

**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 September 30, 2020

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.)

1610 E. Saint Andrew Place, 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Trading Symbol	Name of each Exchange on which registered
Common Stock, par value \$.001 per share	CLCT	NASDAQ Global Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the Registrant is a shell company (as defined in 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 October 23, 2020
Common Stock \$.001 Par Value	9,298,980



**QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2020
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PART 1 – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	<u>September 30, 2020</u>	<u>June 30, 2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 36,731	\$ 28,640
Accounts receivable, net of allowance of \$121 and \$98 at September 30, and June 30, 2020, respectively	2,770	2,324
Inventories, net	2,468	2,512
Prepaid expenses and other current assets	1,817	1,872
Total current assets	<u>43,786</u>	<u>35,348</u>
Property and equipment, net	7,472	6,762
Operating lease right-of-use assets	7,915	8,214
Goodwill	1,625	1,625
Intangible assets, net	2,519	2,446
Deferred income tax assets	623	623
Other assets	468	464
Total assets	<u>\$ 64,408</u>	<u>\$ 55,482</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,748	\$ 3,381
Accrued liabilities	4,308	2,713
Accrued compensation and benefits	4,783	4,854
Current portion of long-term debt	750	750
Operating lease liabilities, current	2,270	2,274
Income taxes payable	1,986	1,142
Deferred revenue	6,376	4,968
Total current liabilities	<u>24,221</u>	<u>20,082</u>
Long Term Debt	750	938
Operating lease liabilities, non-current	9,141	9,450
Commitments and contingencies (Note 8)		
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; 9,299 and 9,240 issued and outstanding at September 30, and June 30, 2020, respectively.	9	9
Additional paid-in capital	89,820	88,918
Accumulated deficit	(59,533)	(63,915)
Total stockholders' equity	<u>30,296</u>	<u>25,012</u>
Total liabilities and stockholders' equity	<u>\$ 64,408</u>	<u>\$ 55,482</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	
	September 30,	
	2020	2019
Net revenues	\$ 30,785	\$ 20,210
Cost of revenues	11,474	8,101
Gross profit	19,311	12,109
Operating expenses:		
Selling and marketing expenses	2,269	2,633
General and administrative expenses	9,233	4,839
Total operating expenses	11,502	7,472
Operating income	7,809	4,637
Interest income and other expense, net	18	71
Income before provision for income taxes	7,827	4,708
Provision for income taxes	1,865	1,095
Net Income	\$ 5,962	\$ 3,613
Net income per share:		
Basic	\$ 0.66	\$ 0.40
Diluted	\$ 0.65	\$ 0.40
Weighted average shares outstanding:		
Basic	9,027	8,973
Diluted	9,120	9,060
Dividends declared per common share	\$ 0.175	\$ 0.175

See accompanying notes to condensed consolidated financial statements.

COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at July 1, 2019	9,153	\$ 9	\$ 87,343	\$ (68,405)	\$ 18,947
Stock-based compensation – restricted stock	78	-	264	-	264
Net income	-	-	-	3,613	3,613
Dividends paid	-	-	-	(1,570)	(1,570)
Balance at September 30, 2019	9,231	9	87,607	(66,362)	21,254
Stock-based compensation – restricted stock	7	-	341	-	341
Net income	-	-	-	2,614	2,614
Dividends paid	-	-	-	(1,571)	(1,571)
Balance at December 31, 2019	9,238	9	87,948	(65,319)	22,638
Stock-based compensation – restricted stock	32	-	344	-	344
Net income	-	-	-	1,927	1,927
Dividends paid	-	-	-	(1,573)	(1,573)
Balance at March 31, 2020	9,270	9	88,292	(64,965)	23,336
Stock-based compensation -restricted stock	(30)	-	626	-	626
Net income	-	-	-	2,632	2,632
Dividends paid	-	-	-	(1,582)	(1,582)
Balance at June 30, 2020	9,240	9	88,918	(63,915)	25,012
Stock-based compensation -restricted stock	64	-	1,140	-	1,140
Payments for retirement of common stock	(5)	-	(238)	-	(238)
Net income	-	-	-	5,962	5,962
Dividends paid	-	-	-	(1,580)	(1,580)
Balance at September 30, 2020	<u>9,299</u>	<u>\$ 9</u>	<u>\$ 89,820</u>	<u>\$ (59,533)</u>	<u>\$ 30,296</u>

See accompanying notes to condensed consolidated financial statements.

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

(In Thousands)
(Unaudited)

	Three Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 5,962	\$ 3,613
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization expense	806	710
Stock-based compensation expense	1,140	264
Non-cash lease expense	(14)	(141)
Provision for bad debts	23	8
Provision for inventory write-down	15	2
Provision for warranty	238	41
Change in operating assets and liabilities:		
Accounts receivable	(469)	(294)
Inventories	30	(156)
Prepaid expenses and other	52	(13)
Other assets	(3)	6
Accounts payable and accrued liabilities	1,734	713
Accrued compensation and benefits	(72)	(1,081)
Income taxes payable	843	680
Deferred revenue	1,408	(16)
Net cash provided by operating activities	<u>11,693</u>	<u>4,336</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,207)	(211)
Capitalized software	(381)	(279)
Net cash used in investing activities	<u>(1,588)</u>	<u>(490)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments under Term Loan	(188)	(188)
Dividends paid to common stockholders	(1,588)	(1,583)
Payments for retirement of common stock	(238)	-
Net cash used in financing activities	<u>(2,014)</u>	<u>(1,771)</u>
Net increase in cash and cash equivalents	8,091	2,075
Cash and cash equivalents at beginning of period	28,640	19,225
Cash and cash equivalents at end of period	<u>\$ 36,731</u>	<u>\$ 21,300</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid during the period	\$ 26	\$ 35
Income taxes paid during the period	<u>\$ 1,022</u>	<u>\$ 376</u>

See accompanying notes to condensed consolidated financial statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying unaudited interim condensed consolidated financial statements include the accounts of Collectors Universe, Inc. and its operating subsidiaries (the “Company”, “we”, “us”, or “our”). At September 30, 2020, our operating subsidiaries were Certified Asset Exchange, Inc. (“CAE”), Collectors Universe (Hong Kong) Limited, Collectors Universe (Shanghai) Limited, Collectors Universe (Japan) Limited, and Expos, LLC. (“Expos”), all of which are ultimately 100% owned by Collectors Universe, Inc. All significant intercompany transactions and accounts have been eliminated in consolidation.

Unaudited Interim Financial Information

The accompanying interim condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial reporting. These interim condensed consolidated financial statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary to present fairly the Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Stockholders’ Equity and Condensed Consolidated Statements of Cash Flows for the periods presented in accordance with generally accepted accounting principles as in effect in the United States of America (“GAAP”). Operating results for the three months ended September 30, 2020 are not necessarily indicative of the results that may be expected for the year ending June 30, 2021 or for any other interim period during such year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted in accordance with the rules and regulations of the SEC. These interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2020, as filed with the SEC (our “Fiscal 2020 10-K”). Amounts related to disclosure of June 30, 2020 balances within these interim condensed consolidated financial statements were derived from the aforementioned audited consolidated financial statements and the notes thereto.

Reclassifications

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

Leases

The Company accounts for leases, which consist primarily of office and operations facilities, in accordance with Accounting Standards Codification (“ASC”) 842 *Accounting for Leases* and recognizes lease obligations and corresponding right-of-use (ROU) assets for non-cancelable operating leases. Therefore, the accompanying Condensed Consolidated Balance Sheets at September 30, 2020, and June 30, 2020, include the liability to make lease payments (the lease liability) and a right-of-use asset, representing our right to use the underlying asset for the lease term. We do not recognize lease assets and liabilities for leases with a term of 12 months or less and recognize lease expenses for such leases on a straight-line basis over the lease term. See *Note 9- Leases* for additional information. As a result of the COVID-19 pandemic, we reviewed our lease obligations for impairment and potential excess space reserve requirements and concluded there were no impairments, or charges, required to be recognized at September 30, 2020.

Revenue Recognition

The core principle of ASC 606, *Revenue from Contracts with Customers*, is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying ASC 606, all revenue transactions must be evaluated using a five-step approach to determine the amount and timing of revenue to be recognized. The five-step approach requires (1) identifying the contract with the customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract and (5) recognizing revenue when performance obligations are satisfied.

Our primary source of revenue is the authentication and grading of collectibles, which represented about 90% of our consolidated revenues in the fiscal year ended June 30, 2020. Our other sources of revenues represent the balance of our revenues which are small and individually account for less than 5% of total revenues.

In accordance with ASC 606 we recognize revenue for our main revenue streams as follows:

Authentication and Grading Revenues: As the time it takes to authenticate and grade the collectible is short, we recognize revenue at the time of shipment (i.e. point of time) of the authenticated and graded collectible to the customer, net of any taxes collected. Due to the insignificant delay between the completion of our authentication and grading services and the shipment of the collectible back to the customer, the time of shipment corresponds to the completion of our services. We recognize revenue from the sale of special coin inserts at the time the customer takes legal title to the insert. Many of our authentication and grading customers prepay our authentication and grading fees when they submit their collectibles to us for authentication and grading. We record those prepayments as deferred revenue until the collectibles have been authenticated and graded and shipped back to the customer. 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 credit, we record revenue at the time of shipment of the authenticated and graded collectible to the dealer. We provide a limited warranty covering the coins and trading cards that we authenticate and grade. See *Warranty Costs* below.

Collectors Club Revenues: These revenues represent membership fees paid by customers for annual memberships in our Collectors Club. Those membership fees entitle members to access our on-line and printed publications and, depending on their membership level, to receive vouchers for authentication and grading services during the membership period. We allocate revenue between the vouchers and the membership. We recognize revenue attributable to the authentication and grading vouchers consistent with our authentication and grading services above. The balance of the membership fees is recognized ratably over the life of the membership. Memberships are paid in advance of the membership period and prepaid memberships fees are classified as deferred revenue.

Certified Coin Exchange Subscription Revenues: We recognize subscription revenues related to our CCE exchange for certified coins, ratably over the relevant subscription period. Subscriptions are typically billed and paid on a monthly basis, although certain quarterly and annual subscriptions can be paid in advance. Prepaid subscriptions are classified as part of deferred revenue.

Expos Trade Show Revenue: We recognize fees earned from promoting, managing, and operating trade shows in the periods in which the shows take place. Trade show booth fees are typically paid to us in advance. Certain fees that are paid to conduct auctions at the show are paid to us at the end of the show. Prepaid show fees are classified as part of deferred revenue.

Advertising and Commission Revenues: Advertising revenues are recognized in the period when an advertisement is displayed in our publications or websites and customers typically have 30 day credit terms. Click-through commission revenues earned through our websites from third party affiliate programs are recognized in the period in which the commissions are earned, and such commissions are paid in the following month.

Product Sales: Product sales consist primarily of sales of collectibles coins that we have purchased pursuant to our coin authentication and grading warranty program. We recognize revenues from coin sales when the coins are shipped or delivered to customers or if the coins are sold through auction, when the auction settles. However, those sales are not considered to be the focus of nor an integral part of the Company's ongoing revenue generating activities.

Contract Balances. As discussed above, the timing of revenue recognition can differ from the timing of invoicing to customers. Contract liabilities are comprised of billings or payments received from our customers in advance of performance under the contract. We refer to these contract liabilities as "Deferred Revenue" in the accompanying condensed consolidated balance sheets. During the three months ended September 30, 2020, we recognized \$2,306,000 in revenue from the deferred revenue balance of \$4,968,000 at June 30, 2020.

Shipping and Handling Costs

Shipping and handling costs incurred to process and return customer collectibles submitted to us for grading or authentication are recorded as costs of revenues, net of amounts received from customers, in accordance with the guidance for Principals versus Agents as set out in ASC 606.

Use of Estimates

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

Goodwill and Other Long-Lived Assets

We evaluate the carrying value of goodwill and indefinite-lived intangible assets at least annually, or more frequently if facts and circumstances indicate that impairment may have occurred. Qualitative factors are considered in performing our goodwill impairment assessment, including the significant excess of fair value over carrying value in prior years, and any material changes in the estimated cash flows of the reporting unit. We also evaluate the carrying values of all other tangible and intangible assets for impairment if circumstances arise in which the carrying values of these assets may not be recoverable on the basis of future undiscounted cash flows. We determined that no impairment of goodwill or other long-lived assets existed as of September 30, 2020.

During the first quarter ended September 30, 2020, we completed the annual goodwill impairment assessment with respect to the goodwill acquired in our fiscal year 2006 purchases of CCE and CoinFacts. We assessed qualitative factors, including the significant excess of their fair values over carrying value in prior years, and any material changes in the estimated cash flows of the reporting units, and determined that it was more likely than not that the fair values of CCE and CoinFacts were greater than their respective carrying values, including goodwill.

Foreign Currency

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

Stock-Based Compensation

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

Restricted Stock Awards: 2021, 2020 and 2019 Long Term Incentive Plans ("LTIPs")

Retention Restricted Service Shares ("RSUs")

To create incentives for the officers and other key employees (“LTIP Participants”) to remain in the Company’s service, RSUs were granted to them as follows:

Annual Grants. A total, net of forfeitures, of 16,864, 25,952 and 44,763 RSUs were granted in fiscal 2021, 2020 and 2019, respectively, with vesting in three annual installments on the last day of the fiscal years following the grants, with the vesting of each such installment contingent on the Participant remaining in the continuous service of the Company through the vesting date of that installment.

If a Participant’s continuous service with the Company ceases, for any reason whatsoever, including a termination of the Participant’s employment with or without cause, prior to any vesting date or dates, the then unvested RSUs will be forfeited.

Fiscal 2021, 2020 and 2019 Performance Restricted Shares (“PSUs”)

To create incentives for the LTIP Participants to focus their efforts on the achievement of increases in net cash flows (defined as net cash generated by the Company’s operating activities, minus capital expenditures and capitalized software costs), during the three years ending June 30, 2021, 2022 and 2023, (the “Performance Periods”), in fiscal 2021, 2020 and 2019, the Compensation Committee granted 33,728, 51,905 and 89,542 PSUs (at maximum) respectively, to the LTIP Participants. Vesting of the PSUs was made dependent upon the achievement of net cash flow goals on an annual basis during the Performance Period, subject to possible downward or upward adjustment of 20% of the PSUs, based on a comparison of the Company’s annualized total shareholder return (“TSR”) for each Performance Period, to the annualized TSR of the Russell 2000 Index, for the same Performance Period. As the Compensation Committee establishes performance goals on an annual basis, threshold, target and maximum net cash flow goals were established for fiscal years 2021, 2020 and 2019 which give rise to a grant date for expense recognition purposes, assuming it is probable that the goals will be achieved. Grant dates will be established for future year’s PSUs early in those fiscal years which will give rise to grant dates for expense recognition purposes.

For any of the PSUs to vest, a Participant must remain in the continuous service of the Company through June 30, 2021 for the fiscal 2019 PSUs, June 30, 2022 for the fiscal 2020 PSUs, and June 30, 2023 for fiscal 2021 PSUs and the threshold net cash flows goal must be achieved in at least one of the years, during the three year Performance Period.

LTIP related stock-based compensation expenses of \$517,000 and \$77,000 were recognized in the three months ended September 30, 2020 and 2019, respectively and comprise expense associated with the FY 2019, FY 2020 and FY 2021 LTIP awards for which expense is recognized over the service period for RSUs and for PSUs as goals are established and it becomes probable that those goals will be achieved.

Non LTIP Stock Awards

In the three months ended September 30, 2020, 10,812 fully vested shares were granted to management and new outside directors appointed during the first quarter, for an expense of approximately \$503,000 for the quarter.

Total stock-based compensation expense for all fully vested stock grants and all unvested RSUs and PSUs in the three months ended September 30, 2020 was \$1,140,000 as compared to \$264,000 in the three months ended September 30, 2019.

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 September 30, 2020, we had cash and cash equivalents totaling approximately \$36,731,000, of which approximately \$31,844,000 was invested in money market accounts, and the balance of \$4,887,000 (which is inclusive of cash in overseas bank accounts) was held in non-interest bearing bank accounts for general day-to-day operations. Cash in overseas bank accounts was approximately \$1,766,000 at September 30, 2020 of which \$1,009,000 was in China. We plan to remit excess cash from China in accordance with Chinese exchange control regulations. Due to those exchange control regulations in China, delays can be experienced in transferring funds out of China to Hong Kong and the United States.

Substantially all of our cash in the United States is deposited at one FDIC insured financial institution. We maintained cash due from banks, inclusive of cash in overseas accounts, in excess of the bank's FDIC insured deposit limits of approximately \$33,580,000 at September 30, 2020.

Revolving Credit Line. On March 10, 2020 the Company amended and increased its \$10 million unsecured revolving credit line (the "Credit Line") to \$15 million and extended the term for two years through March 2022. The Company is entitled to obtain borrowings under the Credit Line at such times and in amounts as it may request, as supported by an EBITDA (earnings before interest, taxes, depreciation and amortization) calculation for the last four quarters, provided that the maximum principal amount of the borrowings that may be outstanding at any one time under the Credit Line may not exceed \$15 million and each year there must be a period of 30 consecutive days during which no borrowings are outstanding. The Company also may, at any time or from time to time and at its option, repay outstanding borrowings, in whole or in part, and may reborrow amounts so repaid at such times and in such amounts as it deems appropriate.

Credit Line borrowings bear interest, at the Company's option, either at LIBOR plus 2.25% or at 0.25% below the highest prime lending rate published from time to time by the Wall Street Journal. The Company is required to pay a quarterly unused commitment fee of 0.0625% of the amount by which (if any) that the average of the borrowings outstanding under the Credit Line in any calendar quarter is less than \$6 million.

The Credit Line agreement contains a financial covenant that requires the Company to maintain a funded debt coverage ratio, similar to the debt coverage ratio that is applicable to the term loan (see below) and certain other covenants typical for this type of credit. At September 30, 2020, the Company was in compliance with those covenants. Availability to borrow under the line of credit was \$15,000,000 at September 30, 2020 as there were no borrowings outstanding under the line of credit at September 30, 2020.

Term Loan. As previously reported, on September 15, 2017 the Company obtained a five-year, \$3,500,000 unsecured term loan. In October 2018, the Company began repaying the then loan balance of \$3,000,000 in 48 equal monthly principal payments of \$62,500, or \$750,000 on an annual basis, through September 2022. There are no prepayment penalties on loan repayments.

The term loan agreement contains two financial covenants, which require the Company to maintain (a) a funded debt coverage ratio and (b) a debt service coverage ratio, respectively. The loan agreement also contains certain other covenants typical for this type of loan, including a covenant which provides that, without the bank's consent, the Company may not incur additional indebtedness for borrowed money, except for (i) borrowings under the Company's revolving credit line, (ii) purchase money indebtedness and (iii) capitalized lease obligations. The Company was in compliance with those loan covenants at September 30, 2020 and June 30, 2020.

At September 30, 2020, the Company had \$1,500,000 of outstanding borrowings under the term loan of which \$750,000 is classified as a current liability and \$750,000 is classified as a long-term liability in the consolidated condensed balance sheet at September 30, 2020.

Accounts Receivable. A substantial portion of accounts receivable are due from collectibles dealers. One individual customer's accounts receivable balance exceeded 10% of the Company's total gross accounts receivable balances at September 30, 2020. No individual customer's accounts receivable balance exceeded 10% of the Company's total gross accounts receivable balance at June 30, 2020. We perform analyses of the expected collectability of accounts receivable based on several factors, including the age and extent of significant past due accounts and economic conditions or trends that may adversely affect the ability of debtors to pay their account receivable balances. Based on that review, we establish an allowance for doubtful accounts, when deemed necessary. The allowance for doubtful accounts receivable was \$121,000 and \$98,000 at September 30, 2020 and June 30, 2020, respectively. Ultimately, we will write-off accounts receivable balances when it is determined that there is no possibility of collection.

Cards / Autograph and Coins Revenues. The authentication, and grading of cards / autographs and coins including, related services accounted for approximately 98% and 94% of our net revenues in the three months ended September 30, 2020, and 2019, respectively.

Customers. Our top five customers accounted, in the aggregate, for approximately 8% of our total revenues in the three months ended September 30, 2020 as compared to 12% of revenues in the same period of the prior year.

Inventories

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

Capitalized Software

We capitalize certain costs incurred in the development and upgrading of our software, either from internal or external sources, as part of intangible assets and we amortize those costs on a straight-line basis over the estimated useful life of the software of three years. In the three months ended September 30, 2020 we capitalized approximately \$381,000 of software development costs as compared to \$279,000 in the three months ended September 30, 2019. In the three months ended September 30, 2020, we recorded approximately \$283,000 as amortization expense for capitalized software as compared to \$229,000 in the three months ended September 30, 2019. Planning, training, support and maintenance costs incurred either prior to or following the implementation phase of software development projects are recognized as expense in the period in which they are incurred. We evaluate the carrying value of capitalized software for possible impairment, and, if necessary, an impairment loss is recorded in the period in which any impairment is determined to have occurred.

Warranty Costs

We provide a limited warranty covering the coins and trading cards that we authenticate and grade. Under the warranty, if any collectible coin or trading card that was previously authenticated and graded by us is later submitted to us for re-grading and either (i) receives a lower grade upon that re-submittal or (ii) is determined not to have been authentic, we will offer to purchase the collectible or, in the alternative, at the customer's option, pay the difference in value of the item at its original grade, as compared to its value at its lower grade. However, this warranty is voided if the collectible, upon re-submittal to us, is not in the same tamper-resistant holder in which it was placed at the time we last graded it. We accrue for estimated warranty costs based on historical trends and related experience. We monitor the adequacy of our warranty reserves on an ongoing basis for significant claims resulting from resubmissions receiving lower grades or deemed not to be authentic. Warranty expense recognized in the three months ended September 30, 2020 was \$238,000 as compared to \$41,000 in the three months ended September 30, 2019.

Dividends

In accordance with the Company's current dividend policy, we paid quarterly cash dividends of \$0.175 per share of common stock in the first quarter of fiscal 2021 and 2020. 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 June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instrument*. Subsequent to the issuance of ASU 2016-13, the FASB clarified the guidance through several ASUs. The collective new guidance (ASC 326) generally requires entities to use a current expected credit loss model, which is a new impairment model based on expected losses rather than incurred losses. Under this model, an entity would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect. The entity's estimate would consider relevant information about past events, current conditions, and reasonable and supportable forecasts. ASC 326 is effective for annual and interim fiscal reporting periods beginning after December 15, 2022, with early adoption permitted for annual reporting periods beginning after December 15, 2018. The Company is continuing to evaluate the expected impact of this ASC 326 but does not expect it to have a material impact on its consolidated financial statements upon adoption.

2. INVENTORIES

Inventories consist of the following (in thousands):

	September 30, 2020	June 30, 2020
Coins	\$ 197	\$ 195
Grading raw materials consumable inventory	3,358	3,389
	3,555	3,584
Less inventory reserve	(1,087)	(1,072)
Inventories, net	<u>\$ 2,468</u>	<u>\$ 2,512</u>

The inventory reserve represents a valuation allowance on certain items of our coins inventory based on the current market value of those coins and for our consumables inventories, based upon our review of the expected future usage of that inventory.

Estimated market 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):

	September 30, 2020	June 30, 2020
Coins grading reference sets	\$ 68	\$ 68
Computer hardware and equipment	3,149	2,844
Computer software	1,752	1,752
Equipment	6,204	5,566
Furniture and office equipment	1,354	1,113
Leasehold improvements	4,824	4,801
Trading card reference library	52	52
	17,403	16,196
Less accumulated depreciation and amortization	(9,931)	(9,434)
Property and equipment, net	<u>\$ 7,472</u>	<u>\$ 6,762</u>

4. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	September 30, 2020	June 30, 2020
Warranty reserves	\$ 867	\$ 698
Professional fees	1,990	975
Other	1,451	1,040
	<u>\$ 4,308</u>	<u>\$ 2,713</u>

The following table presents the changes in the Company's warranty reserve during the three months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended	
	September 30,	
	2020	2019
Warranty reserve beginning of period	\$ 698	\$ 852
Provision charged to cost of revenues	238	41
Payments	(69)	(129)
Warranty reserve, end of period	<u>\$ 867</u>	<u>\$ 764</u>

5. INCOME TAXES

The income tax provisions in the three months ended September 30, 2020 and 2019, were determined based on estimated annual effective tax rates of approximately 24% and 23%, respectively. Both three month periods were adjusted for excess tax benefits or deficiencies.

6. NET INCOME PER SHARE

The following table presents the changes in the Company's weighted average shares outstanding for the three months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended	
	September 30,	
	2020	2019
Weighted average shares outstanding: Basic	9,027	8,973
Dilutive effect of restricted shares	93	87
Weighted average shares outstanding: Diluted	<u>9,120</u>	<u>9,060</u>

A total of 5,000 anti-dilutive unvested restricted shares of common stock were excluded from the computation of diluted income per share in the three months ended September 30, 2019. There were no anti-dilutive unvested restricted shares of common stock at September 30, 2020. In addition, in the three months ended September 30, 2020, 71,000 of unvested performance based shares were excluded from the computation of diluted earnings per share because we had not achieved the related performance goals required for those shares to vest.

7. 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.

We operate principally in three reportable service segments: trading cards / autographs, coins, and other (which include our smaller non-authentication and grading businesses). Services provided by the trading cards / autographs, and coins segments include authentication, grading, publications, advertising and commissions earned, membership revenues and product sales. The other segment is comprised of CCE, Coinflation.com, Collectors.com and our collectibles trade show business.

We allocate certain operating expenses to each service segment based upon each segment's estimated expense usage. The following tables set forth on a segment basis, including a reconciliation with the condensed consolidated financial statements, (i) revenues, (ii) depreciation and amortization, (iii) stock-based compensation expense, and (iv) operating income for the three months ended September 30, 2020 and 2019, respectively. Net identifiable assets are provided by business segment as of September 30, 2020 and June 30, 2020, respectively (in thousands):

	Three Months Ended September 30,	
	2020	2019
Net revenues:		
Trading cards / autographs	\$ 18,612	\$ 8,094
Coins ⁽ⁱ⁾	11,450	10,982
Other	723	1,134
Consolidated total revenue	<u>\$ 30,785</u>	<u>\$ 20,210</u>
Depreciation and amortization:		
Trading cards / autographs	\$ 216	\$ 151
Coins	400	364
Other	66	92
Total	682	607
Unallocated depreciation and amortization	124	103
Consolidated depreciation and amortization	<u>\$ 806</u>	<u>\$ 710</u>
Stock-based compensation:		
Trading cards / autographs	\$ 63	\$ 17
Coins	113	51
Other	19	8
Total	195	76
Unallocated stock-based compensation	945	188
Consolidated stock-based compensation	<u>\$ 1,140</u>	<u>\$ 264</u>
Operating income:		
Trading cards / autographs	\$ 8,604	\$ 2,255
Coins	3,632	3,753
Other	336	308
Total	12,572	6,316
Unallocated operating expenses	(4,763)	(1,679)
Consolidated operating income	<u>\$ 7,809</u>	<u>\$ 4,637</u>

(i) Includes revenues of \$2.4 million generated from outside the United States in both the three months ended September 30, 2020 and September 30, 2019, respectively.

	September 30, 2020	June 30, 2020
Identifiable Assets:		
Trading cards / autographs	\$ 5,509	\$ 4,633
Coins	10,821	10,836
Other	1,754	1,778
Total	18,084	17,247
Unallocated assets	46,324	38,235
Consolidated assets	<u>\$ 64,408</u>	<u>\$ 55,482</u>
Goodwill:		
Coins	\$ 515	\$ 515
Other	1,110	1,110
Consolidated goodwill	<u>\$ 1,625</u>	<u>\$ 1,625</u>

8. CONTINGENCIES

The Company is named from time to time, as a defendant in lawsuits and disputes that arise in the ordinary course of business. We establish accruals for lawsuits or disputes when it is determined that a loss is both probable and can be reasonably estimated. Accruals can be adjusted from time to time, in light of additional information.

We believe that none of the lawsuits or disputes currently pending against the Company is likely to have a material adverse effect on the Company's financial position or results of operations.

9. LEASES

The Company has operating leases for office facilities and certain equipment. Our leases have remaining terms of one year to eight years, some of which included options to extend. We do not include options to extend in our determination of the valuation of our right-of-use (ROU) assets and lease liabilities, as it was not considered probable that we will exercise those options. Lease expense is recognized on a straight-line basis over the lease term. Some of our leases have variable payments of property taxes, insurance and common area maintenance, in addition to base rent. These variable payments are expensed when incurred and are recorded as variable rent expense. See *Subsequent Events: Lease Obligation*.

Operating lease right-of-use assets and liabilities are measured using the present value of future minimum lease payments over the lease term. We applied our incremental borrowing rate based on the information available at the adoption date.

Information related to the Company's total lease costs were as follows (in thousands):

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Operating lease cost	\$ 533	\$ 536
Variable lease cost	121	111
Total lease cost	\$ 654	\$ 647

Information related to the Company's ROU assets and related lease liabilities were as follows (in thousands):

	Three Months Ended September 30, 2020
Cash paid for operating lease liabilities	\$ 600
Weighted-average remaining lease term	7.1 years
Weighted-average discount rate	4.8%

The table below reconciles the undiscounted future minimum lease payments (displayed by year and in the aggregate) under noncancellable operating leases with terms of more than one year to the total operating lease liabilities recognized on the condensed consolidated balance sheets as of September 30, 2020 (in thousands):

Fiscal Year Ending June 30,	Amount
2021 (remaining 9 months)	\$ 1,799
2022	2,058
2023	1,654
2024	1,473
2025	1,469
Thereafter	5,070
Total undiscounted future minimum lease payments	13,523
Less: Imputed interest	(2,112)
Total operating lease liabilities	\$ 11,411
Current operating lease liabilities	\$ 2,270
Long-term operating lease liabilities	9,141
Total operating lease liabilities	\$ 11,411

10. SUBSEQUENT EVENTS

Lease Obligation

On October 1, 2020, the Company entered into a lease amendment with its landlord to lease an additional 62,870 square feet of space at its operations and headquarters facility in Santa Ana, California. The lease term for the additional space is through September 30, 2028 which is consistent with the existing lease. Minimum lease obligations under the new space are approximately \$6.9 million which when combined with the existing lease is approximately \$18.5 million. The combined lease will be accounted for as a lease modification and effective October 1, 2020 a combined right-of-use asset of approximately \$13.0 million and a lease liability of approximately \$16.4 million will be recognized on the Company's balance sheet.

Dividends

On October 26, 2020, the Company announced that, in accordance with its dividend policy the Board of Directors had approved a second quarter cash dividend of \$0.175 per share of common stock, which will be paid on November 27, 2020 to stockholders of record on November 13, 2020.

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

Forward-Looking Statements

The discussion in this Item 2 of this Quarterly Report on Form 10-Q (this “Report”) includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “1933 Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “1934 Act”). Those Sections of the 1933 Act and 1934 Act provide a “safe harbor” from liability for forward-looking statements in order to encourage companies to provide prospective information about their expected future financial performance so long as they provide cautionary statements identifying important factors that could cause their actual results to differ from projected or anticipated results. Other than statements of historical fact, all statements in this Report and, in particular, any projections of or statements as to our expectations or beliefs concerning our future financial performance or financial condition or as to trends in our business or in our markets, are forward-looking statements. Forward-looking statements often include the words “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “project,” or words of similar meaning, or future or conditional verbs such as “will,” “would,” “should,” “could,” or “may.” Our actual financial performance in future periods may differ significantly from the currently expected financial performance set forth in the forward-looking statements contained in this Report due to the risks to which our business is subject and other circumstances or occurrences which are not presently predictable and over which we do not have control, including the continuing impact that the Coronavirus (“COVID-19”) may have on our business, financial condition and results of operations. 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, 2020 (the “Fiscal 2020 10-K”), which we filed with the Securities and Exchange Commission (the “SEC”) on August 26, 2020, and the section, entitled “Factors that Can affect our Results of Operations or Financial Position,” below in this Item 2.

Due to these and other possible uncertainties and risks, readers are cautioned not to place undue reliance on the forward-looking statements that are contained or recent trends that we describe in this Report, which speak only as of the date of this Report, or to make predictions about our future financial performance based solely on our historical financial performance. We also disclaim any obligation to update or revise any forward-looking statements contained in this Report or in our Fiscal 2020 10-K or any of our other prior filings with the SEC, except as may be required by applicable law or applicable NASDAQ rules.

Our Business

Collectors Universe, Inc. (“we”, “us”, “our”, or the “Company”) provides authentication and grading services to dealers and collectors of 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 collectibles they seek to buy or sell; thereby enhancing their marketability and providing increased liquidity to the dealers, collectors and consumers that own, buy and sell such collectibles.

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

Recent Developments: Coronavirus (COVID-19)

Despite the continuing COVID-19 pandemic, we achieved record quarterly revenues of \$30.8 million and operating income of \$7.8 million, in the first quarter of fiscal 2021, as compared to revenues of \$20.2 million and operating income of \$4.6 million in the first quarter of fiscal 2020 and revenues of \$20.5 million and operating income of \$3.5 million in the fourth quarter of fiscal 2020 (when, as previously reported, our operations were shut down for part of the quarter).

Set forth below is a summary of the impact of COVID -19 in the first quarter of fiscal 2021 and the possible impact on future periods.

- We continue to apply enhanced measures to protect the health and safety of our returning employees and the community. Those health and safety measures included a reconfiguration of our authentication and grading facility to permit social distancing and continuing to have certain administrative and clerical personnel work remotely from their homes. As a result, there are inefficiencies in our business that did not exist prior to the COVID-19 outbreak, although we mitigated the effect of those inefficiencies by operating with multiple shifts and making extra space available to operations personnel that was previously used by the administrative and clerical personnel, who began working remotely. As previously reported, our cards and autographs business had a record backlog of submissions for authentication and grading at June 30, 2020. Through increasing capacity, primarily by adding operations personnel, we authenticated and graded more units which contributed to us generating the record revenues and operating results for the first quarter of fiscal 2021. In addition, we increased our cash and cash equivalents to \$36.7 million at September 30, 2020 from \$28.6 million at June 30, 2020. See *Overview of First Quarter Fiscal 2021 Operating Results* below which highlights certain additional costs in this year's first quarter.
- Our Expos Long Beach trade show scheduled to take place the first quarter of fiscal 2021 was cancelled due to COVID-19 and there continues to be uncertainty as to the viability of the Expos trade show business, due to social distancing and other safety concerns, that will limit the numbers of dealers and attendees at future shows. As a result, we generated no revenues in this year's first quarter for Expos as compared to \$462,000 in the first quarter of fiscal 2020.
- We earn higher average service fees from onsite authentication and grading activities at many coin trade shows and to a lesser extent, trading card shows. All scheduled trade shows in the first fiscal quarter of 2021, including The National Sports Collectors Convention, and the PNG/ANA Numismatic Trade Show which are the largest annual trade shows for our cards / autographs and coin businesses, respectively, were cancelled, by the operators of those shows. However, in the first quarter, we replaced some of the cancelled U.S. coins shows with smaller coin authentication and grading events that we conducted ourselves, and were successful in generating show revenues of approximately \$1.5 million in this year's first quarter as compared to approximately \$1.7 million in last year's first quarter and \$0.2 million in the fourth quarter of fiscal 2020. In addition, whenever possible, we encouraged customers to redirect trade show submissions to our California operations facility, for authentication and grading. At this time all coin shows originally scheduled for the second quarter of fiscal 2021 have been cancelled so we will continue to conduct replacement shows during the second quarter ourselves. Although our efforts to replace coin trade shows were successful in the first quarter of fiscal 2021, it is uncertain as to the level of on-going revenues we will be able to generate at these smaller coin authentication and grading events, going forward. At this time, the trade shows customarily scheduled for the third fiscal quarter of fiscal 2021 have been tentatively scheduled.
- There continues to be uncertainty as to the U.S. Mint's production and release schedule for modern coin programs through the remainder of calendar year 2020, although in the first quarter of fiscal 2021 our domestic modern coin revenues were slightly higher than during the same period of last year's first quarter. In addition, so far in the second quarter, we are continuing to see modern coin revenues at about the same levels as the second quarter of fiscal 2020. Currently, we are expecting a normal production and release schedule from the U.S. Mint in this year's third fiscal quarter, which traditionally has been the seasonally strongest quarter of the year for modern coins.
- Our China operation, generated revenues of approximately \$1.6 million in the first quarter of fiscal 2021 as compared to approximately \$1.3 million in both the first quarter of fiscal 2020 and the fourth quarter of fiscal 2020. Although we continue to have a sizeable backlog of submissions for authentication and grading in China at September 30, 2020, it continues to be difficult to fully ramp up our operations in China to pre-COVID-19 levels, due to the travel restrictions, that prevent our U.S. coins experts from travelling there. However, we expect to be able to progressively increase revenues on a quarterly basis as we add more local capacity at our Shanghai operation.
- Despite the uncertainties arising from COVID-19 discussed above, our cards and autographs business had a record backlog as of September 30, 2020 and continues to experience record customer submissions. We increased capacity through adding operations personnel in the first quarter of fiscal 2021, and we plan to continue increasing capacity in the second quarter of fiscal 2021. In addition, on October 5, 2020 we announced a doubling of our headquarters and operations facility, which will accommodate the growth of our cards and autographs business in future quarters.

As discussed above, our business operated at record levels during the first quarter of fiscal 2021. However, as discussed in the Risk Factors in the Fiscal 2020 10-K, the extent of future waves of COVID-19, could have a material adverse impact on the Company's business, results of operations and financial condition in future periods.

Overview of First Quarter Fiscal 2021 Operating Results

The following table sets forth comparative financial data for the three months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended September 30, 2020		Three Months Ended September 30, 2019	
	Amount	Percent of Revenues	Amount	Percent of Revenues
Net revenues	\$ 30,785	100.0%	\$ 20,210	100.0%
Cost of revenues	11,474	37.3%	8,101	40.1%
Gross Profit	19,311	62.7%	12,109	59.9%
Operating Expenses:				
Selling and marketing expenses	2,269	7.3%	2,633	13.0%
General and administrative expenses	9,233	30.0%	4,839	24.0%
Total Operating Expenses	11,502	37.3%	7,472	37.0%
Operating income	7,809	25.4%	4,637	22.9%
Net Interest and other income	18	-	71	0.4%
Income before provision for income taxes	7,827	25.4%	4,708	23.3%
Provision for income taxes	1,865	6.0%	1,095	5.4%
Net Income	\$ 5,962	19.4%	\$ 3,613	17.9%
Net income per diluted share	\$ 0.65		\$ 0.40	

Net revenues increased by \$10.6 million, or 52%, to record quarterly revenues of \$30.8 million in the three months ended September 30, 2020 from \$20.2 million in the three months ended September 30, 2019. The increase in revenues in this year's first quarter was primarily attributable to a \$10.5 million, or 130%, increase in our cards / autographs revenues. See *Net Revenues* below for a more detailed discussion of the changes in revenues in this year's first quarter.

Operating income increased by \$3.2 million, or 68%, to \$7.8 million in this year's first quarter from \$4.6 million in the last year's first quarter, representing increased operating margins of 25.4% in this year's first quarter as compared to 22.9% in last year's first quarter. The increased operating income was due to the higher gross profit margin of 63% earned on the higher revenues in the quarter as compared to the 60% in the three months ended September 30, 2019, primarily due to higher average service fees earned on our cards / autograph revenues.

The increased operating expenses of \$4.0 million in this year's first quarter included (i) \$2.2 million of professional fees incurred in connection with the settled activist issue and the recruitment of new board members, and (ii) non-cash stock based compensation expense of \$0.9 million, as compared to the same period of the prior year. Those higher expenses reduced the operating margin of this year's first quarter by \$3.1 million or 10% of revenues in the quarter.

These, as well as other factors affecting our operating results in the three months ended September 30, 2020, are described in more detail below. See "Factors that Can Affect Our Operating Results and Financial Position" and "Results of Operations for the Three Months Ended September 30, 2020, as compared to the Three Months Ended September 30, 2019", 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 93% of our revenues in the three months ended September 30, 2020. The amount of those fees and our gross profit margins are primarily driven by the volume and mix of trading cards and coins sales and purchase transactions by collectibles dealers and collectors, because our authentication and grading services generally facilitate sales and purchases of trading cards and coins 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 trading cards and coins to us for authentication and grading at those times when they are in the market to sell or buy trading cards, coins and the other collectibles, that we authenticate and grade. Currently, our cards and autographs business is experiencing a significant increase in demand for its service, such that revenues for that business increased by 130% in this year's first quarter and we continue to have a record backlog of card submissions awaiting authentication and grading at September 30, 2020.

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

In addition, our coin authentication and grading revenues are impacted by the volume of modern coin submissions, which can be volatile, primarily in the U.S., 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 overseas revenues can fluctuate on a quarterly basis due to the number of authentication and grading events we conduct at our overseas operations on a quarterly basis. See *Recent Developments: COVID-19* above.

Our revenues and gross profit margin can also be affected by the number of primarily coin authentication and grading submissions we receive at collectibles trade shows, where we provide on-site authentication and grading services to show attendees, because show attendees typically request higher priced same-day turnaround for the coins they submit to us for authentication and grading at those shows. In addition, our cards and autographs business also provides on-site authentication and grading at one large national convention on an annual basis. For coins, the number of trade show submissions varies from period to period depending upon a number of factors, including the number and the timing of the shows in each period and the volume of collectible coins that are bought and sold at those shows by dealers and collectors. In addition, the number of such submissions and, therefore, the revenues and gross profit margin we generate from the authentication and grading of coins at trade shows can be impacted by dealer and collectors sentiment arising from short-term changes in the prices of gold that may occur around the time of shows, because short-term changes in gold prices can affect the willingness of dealers and collectors to sell and purchase coins at the shows. See *Recent Developments: COVID-19* above which discusses the expected impact on trade show revenues, resulting from COVID-19.

Our top five customers accounted, in the aggregate, for approximately 8% of our total revenues in the three months ended September 30, 2020, as compared to 12% in the same period of the prior year. As a result, the loss of any of those customers, or a significant decrease in the volume of authentication and grading submissions from any of them to us, could cause our net revenues to decline and, therefore, could adversely affect our results of operations.

Due to submissions mix issues discussed above, the number of units authenticated and graded can vary by period between cards / autographs and coins. In addition, revenue generated in a period will vary based on the mix of cards / autographs and coins authenticated and graded and the average service fees ("ASP") we charge for such services. Generally, ASPs are higher for coins than for cards / autographs and for vintage units than for modern units.

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

Factors That Can Affect our Liquidity and Financial Position. A substantial number of our authentication and grading customers pay our authentication and grading fees when they submit their collectibles to us or prior to the shipment of the collectibles back to them. As a result, historically, we have been able to rely on internally generated cash to fund our continuing operations.

In addition to the operating performances of our businesses, and, in particular our trading cards / autographs and coins businesses, which accounted for approximately 98% of our revenues in this year's first quarter, our overall financial position can also be affected by other factors, including the Company's tax position and effective tax rate, the dividend policy adopted by the Board of Directors from time to time, the Company's decisions to invest in capital expenditures that may, benefit the business through operational efficiencies over time, the acquisition of established and/or early stage businesses and capital raising activities or stock repurchases. Furthermore, our domestic financial position can be impacted by delays in repatriating cash balances to the United States from China, due to exchange control regulations in China.

As discussed in note 1 to the condensed consolidated financial statements included elsewhere in this Quarterly Report, and in "Liquidity and Capital Resources" below, the Company continues to have a \$15,000,000 two-year unsecured revolving credit line through March 2022.

We expect that internally generated cash flows, current cash and cash equivalent balances and borrowings under our Credit Line, will be sufficient to fund our operations at least through the end of September 2021.

Critical Accounting Policies and Estimates

During the three months ended September 30, 2020 there were no changes in our critical accounting policies or estimates which are described in Item 7 of our Fiscal 2020 10-K. Readers of this Report are urged to read that section of the Fiscal 2020 10-K for a more complete understanding and detailed discussion of our critical accounting policies and estimates.

Leases

The Company accounts for leases, which consist primarily of office and operations facilities, in accordance with Accounting Standards Codification ("ASC") 842 *Accounting for Leases*. We recognize lease obligations and corresponding right-of-use (ROU) assets for non-cancelable operating leases. Therefore, the Condensed Consolidated Balance Sheets at September 30, 2020, and June 30, 2020, included elsewhere in this report, includes the liability to make lease payments (the lease liability) and a right-of-use asset, representing our right to use the underlying asset for the lease term. We do not recognize lease assets and liabilities for leases with a term of 12 months or less and recognize lease expenses for such leases on a straight-line basis over the lease term. See *Note 9-Leases* to the accompanying *condensed consolidated financial statements* for additional information. As a result of COVID-19, we reviewed our lease obligations for impairment and potential excess space reserve requirements and concluded there were no impairments or charges, required at September 30, 2020.

Revenue Recognition

The core principle of ASC 606, *Revenue from Contracts with Customers*, is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying ASC 606, all revenue transactions must be evaluated using a five-step approach to determine the amount and timing of revenue to be recognized. The five-step approach requires (1) identifying the contract with the customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract and (5) recognizing revenue when performance obligations are satisfied.

Our primary source of revenue is the authentication and grading of collectibles, which represented about 90% of our consolidated revenues in the fiscal year ended June 30, 2020. Our other sources of revenues represent the balance of our revenues which are small and individually account for less than 5% of total revenues.

In accordance with ASC 606 we recognize revenue for our main revenue streams as follows:

Authentication and Grading Revenues: As the time it takes to authenticate and grade the collectible is short, we recognize revenue at the time of shipment (i.e. point of time) of the authenticated and graded collectible to the customer, net of any taxes collected. Due to the insignificant delay between the completion of our authentication and grading services and the shipment of the collectible back to the customer, the time of shipment corresponds to the completion of our services. We recognize revenue from the sale of special coin inserts at the time the customer takes legal title to the insert. Many of our authentication and grading customers prepay our authentication and grading fees when they submit their collectibles to us for authentication and grading. We record those prepayments as deferred revenue until the collectibles have been authenticated and graded and shipped back to the customer. 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 credit, we record revenue at the time of shipment of the authenticated and graded collectible to the dealer. We provide a limited warranty covering the coins and trading cards that we authenticate and grade.

Collectors Club Revenues: These revenues represent membership fees paid by customers for annual memberships in our Collectors Club. Those membership fees entitle members to access our on-line and printed publications and, depending on their membership level, to receive vouchers for authentication and grading services during the membership period. We allocate revenue between the vouchers and the membership. We recognize revenue attributable to the authentication and grading vouchers consistent with our authentication and grading services above. The balance of the membership fees is recognized ratably over the life of the membership. Memberships are paid in advance of the membership period and prepaid memberships fees are classified as deferred revenue.

Certified Coin Exchange Subscription Revenues: We recognize subscription revenues related to our CCE exchange for certified coins, ratably over the relevant subscription period. Subscriptions are typically billed and paid on a monthly basis, although certain quarterly and annual subscriptions can be paid in advance. Prepaid subscriptions are classified as part of deferred revenue.

Expos Trade Show Revenue: We recognize fees earned from promoting, managing, and operating trade shows in the periods in which the shows take place. Trade show booth fees are typically paid to us in advance. Certain fees that are paid to conduct auctions at the show are paid to us at the end of the show. Prepaid show fees are classified as part of deferred revenue.

Advertising and Commission Revenues: Advertising revenues are recognized in the period when an advertisement is displayed in our publications or websites and customers typically have 30 day credit terms. Click-through commission revenues earned through our websites from third party affiliate programs are recognized in the period in which the commissions are earned, and such commissions are paid in the following month.

Product Sales: Product sales consist primarily of sales of collectible coins that we have purchased pursuant to our coin authentication and grading warranty program. We recognize revenues from coin sales when the coins are shipped or delivered to customers or if the coins are sold through auction, when the auction settles. However, those sales are not considered to be the focus of nor an integral part of the Company's ongoing revenue generating activities.

Contract Balances. As discussed above, the timing of revenue recognition can differ from the timing of invoicing to customers. Contract liabilities are comprised of billings or payments received from our customers in advance of performance under the contract. We refer to these contract liabilities as "Deferred Revenue" in the accompanying condensed consolidated balance sheets. During the three months ended September 30, 2020, we recognized \$2,306,000 in revenue from the deferred revenue balance of \$4,968,000 at June 30, 2020.

Shipping and Handling Costs

Shipping and handling costs incurred to process and return customer collectibles submitted to us for grading or authentication are recorded as costs of revenues, net of amounts received from customers, in accordance with the guidance for Principals versus Agents as set out in ASC 606.

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, we consider qualitative factors, and where determined necessary, we proceed to a goodwill impairment test. When applying the impairment test, we apply a discounted cash flow model or an income approach in determining a fair value of the reporting unit on a total basis, which is then compared to the carrying value of the reporting unit. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, no impairment of goodwill exists as of the measurement date. However, if the fair value is less than the carrying value, then goodwill impairment exists and an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value is recognized. However, the charge recognized would not exceed the total amount of goodwill.

During the first quarter ended September 30, 2020, we completed the annual goodwill impairment assessment with respect to the goodwill acquired in our fiscal year 2006 purchases of CCE and CoinFacts. We assessed qualitative factors, including the significant excess of their fair values over carrying value in prior years, and any material changes in the estimated cash flows of the reporting units, and determined that it was more likely than not that the fair values of CCE and CoinFacts were greater than their respective carrying values, including goodwill, and therefore, it was not necessary to proceed to an impairment test.

Stock-Based Compensation

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

Restricted Stock Awards: 2021, 2020 and 2019 Long Term Incentive Plans ("LTIPs")

Retention Restricted Service Shares ("RSUs")

To create incentives for the officers and other key employees ("LTIP Participants") to remain in the Company's service, RSUs were granted to them as follows:

Annual Grants. A total, net of forfeitures, of 16,864, 25,952 and 44,763 RSUs were granted in fiscal 2021, 2020 and 2019, respectively, with vesting in three annual installments on the last day of the fiscal years following the grants, with the vesting of each such installment contingent on the Participant remaining in the continuous service of the Company through the vesting date of that installment.

If a Participant's continuous service with the Company ceases, for any reason whatsoever, including a termination of the Participant's employment with or without cause, prior to any vesting date or dates, the then unvested RSUs will be forfeited.

Fiscal 2021, 2020 and 2019 Performance Restricted Shares (“PSUs”)

To create incentives for the LTIP Participants to focus their efforts on the achievement of increases in net cash flows (defined as net cash generated by the Company’s operating activities, minus capital expenditures and capitalized software costs), during the three years ending June 30, 2021, 2022 and 2023, (the “Performance Periods”), in fiscal 2021, 2020 and 2019, the Compensation Committee granted 33,728, 51,905 and 89,542 PSUs (at maximum) respectively, to the LTIP Participants. Vesting of the PSUs was made dependent upon the achievement of net cash flow goals on an annual basis during the Performance Period, subject to possible downward or upward adjustment of 20% of the PSUs, based on a comparison of the Company’s annualized total shareholder return (“TSR”) for each Performance Period, to the annualized TSR of the Russell 2000 Index, for the same Performance Period. As the Compensation Committee establishes performance goals on an annual basis, threshold, target and maximum net cash flow goals were established for fiscal years 2021, 2020 and 2019 which give rise to a grant date for expense recognition purposes, assuming it is probable that the goals will be achieved. Grant dates will be established for future year’s PSUs early in those fiscal years which will give rise to grant dates for expense recognition purposes.

For any of the PSUs to vest, a Participant must remain in the continuous service of the Company through June 30, 2021 for the fiscal 2019 PSUs, June 30, 2022 for the fiscal 2020 PSUs, and June 30, 2023 for fiscal 2021 PSUs and the threshold net cash flows goal must be achieved in at least one of the years, during the three year Performance Period.

LTIP related stock-based compensation expenses of \$517,000 and \$77,000 were recognized in the three months ended September 30, 2020 and 2019, respectively and comprise expense associated with the FY 2019, FY 2020 and FY 2021 LTIP awards for which expense is recognized over the service period for RSUs and for PSUs as goals are established and it becomes probable that those goals will be achieved.

Non LTIP Stock Awards

In the three months ended September 30, 2020, 10,812 fully vested shares were granted to management and new outside directors appointed during the first quarter, for an expense of approximately of \$503,000 for the quarter.

Total stock-based compensation expense for all fully vested stock grants and all unvested RSUs and PSUs in the three months ended September 30, 2020 was \$1,140,000 as compared to \$264,000 in the three months ended September 30, 2019.

Results of Operations for the Three Months Ended September 30, 2020 as compared to the Three Months Ended September 30, 2019

Net Revenues

See *Recent Developments: COVID-19* in conjunction with the following discussion.

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

The following tables set forth the information regarding our net revenues for the three months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended September 30,					
	2020		2019		2020 vs. 2019	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amounts	%
Authentication and grading fees	\$ 28,697	93.2%	\$ 18,101	89.6%	\$ 10,596	58.5%
Other related services	2,088	6.8%	2,109	10.4%	(21)	(1.0)%
Total revenues	\$ 30,785	100.0%	\$ 20,210	100.0%	\$ 10,575	52.3%

The following tables set forth certain information regarding the increases (decreases) in net revenues in our larger markets (which are inclusive of revenues from our other related services) in the three months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended September 30,					
	2020		2019		2020 vs. 2019	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amounts	%
Cards / autographs ⁽¹⁾	\$ 18,612	60.5%	\$ 8,094	40.0%	\$ 10,518	129.9%
Coins:						
United States	9,166	29.8%	8,690	43.0%	476	5.5%
China	1,570	5.1%	1,308	6.5%	262	20.0%
France & Hong Kong	714	2.3%	984	4.8%	(270)	(27.4)%
Total Coins	11,450	37.2%	10,982	54.3%	468	4.3%
Other ⁽²⁾	723	2.3%	1,134	5.7%	(411)	(36.2)%
	\$ 30,785	100.0%	\$ 20,210	100.0%	\$ 10,575	52.3%

(1) Consists of revenues from our PSA trading card authentication and grading business and our PSA/DNA autograph authentication and grading business.

(2) Includes the revenues generated by our CCE subscription business, Coinflation.com, Collectors.com, the Expos trade shows and sales of products.

For the three months ended September 30, 2020, our total revenues increased by \$10,575,000, or 52.3% to a quarterly record of \$30,785,000, from \$20,210,000 in the three months ended September 30, 2019. That increase was attributable to an increase of \$10,596,000 or 58.5% in authentication and grading fees.

Revenues from other related services in the three months ended September 30, 2020 were essentially the same as the three months ended September 30, 2019 at approximately \$2,100,000, as we generated higher collectors club revenue (for both our cards / autographs and coin businesses) and higher affiliate revenues which offset there being no Expos trade show in this year's first quarter, due to COVID-19.

Revenues from our trading cards / autographs business showed accelerated growth in the three months ended September 30, 2020 as revenues increased by 129.9% to a quarterly record of \$18,612,000, due to record demand for our services over recent quarters. We have been increasing capacity, primarily personnel, in recent quarters and again in this year's first quarter. This allowed us to increase the number of cards authenticated and graded, which combined with higher average service fees earned from customers requiring faster turnaround times for their cards / autographs, resulted in the significant revenues increase. Although revenue growth accelerated this quarter, our card / autographs business has achieved quarter-over-quarter revenue growth in 40 of the last 41 quarters.

U.S. coin revenues increased by 5.5% increase in this year's first quarter as compared to the same quarter last year, and primarily reflected (i) higher modern fees of \$273,000, or 10%, due to higher number of modern coin authenticated and graded from recent releases of coins by the U.S. Mint, and (ii) higher vintage revenues of \$194,000 or 5.7%, primarily reflecting a slightly higher average service fee earned due to the mix of coins authenticated and graded in the quarter. Those increases were partially offset by lower coin show revenues in this year's first quarter of \$219,000 or 13%, due to the effects of COVID-19, as discussed above under the *Recent Developments: COVID-19*.

Our China operation continued to generate improved revenues, with revenue growing by \$262,000, or 20.0%, as we added local authentication and grading capacity in China to help offset the effect of travel restrictions that continue to prevent our U.S. coin experts from travelling to China in support of authentication and grading events.

Revenue generation at our Hong Kong and France offices also suffered due to the international travel restrictions and as a result, all coins submissions comprising the Hong Kong and France revenues need to be authenticated and graded in the U.S. and returned to those local offices, which delays turnaround times to customers and revenue generation at those offices.

Our cards / autographs and coin authentication and grading revenues represented approximately 98% of total revenues in the current quarter and reflects the continued importance of those two businesses to our overall financial performance.

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

With respect to our cards and autographs business, we plan on continuing to increase personnel and authentication and grading capacity to address the continued record backlog in that business. In addition, in early October 2020, we leased additional space which will enable us to support the continued growth of our cards and autographs business.

As previously disclosed, our second fiscal quarter ending December 31, 2020, is typically our seasonally slowest quarter of the year for coins in the United States due to the winter holidays that occur in that quarter and we expect that trend to continue this year. See also *Recent Developments: COVID-19*.

With respect to China, we will continue to focus on increasing local capacity to offset the travel restrictions discussed above which we expect will result in progressive revenue growth in future quarters.

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 generating our non-grading related services revenues 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 months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended September 30,			
	2020		2019	
	Amounts	% of Revenues	Amounts	% of Revenues
Gross profit	\$ 19,311	62.7%	\$ 12,109	59.9%

As indicated in the above table, our gross profit margin was 62.7% for the three months ended September 30, 2020 as compared to 59.9% in the same period of the prior year. The higher gross profit margin in this year’s first quarter was due to the higher average service price (“ASP”) earned in our cards and autographs business, mainly resulting from customers paying higher ASPs to improve the turnaround times of their trading card submissions. As discussed in prior filings, there can be variability in the gross profit margin due to the mix of revenues within our businesses, and seasonality (which will primarily impact our U.S. coin business, since we have a record backlog of card submissions). During the three years ended June 30, 2020, our quarterly gross profit margins varied between 53% and 62%.

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 months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended September 30,	
	2020	2019
Selling and marketing expenses	\$ 2,269	\$ 2,633
Percent of net revenue	7.3%	13.0%

As indicated in the above table, selling and marketing expenses decreased to 7.3% of net revenues in the three months ended September 30, 2020, as compared to 13.0% in the same period of the prior year. In absolute dollars, selling and marketing expenses decreased by \$364,000 in this year's first quarter, primarily due to the cancellation of the National Sports Collection Convention and the PNG/ANA Numismatic Trade shows due to COVID-19. Those cost savings were partially offset by higher business development and customer service personnel costs, due to the growth of our cards and autographs business.

General and Administrative Expenses

General and administrative ("G&A") expenses are comprised primarily of compensation paid to general and administrative personnel, including executive management, finance and accounting and information technology personnel, non-cash stock-based compensation expense, facilities management costs, depreciation, amortization and other miscellaneous expenses. Set forth below is information regarding our G&A expenses in the three months ended September 30, 2020 and 2019, (in thousands):

	Three Months Ended September 30,	
	2020	2019
General and administrative expenses	\$ 9,233	\$ 4,839
Percent of net revenue	30.0%	24.0%

As indicated in the above table, G&A expenses increased to 30.0% of revenues in the three months ended September 30, 2020 as compared to 24.0% in the same period of the prior year. In absolute dollars, G&A expenses increased by \$4,394,000 in this year's first quarter as compared to last year's first quarter and included (i) higher professional fees of \$2,235,000 incurred in connection with the activist issue and the recruitment of new board members (ii) higher G&A payroll costs of \$993,000 (which was inclusive of higher incentive costs of \$645,000 due to the improved performance of the business) and (iii) higher non-cash stock based compensation costs of \$885,000 (see below).

Stock-Based Compensation

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

<u>Included In:</u>	Three Months Ended September 30,	
	2020	2019
Selling and marketing expenses	\$ 8	\$ 17
General and administrative expenses	1,132	247
	<u>\$ 1,140</u>	<u>\$ 264</u>

The increase in non-cash stock based compensation to \$1,140,000 in the three months ended September 30, 2020 as compared to \$264,000 in the three months ended September 30, 2019 included (i) the grant of fully vested shares with grant date fair values of \$503,000 to management and new outside directors during the quarter and (ii) increased expense of \$440,000 recognized under the Company's multi-year LTIPs. The expense attributable to the LTIP PSUs is recognized, based on a grant date fair value set when the annual net cash flow goals are established, and it is probable that those goals will be achieved.

The following table sets forth unrecognized non-cash stock-based compensation expense totaling \$5,554,000 related to unvested stock-based equity awards outstanding at September 30, 2020, which represents the expense currently expected to be recognized through June 30, 2023, on the assumption that the holders of the equity awards will remain in the Company's service through that date. The amounts do not include the costs of (i) possible grants of additional stock-based compensation awards in the future, and (ii) PSUs granted in fiscal 2021 and 2020, for which goals are to be established in fiscal 2022 and 2023.

Fiscal Year Ending June 30,	Amount (in thousands)
2021 (remaining 9 months)	\$ 3,492
2022	1,523
2023	539
	<u>\$ 5,554</u>

Income Tax Expense

	Three Months Ended September 30,	
	2020	2019
	(in thousands)	
Income tax expense	\$ 1,865	\$ 1,095

The income tax provisions in the three months ended September 30, 2020 and 2019, were determined based on estimated annual effective tax rates of approximately 24%, and 23%, respectively. Both three-month periods were adjusted for excess tax benefits or deficiencies.

Liquidity and Capital Resources

Cash and Cash Equivalent Balances

Historically, we have been able to rely on internally generated funds, rather than borrowings, as our primary source of funds to support our operations, because many of our authentication and grading customers pay our fees at the time they submit their collectibles to us for authentication and grading or prior to the shipment of their collectibles back to them. In addition, as discussed below, we have borrowings of \$1.5 million at September 30, 2020 under our Term Loan and we have \$15 million of availability, but no borrowings, under our Revolving Line of Credit.

At September 30, 2020, we had cash and cash equivalents of approximately \$36,731,000, as compared to cash and cash equivalents of \$28,640,000 at June 30, 2020.

Cash Flows

Cash Provided by Operating Activities. During the three months ended September 30, 2020 and 2019, net cash provided by continuing operating activities was \$11,693,000 and \$4,336,000, respectively. The increase in cash provided by operating activities in the three months ended September 30, 2020, reflects the significantly higher operating results of our businesses in this year's first quarter, as adjusted for non-cash expenses and changes in working capital. The higher level of accrued expenses and deferred revenues at September 30, 2020, reflect approximately \$1.8 million of accrued professional fees incurred in connection with the activist issue and the recruitment of new board members and an increase in deferred revenues of \$1.4 million in prepaid Collector Club memberships, resulting from an increase in the number of Collectors Club members in the quarter.

Cash used in Investing Activities. Investing activities used cash of \$1,588,000 and \$490,000 in the three months ended September 30, 2020 and 2019, respectively. In the three months ended September 30, 2020, we used \$1,207,000 for capital expenditures (comprising IT and infrastructure costs incurred with the addition of operations personnel to increase capacity, combined with on-going tooling requirements to support the growth of the business) and \$381,000 for capitalized software costs. In the three months ended September 30, 2019, we used \$211,000 for capital expenditures and \$279,000 for capitalized software costs.

Cash used in Financing Activities. In the three months ended September 30, 2020 and 2019, financing activities used net cash of \$2,014,000 and \$1,771,000, respectively. The cash dividends paid to stockholders was \$1,588,000 in three months ended September 30, 2020, as compared to \$1,583,000 in the three months ended September 30, 2019. In both the three months ended September 30, 2020 and 2019, we repaid \$188,000 under our Term Loan (see "Term Loan" below) and in the three months ended September 30, 2020, we repurchased shares of our common stock for \$238,000 to satisfy tax withholdings for employee vested shares under our equity incentive programs.

Outstanding Financial Obligations

Lease Obligations

The Company has various operating lease commitments for facilities and equipment some of which contain renewal options. On February 3, 2017, the Company, as tenant, entered into a triple net lease pursuant to which the Company was leasing at September 30, 2020 approximately 62,755 rentable square feet space for its operations and headquarters facility. As of September 30, 2020, the remaining aggregate minimum obligations over the term of the lease was approximately \$11.7 million. See *Subsequent Events* to the *Condensed Consolidated Financial Statements* included elsewhere in this document which discusses the amendment to this lease to increase the rentable square feet by 62,870 as of October 1, 2020, for a total of 125,625 square feet of space occupied.

We also lease smaller offices for our overseas operations including a five year lease for our Shanghai office that commenced in November 2017, with aggregate minimum obligations over the term of the lease of approximately \$3.0 million and a three year lease for our offices in Hong Kong, which commenced in July 2018, with aggregate minimum obligations over the term of that lease of approximately \$625,000.

At September 30, 2020, future minimum lease payments under the lease agreements associated with our operations were as follows (in thousands):

Year Ending June 30,	Gross Amount	
2021 (remaining 9 months)	\$	1,930
2022		2,166
2023		1,671
2024		1,473
2025		1,470
Thereafter		5,070
	\$	<u>13,780</u>

Term Loan. As previously reported, on September 15, 2017 the Company obtained a five-year, \$3,500,000 unsecured term loan. In October 2018, the Company began repaying the then loan balance of \$3,000,000 in 48 equal monthly principal payments of \$62,500 or \$750,000 on an annual basis, through September 2022. There are no prepayment penalties on loan repayments.

The agreement governing the term loan contains two financial covenants, which require the Company to maintain (a) a funded debt coverage ratio and (b) a debt service coverage ratio, respectively. The loan agreement also contains certain other covenants typical for this type of loan, including a covenant which provides that, without the bank's consent, the Company may not incur additional indebtedness for borrowed money, except for (i) borrowings under the Company's revolving credit line, (ii) purchase money indebtedness and (iii) capitalized lease obligations. The Company was in compliance with those loan covenants at September 30, 2020.

At September 30, 2020, the Company had \$1,500,000 of outstanding borrowings under this Term Loan of which \$750,000 is classified as a current liability and \$750,000 is classified as a long-term liability in the condensed consolidated balance sheet at September 30, 2020, included elsewhere in this Report.

Revolving Credit Line. On March 10, 2020 the Company amended and increased its \$10 million unsecured revolving credit line (the "Credit Line") to \$15 million and extended the term for two years through March 2022. The Company is entitled to obtain borrowings under the Credit Line at such times and in amounts as it may request, as supported by an EBITDA (earnings before interest, taxes, depreciation and amortization) calculation for the last four quarters, provided that the maximum principal amount of the borrowings that may be outstanding at any one time under the Credit Line may not exceed \$15 million and each year there must be a period of 30 consecutive days during which no borrowings are outstanding. The Company also may, at any time or from time to time and at its option, repay outstanding borrowings, in whole or in part, and may reborrow amounts so repaid at such times and in such amounts as it deems appropriate.

Credit Line borrowings bear interest, at the Company's option, either at LIBOR plus 2.25% or at 0.25% below the highest prime lending rate published from time to time by the Wall Street Journal. The Company is required to pay a quarterly unused commitment fee of 0.0625% of the amount by which (if any) that the average of the borrowings outstanding under the Credit Line in any calendar quarter is less than \$6 million.

The Credit Line agreement contains a financial covenant that requires the Company to maintain a funded debt coverage ratio, similar to the debt coverage ratio that is applicable to the term loan (see above) and certain other covenants typical for this type of credit. At September 30, 2020 the Company was in compliance with those covenants. Availability to borrow under the line of credit was \$15,000,000 at September 30, 2020 as there were no borrowings outstanding under the line of credit as of September 30, 2020.

Dividends. Our current dividend policy calls for us to pay quarterly cash dividends of \$0.175 per share of common stock to our stockholders, for an expected total annual cash dividend of \$0.70 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.

Future Uses of Cash.

We plan to use our cash resources, consisting of available cash and cash equivalent balances, internally generated cash flows, and borrowings under our Credit Line (i) to introduce new collectibles related services and initiatives for our existing and new customers (ii) to fund the expansion of our business (domestically and internationally); (iii) to fund capital expenditures and working capital requirements; (iv) to fund possible start-ups or acquisitions of businesses (v) to fund repayments under the term loan; (vi) to fund the payment of cash dividends; and (vii) for other general corporate purposes.

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

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instrument*. Subsequent to the issuance of ASU 2016-13, the FASB clarified the guidance through several ASUs. The collective new guidance (ASC 326) generally requires entities to use a current expected credit loss model, which is a new impairment model based on expected losses rather than incurred losses. Under this model, an entity would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect. The entity’s estimate would consider relevant information about past events, current conditions, and reasonable and supportable forecasts. ASC 326 is effective for annual and interim fiscal reporting periods beginning after December 15, 2022, with early adoption permitted for annual reporting periods beginning after December 15, 2018. The Company is continuing to evaluate the expected impact of this ASC 326 but does not expect it to have a material impact on its consolidated financial statements upon adoption.

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 September 30, 2020, we had \$36,731,000 in cash and cash equivalents, of which, \$31,844,000 was invested in money market accounts, and the balance of \$4,887,000 (which is inclusive of cash in overseas bank accounts) was held in non-interest bearing bank accounts. Changes in short-term interest rates could result in changes in the amount of income we are able to generate on available cash. However, due to prevailing lower interest rates, any adverse impact on our operating results from 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. When considered appropriate, we repatriate excess cash from foreign operations. Overseas cash balances were approximately \$1,766,000 at September 30, 2020, of which \$1,009,000 was in China. Due to the evolving exchange control rules in China, delays can be experienced in transferring funds from China to Hong Kong or the United States.

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 Chief Executive Officer and Chief Financial Officer, 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 September 30, 2020, 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 September 30, 2020, the Company’s disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the 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 September 30, 2020, that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1A. Risk Factors

There have been no material changes in the risk factors previously disclosed in Item 1A of Part 1 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2020 that we filed with the SEC on August 26, 2020.

ITEM 6. Exhibits

- Exhibit 10.67* [Form of Performance Stock Unit Award Agreement for grants of PSUs under the Fiscal 2021 Equity Incentive Program](#)
- Exhibit 10.68* [Restricted Stock Unit Agreement for grants of RSUs under the Fiscal 2021 Equity Incentive Program](#)
- Exhibit 10.69 [Second Amendment to Office Lease entered into as Tenant and Drawbridge Pacific Center, LLC as Landlord, dated as of October 1, 2020](#)
- 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

* Management contract or compensatory plan or arrangement.

** Furnished, but not filed, herewith.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COLLECTORS UNIVERSE, INC.

Date: November 2, 2020

By: */s/ JOSEPH J. ORLANDO*

Joseph J. Orlando
President and Chief Executive Officer

COLLECTORS UNIVERSE, INC.

Date: November 2, 2020

By: */s/ JOSEPH J. WALLACE*

Joseph J. Wallace
Senior Vice President and Chief Financial Officer

INDEX TO EXHIBITS

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** Furnished, but not filed, herewith

COLLECTORS UNIVERSE, INC.

2017 EQUITY INCENTIVE PLAN

**FORM OF
PERFORMANCE STOCK UNIT AWARD AGREEMENT**

Issuer: Collectors Universe, Inc., a Delaware corporation (which, together with its consolidated subsidiaries, shall be referred to in this Agreement, as the “Company”).

Name of Grantee: _____ (who shall sometimes also be referred to herein as “you”).

Grant Date: September 27, 2020

Number of PSUs that can be Earned (see TSR Adjustment provided for in Exhibit A hereto):

At Threshold: _____

At Target: _____

At Maximum _____

Vesting Date: The Performance Stock Units (or PSUs) granted hereunder will vest, in part or in whole, on the date, on or before September 14, 2023, on which it is determined by the Administrator under the Plan that at least some of the performance goals set forth on Exhibit A hereto have been achieved, in part or in whole, but shall be subject to forfeiture or accelerated vesting as described herein.

Terms with initial capital letters used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Company’s 2017 Equity Incentive Plan (the “2017 Plan” or the “Plan”). Please review this Award Agreement and promptly confirm your acceptance of the Award and the terms and conditions thereof as set forth in this Agreement by signing the signature page (Page 5) of this Agreement and delivering or transmitting it to the Company’s Chief Financial Officer.

1. **Grant of PSUs.** You have been granted the Maximum number of PSUs shown above pursuant to the Plan and subject to the terms and conditions of the Plan and this Award Agreement. Each PSU represents the right to receive, upon the vesting of the PSU, one (1) share of the Company’s common stock, par value \$ 0.001 (each such share, a “Performance Share” or a “Vested Share”).

2. **Prohibitions on Transfers of the PSUs.** From the Grant Date until the Vesting Date, you may not sell, assign, transfer, donate, pledge or encumber or otherwise dispose of the PSUs, in whole or in part (except by will or the laws of descent and distribution).

3. **Vesting of PSUs.** The PSUs shall vest on the Vesting Date, subject to attainment of at least some of the performance goals for the Company’s fiscal year ending June 30, 2021 (“FY 2021”), which are set forth on Exhibit A hereto, or the performance goals established hereafter by the Administrator for the fiscal years ending June 30, 2022 (“FY 2022”) and June 30, 2023 (“FY 2023”), respectively, and subject to possible earlier vesting upon a Change of Control (as defined in the Plan and on the terms provided in Section 12 thereof) or as otherwise provided herein or forfeiture upon a termination or cessation of your employment with the Company, as provided in Section 4 below. Subject to Section 5 of this Agreement, Performance Shares will be delivered (provided, that such delivery is otherwise in accordance with federal and state securities laws) only with respect to vested PSUs, if any, and then as soon as practicable following the Vesting Date, but in no event later than September 14, 2023.

4. Effect of Termination or Cessation of Employment.

4.1 Termination or Cessation of Employment. Except as otherwise provided in Section 4.2 below, if your employment with the Company shall terminate or cease for any reason, including due to your disability or death, or no reason, at any time prior to the Vesting Date, all of your PSUs shall be forfeited in their entirety, even if some or all of the financial performance goals had been attained by the Company prior to such termination or cessation of employment.

4.2 Continued Service following a Termination of Employment. Notwithstanding the provisions of Section 4.1 above, if your employment with the Company terminates or ceases for any reason or no reason prior to the Vesting Date, there shall be no forfeiture of your PSUs as a result thereof and your PSUs shall continue to be eligible to vest in accordance with this Agreement (to the same extent as if there had been no termination or cessation of employment), if and only if your service with the Company continues in the capacity of a consultant to the Company or any of its subsidiaries or as a director of the Company. However, the continued vesting of the PSUs pursuant to this Section 4.2 shall not be construed for any other purpose to mean that your employment with the Company has not ceased or been terminated.

4.3 No Guarantee of Continued Employment. Neither the grant of the PSUs, this Award Agreement nor any other action taken pursuant to this Award Agreement shall constitute or be evidence of any agreement or understanding, express or implied, that you have a right to continue to be employed by or to provide services as an officer, employee or director or as a consultant to, the Company for any period of time or at any specific rate of compensation, subject to the applicable terms of any written employment or consulting agreement to which the Company and you may be a party.

5. Effect of Change of Control. If a Change of Control (as defined in the 2017 Plan) occurs at any time when (i) you are still an employee or director of the Company, or a consultant to the Company or any of its subsidiaries, and (ii) any or all of your PSUs are unvested, then, notwithstanding anything to the contrary that may be contained elsewhere in this Agreement, the applicable provisions of Section 12 of the 2017 Plan shall govern the vesting or forfeiture, as the case may be, of all such unvested PSUs.

6. No Rights as a Stockholder prior to Issuance of Performance Shares. Unless and until a certificate or certificates representing the Performance Shares shall have been issued by the Company as a result of the vesting of any or all of the PSUs, you shall not have any dividend, voting or other rights or privileges of a stockholder of the Company with respect to the Performance Shares. Without limiting the generality of the foregoing, no dividends or dividend equivalent rights shall accrue on or be payable in respect of any of the PSUs or the Performance Shares that may be issued on settlement thereof, by reason of the fact that the Company has declared or paid any dividends on the outstanding shares of its common stock at any time prior to the issuance to you of a stock certificate or stock certificates evidencing any Performance Shares which have become issuable on settlement of any of the PSUs granted hereunder.

7. Withholding Taxes. It shall be a condition precedent to the obligation of the Company to issue and your right to receive any of the Performance Shares that have become vested, that you shall have delivered a check or cash to the Company in, or have authorized the Company in writing to deduct from your salary or wages, the amount reasonably requested by the Company to satisfy the Company's withholding obligations under federal, state or other applicable tax laws with respect to the taxable income, if any, recognized by you in connection with or as a result of the vesting of such PSUs (the "Tax Withholding Obligation"). You agree to execute and deliver such consents or other documents or instruments as the Company or the Administrator may reasonably request to enable the Company to effectuate any such Withholding Arrangements.

8. Section 409A of the Internal Revenue Code. The intent of you and the Company is that payments and benefits under this Award Agreement and the Award be exempt from, or comply with, Section 409A of the Internal Revenue Code (the "Code"), and accordingly, to the maximum extent permitted, this Award Agreement and the Award shall be interpreted and administered to be in accordance therewith. Each payment under this Award Agreement and the Award shall be construed as a separate identified payment for purposes of Section 409A of the Code, and any payments described in this Award Agreement and the Award that are due within the "short term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, (i) you shall not be considered to have terminated employment for purposes of this Award Agreement and no payments shall be due to you under this Award Agreement that are payable upon your termination of employment until you would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A of the Code and (ii) amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Award Agreement and the Award during the six-month period immediately following your separation from service shall instead be paid on the first business day immediately following the date that is six months following your separation from service (or, if earlier, your death).

9. Clawback of Performance Shares. By accepting this Award Agreement you agree that, upon the request of the Administrator (which may choose, in its discretion, whether or not to invoke its rights under this Section 9), you will immediately transfer back to the Company, free of any liens, claims, encumbrances and any other adverse interests, the Performance Shares issued to you or to pay the Market Value thereof to the Company, in the event any of the performance goals set forth in Exhibit A hereto or established by the Administrator for FY 2022 or FY 2023, as provided in Exhibit A, were attained (or mistakenly thought to be attained) due to (i) an error or misconduct by you, or (ii) any event or circumstance which results in a restatement of the Company's financial statements which restatement occurs on or prior to June 30 of the fiscal year following the fiscal year in which you are issued any of the Performance Shares or are paid any amounts (as the case may be) under the Award Agreement. The maximum number of Performance Shares that you will be required to transfer back to the Company would be the difference between (a) the total number of Performance Shares actually issued to you under this Award Agreement and (b) the total number of Performance Shares that would have been issued to you under this Award Agreement absent such error or misconduct or after giving effect to such restatement. If, however, you have previously sold or otherwise disposed of the Performance Shares issued to you under this Award Agreement, you will pay to the Company an amount in cash equal to the difference between (i) the aggregate Market Value, of the total number of Performance Shares actually issued to you under this Award Agreement, determined as of the Vesting Date thereof, and (ii) the aggregate Market Value, of the number of Performance Shares that would have been issued to you under this Award Agreement absent such error or misconduct or after giving effect to such restatement, also determined as of the Vesting Date thereof. You also agree that, in the event that you fail to make any such transfer to the Company of the Performance Shares promptly, the Company may withhold from your future compensation the Market Value, of the Performance Shares you failed to transfer back to the Company in satisfaction of your obligations under this Section 9, determined as of the Vesting Date of such Performance Shares. Any obligation to transfer any of the Performance Shares back to the Company will be communicated to you by the Administrator and the right of the Administrator to demand the transfer back of those Performance Shares shall be subject to compliance with law.

10. Limitation on Liability. No member of the Company's Board of Directors, and no member of any committee thereof that serves as the Administrator of the Plan, shall be liable to Grantee for any action or determination made by the Board of Directors or the Administrator with respect to the 2017 Plan or any grant, vesting or forfeiture of any PSUs that the Administrator has granted or may grant hereunder. No employee of the Company and no member of the Board of Directors or of any committee thereof shall be subject to any liability with respect to duties under the 2017 Plan or under this Agreement unless the party alleging such liability is successful in proving to a court of law that any members of the Board or any such committee or Company employee (as the case may be) knowingly acted fraudulently or in bad faith. To the maximum extent permitted by law, the Company shall indemnify each member of the Board and each member of any such committee, and any employee of the Company, with authority or duties under or with respect to the Plan or this Agreement who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, by reason of such person's conduct in the performance or non-performance (actual or alleged) of his or her duties under or with respect to the Plan or this Agreement.

11. Incorporation of Plan; Entire Agreement; Governing Law. The Plan is incorporated herein by reference. Grantee represents that he has received a copy, and is familiar with the terms and provisions, of the Plan. The Plan and this Award Agreement constitute the entire agreement of the Company and you (each, a "party" and, collectively, the "parties") with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements, whether written or oral, of or between you and the Company with respect to the subject matter hereof. This Agreement may not be amended or modified except by means of a writing signed by you and the Company. If there is a conflict between the terms and conditions of the Plan and the terms and conditions of this Award Agreement, the terms and conditions of the Plan shall govern. This Award Agreement is governed by the internal substantive laws, but not the choice of law rules, of the State of Delaware.

12. Waiver. No waiver by either party shall be effective unless it is set forth in a writing that is signed by the party asserted to have granted such waiver. Without limiting the generality of the foregoing, neither the failure nor any delay on the part of a party hereto to exercise any right, remedy, power or privilege of such party under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence.

13. Rules of Construction; Headings. The provisions of this Agreement will not be construed against a party by reason of the fact that such party or its counsel was the principal draftsman of this Agreement or such provisions. Unless the context otherwise requires: (i) words importing the singular include the plural and vice versa; (ii) the terms “include” and “including” shall mean “include without limitation” or “including but not limited to”; (iii) the word “or” shall not be deemed to be exclusive; and (iv) unless the context clearly indicates otherwise, the terms “herein,” “hereof,” “hereto,” “hereinafter” and “hereunder” and any similar terms shall refer to this Agreement as a whole and not to the section, subsection, paragraph or clause where any such term appears. Pronouns in the masculine, feminine or neuter genders shall be construed to include any other gender. The Section, subsection and paragraph and any other headings in this Agreement have been inserted for convenience of reference only and shall not affect the construction or interpretation or the application of any of the terms or provisions of this Agreement.

14. Counterparts. This Agreement may be executed in one or more counterparts, and each of such executed counterparts, and any photocopies or digital, electronic or facsimile copies thereof, shall constitute an original of this Agreement, but all of which, when taken together, shall constitute one and the same instrument.

15. Tax Elections. Grantee understands that he (and not the Company) shall be responsible for Grantee’s own tax liability that may arise as a result of the granting or vesting of any of the PSUs. You further acknowledge and represent and warrant that (i) the Company is not providing and has not provided any tax advice to you with respect to the granting to you or the vesting of any of the PSUs or any tax elections available to you in respect thereof and you are relying solely on your own personal tax advisors for such advice; (ii) you have considered the advisability of all tax elections in connection with the grant to you and the vesting of the PSUs, including the making of an election under Section 83(b) under the Code; and (iii) the Company has no responsibility for the making of such Section 83(b) election or any other tax elections, whether under federal or state laws or regulations. In the event you determine to make a Section 83(b) election, you agree to timely provide a copy of that election to the Company as required under the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

GRANTEE

COLLECTORS UNIVERSE, INC.

Name:
Address:

By: _____
Name:
Title:

EXHIBIT A

FINANCIAL PERFORMANCE GOALS AND VESTING

This is Exhibit A to that certain Performance Stock Unit Award Agreement dated as of _____, 202_ (the “Award Agreement” or “Agreement”) entered into by Collectors Universe Inc. (the “Company”) and _____ (“Grantee” or “you”), pursuant to the Company’s stockholder-approved 2017 Equity Incentive Plan (the “2017 Plan”).

1. **Definitions.** Terms with initial capital letters in this Exhibit A shall have the respective meanings given to such terms in the Award Agreement or in the 2017 Plan), unless otherwise defined below in this Section 1 or elsewhere in this Exhibit A.

(a) The term “net cash” means the net cash generated by the Company’s continuing activities, minus the sum of its capital expenditures and capitalized software costs, determined from the Company’s annual audited consolidated statements of cash flows, subject to possible adjustment for unexpected extraordinary or unusual or infrequent events or for other circumstances as and to the extent determined by the Administrator.

(b) “Performance Period” shall mean a three year period comprised of the fiscal years of the Company ending on June 30, 2021, June 30, 2022 and June 30, 2023, respectively (each, a “fiscal year”).

2. **Financial Performance Goals — In General.** The financial performance goals which must be met, at least in part, for you to earn any of the Performance Shares under the Award Agreement will consist of annual threshold, target and maximum (i) net cash performance goals for the Company’s fiscal year ending June 30, 202_ (“FY 202_”), and (ii) net cash performance goals or other Company financial goals as the Administrator may establish in its sole and absolute discretion for the succeeding fiscal years ending June 30, 202_ (“FY 202_”) and June 30, 202_ (“FY 202_”), respectively. The annual threshold, target and maximum net cash performance goals for FY 202_ will be or have been determined and are set forth in Section 3 below. The respective annual threshold, target and maximum Company financial performance goals for the two (2) immediately succeeding fiscal years shall be determined by the Administrator prior to December 10 of each such fiscal year. The number of PSUs that may vest (before giving effect to any TSR adjustment provided for in Section 5 below) for each fiscal year will be determined on the basis of the extent to which, if any, that the Company financial performance goals for such fiscal year are achieved, subject to (i) the employment or other continued service of the Grantee with the Company to and including June 30, 2023, and (ii) possible downward or upward adjustment based on a comparison of the Company’s total shareholder return (“TSR”) for the three fiscal year Performance Period to the TSR of the companies comprising the Russell 2000 Index at the end of that same three year period (the “Russell 2000 Index”), as more fully provided in Section 5 below (the “TSR Adjustment”). Upon achievement of one or more of the financial performance goals in any of FY 2021, FY 2022 or FY 2023, the Performance Shares that may become vested by reason thereof, subject to possible forfeiture due to a termination or other cessation of service with the Company on or prior to June 30, 2023 or possible TSR Adjustment thereafter shall, for purposes of this Award Agreement, constitute and sometimes shall be referred to in this Exhibit A as “Provisionally Vested Shares”.

3. **FY 2021 Financial Performance Goals.** Set forth below are the annual threshold, target and maximum net cash financial performance goals for FY 2021, representing one third of the shares applicable to the first year of the Performance Period:

	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>
Net Cash Financial Performance Goal	\$	\$	\$
Number of Provisionally Vested PSUs			

The Maximum number of Provisionally Vested PSUs may be increased by 20% and the Threshold number of Provisionally Vested PSUs may be reduced by 20%, due to the TSR adjustment. *See 5 below.*

The number of Provisionally Vested PSUs will be interpolated between the number of threshold and the number of target Provisionally Vested PSUs if the threshold financial performance goal is exceeded but the target financial performance goal is not achieved or between the number of target and the number of maximum Provisionally “.

Vested PSUs if the target financial performance goal is exceeded but the maximum financial performance goal is not achieved.

4. FY 2022 and FY 2023 Financial Performance Goals. On or before December 10, 2021 and December 10, 2022, the Administrator will establish the annual threshold, target and maximum financial performance goals for FY 2022 and FY 2023, respectively, which will determine if and to the extent that the remaining PSUs granted hereunder will become Provisionally Vested PSUs. Such financial performance goals may take the form of Company net cash financial performance goals or other types of Company financial performance goals as determined in the sole and absolute discretion of the Administrator.

5. TSR Adjustment – Performance versus Russell 2000 Index.

(a) If Grantee is still in the employment or continuous service of the Company on June 30, 2023 and any of the PSUs granted to Grantee under this Award Agreement have become Provisionally Vested due to the achievement of any of the net cash or other financial performance goals established for FY 2021, FY 2022 or FY 2023, the number of those Provisionally Vested PSUs that will become fully vested and, therefore, the number of Performance Shares that will become issuable to Grantee pursuant to the Award Agreement, shall be subject to adjustment, as and to the extent provided hereinafter, based on the Total Shareholder Return with respect to a share of Company common stock for the three year period ending June 30, 2023 (the “Company TSR”), as compared to the TSR of the Russell 2000 Index for that same three year period ending June 30, 2023 (the “Index”):

CLCT 3-Year Annualized TSR relative to the Annualized 3 Year Russell 2000 Index:	Adjustment to Number of Provisionally Vested PSUs
-12%	20% Reduction
0%	No Adjustment
+12%	20% Increase

(b) The foregoing TSR adjustment will be interpolated if the Company’s percentile ranking is between minus 0% and 12% or in excess of 0% to plus 12%. No additional adjustment will be made if the Company’s annualized TSR is at 0% or in excess of 12%.

(c) Notwithstanding the foregoing provisions of Paragraphs 5(a) and 5(b), however, if the Company TSR for the three year period ending June 30, 2023 is negative, then, (i) there will not be any increase in the number of Provisionally Vested PSUs that will become fully vested, even if the Company TSR would place the Company above the 0% as compared to the Russell 2000 Index, but (ii) there will still be a reduction in the number of Provisionally Vested PSUs that will become fully vested, as provided in Paragraphs 5(a) and 5(b) above, if the Company TSR would place it below the 0% as compared to the Russell 2000 Index.

COLLECTORS UNIVERSE, INC.

RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK UNIT AGREEMENT (the "Agreement") is entered into as of September 27, 2020 by and between _____ (the "Executive"), and Collectors Universe, Inc., a Delaware corporation (the "Company").

RECITALS:

A. Executive is employed as the Company's _____ and in that capacity has rendered and is continuing to render services to, for and on behalf of the Company.

B. The Company's 2017 Equity Incentive Plan (the "2017 Plan"), authorizes the Compensation Committee of the Board of Directors (the "Committee"), in its capacity as Administrator under the 2017 Plan, to grant equity incentives, including restricted stock units, to Company officers and other key employees, directors and outside consultants on such terms and subject to such conditions and restrictions and risks of forfeiture as the Administrator determines. Unless otherwise defined in this Agreement, certain terms with initial capital letters that are contained in this Agreement shall have the respective meanings given to them in the 2017 Plan.

C. The Company desires to grant, pursuant to the 2017 Plan, Restricted Stock Units (as defined below) to Executive on the terms and subject to the conditions and restrictions and the risk of forfeiture, set forth hereinafter, to provide an incentive for Executive to remain in the service of the Company and to exert added effort towards its growth and success.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and for other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, the parties agree as follows:

1. **Grant of Restricted Stock Units.** The Company hereby grants to Executive an aggregate of _____ () Restricted Stock Units (sometimes also referred to herein, as "RSUs"), on the terms and subject to the conditions, restrictions and risks of forfeiture forth hereinafter in this Agreement. As used herein, each "Restricted Stock Unit" or "RSU" means a bookkeeping entry which evidences a right to receive one share of the common stock, par value \$0.001, of the Company (a "Share"), and which shall be used solely as a device for the determination of the number, if any, of Shares to be eventually issued to Executive, if and when any of the RSUs granted hereunder vest pursuant to the terms and conditions and subject to the risk of forfeiture, set forth in this Agreement. Except as and to the extent set forth in Section 4.2 below, Executive shall have no rights of a stockholder of the Company as a result of the grant to him or her of any of the RSUs or by reason of the fact that Shares may become issuable in respect of such RSUs, unless and until such Shares are actually issued to Executive upon the vesting of Executive's unvested RSUs. The RSUs create no fiduciary duty on the part of the Company, the members of its Board of Directors or the Administrator (as defined in the 2017 Plan) to the Executive and this Agreement creates only an unsecured contractual obligation on the part of the Company to issue Shares subject to satisfaction of the vesting conditions and cessation of the risk of forfeiture applicable to the RSUs set forth hereinafter in this Agreement. The RSUs shall not be treated as property or as a trust fund of any kind or nature and no security interest has been or will be granted and no assets have been or will be set aside by the Company to secure the obligations of the Company to Executive under this Agreement.

2. **Consideration.** Executive acknowledges and agrees that (a) he/she is not paying or providing any consideration (monetary or other) to the Company for the issuance of the RSUs to him/her pursuant to Section 1 above and, instead, the Company is entering into this Agreement as an inducement to Executive to remain in the Continuous Service of the Company in accordance with the Schedule set forth in Section 3(a) below, which shall constitute good and valuable consideration for the obligations of and the performance of this Agreement by the Company; and (b) the only consideration to be received by the Company for or in respect of the vesting of any of the RSUs hereunder shall be Executive's Continuous Service with the Company in accordance with the Schedule set forth in Section 3(a) below.

3. Vesting of Restricted Stock Units.

3.1 Unless they become sooner vested pursuant to Subsection 3.4 below, RSUs shall vest and become “vested RSUs” in three installments, in the amount of _____ RSUs at June 30, 2021, June 30, 2022 and 2023, respectively. Subject to forfeiture in the event of a cessation of Executive’s Continuous Service with the Company (as defined below), in accordance with the following Schedule:

<u>If Executive’s Continuous Service Ceases:</u>	<u>Number of Unvested RSUs to be Forfeited</u>
On or prior to June 30, 2021	
After June 30, 2021 and on or prior to June 30, 2022	
After June 30, 2022 and on or prior to June 30, 2023	
After June 30, 2023	

3.2 RSUs that have not yet become vested RSUs shall sometimes be referred to herein as “unvested RSUs”. Notwithstanding anything to the contrary that may be contained elsewhere in this Agreement, no unvested RSUs shall vest after the date of the cessation, for any reason, of the Executive’s Continuous Service (as defined below).

3.3 As used in this Agreement, the term “Continuous Service” means (i) employment by the Company or any parent or subsidiary corporation of the Company, or by any successor entity following a Change of Control of the Company, which is uninterrupted except for vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Internal Revenue Code), or leaves of absence which are approved in writing by the Company or any of such other employer corporations, if applicable, (ii) service as a member of the Board of Directors of the Company until Executive resigns, is removed from office (in accordance with applicable law), or Executive’s term of office expires and he or she is not reelected, or (iii) so long as Executive is engaged as a Consultant to the Company or to any parent or subsidiary corporation thereof or with any successor entity following a Change of Control. Notwithstanding anything to the contrary that may be contained above, a termination of Continuous Service shall not be deemed to have occurred if, within not more than ten (10) days following the termination of Executive’s service with the Company or any parent or subsidiary corporation in any one of the capacities set forth above, Executive continues or commences the provision of service to the Company, any parent or subsidiary corporation thereof, or any successor entity following a Change of Control, in any of the other capacities specified above.

3.4 Notwithstanding anything to the contrary that may be contained in Subsection 3.1 of this Agreement, if a Change of Control (as defined in the 2017 Plan) occurs at any time when (i) Executive is still in the Continuous Service of the Company and (ii) any of the RSUs are unvested, then, notwithstanding anything to the contrary that may be contained elsewhere in this Agreement, the applicable provisions of Section 12 of the 2017 Plan shall govern the vesting of all such unvested RSUs.

4. Forfeiture of Unvested RSUs upon a Termination of Continuous Service.

4.1 Forfeiture of Unvested RSUs. In the event that the Executive’s Continuous Service (as defined in Subsection 3.3 above) terminates for any reason prior to the vesting of all of the RSUs granted hereunder, then, all of the then unvested RSUs shall automatically be forfeited effective on the date of such termination of Executive’s Continuous Service, without the necessity of any notice or other action of or by the Company or Executive. Neither the Executive nor any of Executive’s successors, heirs, assigns or personal representatives shall have any rights or interests in or to any of the unvested RSUs that are so forfeited.

4.2 Dividends and Distributions. No dividends will accrue or be paid on or in respect of any of these shares that remain unvested RSUs. Only dividends that are declared on or after these shares have been issued by the Company to Executive as a result of the vesting of these RSUs will be paid to Executive.

4.3 No Voting or other Stockholder Rights. Prior to the vesting of any of the RSUs granted hereunder, Executive shall not be entitled to vote, or exercise any other rights of a stockholder in respect of the shares of common stock that will be issuable to Executive if and when any of the RSUs become vested and such shares of common stock are issued in settlement thereof.

5. Timing and Manner of Issuance of Underlying Shares upon Vesting of RSUs.

5.1 Issuance of Share Certificate(s). Subject to the Executive’s compliance with Section 5.2 below, promptly after any of the unvested RSUs granted hereunder become vested RSUs, the Company shall issue or cause to be issued to Executive a stock certificate, in the name of the Executive, evidencing his or her ownership of the Shares issuable by the Company to Executive upon the vesting of such unvested RSUs, free of the restrictive legends; provided, however, that if Executive is, at the time of such issuance, either a director or executive officer of the Company, that stock certificate may, in the Company’s reasonable discretion, bear a restrictive legend to the effect that any sale, transfer, pledge or other disposition of any of such Shares may be made only pursuant to a registration statement that has been filed with and declared effective by the Securities Exchange Commission under, or an exemption from the registration provisions of, the Securities Act of 1933, as amended and then only in compliance with any applicable state securities laws.

5.2 Withholding Obligation. It shall be a condition precedent to the obligation of the Company to issue, and to the right of Executive to receive, any stock certificate or certificates in settlement of any vested RSUs that the Executive shall have delivered a check or cash to the Company in the amount reasonably requested by the Company to satisfy the Company's withholding obligations under federal, state or other applicable tax laws with respect to the taxable income, if any, recognized by the Executive in connection with or as a result of the vesting of such RSUs (the "Tax Withholding Obligation"), unless the Administrator has approved or approves other arrangements for the satisfaction by Executive of such Tax Withholding Obligation in a manner which, in the Administrator's considered opinion, will satisfy the requirements of applicable tax and securities, or other applicable laws. Those other arrangements which Administrator has approved or may approve ("Withholding Arrangements") may include (i) the deduction or withholding from Executive's salary or wages, or bonus or other compensation, that is or becomes otherwise payable by the Company to Executive, in an amount equal to the Tax Withholding Obligation, (ii) the delivery by Executive to the Company, for cancellation, of a number of shares of Company common stock already owned by Executive with a then Market Value (as defined in the 2017 Plan) equal to the amount of the Executive's Tax Withholding Obligation, or (iii) a reduction in the number of shares of Company common stock that will be issued to Executive in settlement of the vested RSUs by a number thereof that have a then Market Value equal to Executive's Tax Withholding Obligation, or (iv) any combination of the foregoing that has been or is approved by the Administrator. Executive agrees to execute and deliver such consents or other documents or instruments as the Company or the Administrator may reasonably request to enable the Company to effectuate any such Withholding Arrangements.

6. Restrictions on Transferability of the RSUs and on Assignments of this Agreement. As part of the consideration for the issuance to Executive of the RSUs, Executive covenants and agrees as follow:

6.1 RSUs to be Evidenced by this Agreement. The RSUs granted hereunder will be evidenced only by this Agreement and are not and will not be evidenced by any certificate or other instrument and the Company shall have no obligation to evidence the RSUs by any certificate or other instrument.

6.2 Restrictions on Transferability of RSUs. Executive will not sell, pledge, hypothecate or otherwise transfer or dispose of any of the RSUs, either in whole or in part, or any interest therein or right thereto, of any kind or nature, except that RSUs may be transferred to a trust established for the sole benefit of the Executive and/or his or her spouse, children or grandchildren (a "Family Inter-Vivos Trust"), or to Executive's former spouse pursuant to a domestic relations order issued by a court in settlement of marital property rights (each of the foregoing, a "Permitted Assign"). Any RSUs that are transferred as expressly permitted by this Section 6.2 shall remain subject to all of the terms, conditions and restrictions of any risk of forfeiture under this Agreement and it shall be a condition precedent to the effectiveness of any transfer by Executive of any of the RSUs to any Permitted Assign, that such Permitted Assign shall execute an agreement or other instrument or document, in a form acceptable to the Company, which shall provide that such Permitted Assign shall agree to comply with, and that such RSUs shall remain subject to, all of the terms, restrictions, conditions of and risks of forfeiture under this Agreement.

6.3 Restrictions on Assignability of this Agreement. Executive will not assign this Agreement in whole or in part, nor any interest herein or right hereto, except to a Permitted Assign (as defined in Section 6.2 above) and then only in accordance with the same requirements and conditions that apply to transfers of RSUs to Permitted Assigns under Subsection 6.2 above.

7. Adjustments upon Changes in Capital Structure. If there shall occur any change with respect to the outstanding shares of the Company's common stock by reason of any recapitalization, reclassification, stock dividend, extraordinary dividend, stock split, reverse stock split or other extraordinary distribution with respect to the shares of common stock, or any merger, reorganization, consolidation, combination, spin-off or other similar corporate change that does not constitute a Change of Control (as defined in the 2017 Plan), then, the Shares issuable upon vesting of any of the RSUs granted hereunder shall be subject to possible adjustment as and to the extent provided in Section 11.1 of the 2017 Plan.

8. Limitation of Company's Liability; Nonpermitted Transfers.

8.1 The Company agrees to use its reasonable and diligent efforts to obtain from any applicable governmental or regulatory agency such authority or approvals as may be required in order to grant the RSUs and to issue Shares to Executive upon the vesting thereof as provided in this Agreement. The inability of the Company to obtain, from any such governmental or regulatory agency, the authority or approvals deemed by the Company's counsel to be necessary for the lawful issuance of the Shares upon the vesting of RSUs hereunder shall relieve the Company of any liability in respect of the non-issuance of such Shares as to which such requisite authority or approvals shall not have been obtained.

8.2 The Company shall not be required to: (i) transfer on its books any RSUs, or any Shares that may be issued upon the vesting thereof, which shall have been sold, pledged, hypothecated or otherwise transferred or disposed of in violation of any of the restrictions on transferability set forth in this Agreement, or (ii) treat as owner of such RSUs or such Shares (as the case may be) or to accord any rights of a stockholder to any transferee to whom such RSUs or Shares shall have been so transferred in violation of this Agreement.

8.3 No member of the Company's Board of Directors, and no member of the Committee or of any subcommittee thereof, shall be liable to Executive for any action or determination made by the Board of Directors, the Committee or any such subcommittee with respect to the 2017 Plan or any grant, vesting or forfeiture of any RSUs that the Committee has granted or may grant. No employee of the Company and no member of the Board of Directors or of the Committee or of any subcommittee thereof shall be subject to any liability with respect to duties under the 2017 Plan or under this Agreement unless the person acted fraudulently or in bad faith. To the maximum extent permitted by law, the Company shall indemnify each member of the Board, the Committee and subcommittee (if any), and any employee of the Company, with authority or duties under the 2017 Plan or under this Agreement who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, by reason of such person's conduct in the performance of his or her duties under the 2017 Plan or under this Agreement.

9. Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given when delivered personally or three (3) days after being deposited in the United States mail, by certified or registered mail, with postage prepaid (or by such other method as the Administrator may from time to time deem appropriate), and addressed, if to the Company, at its principal place of business, Attention: the Chief Financial Officer, and if to the Executive, at his or her most recent address as shown in the records of the Company.

10. Binding Obligations. Subject to the restrictions on the assignment of this Agreement and the restrictions on the transferability of the RSUs granted hereunder, all covenants and agreements of the parties contained herein shall bind and inure to the benefit of the parties hereto and their permitted successors and assigns.

11. Interpretation and Headings. No provision of this Agreement, because of any ambiguity found to be contained herein, or for any other reason, shall be construed against a party by reason of the fact that such party or its legal counsel drafted that provision. Unless otherwise indicated elsewhere in this Agreement, (a) the term "or" shall not be exclusive, (b) the term "including" shall not be limiting and shall mean "including, but not limited to," or "including without limitation" and (c) the terms "herein," "hereof," "hereto," "hereunder," "hereinafter," and other terms similar thereto shall refer to this Agreement as a whole and not merely to the specific section, subsection, paragraph or clause where such terms may appear. Pronouns in the masculine, feminine or neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Section, subsection and paragraph headings in this Agreement are included for convenience of reference only and shall not be considered in interpreting, construing or giving effect to any of the provisions of this Agreement.

12. Amendments and Waivers. Except as otherwise provided in Section 18 below, this Agreement may not be amended, discharged or terminated other than by written agreement executed by the parties hereto. No waiver by either party of any of its rights or the obligations of the other party under this Agreement shall be effective unless such waiver is set forth in a writing executed and delivered by the party purported to have granted such waiver and no failure or delay by a party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial written waiver of any right of the waiving party or any obligation of the other party preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

13. Assignment. Except as and to the extent otherwise provided in Section 6 above, Executive shall have no right, without the prior written consent of the Company (which it may withhold in its absolute discretion), to (i) sell, assign, mortgage, pledge or otherwise transfer any interest or right created hereby, or (ii) delegate his or her duties or obligations under this Agreement.

14. Severability. Should any provision or portion of this Agreement be held to be unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding and shall continue in full force and effect.

15. Applicable Law and Equitable Remedies. This Agreement shall be construed in accordance with the laws of the State of Delaware without reference to choice of law principles, as to all matters, including, but not limited to, matters of validity, construction, effect or performance. In the event of a breach or threatened breach by Executive, or any of his Permitted Assigns, of any of their respective obligations under this Agreement, then, without limiting any other rights or remedies that the Company may have at law or in equity or otherwise, the Company shall be entitled to obtain temporary, preliminary and permanent injunctive relief to obtain a halt to any such breach or to prevent any threatened breach from taking place, and an order of specific performance of the obligation or obligations being breached or threatened to be breached, without the necessity of having to post a bond or other security as a condition to the issuance or continued effectiveness of any such equitable remedies. If any party hereto shall bring an action at law or in equity against the other to enforce or interpret any of the terms, covenants and provisions of this Agreement, the prevailing party in such action shall be entitled to recover its reasonable attorneys' fees and costs from the other party.

16. No Right to Continue in the Service of the Company. Nothing in this Agreement shall affect the right of the Company to terminate Executive's service at any time, with or without cause, and such right is specifically reserved to the Company, subject to the applicable provisions of any employment agreement that may exist between the Executive and the Company.

17. "Market Stand-Off" Agreement. Executive agrees, and it shall be a condition precedent to any transfer by Executive of any shares of common stock that are issued upon vesting of any of the RSUs (other than transfers effectuated in the public markets), that the person or entity to whom such transfer is made shall agree (a "Permitted Assign"), in connection with any registration of the Company's securities under the Securities Act that, upon the request of the Company or the underwriters managing any public offering of the Company's securities, Executive and any such Permitted Assign will not sell or otherwise dispose, in whole or in part, of any of the shares of common stock of the Company issued in settlement of the vested RSUs, without the prior written consent of the Company or such underwriters, as the case may be, for a period of time (not to exceed 180 days) from the effective date of such registration under the Securities Act as the Company or the underwriters may specify

18. Tax Treatment of RSUs and Section 409(A) of the Code. The RSUs granted pursuant to this Agreement, and the issuance of Company Shares to Executive in settlement hereunder of vested RSUs, are intended to be taxed under the provisions of Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"), and are not intended to provide and do not provide for the deferral of compensation within the meaning of Section 409A of the Code. Therefore, all vested RSUs shall be promptly settled and the issuance to Executive of the Shares underlying such vested RSUs shall be made as provided in Section 6 hereof, but in no event later than March 15th of the calendar year following the calendar year in which such RSUs became vested. Executive shall have no power to affect the timing of such settlement or issuance. The Company reserves the right to amend this Agreement, without Executive's consent, to the extent it reasonably determines from time to time that such amendment is necessary in order to achieve the purposes of this Section 18.

19. Tax Elections. Executive understands that Executive (and not the Company) shall be responsible for the Executive's own tax liability that may arise as a result of the grant to him or her of the RSUs hereunder or the acquisition of any Shares upon the vesting of any of the RSUs. Executive acknowledges and represents and warrants that (i) the Company is not providing and has not provided any tax advice to Executive with respect to the grant or the RSUs hereunder or the acquisition by Executive of any of the Shares upon the vesting of any of the RSUs or any tax elections available to him or her in respect thereof and that he or she is relying solely on his/her own personal tax advisors for such advice; (ii) Executive has considered the advisability of all tax elections in connection with the grant to him/her of the RSUs and the acquisition of the Shares upon the vesting of any of the RSUs, including the making of an election under Section 83(b) under the Internal Revenue Code of 1986, as amended ("Code"); and (iii) the Company has no responsibility for the making of such Section 83(b) election or any other tax elections, whether under federal or state laws or regulations. In the event Executive determines to make a Section 83(b) election, Executive agrees to timely provide a copy of the election to the Company as required under the Code.

20. Attorneys' Fees. If any party shall bring an action in law or equity against another to enforce or interpret any of the terms, covenants and provisions of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorneys' fees and costs.

21. Receipt of 2017 Plan; Entire Agreement. Executive represents that he has received a copy, and is familiar with the terms and provisions, of the 2017 Plan. The Agreement, together with the applicable provisions of the 2017 Plan, constitute the entire agreement and understanding of the Company and Executive with respect to, and supersede all other contemporaneous or prior agreements and understandings, oral or written, between the Company and Executive relating to, the subject matter of this Agreement. In the event of any conflict between any of the terms or provisions of this Agreement and any terms or provisions of the Plan, then, in such event, the terms of the Plan shall govern over the conflicting terms of this Agreement.

22. Counterparts. This Agreement may be executed in one or more counterparts and by each party hereto in separate counterparts, each of which executed counterparts, and any facsimile copies, photocopies or electronic or pdf. copies thereof, shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE COMPANY:

EXECUTIVE:

COLLECTORS UNIVERSE, INC

By: _____
Signature

Signature

Name: _____

(Print Name)

Title:

Address: _____

SECOND AMENDMENT TO OFFICE LEASE

This Second Amendment to Office Lease (this "**Second Amendment**") is entered into effective as of October 1, 2020 (the "**Effective Date**") by and between DRAWBRIDGE PACIFIC CENTER, LLC, a Delaware limited liability company ("**Landlord**") and COLLECTORS UNIVERSE, INC., a Delaware corporation ("**Tenant**") with reference to the recitals set forth below.

RECITALS

A. Tenant and Landlord's predecessor-in-interest PACIFIC CENTER OWNER, LLC, a Delaware limited liability company were parties to that certain Lease dated as of February 2, 2017, as amended by that certain First Amendment to Lease dated as of June 15, 2017 (collectively as amended, the "**Original Lease**") whereby Tenant leases from Landlord approximately sixty-two thousand seven hundred fifty-five (62,755) square feet known as Suites 150 and 250 (the "**Original Premises**") within the building located at 1610 East St. Andrew Place, Santa Ana, California 92705 and known as the Pacific Center (the "**Building**").

B. The Lease Term of the Original Lease is scheduled to expire on September 30, 2028.

C. Tenant desires to expand the Original Premises by leasing an additional approximately sixty-two thousand eight hundred seventy (62,870) square feet of rentable area, as shown on Exhibit A attached hereto (the "**Expansion Premises**").

D. The parties desire to amend the Original Lease to memorialize the foregoing and to further modify the Original Lease only as set forth in this Second Amendment.

AGREEMENT

NOW THEREFORE, based on the foregoing recitals, the truth and accuracy of which are hereby confirmed by the parties, and for and in consideration of the mutual promises and covenants hereinafter set forth, the parties agree as follows:

1. **Meaning of Terms.** Except as otherwise set forth herein, all capitalized terms used in this Amendment shall have the meanings stated in the Original Lease.

2. **Lease of Expansion Premises.** Landlord leases to Tenant and Tenant leases from Landlord the Expansion Premises under the terms and conditions set forth in the Original Lease as specifically modified by this Second Amendment. Landlord shall endeavor to deliver the Expansion Premises to Tenant (the "**Delivery Date**") on or before **October 1, 2020**; however, Landlord's failure to deliver the Expansion Premises on or before such date shall not subject Landlord to any liability therefor, nor shall such failure affect the validity of this Lease or, except as provided below, change the Lease Expiration Date. If, despite said efforts, Landlord is unable to deliver possession by the Expansion Rent Commencement Date (as defined below), Tenant shall not be obligated to pay Rent with respect to the Expansion Premises until Landlord delivers possession of the Expansion Premises. If Landlord is unable to deliver possession by October 30, 2020, then Tenant may elect to void this Second Amendment by providing Landlord with written notice of such election at any time on or before November 13, 2020. In the event that Tenant elects to void this Second Amendment in accordance with the terms of this paragraph, then upon Landlord's receipt of Tenant's notice of such election, the expansion of the Premises and all other modifications of the Original Lease as set forth in this Second Amendment, shall be void, Landlord shall immediately return to Tenant the Increased Deposit (as defined in Paragraph 2.5 of this Second Amendment), and the Original Lease shall continue in full force and effect. Tenant shall provide Landlord with updated proof of insurance covering both the Original Premises and Expansion Premises on or before the Delivery Date as a condition to Landlord delivering the Expansion Premises to Tenant, the failure of which shall not extend the Expansion Rent Commencement Date or excuse Tenant's obligation to pay Rent.

2.1 Condition of the Expansion Premises. Landlord shall deliver, and Tenant hereby agrees to accept, the Expansion Premises (including all improvements, furniture, fixtures, equipment, and telephone and data cabling contained within the Premises as of the Effective Date) in its “as-is” and “where-is” condition with all faults and Tenant hereby acknowledges that Landlord shall not be obligated to provide or pay for any improvement work, remodeling or refurbishment, or services related to the improvement of the Expansion Premises. Tenant’s acceptance of possession of the Expansion Premises constitutes Tenant’s acknowledgment that the Expansion Premises and Project are acceptable and in the condition required by this Second Amendment. Tenant acknowledges that Landlord has made no representation or warranty regarding the condition of the Expansion Premises. Tenant shall pay all costs and expenses associated with or arising out of the Expansion Premises. Additionally, Tenant acknowledges that it has been occupying the Original Premises prior to the Effective Date and that Tenant continues to accept the Original Premises in its current “as is” condition as of the Effective Date. Prior to commencing any construction or modification of the Expansion Premises, Tenant shall obtain Landlord’s prior written consent in accordance with Article 8 of the Original Lease and shall procure all necessary governmental permits and approvals. Prior to Tenant commencing business in the Expansion Premises, Tenant shall use best efforts to obtain a certificate of occupancy and any other governmental permits and licenses required for Tenant to use and occupy the Expansion Premises, and deliver a copy of each to Landlord. Tenant shall have any separately metered utilities and service contracts placed into Tenant’s name and Tenant shall be responsible for paying all utilities servicing the Expansion Premises from and after the Delivery Date. Landlord and Tenant stipulate and agree that the Expansion Premise contains 62,870 rentable square feet for all purposes of the Lease (as amended) and is not subject to remeasurement. Notwithstanding anything set forth herein or in the Original Lease to the contrary, Tenant may access, use, and operate from, the Original Premises and the Expansion Premises at all times, without interruption, 24 hours per day, seven days per week, in conformity with the Lease requirements.

2.2 Pass-through Connecting Original Premises and Expansion Premises. Effective as of the Delivery Date, Tenant may install a door connecting the Original Premises and the Expansion Premises, in the location and as depicted in the plans attached here to as Exhibit B. Such installation shall be at Tenant’s sole cost and expense and Landlord’s approval of the foregoing shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all Laws.

2.3 Lease Term for the Expansion Premises. The Lease Term for the Expansion Premises shall commence on the Effective Date, be contemporaneous with the Original Lease Term, and expire on the Lease Expiration Date as set forth in the Original Lease unless earlier terminated or extended pursuant to the terms of the Lease.

2.3.1 Option Term. Notwithstanding anything set forth herein or in the Original Lease to the contrary, Tenant’s Option Right set forth in Article 2.2 of the Original Lease shall apply to the entire Premises (as expanded), and in no event shall the Option Right be construed to apply to either the Original Premises or the Expansion Premises alone.

2.3.2 Right to Lease. Notwithstanding anything set forth herein or in the Original Lease to the contrary, Article 1.4 of the Original Lease “Right to Lease” is hereby deleted in its entirety.

2.4 Base Rent for the Expansion Premises. Base Rent for the Expansion Premises shall be due and payable on the same terms as Base Rent for the Original Premises, except that commencing on **November 1, 2020** (the “**Expansion Rent Commencement Date**”), Base Rent for the Expansion Premises shall be in the amounts as set forth in the table below. For the avoidance of doubt, there is no Base Rent payable from the Delivery Date through October 31, 2020. Except for the changes to Base Rent and Tenant’s Share provided herein, Tenant’s obligation to pay Additional Rent, utilities and any other charges required to be paid by Tenant shall continue in accordance with the Original Lease.

<u>Months</u>	<u>Expansion Premises Square Footage</u>	<u>Base Rent PSF/MO</u>	<u>Monthly Installment of Base Rent</u>
11/1/20 to 11/30/20	31,435*	\$ 0.00	\$ 0.00
12/1/20 to 10/31/21	31,435*	\$ 0.89	\$ 27,977.15
11/1/21 to 10/31/22	31,435*	\$ 0.92	\$ 28,816.46
11/1/22 to 10/31/23	47,153*	\$ 1.50	\$ 70,729.50
11/1/23 to 10/31/24	62,870	\$ 1.91	\$ 120,081.70
11/1/24 to 10/31/25	62,870	\$ 1.97	\$ 123,684.15
11/1/25 to 10/31/26	62,870	\$ 2.03	\$ 127,394.68
11/1/26 to 10/31/27	62,870	\$ 2.09	\$ 131,216.52
11/1/27 to 9/30/28	62,870	\$ 2.15	\$ 135,153.01

*provided that Tenant is not in Default of any of Tenant’s obligations, Tenant’s Base Rent for the Expansion Premises applicable to the first thirty-six (36) months following the Expansion Premises Rent Commencement Date (representing November 1, 2020 through October 31, 2023 as set forth above) shall be calculated on the reduced rentable square footage amounts set forth in the table above. In the event of a Tenant Default, Tenant’s Base Rent obligations applicable to such thirty-six (36) months of the shall be calculated on the full Expansion Premises rentable square footage of 62,870 and any Base Rent previously abated shall be immediately due and payable by Tenant to Landlord. Notwithstanding anything herein to the contrary, Tenant’s Share of Direct Expenses shall be calculated on the full Expansion Premises rentable square footage of 62,870 and Tenant shall pay all other amounts due under the Lease during any period of Base Rent abatement, including without limitation, Additional Rent.

2.5 Tenant's Share. Effective as of the Expansion Rent Commencement Date, Tenant's Share, as set forth in the Section 5 of the Summary of Basic Lease Information of the Original Lease shall be increased from thirty and sixty-one hundredths percent (30.61%) to sixty-one and twenty-eight hundredths percent (61.28%) based on 125,625 rentable square footage of the Premises (as expanded) and 205,004 rentable square footage of the Building. Notwithstanding anything herein to the contrary, commencing on the Delivery Date, Tenant shall be responsible for all utilities and building services attributable to the Expansion Premises.

2.5.1 Parking. Effective as of the Expansion Rent Commencement Date, Tenant's Parking set forth in the Section 8 of the Summary of Basic Lease Information of the Original Lease is hereby revised to provide Tenant an additional 377 unreserved parking passes such that Tenant shall be apportioned Five and 3/100 (5.3) unreserved parking passes for every 1,000 rentable square feet of the Premises (as expanded), which equals six hundred sixty-seven (667) unreserved parking passes based upon the Premises containing 62,755 rentable square feet and the Expansion Premises containing 62,870 rentable square feet of space, as depicted on Exhibit C attached hereto. All such parking passes shall be utilized subject to applicable Laws and pursuant to the terms of Article 28 of the Original Lease.

2.6 Deposit for the Expansion Premises. Concurrently with Tenant's execution of this Second Amendment, Tenant shall deposit with Landlord a cash sum in an amount equal to Forty-Two Thousand Two Hundred Fifty Five Dollars (\$42,255.00) (the "**Increased Deposit**") which shall become part of the Security Deposit as required by Article 21 of the Original Lease. The total Security Deposit set forth in Section 7 of the Summary of Basic Lease Information of the Original Lease is hereby revised to One Hundred Sixty-Nine Thousand Twenty and 00/100 Dollars (\$169,020.00). Notwithstanding anything to the contrary in Article 21 of the Original Lease, Tenant may request a reduction of the Security Deposit by written notice to Landlord at any time following the date that is sixty (60) days prior to the First Adjustment Date (as defined below) and, provided Tenant is not then in Default and has not previously been in Default under this Lease as of December 1, 2023 (the "**First Adjustment Date**"), then Landlord shall apply Eighty-Four Thousand Five Hundred Ten and 00/100 Dollars (\$84,510.00) of the Security Deposit amount against the Base Rent then payable by Tenant for December, 2023. Furthermore, Tenant may request a reduction of the Security Deposit by written notice to Landlord at any time following the date that is sixty (60) days prior to the Second Adjustment Date (as defined below) and provided Tenant is not then in Default and has not previously been in Default under this Lease as of December 1, 2026 (the "**Second Adjustment Date**"), then Landlord shall apply Eighty-Four Thousand Five Hundred Ten and 00/100 Dollars (\$84,510.00) representing the balance of the Security Deposit against the Base Rent then payable by Tenant for December 2026. There shall be no reduction in the Security Deposit if Tenant is in Default on or at any time prior to such applicable Adjustment Date, as the case may be. Except as provided in this Section 2.5, Landlord shall continue to hold the Security Deposit as increased herein in accordance with Article 21 of the Original Lease.

2.7 Signs. Effective as of the Delivery Date, Tenant shall have the exclusive right to install one (1) building top sign on the Expansion Premises, directly above the main entrance to the Expansion Premises, identifying Tenant and/or any of its subsidiaries or business names (the "**Expansion Premises Sign**"). Notwithstanding the foregoing, Tenant shall not be entitled to install the Expansion Premises Sign if: (a) Tenant has previously assigned its interest in this Lease (except in connection with a Permitted Non-Transfer), (b) Tenant has previously sublet any portion of the Expansion Premises (except in connection with a Permitted Non-Transfer), or (c) Tenant is in Default under this Lease. Furthermore, Tenant's right to install the Expansion Premises Sign is expressly subject to and contingent upon Tenant receiving the approval and consent to the Expansion Premises Sign from the City of Santa Ana, California, its architectural review board (if applicable), any other applicable governmental or quasi-governmental governmental agency and any architectural review committee under any covenants, conditions and restrictions recorded against the Project. Tenant, at its sole cost and expense, shall obtain all other necessary building permits, zoning, regulatory and other approvals in connection with the Expansion Premises Sign. All costs of approval, consent, design, installation, supervision of installation, wiring, maintaining, repairing and removing the Expansion Premises Sign will be at Tenant's sole cost and expense. Tenant shall submit to Landlord reasonably detailed drawings of its proposed Expansion Premises Sign, including without limitation, the size, material, shape, location, coloring and lettering for review and approval by Landlord. The Expansion Premises Sign shall be subject to (i) Landlord's prior review and written approval thereof, (ii) the terms, conditions and restrictions of any recorded covenants, conditions and restrictions encumbering the Project and/or the Expansion Premises and shall conform to the Building sign criteria and Project sign criteria, if any, and the other reasonable standards of design and motif established by Landlord for the exterior of the Expansion Premises and/or the Project. Tenant shall reimburse Landlord for any reasonable out-of-pocket costs associated with Landlord's review and supervision as hereinbefore provided including, but not limited to, engineers and other professional consultants. Tenant will be solely responsible for any damage to the Expansion Premises Sign and any damage that the installation, maintenance, repair or removal thereof may cause to the Expansion Premises or the Project. Tenant agrees upon the expiration date or sooner termination of this Lease, upon Landlord's request, to remove the Expansion Premises Sign and restore any damage to the Expansion Premises and the Project at Tenant's expense. In addition, Landlord shall have the right to remove the Expansion Premises Sign at Tenant's sole cost and expense, if, at any time during the Lease Term: (i) Tenant assigns this Lease (except in connection with a Permitted Non-Transfer), (ii) Tenant sublets any portion of the Premises (except in connection with a Permitted Non-Transfer), or (iii) Tenant is in Default under this Lease.

2.8 Contingency. Notwithstanding anything to the contrary contained in this Agreement, the parties acknowledge that Landlord is currently negotiating a termination of lease and surrender of the Expansion Premises from an existing tenant ("**Existing Tenant**") who currently leases the Expansion Premises. The expansion as set forth in this Second Amendment, is contingent upon the execution of such termination of lease, and Landlord receiving possession of the Expansion Premises from the Existing Tenant on or before **September 25, 2020** ("**Termination Date**"). If, for whatever reason, Landlord has not received possession of the Expansion Premises by the Termination Date, then Landlord may elect to void this Second Amendment by providing Tenant with written notice of such election at any time prior to the date that is ten (10) business days following the Termination Date. In the event that Landlord elects to void this Second Amendment in accordance with the terms of this paragraph, then upon Tenant's receipt of Landlord's notice of such election, the expansion of the Premises and all other modifications of the Original Lease as set forth in this Second Amendment, shall be void, Landlord shall immediately return to Tenant the Increased Deposit, and the Original Lease shall continue in full force and effect.

3. Tenant Improvements.

3.1 Tenant Improvement Allowance. Provided the Tenant is not then in Default under the terms of this Lease, and subject to Landlord's Lump Sum Payment Option set forth in Section 3.3 below the Landlord will make available to the Tenant for the construction of Tenant's leasehold improvements in the Expansion Premises, subject to the Landlord's consent to Tenant's plans pursuant to Article 8 of the Original Lease, a maximum amount of the sum of Two Million One Hundred Thirty-Eight Thousand Two Hundred Sixty-Four and 28/100s Dollars (\$2,138,264.28) (the "**Tenant Improvement Allowance**"), to be applied towards all hard and soft costs associated with any alterations, additions, installations, changes, improvements, and/or other renovation to the Expansion Premises, including but not limited to actual construction costs, architectural, design, and engineering fees, and compensation for Tenant's project manager or other consultants ("**Tenant Improvements**"). If the costs for the Tenant Improvements exceeds the Tenant Improvement Allowance, Tenant shall bear and pay the cost of such excess. If the actual cost of the Tenant Improvements is less than the Tenant Improvement Allowance, Tenant may use the balance of the unused Tenant Improvement Allowance to pay out-of-pocket costs actually incurred by Tenant in connection with Tenant's installation of its furniture, fixtures, equipment, telephone and data cabling, installation costs and moving costs and/or as a credit towards Base Rent.

3.2 Disbursement of Allowance. The Tenant Improvement Allowance shall be made available to Tenant on the Delivery Date at which time the Tenant shall be entitled and it is Tenant's intent to draw upon the Tenant Improvement Allowance to fully offset Base Rent on a monthly basis, starting from the Expansion Rent Commencement Date without any required notice to Landlord, until such Tenant Improvement Allowance is fully utilized. However, should Tenant want to utilize the Tenant Improvement Allowance other than to offset Base Rent, Tenant must provide at least sixty (60) days' written notice directing Landlord to apply a portion of the Tenant Improvement Allowance to reimburse for Tenant Improvements. If any amount is paid in a lump sum pursuant to Section 3.2 or Section 3.3, such amount will reduce the Tenant Improvement Allowance available to offset Base Rent or Tenant Improvements. Tenant must request any unused Tenant Improvement Allowance on or before May 1, 2027 (the "**Draw Period**"), time being of the essence. If Tenant fails to timely give Landlord a written request for the application of any unused Tenant Improvement Allowance prior to the expiration of the Draw Period, then Landlord shall credit such balance to the payment of Base Rent next coming due. If Tenant's request is for reimbursement, then such request must include reasonable supporting documentation that Tenant has paid for the Tenant Improvements and/or out-of-pocket costs actually incurred by Tenant in connection with fixturing and furnishing of the Premises, including, but not limited to, (A) paid invoices from Tenant's contractor and suppliers for labor rendered and materials delivered to the Premises; (B) properly executed unconditional waiver and release on final payment forms of mechanics lien releases from Tenant's contractor and suppliers, and (C) such other information that may be reasonably requested by Landlord. Landlord shall have no obligation to pay the Tenant Improvement Allowance (or provide a Base Rent credit) if any Default exists at the time of requesting the Tenant Improvement Allowance or at the time such installment is to be paid. The payment of the Tenant Improvement Allowance is personal to the Tenant and may only be collected if the Tenant occupies the entire Expansion Premises as of the date of the Tenant Improvement Allowance request.

3.3 **Lump Sum Buyout.** Notwithstanding anything to the contrary contained in the Lease or this Second Amendment, Landlord shall have the option (the "**Lump Sum Payment Option**") by written notice to Tenant of such exercise (the "**Lump Sum Payment Option Notice**") to pay to Tenant all or any portion of any unused Tenant Improvement Allowance that would be payable to Tenant in a lump sum payment (the "**Lump Sum Payment**"). If Landlord elects its Lump Sum Payment Option, the Lump Sum Payment shall be made, at Landlord's election (a) within thirty (30) days of Tenant's receipt of the Lump Sum Payment Option Notice, or (b) on the closing date of any financing or sale of the Building by Landlord (the date of such payment is hereinafter referred to as the "**Lump Sum Payment Date**"), provided that the Lump Sum Payment Date shall be no later than ninety (90) days after Landlord provides Tenant with the Lump Sum Payment Option Notice. If Landlord fails to pay the Lump Sum Payment by the Lump Sum Payment Date or the financing or sale transaction for the Building, if applicable, expires or is terminated or deemed null and void for any reason, Landlord's exercise of the Lump Sum Payment Option shall be deemed null and void and of no further force or effect and the Lump Sum Payment, if theretofore paid by Landlord to Tenant, shall promptly be returned by Tenant to Landlord. If Landlord exercises its Lump Sum Payment Option in accordance with the above, Landlord may, in its sole discretion, prepare an estoppel certificate that documents the effect of Landlord's exercise of the Lump Sum Payment Option and sets forth the amount of Tenant Improvement Allowance remaining (if any) following the Lump Sum Payment. A copy of the estoppel certificate shall be sent to Tenant and Tenant shall execute and return the estoppel certificate to Landlord within ten (10) business days thereafter, but Landlord's otherwise valid exercise of the Lump Sum Payment Option shall be fully effective whether or not the estoppel certificate is executed.

4. **California Civil Code Section 1938.** Pursuant to Section 1938 of the California Civil Code, Landlord hereby advises Tenant that as of the date of this Second Amendment, the Expansion Premises has not undergone inspection by a Certified Access Specialist (a "CASp") during the Landlord's ownership of the Building, nor, to Landlord's actual knowledge (without any duty of inquiry, prior to Landlord's ownership of the Building. Further, pursuant to Section 1938 of the California Civil Code, Landlord notifies Tenant of the following: A Certified Access Specialist (CASp) can inspect the Expansion Premises and determine whether the Expansion Premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the Expansion Premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the Expansion Premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of any such CASp inspection, the payment of the costs and fees for the CASp inspection and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Expansion Premises. Therefore and notwithstanding anything to the contrary contained in the Original Lease, Landlord and Tenant agree that (a) Tenant may, at its option and at its sole cost, cause a CASp to inspect the Expansion Premises and determine whether the Expansion Premises complies with all of the applicable construction-related accessibility standards under California law, (b) the parties shall mutually coordinate and reasonably approve of the timing of any such CASp inspection so that Landlord may, at its option, have a representative present during such inspection, (c) Tenant shall be solely responsible for the cost of any repairs necessary to correct violations of construction-related accessibility standards within the Expansion Premises, any and all such alterations and repairs to be performed in accordance with this Second Amendment, and (d) if anything done by or for Tenant in its use or occupancy of the Expansion Premises shall require repairs to the Building to correct violations of construction-related accessibility standards, then Tenant shall reimburse Landlord upon demand, as Additional Rent, for the cost to Landlord of performing such repairs.

5. **Inducement Recapture.** Any agreement for free or abated Rent or other charges, or for the giving or paying by Landlord to or for Tenant of any cash or other bonus, inducement or consideration for Tenant's entering into this Lease, or any improvement or moving allowances, all of which concessions are hereinafter referred to as "**Inducement Provisions**", shall be deemed conditioned upon Tenant's full and faithful performance of all of the terms, covenants and conditions of this Lease. In the event of a Default by Tenant under the terms of the Lease that results in termination of the Lease, then as a part of Landlord's recovery (but only to the extent recovery of such Inducement Provisions is not a double recovery with respect to its recovery of leasehold damages), Landlord shall be entitled to the recovery of the then unamortized remaining balance of the Inducement Provisions (such amortization being calculated on a straight line basis over the entire Lease Term and such balance being determined as of the date of Tenant's default). The acceptance by Landlord of rent or the cure of the breach or default which initiated the operation of this paragraph shall not be deemed a waiver by Landlord of the provisions of this paragraph unless specifically so stated in writing by Landlord at the time of such acceptance.

6. **Notice Address.** Landlord's notice and contact address pursuant to Section 10 of the Summary of Basic Lease Information of the Original Lease is updated as follows:

Landlord's Address: DRAWBRIDGE PACIFIC CENTER, LLC
Three Embarcadero Center,
Suite 2310
San Francisco, CA 94111
Attention: Mike Embree
Facsimile: (415) 391-4430
Email: membree@drawbridgerealty.com

with a copy to:

The Opus Law Firm
662 Encinitas Blvd, Suite 248
Encinitas, CA 92024
Attention: Justin White, Esq.
Email justin@opus.attorney

7. **No Default.** Tenant hereby represents and warrants to Landlord that, as of the date of this Second Amendment, to Tenant's actual knowledge, Tenant is in full compliance with all material terms, covenants and conditions of the Original Lease and neither Tenant nor Landlord is in Default under the Original Lease (as amended by this Second Amendment). For purposes of this Second Amendment, the phrase "Tenant's actual knowledge" refers exclusively to matters within the current actual (as opposed to constructive) knowledge of Joe Wallace, without duty of inquiry or investigation, and in no event shall Joe Wallace have any personal liability therefor.

8. **Brokers.** Landlord and Tenant each represents to the other that it has had no dealings with any real estate broker, agent, or finder in connection with the negotiation of this Second Amendment except Lee & Associates representing Tenant and CBRE representing Landlord (the "**Brokers**"), and that they know of no other real estate broker, agent, or finder who is entitled to a commission or finder's fee in connection with this Second Amendment. Each party shall indemnify, protect, defend, and hold harmless the other party against all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including reasonable attorney fees) for any leasing commission, finder's fee, or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker, agent, or finder other than the Brokers. The terms of this Section will survive the expiration or earlier termination of the Lease Term.

9. **Attachments.** The Exhibits, schedules and other instruments (if any) attached hereto are hereby incorporated herein by this reference.

10. **Severability, Integration and Modification.** If any provision of this Second Amendment is held invalid or unenforceable by any court of final jurisdiction, it is the intent of the parties that all other provisions of this Second Amendment be construed to remain fully valid, enforceable and binding on the parties. Upon the mutual execution and delivery of this Second Amendment, all references to the "**Lease**" shall mean the Original Lease (as amended) as further modified by this Second Amendment and all references to the "**Premises**" shall mean the Original Premises plus the Expansion Premises. In the event of any conflict between the Original Lease and this Second Amendment, the terms of this Second Amendment shall control. All of the terms and conditions of the Original Lease shall remain in full force and except as expressly modified by this Second Amendment and no further modification shall not be effective unless it is in writing and executed by Landlord and Tenant.

11. **Counterparts, Signatures, Representations and Warranties.** This Second Amendment may be executed by the parties in one or more counterparts, which counterparts when taken together shall constitute one whole and singular original document. Each person signing this Second Amendment represents and warrants that he or she has the requisite power and authority to execute this Second Amendment on behalf of their respective party, and that there is no other agreement or understanding between the parties except as set forth herein. Facsimile or electronic signatures shall have the same force and effect as an original ink signature to the extent permitted by law and subject to verification by the parties.

THE SUBMISSION OF THIS SECOND AMENDMENT FOR EXAMINATION OR SIGNATURE BY TENANT IS NOT A COMMITMENT BY LANDLORD OR ITS AGENTS TO RESERVE THE EXPANSION PREMISES OR TO LEASE THE EXPANSION PREMISES TO TENANT. THIS SECOND AMENDMENT SHALL BECOME EFFECTIVE AND LEGALLY BINDING ONLY UPON FULL EXECUTION AND DELIVERY BY BOTH LANDLORD AND TENANT. UNTIL LANDLORD DELIVERS A FULLY EXECUTED COUNTERPART HEREOF TO TENANT, LANDLORD HAS THE RIGHT TO OFFER AND TO LEASE THE EXPANSION PREMISES TO ANY OTHER PERSON TO THE EXCLUSION OF TENANT.

Signatures appear on the following page.

IN WITNESS WHEREOF, this Second Amendment has been executed as of the day and year first above written.

“Tenant”

COLLECTORS UNIVERSE, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

“Landlord”

DRAWBRIDGE PACIFIC CENTER, LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

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

I, Joseph J. Orlando, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Collectors Universe, Inc. for the quarter ended September 30, 2020.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2020

By: /s/ JOSEPH J. ORLANDO

Joseph J. Orlando
President and Chief Executive Officer

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

I, Joseph J. Wallace, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Collectors Universe, Inc. for the quarter ended September 30, 2020.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2020

By: /s/ JOSEPH J. WALLACE

Joseph J. Wallace

Senior Vice President and Chief Financial Officer

**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 September 30, 2020

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 September 30, 2020, 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: November 2, 2020

By: /s/ JOSEPH J. ORLANDO

Joseph J. Orlando
President and 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.

**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 September 30, 2020

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 September 30, 2020, 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: November 2, 2020

By: /s/ JOSEPH J. WALLACE

Joseph J. Wallace
Senior Vice President and 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.
