                               | (32)            | (31)                             | (50)            |
| Net income   | <u>\$ 561</u>                      | <u>\$ 1,085</u> | <u>\$ 1,367</u>                  | <u>\$ 2,610</u> |
| Net income per basic share:                            |                                    |                 |                                  |                 |
| Income from continuing operations                      | \$ 0.07                            | \$ 0.14         | \$ 0.17                          | \$ 0.34         |
| Loss from discontinued operations                      | -                                  | -               | -                                | (0.01)          |
| Net income per basic shares                            | <u>\$ 0.07</u>                     | <u>\$ 0.14</u>  | <u>\$ 0.17</u>                   | <u>\$ 0.33</u>  |
| Net income per diluted share:                          |                                    |                 |                                  |                 |
| Income from continuing operations                      | \$ 0.07                            | \$ 0.14         | \$ 0.17                          | \$ 0.33         |
| Loss from discontinued operations                      | -                                  | -               | -                                | (0.01)          |
| Net income per diluted shares                          | <u>\$ 0.07</u>                     | <u>\$ 0.14</u>  | <u>\$ 0.17</u>                   | <u>\$ 0.32</u>  |

5. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

|                   | December 31,<br>2012 | June 30,<br>2012 |
|-------------------|----------------------|------------------|
| Warranty reserves | \$ 1,088             | \$ 998           |
| Professional fees | 46                   | 70               |
| Other             | 810                  | 849              |
|                   | <u>\$ 1,944</u>      | <u>\$ 1,917</u>  |

The following table presents the changes in the Company's warranty reserve during the six months ended December 31, 2012 and 2011 (in thousands):

|                                       | <b>Six Months Ended</b> |               |
|---------------------------------------|-------------------------|---------------|
|                                       | <b>December 31,</b>     |               |
|                                       | <b>2012</b>             | <b>2011</b>   |
| Warranty reserve beginning of period  | \$ 998                  | \$ 641        |
| Provision charged to cost of revenues | 266                     | 339           |
| Payments                              | (176)                   | (229)         |
| Warranty reserve, end of period       | <u>\$ 1,088</u>         | <u>\$ 751</u> |

6. DISCONTINUED OPERATIONS

During fiscal 2009, the Board of Directors authorized the divestiture and sale of GCAL, Gemprint and AGL (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 in the Condensed Consolidated Balance Sheets as of December 31, 2012 and June 30, 2012.

The operating results of the discontinued businesses that are included in the accompanying Condensed Consolidated Statements of Operations are as follows (in thousands):

|                                   | <b>Three Months Ended</b> |                | <b>Six Months Ended</b> |                |
|-----------------------------------|---------------------------|----------------|-------------------------|----------------|
|                                   | <b>December 31,</b>       |                | <b>December 31,</b>     |                |
|                                   | <b>2012</b>               | <b>2011</b>    | <b>2012</b>             | <b>2011</b>    |
| Net revenues                      | \$ -                      | \$ -           | \$ -                    | \$ -           |
| Loss before income tax benefit    | \$ (32)                   | \$ (53)        | \$ (51)                 | \$ (83)        |
| Income tax benefit                | 12                        | 21             | 20                      | 33             |
| Loss from discontinued operations | <u>\$ (20)</u>            | <u>\$ (32)</u> | <u>\$ (31)</u>          | <u>\$ (50)</u> |

The following table contains summary balance sheet information with respect to the net assets and liabilities of the discontinued operations held for sale that is included in the accompanying Condensed Consolidated Balance Sheets as of December 31, 2012 and June 30, 2012 (in thousands):

| <b>Balance Sheet Data of Discontinued Operations</b> | <b>December 31,</b> | <b>June 30,</b> |
|--|---------------------|-----------------|
|  | <b>2012</b>         | <b>2012</b>     |
| Current Assets:                                      |                     |                 |
| Assets held for sale                                 | <u>\$ 27</u>        | <u>\$ 27</u>    |
| Non-current assets:                                  |                     |                 |
| Other assets   | <u>\$ 182</u>       | <u>\$ 182</u>   |
| Current liabilities:                                 |                     |                 |
| Accounts payable                                     | \$ 8                | \$ 7            |
| Lease obligations                                    | 615                 | 637             |
| Other accrued expenses                               | 160                 | 160             |
|  | <u>\$ 783</u>       | <u>\$ 804</u>   |
| Non-current liabilities:                             |                     |                 |
| Lease obligations                                    | <u>\$ 1,915</u>     | <u>\$ 2,145</u> |

The remaining note receivable balances related to the fiscal 2009 disposal of our currency grading business were \$153,000 and \$148,000 at December 31, 2012 and June 30, 2012, respectively, and are classified as other assets.

The remaining balance of our lease obligations related to the fiscal 2009 disposal of our jewelry businesses was \$2,530,000 at December 31, 2012, of which \$615,000 was classified as a current liability, and \$1,915,000 was classified as a non-current liability in the accompanying consolidated balance sheet at December 31, 2012. We will continue to review and, if necessary, make adjustments to the lease obligation accruals on a quarterly basis.

7. INCOME TAXES

In the six months ended December 31, 2012 and 2011, we recognized provisions for income taxes based upon estimated annual effective tax rates with discrete items of approximately 40% and 41%, respectively.

8. NET INCOME PER SHARE

Options to purchase shares of common stock and non-vested restricted shares of common stock in the aggregate of 168,000 and 126,000 for the three months ended December 31, 2012 and 2011, respectively, were excluded from the computation of diluted income per share as they would have been anti-dilutive. The aggregate number of anti-dilutive restrictive shares excluded from diluted income per share totaled approximately 140,000 and 104,000 for the six months ended December 31, 2012 and 2011, respectively, and approximately 300,000 Performance-Based restricted shares were excluded from the computation of diluted earnings per share for both the three and six months ended December 31, 2012, because we had not reached any of the Performance Goals at December 31, 2012.

9. 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 high-end collectibles. Services provided by these segments include authentication, grading, publication and web advertising, subscription-based revenues and product sales. The other collectibles segment is comprised of CCE, Coinflation.com and our collectibles convention 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 and six months ended December 31, 2012 and 2011. Net identifiable assets are provided by business segment as of December 31, 2012 and June 30, 2012 (in thousands):

|   | Three Months Ended<br>December 31, |                  | Six Months Ended<br>December 31, |                  |
|---|------------------------------------|------------------|----------------------------------|------------------|
|   | 2012                               | 2011             | 2012                             | 2011             |
| <b>Net revenues from external customers</b>         |                                    |                  |                                  |                  |
| Coins   | \$ 5,927                           | \$ 7,962         | \$ 12,884                        | \$ 16,038        |
| Trading cards and autographs                        | 2,921                              | 2,663            | 6,000                            | 5,495            |
| Other   | 747                                | 847              | 1,941                            | 2,011            |
| <b>Total revenue</b>                                | <b>\$ 9,595</b>                    | <b>\$ 11,472</b> | <b>\$ 20,825</b>                 | <b>\$ 23,544</b> |
| <b>Amortization and depreciation</b>                |                                    |                  |                                  |                  |
| Coins   | \$ 100                             | \$ 62            | \$ 193                           | \$ 125           |
| Trading cards and autographs                        | 17                                 | 20               | 34                               | 42               |
| Other   | 82                                 | 83               | 162                              | 130              |
| <b>Total</b>  | <b>199</b>                         | <b>165</b>       | <b>389</b>                       | <b>297</b>       |
| Unallocated amortization and depreciation           | 59                                 | 35               | 115                              | 64               |
| <b>Consolidated amortization and depreciation</b>   | <b>\$ 258</b>                      | <b>\$ 200</b>    | <b>\$ 504</b>                    | <b>\$ 361</b>    |
| <b>Stock-based compensation</b>                     |                                    |                  |                                  |                  |
| Coins   | \$ 28                              | \$ 109           | \$ 55                            | \$ 162           |
| Trading cards and autographs                        | 11                                 | 33               | 22                               | 43               |
| Other   | 10                                 | 35               | 20                               | 47               |
| <b>Total</b>  | <b>49</b>                          | <b>177</b>       | <b>97</b>                        | <b>252</b>       |
| Unallocated stock-based compensation                | 98                                 | 263              | 336                              | 425              |
| <b>Consolidated stock-based compensation</b>        | <b>\$ 147</b>                      | <b>\$ 440</b>    | <b>\$ 433</b>                    | <b>\$ 677</b>    |
| <b>Operating income before unallocated expenses</b> |                                    |                  |                                  |                  |
| Coins   | \$ 1,273                           | \$ 2,629         | \$ 2,773                         | \$ 5,512         |
| Trading cards and autographs                        | 439                                | 273              | 931                              | 644              |
| Other   | 238                                | 94               | 672                              | 423              |
| <b>Total</b>  | <b>1,950</b>                       | <b>2,996</b>     | <b>4,376</b>                     | <b>6,579</b>     |
| Unallocated operating expenses                      | (979)                              | (1,102)          | (2,115)                          | (2,192)          |
| <b>Consolidated operating income</b>                | <b>\$ 971</b>                      | <b>\$ 1,894</b>  | <b>\$ 2,261</b>                  | <b>\$ 4,387</b>  |

|                              | December 31,<br>2012 | June 30,<br>2012 |
|------------------------------|----------------------|------------------|
| <b>Identifiable Assets:</b>  |                      |                  |
| Coins                        | \$ 5,659             | \$ 5,878         |
| Trading cards and autographs | 1,224                | 1,171            |
| Other                        | 2,605                | 2,669            |
| <b>Total</b>                 | <b>9,488</b>         | <b>9,718</b>     |
| Unallocated assets           | 23,045               | 26,727           |
| <b>Consolidated assets</b>   | <b>\$ 32,533</b>     | <b>\$ 36,445</b> |
| <b>Goodwill:</b>             |                      |                  |
| Coins                        | \$ 515               | \$ 515           |
| Other                        | 1,568                | 1,568            |
| <b>Consolidated goodwill</b> | <b>\$ 2,083</b>      | <b>\$ 2,083</b>  |

10. RELATED-PARTY TRANSACTIONS

During the three and six months ended December 31, 2012, an adult member of the immediate family of Mr. David Hall, the President of the Company, paid grading and authentication fees to PCGS of \$154,000 and \$323,000, respectively, compared with \$6,000 and \$69,000 for the three and six months ended December 31, 2011. Those fees were charged and paid at the same rates that we charge for comparable services to unaffiliated customers. At December 31, 2012, the amount owed to the Company for these services was approximately \$158,000, compared with \$106,000 at June 30, 2012.

11. CONTINGENCIES

From time to time, the Company is named as a defendant in lawsuits and disputes that arise in the ordinary course of its business. Management believes 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.

12. SUBSEQUENT EVENTS

On January 29, 2013, the Company announced that in accordance with its dividend policy, the Board of Directors had approved a third quarter cash dividend of \$0.325 per share of common stock, and such dividend will be paid on March 1, 2013 to stockholders of record on February 15, 2013.

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

**2.**

**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 with respect to 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, 2012 (the "Fiscal 2012 10-K"), which we filed with the Securities and Exchange Commission (the "SEC") on August 30, 2012, 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 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 future 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 2012 10-K or any 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” “management” “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) sales of advertising and commissions earned on our websites, including the Coinflation.com website, which we acquired in September 2011; (ii) sales of printed publications and collectibles price guides and advertising in those publications and on our websites; (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 certified coins and to our CoinFacts™ website, which offers a comprehensive one-stop source for historical U.S. numismatic information and value-added content; 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, 2012 Operating Results

The following table sets forth comparative financial data for the three and six months ended December 31, 2012 and 2011 (in thousands):

|  | Three Months Ended December 31, |                   |                 |                   | Six Months Ended December 31, |                   |                 |                   |
|--|---------------------------------|-------------------|-----------------|-------------------|-------------------------------|-------------------|-----------------|-------------------|
|  | 2012                            |                   | 2011            |                   | 2012                          |                   | 2011            |                   |
|  | 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            | \$ 9,595                        | 100.0%            | \$ 11,307       | 98.6%             | \$ 20,275                     | 97.4%             | \$ 23,207       | 98.6%             |
| Product sales  | -                               | 0.0%              | 165             | 1.4%              | 550                           | 2.6%              | 337             | 1.4%              |
|  | <u>9,595</u>                    | <u>100.0%</u>     | <u>11,472</u>   | <u>100.0%</u>     | <u>20,825</u>                 | <u>100.0%</u>     | <u>23,544</u>   | <u>100.0%</u>     |
| <b>Cost of Revenues:</b>                               |                                 |                   |                 |                   |                               |                   |                 |                   |
| Grading authentication and related services            | 3,962                           | 41.3%             | 4,492           | 39.7%             | 8,302                         | 40.9%             | 9,030           | 38.9%             |
| Product sales  | 2                               | -                 | 225             | 136.4%            | 552                           | 100.4%            | 411             | 122.0%            |
|  | <u>3,964</u>                    | <u>41.3%</u>      | <u>4,717</u>    | <u>41.1%</u>      | <u>8,854</u>                  | <u>42.5%</u>      | <u>9,441</u>    | <u>40.1%</u>      |
| <b>Gross Profit:</b>                                   |                                 |                   |                 |                   |                               |                   |                 |                   |
| Services   | 5,633                           | 58.7%             | 6,815           | 60.3%             | 11,973                        | 59.1%             | \$ 14,177       | 61.1%             |
| Product sales  | (2)                             | -                 | (60)            | (36.4)%           | (2)                           | (0.4)%            | (74)            | (22.0)%           |
|  | <u>5,631</u>                    | <u>58.7%</u>      | <u>6,755</u>    | <u>58.9%</u>      | <u>11,971</u>                 | <u>57.5%</u>      | <u>14,103</u>   | <u>59.9%</u>      |
| <b>Selling and marketing expenses</b>                  | 1,552                           | 16.2%             | 1,567           | 13.7%             | 3,368                         | 16.2%             | 3,218           | 13.7%             |
| General & administrative expenses                      | 3,108                           | 32.4%             | 3,294           | 28.7%             | 6,342                         | 30.4%             | 6,498           | 27.6%             |
| Operating income                                       | 971                             | 10.1%             | 1,894           | 16.5%             | 2,261                         | 10.9%             | 4,387           | 18.6%             |
| Interest and other income, net                         | 9                               | 0.1%              | 18              | 0.2%              | 71                            | 0.3%              | 38              | 0.2%              |
| Income before provision for income taxes               | 980                             | 10.2%             | 1,912           | 16.7%             | 2,332                         | 11.2%             | 4,425           | 18.8%             |
| Provision for income taxes                             | 399                             | 4.1%              | 795             | 7.0%              | 934                           | 4.5%              | 1,814           | 7.7%              |
| Income from continuing operations                      | 581                             | 6.1%              | 1,117           | 9.7%              | 1,398                         | 6.7%              | 2,611           | 11.1%             |
| Loss from discontinued operations, net of income taxes | (20)                            | (0.3)%            | (32)            | (0.2)%            | (31)                          | (0.1)%            | (50)            | (0.2)%            |
| Net income   | <u>\$ 561</u>                   | <u>5.8%</u>       | <u>\$ 1,085</u> | <u>9.5%</u>       | <u>\$ 1,367</u>               | <u>6.6%</u>       | <u>\$ 2,561</u> | <u>10.9%</u>      |
| <b>Net income per diluted share:</b>                   |                                 |                   |                 |                   |                               |                   |                 |                   |
| Income from continuing operations                      | \$ 0.07                         |                   | \$ 0.14         |                   | \$ 0.17                       |                   | \$ 0.33         |                   |
| Loss from discontinued operations                      | -                               |                   | -               |                   | -                             |                   | (0.01)          |                   |
| Net income   | <u>\$ 0.07</u>                  |                   | <u>\$ 0.14</u>  |                   | <u>\$ 0.17</u>                |                   | <u>\$ 0.32</u>  |                   |

Operating income decreased by \$923,000 or 49% to \$971,000 and by \$2,126,000 or 48% to \$2,261,000 in the three and six months ended December 31, 2012, respectively, from \$1,894,000 and \$4,387,000 in the same periods of the prior years, respectively. Those decreases resulted primarily from a \$1.7 million or 15% and \$2.9 million or 13% decrease in total service revenues in the three and six months ended December 31, 2012, compared to the same periods of the prior year. The reductions in service revenues included reductions of \$1.9 million and \$3.4 million in the revenues from our coin authentication and grading business in the three and six months ended December 31, 2012, respectively.

In response to this general market decline, we reduced our coin authentication and grading costs in the first quarter of fiscal 2013 by approximately \$1.1 million on an annualized basis, to more closely align our authentication and grading capacity to current market conditions. Moreover, we will continue to closely monitor our short-term revenue trends and cost structure to improve the profitability of the business.

These, as well as other factors affecting our operating results in the three and six months ended December 31, 2012, are described in more detail below. See "Factors that Can Affect our Operating Results and Financial Condition" and "Results of Operations for the Three and Six Months Ended December 31, 2012, Compared to the Three and Six Months Ended December 31, 2011," 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 79% of our total net revenues for the six months ended December 31, 2012. 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 collectibles 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 other high-value collectibles.

In addition, our coin grading and authentication revenues are impacted by the level 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.

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, on the one hand, and other collectibles on the other hand; (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 are of significantly higher value and are more saleable by dealers 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 portion of our costs of sales 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 level 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 they typically request higher priced same-day turnaround upon the coins they submit to us for authentication and grading at those shows. The level 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 short-term changes in the prices of gold that sometimes occur around the time of the shows, because gold prices can affect the willingness of dealers and collectors to sell and purchase coins at the shows.

Five of our coin authentication and grading customers represented, in the aggregate, approximately 12% of our total net revenues in the three and six months ended December 31, 2012, 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, autographs, and stamps that were authenticated and graded by us in the three and six months ended December 31, 2012 and 2011, respectively, and their estimated values, which are the amounts at which those coins, trading cards and stamps are declared for insurance purposes by the dealers and collectors who submitted them to us for grading and authentication:

|   | Units Processed                 |               |                |               | Declared Value (000)            |               |                   |               |
|---|---------------------------------|---------------|----------------|---------------|---------------------------------|---------------|-------------------|---------------|
|   | Three Months Ended December 31, |               |                |               | Three Months Ended December 31, |               |                   |               |
|   | 2012                            |               | 2011           |               | 2012                            |               | 2011              |               |
| Coins                                       | 359,500                         | 49.5%         | 428,900        | 54.8%         | \$ 293,491                      | 90.9%         | \$ 298,057        | 91.9%         |
| Trading cards and autographs <sup>(1)</sup> | 366,400                         | 50.5%         | 349,500        | 44.7%         | 29,224                          | 9.1%          | 24,723            | 7.6%          |
| Stamps <sup>(2)</sup>                       | -                               | -             | 4,100          | 0.5%          | -                               | -             | 1,513             | 0.5%          |
| Total                                       | <u>725,900</u>                  | <u>100.0%</u> | <u>782,500</u> | <u>100.0%</u> | <u>\$ 322,715</u>               | <u>100.0%</u> | <u>\$ 324,293</u> | <u>100.0%</u> |

  

|   | Units Processed               |               |                  |               | Declared Value (000)          |               |                   |               |
|---|-------------------------------|---------------|------------------|---------------|-------------------------------|---------------|-------------------|---------------|
|   | Six Months Ended December 31, |               |                  |               | Six Months Ended December 31, |               |                   |               |
|   | 2012                          |               | 2011             |               | 2012                          |               | 2011              |               |
| Coins                                       | 702,500                       | 48.4%         | 907,700          | 56.1%         | \$ 592,235                    | 90.4%         | \$ 634,616        | 91.2%         |
| Trading cards and autographs <sup>(1)</sup> | 748,900                       | 51.6%         | 703,000          | 43.4%         | 63,002                        | 9.6%          | 57,450            | 8.3%          |
| Stamps                                      | -                             | -             | 7,600            | 0.5%          | -                             | -             | 3,404             | 0.5%          |
| Total                                       | <u>1,451,400</u>              | <u>100.0%</u> | <u>1,618,300</u> | <u>100.0%</u> | <u>\$ 655,237</u>             | <u>100.0%</u> | <u>\$ 695,470</u> | <u>100.0%</u> |

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

<sup>(2)</sup> We sold our stamp authentication and grading business in June 2012.

*Impact of Economic Conditions on our Financial Performance.* As discussed above, our operating results are primarily affected by the volume 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 ability and willingness 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 viewed as luxury goods and are purchased with disposable income; (iv) prevailing and anticipated rates of inflation and the strength or weakness of the U.S. dollar, because the threat of increased inflation or concerns about the weakening of the U.S. dollar often lead investors and consumers to purchase gold and silver coins as hedges against inflation and reductions in the purchasing power of the U.S. currency; 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 hard assets, including gold coins, if they believe that the market prices of hard assets will increase. 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 pressure, or declines or stagnation in the market price 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.

*Factors That Can Affect our Financial Position.* A substantial number of our authentication and grading customers prepay our authentication and grading fees when they submit their collectibles to us for authentication and grading. As a result, historically, we have been able to rely on internally generated cash and have never incurred borrowings to fund our continuing operations. We currently expect that internally generated cash flows and current cash and cash equivalent balances will be sufficient to fund our continuing operations at least through the end of fiscal 2013.

In addition to the day-to-day operating performance of our 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. Through June 30, 2012, the Company had fully utilized all of its federal net operating losses and other tax attributes, and therefore we will pay federal income taxes at 34% of taxable income on an annual basis in future periods. 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.

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

Except as discussed below, during the six months ended December 31, 2012, 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, 2012. Readers of this report are urged to read that Section of that 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 by management, we proceed to a two-step goodwill impairment test. When conducting 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. If the fair value is less than the carrying value, then there is the possibility of goodwill impairment and the second step of the test, which involves further testing and re-measurement of goodwill, is required.

During the first quarter ended September 30, 2012, 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 fair value over carrying value in prior years, and any material changes in the estimated cash flows of the reporting unit, and determined that it was more likely than not that the fair value of CCE and CoinFacts was greater than the carrying value, including goodwill, and therefore it was not necessary to proceed to the second-step impairment test.

With respect to our Expos trade show business, as previously disclosed in our Form 10-K for the year ended June 30, 2012, we determined that no further impairment existed at both June 30, 2012 and there were no triggering events in the six months ended December 31, 2012.

*Stock-Based Compensation.* We recognize share-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 a financial performance goal, we begin to recognize compensation expense based on the grant date fair value when it becomes probable that we will achieve the financial performance goal.

(i) *Fiscal 2013 Expense.* Stock-based compensation in the three and six months ended December 31, 2012, represents expenses attributable to (i) prior year grants of restricted stock for which compensation is being recognized over the remaining service periods of those grants; (ii) grants of 84,000 shares of restricted stock granted in the six months ended December 31, 2012 (including 40,000 shares granted to the Company's new Chief Executive Officer, 12,500 shares granted to the Company's Chief Financial Officer and 24,000 shares granted to the Company's outside directors), all of which are service-based grants and, therefore, required recognition of stock-based compensation for those awards from the respective grant dates; and (iii) \$103,000 in connection with accelerated vesting of restricted shares for the Company's former CEO.

The accelerated vesting of restricted shares held by our former CEO was in exchange for his early termination, effective October 15, 2012, of his employment agreement, which would otherwise have continued in effect until June 30, 2013.

(ii) *Fiscal 2013 Long-Term Performance-Based Equity Incentive Program*

On December 28, 2012, the Compensation Committee of the Board of Directors adopted a Long-Term Performance-Based Equity Incentive Program (“LTIP”) for the Company’s executive officers (including the Company’s Chief Executive Officer, Mr. Deuster, and the Chief Financial Officer, Mr. Wallace) and certain management employees (“Participants”) and granted approximately 300,000 shares of restricted stock (the “restricted shares”), including 108,880 shares to Mr. Deuster and 40,830 shares to Mr. Wallace, pursuant to the Company’s stockholder-approved 2006 Equity Incentive Plan (the “2006 Plan”).

The primary purposes of this program are (i) to focus executive management on achieving substantial increases in the Company’s operating income, and thereby increase internally generated cash flows, and (ii) to align the longer-term financial interests of executive management with the longer-term interests of the Company’s stockholders. For purposes of this program, operating income is defined as the Company’s operating income before non-cash stock-based compensation expense.

The Compensation Committee had intended to grant a total of approximately 550,000 restricted shares to the Participants (including 200,000 restricted shares to Mr. Deuster and 75,000 restricted shares to Mr. Wallace) under the LTIP. However, it was not able to do so, because there were not a sufficient number of shares available for such grants under the 2006 Plan. As a result, the Compensation Committee expects to approve grants of additional shares to the Participants under this LTIP, if the Board of Directors adopts a new equity incentive plan and that plan is approved by the Company’s stockholders at the next Annual Meeting, which is scheduled to be held in December, 2013. The additional number of restricted shares to be granted at that time has not yet been determined, but could be as many as 250,000 additional shares, including 91,120 to Mr. Deuster and 34,170 to Mr. Wallace.

The vesting of those restricted shares is conditioned on the Company’s achievement of increasing annual operating income during any fiscal year within a six-year period commencing with fiscal 2013 and continuing through the fiscal year ending June 30, 2018, as indicated in the following table:

|   | <u>Cumulative<br/>Percent of<br/>Shares Vested</u> |
|---|--|
| If in any fiscal year during the term of the Program: |  |
| The Threshold Performance Goal is Achieved            | 10%  |
| Intermediate Performance Goal #1 is Achieved          | 25%  |
| Intermediate Performance Goal #2 is Achieved          | 45%  |
| Intermediate Performance Goal #3 is Achieved          | 70%  |
| The Maximum Performance Goal is Achieved              | 100%   |

Upon the determination that a milestone has been achieved for a fiscal year, 50% of the shares related to achieving that milestone will vest immediately and the remaining 50% will vest at June 30 of the following fiscal year, provided that the Participant is still in the service of the Company.

If the Company never achieves the Threshold Performance Goal during the term of the Program, all of the restricted shares will be forfeited effective June 30, 2018. If, instead, the Threshold Performance Goal is achieved or exceeded, but the Maximum Performance Goal is not achieved during the term of the Program, then the unvested shares will be forfeited effective June 30, 2018.

The Participants may also earn a maximum 25% more shares if the Maximum Performance Goal is achieved in any fiscal year ending on or before June 30, 2015 and such shares would vest 50% upon the determination that the milestone has been achieved and the remaining 50% on June 30 of the following fiscal year.

As of December 31, 2012, management estimated that it was probable that the Company would achieve the Threshold Performance Goal by June 30, 2016 (representing the midpoint in the term of the LTIP) and, therefore, will recognize stock-based compensation expense of \$300,000, based on the closing price of the Company’s common stock at the grant date of \$10.01, over the period beginning January 1, 2013 through June 30, 2016. Management will reassess at each reporting date whether any additional compensation expense is to be recognized.

**Results of Operations for the Three and Six Months Ended December 31, 2012, Compared to the Three and Six Months Ended December 31, 2011**

*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. We also generated fees from the authentication and grading of stamps through June 2012 (when we sold our stamp authentication business). To a lesser extent, we generate collectibles related service revenues (referred to in this report as "other related revenues") from sales of Collectors Club memberships and advertising fees and commissions earned from our websites (including Coinflation.com, which we acquired in September 2011) and in printed publications and collectibles price guides; subscription-based revenues primarily related to our CCE dealer-to-dealer Internet bid-ask market for certified coins and CoinFacts; and fees earned from promoting, managing and operating collectibles conventions. Net revenues also include, to a significantly lesser extent, revenues from the sales of products, which consist primarily of coins that we purchase under our authentication and grading warranty policy. We do not consider such product sales to be an integral part of our ongoing revenue generating activities.

The following table sets forth the total net revenues for the three and six months ended December 31, 2012 and 2011 between grading and authentication services revenues, other related services revenues and product sales (in thousands):

|                                 | <b>Three Months Ended December 30,</b> |                          |               |                          |                 |                          |
|---------------------------------|--|--------------------------|---------------|--------------------------|-----------------|--------------------------|
|                                 | <b>2012</b>                            |                          | <b>2011</b>   |                          | <b>Increase</b> |                          |
|                                 | <b>Amount</b>                          | <b>% of Net Revenues</b> | <b>Amount</b> | <b>% of Net Revenues</b> | <b>Amount</b>   | <b>% of Net Revenues</b> |
| Grading and authentication fees | \$ 7,848                               | 81.8%                    | \$ 9,645      | 84.1%                    | \$ (1,797)      | (18.6)%                  |
| Other related services          | 1,747                                  | 18.2%                    | 1,662         | 14.5%                    | 85              | 5.1%                     |
| Total service revenues          | 9,595                                  | 100.0%                   | 11,307        | 98.6%                    | (1,712)         | (15.1)%                  |
| Product sales                   | -                                      | -                        | 165           | 1.4%                     | (165)           | (100.0)%                 |
| Total net revenues              | \$ 9,595                               | 100.0%                   | \$ 11,472     | 100.0%                   | \$ (1,877)      | (16.4)%                  |

|                                 | <b>Six Months Ended December 30,</b> |                          |               |                          |                 |                          |
|---------------------------------|--------------------------------------|--------------------------|---------------|--------------------------|-----------------|--------------------------|
|                                 | <b>2012</b>                          |                          | <b>2011</b>   |                          | <b>Increase</b> |                          |
|                                 | <b>Amount</b>                        | <b>% of Net Revenues</b> | <b>Amount</b> | <b>% of Net Revenues</b> | <b>Amount</b>   | <b>% of Net Revenues</b> |
| Grading and authentication fees | \$ 16,404                            | 78.8%                    | \$ 19,590     | 83.2%                    | \$ (3,186)      | (16.3)%                  |
| Other related services          | 3,871                                | 18.6%                    | 3,617         | 15.4%                    | 254             | 7.0%                     |
| Total service revenues          | 20,275                               | 97.4%                    | 23,207        | 98.6%                    | (2,932)         | (12.6)%                  |
| Product sales                   | 550                                  | 2.6%                     | 337           | 1.4%                     | 213             | 63.2%                    |
| Total net revenues              | \$ 20,825                            | 100.0%                   | \$ 23,544     | 100.0%                   | \$ (2,719)      | (11.5)%                  |



The following table sets 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, 2012 and 2011 (in thousands):

|                                     | Three Months Ended December |                   |          |                  |                   |          |
|-------------------------------------|-----------------------------|-------------------|----------|------------------|-------------------|----------|
|                                     | 2012                        |                   |          | 2011             |                   |          |
|                                     | Amount                      | % of Net Revenues |          | Amount           | % of Net Revenues |          |
| Coins                               | \$ 5,927                    | 61.8              | %        | \$ 7,797         | 68.0              | %        |
| Cards and autographs <sup>(1)</sup> | 2,921                       | 30.4              | %        | 2,663            | 23.2              | %        |
| Other <sup>(2)</sup>                | 747                         | 7.8               | %        | 847              | 7.4               | %        |
| Product sales                       | -                           | -                 |          | 165              | 1.4               | %        |
|                                     | <u>\$ 9,595</u>             | <u>100.0</u>      | <u>%</u> | <u>\$ 11,472</u> | <u>100.0</u>      | <u>%</u> |

  

|                                     | Six Months Ended December |                   |          |                  |                   |          |
|-------------------------------------|---------------------------|-------------------|----------|------------------|-------------------|----------|
|                                     | 2012                      |                   |          | 2011             |                   |          |
|                                     | Amount                    | % of Net Revenues |          | Amount           | % of Net Revenues |          |
| Coins                               | \$ 12,334                 | 59.2              | %        | \$ 15,702        | 66.7              | %        |
| Cards and autographs <sup>(1)</sup> | 6,000                     | 28.8              | %        | 5,495            | 23.3              | %        |
| Other <sup>(2)</sup>                | 1,941                     | 9.4               | %        | 2,011            | 8.6               | %        |
| Product sales                       | 550                       | 2.6               | %        | 336              | 1.4               | %        |
|                                     | <u>\$ 20,825</u>          | <u>100.0</u>      | <u>%</u> | <u>\$ 23,544</u> | <u>100.0</u>      | <u>%</u> |

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

(2) Includes CCE subscription fees, revenues earned from our Expos convention business, our Coinflation.com website and our formerly owned stamp authentication and grading business.

(3) Consists of the reduction in the number of stamps graded and authenticated as a result of the sale of our stamp authentication and grading business in June 2012.

For the three months ended December 31, 2012, our total service revenues decreased by \$1,712,000 or 15.1%, compared to the three months ended December 31, 2011 and comprised a decrease of \$1,797,000 or 18.6%, in grading and authentication fees, partially offset by an increase in other related services of \$85,000 or 5.1%. For the six months ended December 31, 2012, our total service revenues decreased by \$2,932,000 or 12.6% compared to the six months ended December 31, 2011 and comprised a decrease of \$3,186,000 or 16.3% in grading and authentication fees, partially offset by an increase of \$254,000 or 7.0% in other related services, respectively.

The decreases in grading and authentication fees in the three and six months ended December 31, 2012 were attributable to decreases in coin authentication and grading fees of \$1,941,000 or 27% and \$3,483,000 or 24% in the three and six months ended December 31, 2012, respectively. Those decreases were due primarily to decreases of 16% and 23% in the number of coins graded in the three and six months ended December 31, 2012, respectively, and in the second quarter due to a lower average service fee earned on modern coin grading revenues due to the mix of modern coin programs in the quarter. The reduction in coin fees were partially offset by increased fees earned by our cards and autographs authentication and grading business of \$251,000 or 11% and \$514,000 or 10% in the three and six months ended December 31, 2012, respectively. In addition, due to the sale of PSE in June 2012, our stamp authentication and grading fees decreased by \$107,000 and \$217,000, compared to the three and six months ended December 31, 2011, respectively.

Our modern coin grading and authentication fees decreased by approximately \$920,000 or 36% and \$1,961,000 or 38% in the three and six months ended December 31, 2012, respectively, compared to the same respective periods of the prior year. Vintage grading and authentication fees decreased by approximately \$511,000 or 19% and \$950,000 or 19% for the three and six month periods, respectively. World coin grading and authentication revenues decreased by approximately \$398,000 or 36% and \$628,000 or 28% in the three and six month periods, respectively, reflecting lower U.S. submissions of world coins, partially offset by increased submissions in Hong Kong. Show grading and authentication revenues were down by \$111,000 or 14% in the second quarter, but increased by approximately \$56,000 or 3% in the six months ended December 31, 2012.

We believe the decline in coin authentication and grading fees reflects stagnating gold and silver prices over the last year which, in conjunction with improving economic conditions, has made investing in gold and silver less attractive. In addition, in the quarter ended December 31, 2011, the Company benefited from the popularity of the U.S. Mint's 25<sup>th</sup> Anniversary American Eagle Silver Coin Program, which contributed revenues of approximately \$1.1 million in that quarter. There was no similar program in the quarter ended December 31, 2012. Furthermore, we believe the reduction in our revenues reflects general market conditions, rather than a loss of market share.

With respect to the second half of our fiscal year, sales of Gold and Silver Eagles by the U.S. Mint increased in the three months ended December 31, 2012, compared to the same period of the prior year, representing the first quarter during calendar year 2012 in which sales of Gold and Silver Eagles increased, as compared to the corresponding quarters of the prior year. This increased level of sales appears to be continuing in the early part of calendar 2013, which we believe should lead to a higher level of submissions in our third fiscal quarter, which is typically our strongest quarter of the year. Therefore, we expect an improved performance in the business in the second half of fiscal 2013 compared to the first half of the year. However, it remains uncertain as to whether the Company can achieve results at the level achieved in the third quarter of fiscal 2012 and whether the activity levels we are experiencing in the early part of the third quarter will continue throughout the third quarter and into the fourth quarter of fiscal 2013.

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 modern coin and trade show revenues can be volatile, and therefore it is uncertain as to whether our modern coin revenues will rebound to the levels achieved in recent years or what level of growth in those revenues, if any, will be achieved in future quarters.

Despite the decline in our coin authentication and grading business relative to our other businesses in the first half of the year, our coin business represented approximately 59% of total revenues, compared to 67% of total revenues in the first half of fiscal 2012, which reflects the continued importance of our coin authentication and grading business to our overall financial performance.

The increases in other related services of \$85,000 or 5.1% and \$254,000 or 7% in the three and six months ended December 31, 2012, respectively, included increased click-through commission revenues and subscriptions and related fees from our CCE business.

#### *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, 2012 and 2011 (in thousands):

|                            | <b>Three Months Ended December 31,</b> |               |                     |               | <b>Six Months Ended December 31,</b> |               |                     |               |
|----------------------------|--|---------------|---------------------|---------------|--------------------------------------|---------------|---------------------|---------------|
|                            | <b>2012</b>                            |               | <b>2011</b>         |               | <b>2012</b>                          |               | <b>2011</b>         |               |
|                            | <b>Gross Profit</b>                    |               | <b>Gross Profit</b> |               | <b>Gross Profit</b>                  |               | <b>Gross Profit</b> |               |
|                            | <b>Amount</b>                          | <b>Margin</b> | <b>Amount</b>       | <b>Margin</b> | <b>Amounts</b>                       | <b>Margin</b> | <b>Amount</b>       | <b>Margin</b> |
| Gross profit services      | \$ 5,633                               | 58.7%         | \$ 6,815            | 60.3%         | \$ 11,973                            | 59.1%         | \$ 14,177           | 61.1%         |
| Gross profit-product sales | (2)                                    | -             | (60)                | (36.4)%       | (2)                                  | (0.4)%        | (74)                | (22.0)%       |
| <b>Total</b>               | <b>\$ 5,631</b>                        | <b>58.7%</b>  | <b>\$ 6,755</b>     | <b>58.9%</b>  | <b>\$ 11,971</b>                     | <b>57.5%</b>  | <b>\$ 14,103</b>    | <b>59.9%</b>  |

As indicated in the above table, our services gross profit margin was 58.7% for the three months ended December 31, 2012, compared to 60.3% for the three months ended December 31, 2011. For the six months ended December 31, 2012, our services gross profit margin was 59.1%, compared to 61.1% for the six months ended December 31, 2011. Those decreases in our gross profit margin were primarily attributable to the reduction in our services revenues and the relatively fixed nature of certain of our direct costs. As a result of the reduction in coin service revenues, the gross profit margin for our coin business declined from 66% and 67% in the three and six months ended December 31, 2011, respectively, to 62% in the both three and six months ended December 31, 2012.

#### *Selling and Marketing Expenses*

Selling and marketing expenses include advertising and promotions costs, 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, 2012 and 2011 (in thousands):

|                        | Three Months Ended<br>December 31, |          | Six Months Ended<br>December 31, |          |
|------------------------|------------------------------------|----------|----------------------------------|----------|
|                        | 2012                               | 2011     | 2012                             | 2011     |
|                        | Selling and marketing expenses     | \$ 1,552 | \$ 1,567                         | \$ 3,368 |
| Percent of net revenue | 16.2%                              | 13.7%    | 16.2%                            | 13.7%    |

Sales and marketing costs were essentially flat in the second quarter of fiscal 2013 compared to the second quarter of 2012 and increased by \$150,000 in the six months ended December 31, 2012, compared to the same period of the prior year. In the three and six month periods of fiscal 2013, sales and marketing costs reflect increased marketing costs in connection with our e-commerce initiatives, offset by a reduction in business development incentives due to lower coin revenues in the quarter. In addition, in the six months ended December 31, 2012, the increased costs reflect the cost of attending a trade show in Hong Kong in the three months ended September 30, 2012 for which there were no comparable costs in the six months ended December 31, 2011.

#### *General and Administrative Expenses*

General and administrative ("G&A") expenses are comprised primarily of compensation paid (including non-cash stock-based compensation) to general and administrative personnel, including executive management, finance and accounting and information technology personnel, facilities management costs, depreciation, amortization and other miscellaneous expenses (in thousands):

|                        | Three Months Ended<br>December 31,  |          | Six Months Ended<br>December 31, |          |
|------------------------|-------------------------------------|----------|----------------------------------|----------|
|                        | 2012                                | 2011     | 2012                             | 2011     |
|                        | General and administrative expenses | \$ 3,108 | \$ 3,294                         | \$ 6,342 |
| Percent of net revenue | 32.4%                               | 28.7%    | 30.4%                            | 27.6%    |

G&A expenses decreased by \$186,000 and \$156,000 in the three and six months ended December 31, 2012, respectively, compared to the same periods of fiscal 2012. G&A cost savings for both the three and six month periods were due to lower stock-based compensation costs of \$298,000 for the quarter and \$249,000 for the six months (see below), partially offset by higher depreciation and amortization expenses associated with prior year capital expenditures and system upgrades and higher legal fees.

*Stock-Based Compensation*

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

| <u>Included In:</u>                 | <b>Three Months Ended<br/>December 31,</b> |               | <b>Six Months Ended<br/>December 31,</b> |               |
|-------------------------------------|--|---------------|--|---------------|
|                                     | <b>2012</b>                                | <b>2011</b>   | <b>2012</b>                              | <b>2011</b>   |
| Sales and marketing expenses        | \$ 5                                       | \$ -          | \$ 5                                     | \$ -          |
| General and administrative expenses | 142  | 440           | 428                                      | 677           |
|                                     | <u>\$ 147</u>                              | <u>\$ 440</u> | <u>\$ 433</u>                            | <u>\$ 677</u> |

The \$293,000 and \$244,000 reductions in stock-based compensation expense in the three and six months ended December 31, 2012, respectively, reflects 84,000 of restricted shares granted at a lower average grant date fair value in the six months ended December 31, 2012, compared to 103,000 restricted shares granted in the three and six months ended December 31, 2011. Stock-based compensation expense in the three and six months ended December 31, 2011, included a catch up adjustment related to a performance condition that became probable of being satisfied in that period. Stock-based compensation expense in the six months ended December 31, 2012 includes \$103,000 of expense recognized due to the accelerated vesting of restricted stock held by the Company's former CEO.

The following table, which sets forth unrecognized stock-based compensation costs totaling \$1,678,000 related to non-vested stock-based awards expected to be recognized through fiscal year 2016 assumes that the holders of the equity awards will remain in the Company's service through 2016. In addition, the \$1,678,000 includes \$300,000 of stock-based compensation expense arising under the Company's LTIP through fiscal 2016, on the assumption that the Company will achieve the threshold Performance Goal. The following amounts and time periods do not include the costs or effects of (i) possible grant of additional stock-based compensation awards in the future or, (ii) any change that may occur in the Company's forfeiture rate (in thousands):

| <b>Fiscal Year Ending June 30,</b> | <b>Amount</b>   |
|------------------------------------|-----------------|
| 2013 (remaining 6 months)          | \$ 408          |
| 2014                               | 566             |
| 2015                               | 427             |
| 2016                               | 277             |
|                                    | <u>\$ 1,678</u> |

See Note 1, "*Stock-Based Compensation Expense*" for a more detailed description of the restricted stock grants that were awarded in the six months ended December 31, 2012 and Critical Accounting Policies and Estimates-*Stock-Based Compensation*.

*Income Tax Expense*

|                            | <b>Three Months Ended<br/>December 31,</b> |             | <b>Six Months Ended<br/>December 31,</b> |             |
|----------------------------|--|-------------|--|-------------|
|                            | <b>2012</b>                                | <b>2011</b> | <b>2012</b>                              | <b>2011</b> |
|                            | (In Thousands)                             |             |  |             |
| Provision for income taxes | \$ 399                                     | \$ 795      | \$ 934                                   | \$ 1,814    |

The income tax provision of \$399,000 and \$934,000 in the three and six months ended December 31, 2012, respectively, and \$795,000 and \$1,814,000 for the six months ended December 31, 2011, respectively, represented estimated annual effective tax rates ranging from 40% to 42% for all periods.

Discontinued Operations

|  | Three Months Ended<br>December 31, |         | Six Months Ended<br>December 31, |         |
|--|------------------------------------|---------|----------------------------------|---------|
|  | 2012                               | 2011    | 2012                             | 2011    |
|  | (In Thousands)                     |         |                                  |         |
| Loss from discontinued operations, net of income taxes | \$ (20)                            | \$ (32) | \$ (31)                          | \$ (50) |

The losses from discontinued operations (net of income taxes) for both the three and six months ended December 31, 2012 and 2011, respectively, primarily related to accretion expense associated with the Company's ongoing obligations for the New York City facilities, formerly occupied by our discontinued jewelry businesses, net of taxes in both periods.

**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 prepay our fees at the time they submit their collectibles to us for authentication and grading.

At December 31, 2012, we had cash and cash equivalents of approximately \$17,456,000, as compared to cash and cash equivalents of \$21,214,000 at June 30, 2012.

*Cash Flows.*

**Cash Flows from Continuing Operations.** In the six months ended December 31, 2012 and 2011, our operating activities from continuing operations generated cash of \$2,462,000 and \$4,607,000, respectively, primarily attributable to the income from operations for the respective periods, and in the six months ended December 31, 2012, attributable to a higher level of cash generated from deferred revenues in that period of \$828,000. The decrease in the cash flows from operations in the six months ended December 31, 2012, compared to the three months ended December 31, 2011, primarily reflects our lower operating results in this year's first quarter.

**Cash Flows of Discontinued Operations.** Discontinued operations used cash of \$282,000 and \$223,000 in the six months ended December 31, 2012 and 2011, respectively, primarily related to payments of our ongoing obligations associated with the New York facilities (including subtenant improvements in the six months ended December 31, 2012), formerly occupied by our discontinued jewelry businesses.

**Cash used in Investing Activities.** Investing activities used cash of \$410,000 and \$1,261,000 during the six months ended December 31, 2012 and 2011, respectively. In the six months ended December 31, 2012, the Company paid net \$351,000 for capital expenditures and capitalized software costs and \$59,000 in patent and trademarks costs. By comparison, in the six months ended December 31, 2011, we paid net \$711,000 for capital expenditures and capitalized software costs, and \$550,000, for the purchase of the assets of Coinflation.com.

**Cash used in Financing Activities.** In the six months ended December 31, 2012, financing activities used net cash of \$5,528,000, primarily to pay dividends to stockholders. In the six months ended December 31, 2011, the Company used \$4,749,000 in financing activities, comprising cash proceeds of \$454,000 from the exercise of employee stock options offset by cash used of \$5,203,000 to pay quarterly cash dividends to 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<br/>Amount</b> | <b>Sublease<br/>Income</b> | <b>Net</b>      |
|-----------------------------|-------------------------|----------------------------|-----------------|
| 2013 (remaining six months) | \$ 714                  | \$ 23                      | \$ 691          |
| 2014                        | 1,500                   | 46                         | 1,454           |
| 2015                        | 1,488                   | 47                         | 1,441           |
| 2016                        | 1,224                   | 49                         | 1,175           |
| 2017                        | 1,160                   | 50                         | 1,110           |
| Thereafter                  | 2,318                   | 92                         | 2,226           |
|                             | <u>\$ 8,404</u>         | <u>\$ 307</u>              | <u>\$ 8,097</u> |

**Discontinued Operations.** The following table sets forth our expected remaining minimum base obligations in respect of the two facilities, in New York City, that had formerly been occupied by our discontinued jewelry authentication and grading businesses. Those obligations are scheduled to expire on December 31, 2015 and 2017, respectively.

| <b>Fiscal Year</b>                                      | <b>Gross<br/>Amount</b> | <b>Sublease<br/>Income</b> | <b>Net</b>      |
|---|-------------------------|----------------------------|-----------------|
| 2013 (remaining six months)                             | \$ 384                  | \$ 92                      | \$ 292          |
| 2014  | 759                     | 192                        | 567             |
| 2015  | 794                     | 195                        | 599             |
| 2016  | 635                     | 99                         | 536             |
| 2017  | 470                     | -                          | 470             |
| Thereafter  | 245                     | -                          | 245             |
|   | <u>\$ 3,287</u>         | <u>\$ 578</u>              | <u>\$ 2,709</u> |
| Less: Discounted estimated fair value of lease payments |                         |                            | (2,435)         |
| Accretion expense to be recognized in future periods    |                         |                            | <u>\$ 274</u>   |

The accrual for these facility-related obligations includes an estimate of the minimum lease payments of \$2,435,000 and an estimate of the operating expenses related to the leased properties of \$95,000.

The cash payment under these two lease obligations are being paid on a monthly basis in accordance with the above schedule.

With the exception of facility-related 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.** Our current dividend policy calls for us to pay quarterly cash dividends of \$0.325 per share of common stock to our stockholders, for an expected total annual cash dividend of \$1.30 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, 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 stock buyback program that authorized up to \$10,000,000 of stock repurchases in open market or privately negotiated transactions, in accordance with applicable Securities Exchange Commission ("SEC") rules, when opportunities to make such repurchases, at attractive prices, become available. At December 31, 2012, 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 fiscal quarter of 2008.

*Future Uses and Sources of Cash.* We plan to use our cash resources, consisting of available cash and cash equivalent balances, together with internally generated cash flows, (i) to introduce new collectibles related services for our customers, both in the United States and overseas; (ii) to fund working capital requirements; (iii) fund acquisitions; (iv) to fund the payment of cash dividends; (v) to pay the obligations under the two facilities formerly occupied by our discontinued jewelry businesses; and (vi) for other general corporate purposes which may include additional repurchases of common stock under our stock buyback program.

Although we have no current plans to do so, we also may seek borrowings or credit facilities and we may issue additional shares of our stock to finance the growth of our collectibles businesses. However, due primarily to the uncertainties about the strength of the economic recovery in the United States, including the impact of global economic conditions on the United States' economy, there is no assurance that we would be able to obtain such borrowings or raise additional capital on terms acceptable to us, if at all.

#### *Recent Accounting Pronouncements*

In July 2012, the Financial Accounting Standards Board ("FASB") issued an accounting standards update on the testing of indefinite-lived intangible assets for impairment. Under the guidance, management of a reporting unit has the option first to assess qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, management concludes that it is more likely than not that the indefinite-lived intangible asset is not impaired, then performing a quantitative impairment test is not necessary. Management of a reporting unit also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing a quantitative impairment test and, if such election is made, may resume performing the qualitative assessment in any subsequent period. The Company adopted this guidance on September 30, 2012. The adoption of this pronouncement did not have a material effect on the Company's Consolidated Financial Statements.

### **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, 2012, we had approximately \$17,456,000 in cash and cash equivalents, of which \$15,344,000 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 of reductions in interest rates is not expected to be material.

We do not engage in any activities that would expose us to significant foreign currency exchange rate risk or commodity price risks, as our foreign activities and the cash balances we maintain overseas for our Paris, France and Hong Kong offices are not material.

### **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, 2012, 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, 2012, 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, 2012, 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 are 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, 2012 that we filed with the SEC on August 30, 2012.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On December 31, 2012, the Company repurchased 805 shares at \$10.02 per share to satisfy employee tax withholdings related to the vesting of restricted stock.

### 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.

|                                  |                                  |
|----------------------------------|----------------------------------|
| <b>COLLECTORS UNIVERSE, INC.</b> |                                  |
| Date: February 7, 2013           | By: <u>/s/ ROBERT G. DEUSTER</u> |
|                                  | ROBERT G. DEUSTER                |
|                                  | Chief Executive Officer          |

|                                  |                                  |
|----------------------------------|----------------------------------|
| <b>COLLECTORS UNIVERSE, INC.</b> |                                  |
| Date: February 7, 2013           | By: <u>/s/ JOSEPH J. WALLACE</u> |
|                                  | Joseph J. Wallace                |
|                                  | Chief Financial Officer          |

**INDEX TO EXHIBITS**

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

**CERTIFICATIONS 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, 2012.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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 7, 2013

By: /s/ ROBERT G. DEUSTER

Robert G. Deuster

Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATIONS 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, 2012.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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 7, 2013

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, 2012

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, 2012, 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 7, 2013

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, 2012

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, 2012, 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 7, 2013

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.



