

U S GLOBAL INVESTORS INC

Form 10-Q

May 06, 2010

Table of Contents

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

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2010

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File Number 0-13928
U.S. GLOBAL INVESTORS, INC.
(Exact name of registrant as specified in its charter)

Texas
(State or Other Jurisdiction of
Incorporation or Organization)

74-1598370
(IRS Employer Identification Number)

7900 Callaghan Road
San Antonio, Texas
(Address of Principal Executive Offices)

78229-1234
(Zip Code)

(210) 308-1234
(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address, and Former Fiscal Year, if Changed since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES

NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES

NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting
Company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES

NO

On April 30, 2010, there were 13,862,123 shares of Registrant's class A nonvoting common stock issued and 13,283,144 shares of Registrant's class A nonvoting common stock issued and outstanding, no shares of Registrant's

class B nonvoting common shares outstanding, and 2,073,425 shares of Registrant's class C voting common stock issued and outstanding.

TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>	1
<u>ITEM 1. FINANCIAL STATEMENTS</u>	1
<u>Consolidated Balance Sheets</u>	1
<u>Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)</u>	3
<u>Consolidated Statements of Cash Flows (Unaudited)</u>	4
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	5
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	13
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	17
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	17
<u>PART II. OTHER INFORMATION</u>	18
<u>ITEM 1A. RISK FACTORS</u>	18
<u>ITEM 6. EXHIBITS</u>	18
<u>SIGNATURES</u>	19
<u>EX-31</u>	
<u>EX-32</u>	

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 1 of 23

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****Consolidated Balance Sheets**

Assets	March 31, 2010 (UNAUDITED)	June 30, 2009
Current Assets		
Cash and cash equivalents	\$ 22,400,675	\$ 20,303,594
Trading securities, at fair value	5,390,041	4,511,497
Receivables		
Mutual funds	3,354,505	2,629,351
Offshore clients	50,261	37,399
Income tax	-	1,051,288
Employees	15,286	5,434
Other	145,230	120,440
Prepaid expenses	863,602	584,214
Deferred tax asset	-	645,768
Total Current Assets	32,219,600	29,888,985
Net Property and Equipment	3,991,236	3,773,121
Other Assets		
Deferred tax asset, long term	791,682	955,075
Investment securities available-for-sale, at fair value	3,291,782	2,536,665
Total Other Assets	4,083,464	3,491,740
Total Assets	\$ 40,294,300	\$ 37,153,846

The accompanying notes are an integral part of this statement.

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 2 of 23

Liabilities and Shareholders Equity	March 31, 2010 (UNAUDITED)	June 30, 2009
Current Liabilities		
Accounts payable	\$ 210,060	\$ 137,428
Accrued compensation and related costs	1,854,285	1,168,199
Deferred tax liability	70,400	-
Dividends payable	921,201	-
Other accrued expenses	927,930	1,220,225
Total Current Liabilities	3,983,876	2,525,852
 Commitments and Contingencies		
Shareholders Equity		
Common stock (class A) \$0.025 par value; nonvoting; authorized, 28,000,000 shares; issued, 13,862,063 shares and 13,819,673 shares at March 31, 2010, and June 30, 2009, respectively	346,552	345,492
Common stock (class B) \$0.025 par value; nonvoting; authorized, 4,500,000 shares; no shares issued	-	-
Common stock (class C) \$0.025 par value; voting; authorized, 3,500,000 shares; issued, 2,073,485 shares and 2,091,875 shares at March 31, 2010, and June 30, 2009, respectively	51,837	52,297
Additional paid-in-capital	15,094,672	14,628,431
Treasury stock, class A shares at cost; 580,789 and 618,920 shares at March 31, 2010, and June 30, 2009, respectively	(1,359,845)	(1,449,124)
Accumulated other comprehensive income, net of tax	781,256	352,334
Retained earnings	21,395,952	20,698,564
Total Shareholders Equity	36,310,424	34,627,994
Total Liabilities and Shareholders Equity	\$ 40,294,300	\$ 37,153,846

The accompanying notes are an integral part of this statement.

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 3 of 23

Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

	Nine Months Ended March 31,		Three Months Ended March 31,	
	2010	2009	2010	2009
Revenues				
Mutual fund advisory fees	\$ 15,389,101	\$ 13,403,004	\$ 5,750,034	\$ 2,420,350
Transfer agent fees	4,111,575	4,734,892	1,331,103	1,190,629
Distribution fees	3,937,894	1,823,130	1,350,608	856,237
Administrative services fees	1,363,406	789,275	432,196	371,708
Other advisory fees	308,102	851,841	109,921	49,301
Investment income (loss)	1,271,517	(4,968,230)	375,323	92,794
Other	36,986	32,386	11,906	11,778
	26,418,581	16,666,298	9,361,091	4,992,797
Expenses				
Employee compensation and benefits	9,349,496	7,363,608	3,382,710	2,234,468
General and administrative	4,582,200	7,516,879	1,702,272	1,372,786
Platform fees	4,101,509	3,794,365	1,433,394	777,038
Subadvisory fees	425,567	2,305,879	145,578	85,294
Advertising	746,820	328,703	334,092	91,461
Depreciation	243,623	213,995	80,371	67,223
	19,449,215	21,523,429	7,078,417	4,628,270
Income (Loss) Before Income Taxes	6,969,366	(4,857,131)	2,282,674	364,527
Provision for Federal Income Taxes				
Tax expense (benefit)	2,590,837	(1,656,631)	808,704	36,718
Net Income (Loss)	4,378,529	(3,200,500)	1,473,970	327,809
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on available-for-sale securities arising during period	428,922	302,979	155,069	(22,472)
Comprehensive Income (Loss)	\$ 4,807,451	\$ (2,897,521)	\$ 1,629,039	\$ 305,337
Basic Net Income (Loss) per Share	\$ 0.29	\$ (0.21)	\$ 0.10	\$ 0.02

Diluted Net Income (Loss) per Share	\$ 0.29	\$ (0.21)	\$ 0.10	\$ 0.02
Basic weighted average number of common shares outstanding	15,333,142	15,266,073	15,350,888	15,275,056
Diluted weighted average number of common shares outstanding	15,336,485	15,266,073	15,353,504	15,295,296

The accompanying notes are an integral part of this statement.

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 4 of 23

Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended March 31,	
	2010	2009
Cash Flows from Operating Activities		
Net income (loss)	\$ 4,378,529	\$ (3,200,500)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	243,623	213,995
Net recognized (gain) loss on sale of fixed assets	(1,017)	2,075
Net recognized loss on securities	58,576	2,456,618
Provision for deferred taxes	673,540	(1,857,362)
Stock bonuses	238,897	107,569
Stock-based compensation expense	43,934	244,374
Changes in assets and liabilities, impacting cash from operations:		
Accounts receivable	278,630	5,128,302
Prepaid expenses	(279,388)	(57,936)
Trading securities	(937,141)	2,797,636
Accounts payable and accrued expenses	466,424	(4,076,878)
Deferred taxes	(14,939)	(83,087)
Total adjustments	771,139	4,875,306
Net Cash Provided by Operations	5,149,668	1,674,806
Cash Flows from Investing Activities		
Purchase of property and equipment	(461,739)	(1,263,555)
Proceeds from sale of fixed assets	1,017	-
Purchase of available-for-sale securities	(146,906)	(2,486,200)
Return of capital on investment	41,671	-
Proceeds on sale of available-for-sale securities	22	-
Net Cash Used in Investing Activities	(565,935)	(3,749,755)
Cash Flow from Financing Activities		
Issuance or exercise of stock and options	273,288	147,921
Dividends paid	(2,759,940)	(2,756,042)
Net Cash Used in Financing Activities	(2,486,652)	(2,608,121)

Net Increase (Decrease) in Cash and Cash Equivalents	2,097,081	(4,683,070)
Beginning Cash and Cash Equivalents	20,303,594	25,135,075
Ending Cash and Cash Equivalents	\$ 22,400,675	\$ 20,452,005

The accompanying notes are an integral part of this statement.

Table of Contents

U.S. Global Investors, Inc.
March 31, 2010, Quarterly Report on Form 10-Q

Page 5 of 23

Notes to Consolidated Financial Statements (Unaudited)**Note 1. Basis of Presentation**

U.S. Global Investors, Inc. (the Company or U.S. Global) has prepared the consolidated financial statements pursuant to accounting principles generally accepted in the United States of America (U.S. GAAP) and the rules and regulations of the United States Securities and Exchange Commission (SEC) that permit reduced disclosure for interim periods. The financial information included herein reflects all adjustments (consisting solely of normal recurring adjustments), which are, in management s opinion, necessary for a fair presentation of results for the interim periods presented. The Company has consistently followed the accounting policies set forth in the notes to the consolidated financial statements in the Company s Form 10-K for the fiscal year ended June 30, 2009.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, United Shareholder Services, Inc. (USSI), U.S. Global Investors (Guernsey) Limited, U.S. Global Brokerage, Inc., and U.S. Global Investors (Bermuda) Limited.

All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts have been reclassified for comparative purposes. The results of operations for the nine months ended March 31, 2010, are not necessarily indicative of the results to be expected for the entire year.

The unaudited interim financial information in these condensed financial statements should be read in conjunction with the consolidated financial statements contained in the Company s annual report.

Note 2. Dividend

Payment of cash dividends is within the discretion of the Company s board of directors and is dependent on earnings, operations, capital requirements, general financial condition of the Company, and general business conditions. A monthly dividend of \$0.02 per share is authorized and accrued through June 2010, and will be reviewed by the board quarterly.

Note 3. Investments

As of March 31, 2010, the Company held investments with a market value of approximately \$8.682 million and a cost basis of approximately \$8.071 million. The market value of these investments is approximately 21.5 percent of the Company s total assets. The Company currently has no investments in debt securities or mortgage-backed securities. Investments in securities classified as trading are reflected as current assets on the consolidated balance sheet at their fair market value. Unrealized holding gains and losses on trading securities are included in earnings in the consolidated statements of operations and comprehensive income (loss).

Investments in securities classified as available-for-sale, which may not be readily marketable, are reflected as non-current assets on the consolidated balance sheet at their fair value. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income as a separate component of shareholders equity until realized.

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 6 of 23

The following summarizes the market value, cost, and unrealized gain or loss on investments as of March 31, 2010, and June 30, 2009.

Securities	Market Value	Cost	Unrealized Gain (Loss)	Unrealized holding losses on available-for- sale securities, net of tax
Trading ¹	\$ 5,390,041	\$ 5,963,272	\$ (573,231)	N/A
Available-for-sale ²	3,291,782	2,108,060	1,183,722	\$ 781,256
Total at March 31, 2010	\$ 8,681,823	\$ 8,071,332	\$ 610,491	
Trading ¹	\$ 4,511,497	\$ 6,276,578	\$ (1,765,081)	N/A
Available-for-sale ²	2,536,665	2,002,826	533,839	\$ 352,334
Total at June 30, 2009	\$ 7,048,162	\$ 8,279,404	\$ (1,231,242)	

¹ Unrealized and realized gains and losses on trading securities are included in earnings in the statement of operations.

² Unrealized gains and losses on available-for-sale securities are excluded from earnings and recorded in other comprehensive income as a separate component of shareholders' equity until realized.

Investment income can be volatile and varies depending on market fluctuations, the Company's ability to participate in investment opportunities, and timing of transactions. A significant portion of the unrealized gains and losses for the nine months ended March 31, 2010, is concentrated in a small number of issuers. The Company expects that gains and losses will continue to fluctuate in the future.

Investment income (loss) from the Company's investments includes:

realized gains and losses on sales of securities;

unrealized gains and losses on trading securities;

realized foreign currency gains and losses;

other-than-temporary impairments on available-for-sale securities; and

dividend and interest income.

The following summarizes investment income (loss) reflected in earnings for the periods discussed:

Investment Income (Loss)	Nine Months Ended March 31,	
	2010	2009
Realized losses on sales of trading securities	\$ (58,598)	\$ -

Edgar Filing: U S GLOBAL INVESTORS INC - Form 10-Q

Realized gain on sales of available-for-sale securities	22	-
Unrealized gains (losses) on trading securities	1,191,850	(2,798,736)
Realized foreign currency gains (losses)	196	(53,295)
Other-than-temporary declines in available-for-sale securities	-	(2,456,618)
Dividend and interest income	138,047	340,419
Total Investment Income (Loss)	\$ 1,271,517	\$ (4,968,230)

Investment Income	Three Months Ended March 31,	
	2010	2009
Unrealized gains on trading securities	\$ 321,361	\$ 37,910
Realized foreign currency losses	(2,916)	(4,500)
Dividend and interest income	56,878	59,384
Total Investment Income	\$ 375,323	\$ 92,794

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 7 of 23

Note 4. Fair Value Disclosures

In Accounting Standards Codification (ASC) 820 *Fair Value Measurement and Disclosures* (formerly Statement of Financial Accounting Standards (SFAS) No. 157 *Fair Value Measurements*) the Financial Accounting Standards Board (FASB) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy (i.e., Level 1, 2, and 3 inputs, as defined below). The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Additionally, companies are required to provide enhanced disclosures regarding instruments in the Level 3 category (which have inputs to the valuation techniques that are unobservable and require significant management judgment), including a reconciliation of the beginning and ending values separately for each major category of assets or liabilities.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities at the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, value of these products does not entail a significant degree of judgment.

Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 Valuations based on inputs that are unobservable and significant to the fair value measurement.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

For actively traded securities, the Company values investments using the closing price of the securities on the exchange or market on which the securities principally trade. If the security is not actively traded, it is valued based on the last bid and/or ask quotation. Securities that are not traded on an exchange or market are generally valued at cost, monitored by management and fair value adjusted as considered necessary. The Company values the mutual funds and offshore funds at net asset value.

The following table presents fair value measurements, as of March 31, 2010, for the three major categories of U.S. Global's investments measured at fair value on a recurring basis:

	Fair Value Measurement using (in thousands)			Total
	Quoted Prices (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Trading securities				
Common stock	\$ 139	\$ 38	\$ -	\$ 177
Mutual funds	3,942	-	-	3,942
Offshore fund	-	1,271	-	1,271
Total trading securities	4,081	1,309	-	5,390

Edgar Filing: U S GLOBAL INVESTORS INC - Form 10-Q

Available-for-sale securities				
Common stock	1,659	-	-	1,659
Venture capital investments	-	-	224	224
Mutual funds	1,409	-	-	1,409
Total available-for-sale securities	3,068	-	224	3,292
Total Investments	\$ 7,149	\$ 1,309	\$ 224	\$ 8,682

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 8 of 23

The following table presents additional information about investments measured at fair value on a recurring basis and for which the Company has utilized inputs to determine fair value:

**Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis
 For the Nine Months Ended March 31, 2010 (in thousands)**

	Venture Capital Investments
Beginning Balance	\$ -
Return of capital	-
Total gains or losses (realized/unrealized)	-
Included in earnings (or changes in net assets)	-
Included in other comprehensive income	-
Purchases, issuances, and settlements	-
Transfers in and/or out of Level 3	224
Ending Balance	\$ 224

**Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis
 For the Three Months Ended March 31, 2010 (in thousands)**

	Venture Capital Investments
Beginning Balance	\$ -
Return of capital	-
Total gains or losses (realized/unrealized)	-
Included in earnings (or changes in net assets)	-
Included in other comprehensive income	-
Purchases, issuances, and settlements	-
Transfers in and/or out of Level 3	224
Ending Balance	\$ 224

Approximately 82 percent of the Company's financial assets measured at fair value are derived from Level 1 inputs including SEC-registered mutual funds and equity securities traded on an active market, 15 percent are Level 2 inputs, including an investment in an offshore fund, and the remaining 3 percent are Level 3 inputs.

In Level 2, the Company has an investment in an offshore fund with a fair value of approximately \$1,271,000 that invests in companies in the energy and natural resource sectors. The Company may redeem this investment on the first business day of each month after providing a redemption notice at least forty-five days prior to the proposed redemption date.

During the quarter ended March 31, 2010, the two venture capital investments were transferred into Level 3. U.S. Global held investments in three securities with a value of zero and two venture capital investments that were

measured at fair value using significant unobservable inputs (Level 3) at March 31, 2010. There were no realized or unrealized gains or losses or transactions in these securities during the three- and nine-month period ending March 31, 2010. The Company has a venture capital investment with a fair value of approximately \$162,000 that primarily invests in companies in the energy and precious metals sectors. The Company may redeem this investment at the end of a calendar quarter after providing a written redemption notice at least thirty days prior, and the redemption prices are subject to a discount from the net value of the dealer bid prices or estimated liquidation value at the time of redemption. It is estimated that the underlying assets would be liquidated within the next three years. The Company also has a venture capital investment with a fair value of approximately \$63,000 that primarily invests in companies in the medical and medical technology sectors. The Company may redeem this investment with general partner approval. As of March 31, 2010, the Company has an unfunded commitment of \$187,500 related to this investment.

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 9 of 23

Note 5. Investment Management, Transfer Agent and Other Fees

The Company serves as investment adviser to U.S. Global Investors Funds (USGIF) and receives a fee based on a specified percentage of net assets under management. Two of the funds within USGIF (Eastern European Fund and Global Emerging Markets Fund) were actively managed by a third-party adviser, Charlemagne Capital (IOM) Limited (Charlemagne), through November 6, 2008. Effective November 7, 2008, the Company assumed the day-to-day management of both funds. The subadvisory agreements with Charlemagne were amended, effective November 7, 2008, to reflect reduced subadvisory fees in light of restructured responsibilities. On March 1, 2010, three funds within USGIF (Global MegaTrends Fund, Global Resources Fund, and World Precious Minerals Fund) began offering institutional class shares.

USSI also serves as transfer agent to USGIF and receives fees based on the number of shareholder accounts as well as transaction- and activity-based fees. Additionally, the Company receives certain miscellaneous fees directly from USGIF shareholders. Fees for providing investment management, administrative, distribution and transfer agent services to USGIF continue to be the Company's primary revenue source.

Investment advisory fees for the USGIF funds totaled \$15,389,101 and \$13,403,004 for the nine months ended March 31, 2010, and March 31, 2009, respectively. Transfer agency fees totaled \$4,111,575 and \$4,734,892 for the nine months ended March 31, 2010, and March 31, 2009, respectively. Frank Holmes, CEO, serves as a trustee of USGIF.

A special meeting of shareholders of USGIF and U.S. Global Accolade Funds (USGAF) was held on September 23, 2008, to consider several proposals. The proposals were approved effective October 1, 2008, and included (i) a reorganization of the USGIF and USGAF funds from two separate Massachusetts business trusts into a single Delaware statutory trust under the name USGIF, (ii) a new advisory agreement for the USGIF funds, (iii) a new distribution plan for the nine equity USGIF funds under which U.S. Global Brokerage, Inc. is paid a fee at an annual rate of 0.25 percent of the average daily net assets of each fund and (iv) a new administrative services agreement for the USGIF funds. With respect to four equity funds, the new advisory agreement increased the base advisory fee and changed the advisory fee breakpoints. In addition, administrative services that were part of the previous advisory agreement were removed and became the subject of a separate agreement. Under the new administrative services agreement, the USGIF funds no longer reimburse the Company for certain legal and administrative services, but instead pay the Company compensation at an annual rate of 0.08 percent of the average daily net assets of each fund for administrative services provided by the Company to USGIF. A full discussion of the proposals is set forth in proxy materials filed with the SEC by USGIF and USGAF. The Company incurred a total of \$3.7 million in merger-related costs, of which \$3.5 million was recorded in the first quarter of fiscal 2009.

The new advisory agreement for the nine equity USGIF funds that went into effect October 1, 2008, provides for base advisory fees that, beginning in October 2009, were adjusted upwards or downwards by 0.25 percent if there was a performance difference of 5 percent or more between a fund's performance and that of its designated benchmark index over the prior 12 months. For the quarter and nine months ended March 31, 2010, base advisory fees were increased by \$263,653 and decreased by \$133,440, respectively.

Prior to October 1, 2008, the Company contractually waived or reduced its advisory fees and/or agreed to pay expenses on seven of thirteen funds. Effective October 1, 2008, the Company contractually agreed to cap the expenses of all thirteen funds through September 30, 2009. Thereafter, these caps will continue on a modified and voluntary basis at the Company's discretion. Effective with the March 1, 2010, offering of institutional class shares in three USGIF funds, the Company voluntarily agreed to waive all institutional class specific expenses. The aggregate fees waived and expenses borne by the Company for the nine months ended March 31, 2010, and March 31, 2009, were \$2,659,408 and \$3,988,758, respectively.

The above waived fees include amounts waived under an agreement whereby the Company has voluntarily agreed to waive fees and/or reimburse the U.S. Treasury Securities Cash Fund and the U.S. Government Securities Savings Fund to the extent necessary to maintain the respective fund's yield at a certain level as determined by the Company (Minimum Yield). For the nine months ended March 31, 2010, and March 31, 2009, fees waived and/or expenses reimbursed to maintain positive or zero net yields in the two money market funds totaled \$1,064,918 and \$342,992, respectively. The Company may recapture any fees waived and/or expenses reimbursed to support the Minimum Yield within three years after the end of the fund's fiscal year of such waiver and/or reimbursement to the extent that such recapture would not cause the fund's yield to fall below the Minimum Yield. Thus, \$170,642 of these waivers are recoverable by the Company through December 31, 2011, \$1,047,980 through December 31, 2012, and \$399,713 through December 31, 2013.

Management cannot predict the impact of the waivers due to the number of variables and the range of potential outcomes; however, increases in fee waivers could be significant and could negatively impact the Company's revenues and net income. The Company expects to continue to waive fees and/or pay for fund expenses if market and economic conditions warrant. However, subject to the Company's commitment to certain funds with respect to fee waivers and expense limitations, the Company may reduce the amount of fund expenses it is bearing.

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 10 of 23

On November 6, 2008, effective immediately, the Company terminated its relationship with Endeavour Financial Corp. as the adviser to its equity portfolio. As investment adviser, the Company was paid a monthly advisory fee based on the net asset value of the portfolio and an annual performance fee, if any, based on a percentage of consolidated net income from operations in excess of a predetermined percentage return on equity. The Company recorded fees related to the Endeavour Financial Corp. contract totaling \$0 and \$661,262 for the nine months ended March 31, 2010, and March 31, 2009, respectively.

The Company continues to provide advisory services for two offshore clients and receives a monthly advisory fee based on the net asset values of the clients and performance fees, if any, based on the overall increase in net asset values. The Company recorded fees from these clients totaling \$308,102 and \$190,579 for the nine months ended March 31, 2010, and March 31, 2009, respectively. The performance fees for these clients are calculated and recorded quarterly in accordance with the terms of the advisory agreements. These fees may fluctuate significantly from year to year based on factors that may be out of the Company's control. Frank Holmes, CEO, serves as a director of the offshore clients.

The Company receives additional revenue from several sources including custodial fee revenues, mailroom operations, and investment income.

Substantially all of the cash and cash equivalents included in the balance sheet at March 31, 2010, and June 30, 2009, is invested in USGIF money market funds.

Note 6. Borrowings

As of March 31, 2010, the Company has no long-term liabilities.

The Company has access to a \$1 million credit facility with a one-year maturity for working capital purposes. The credit agreement requires the Company to maintain certain quarterly financial covenants to access the line of credit. As of March 31, 2010, this credit facility remained unutilized by the Company.

Note 7. Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718 *Compensation - Stock Compensation* (formerly SFAS No. 123 (revised 2004) *Share-Based Payment*). Stock-based compensation expense is recorded for the cost of stock options. Stock-based compensation expense for the nine months ended March 31, 2010, and March 31, 2009, respectively, was \$43,935 and \$244,374. As of March 31, 2010, and March 31, 2009, respectively, there was approximately \$85,826 and \$193,739 of total unrecognized share-based compensation cost related to share-based compensation granted under the stock option plans that will be recognized over the remainder of their respective vesting periods.

Stock compensation plans

The Company's stock option plans provide for the granting of class A shares as either incentive or nonqualified stock options to employees and non-employee directors. Options are subject to terms and conditions determined by the Compensation Committee of the Board of Directors.

The following table summarizes information about the Company's stock option plans for the nine months ended March 31, 2010.

	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	77,300	\$ 13.66
Granted	2,000	12.31
Exercised	(24,000)	0.75

Forfeited

Options outstanding, end of period	55,300	\$	19.21
Options exercisable, end of period	47,120	\$	19.50

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 11 of 23

Note 8. Earnings Per Share

The basic earnings per share (EPS) calculation excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of EPS that could occur if options to issue common stock were exercised.

The following table sets forth the computation for basic and diluted EPS:

	Nine Month Ended March 31,	
	2010	2009
Net income (loss)	\$ 4,378,529	\$ (3,200,500)
Weighted average number of outstanding shares		
Basic	\$ 15,333,142	15,266,073
Effect of dilutive securities		
Employee stock options	3,343	-
Diluted	15,336,485	15,266,073
Earnings (loss) per share		
Basic	\$ 0.29	\$ (0.21)
Diluted	\$ 0.29	\$ (0.21)
	Three Months Ended March 31,	
	2010	2009
Net income (loss)	\$ 1,473,970	\$ 327,809
Weighted average number of outstanding shares		
Basic	15,350,888	15,275,056
Effect of dilutive securities		
Employee stock options	2,616	20,240
Diluted	15,353,504	15,295,296
Earnings (loss) per share		
Basic	\$ 0.10	\$ 0.02
Diluted	\$ 0.10	\$ 0.02

The diluted EPS calculation excludes the effect of stock options when their exercise prices exceed the average market price for the period. For the three and nine months ended March 31, 2010, 45,300 options were excluded from diluted EPS. For the three months ended March 31, 2009, 53,300 options were excluded from diluted EPS. For the nine months ending March 31, 2009, no options were included in the computation of diluted earnings per share because they would be antidilutive due to the net loss.

The Company may repurchase stock from employees. The Company made no repurchases of shares of its class A, class B, or class C common stock during the quarter ended March 31, 2010. Upon repurchase, these shares are classified as treasury shares and are deducted from outstanding shares in the earnings per share calculation.

Note 9. Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. Provisions for income taxes include deferred taxes for temporary differences in the bases of assets and liabilities for financial and tax purposes, resulting from the use of the liability method of accounting for income taxes. The current deferred tax asset primarily consists of unrealized losses on trading securities as well as temporary differences in the deductibility of prepaid expenses and accrued liabilities. The long-term deferred tax asset is composed primarily of unrealized losses on available-for-sale securities and the difference in tax treatment of stock options.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax amount will not be realized. No valuation allowance was included or deemed necessary at March 31, 2010, or June 30, 2009.

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 12 of 23

Note 10. Financial Information by Business Segment

The Company operates principally in two business segments: providing investment management services to the funds it manages and investing for its own account in an effort to add growth and value to its cash position. The following schedule details total revenues and income by business segment:

	Investment Management Services	Corporate Investments	Consolidated
Nine months ended March 31, 2010			
Net revenues	\$ 25,285,111	\$ 1,133,470	\$ 26,418,581
Net income before income taxes	5,851,434	1,117,932	6,969,366
Depreciation	243,623	-	243,623
Capital expenditures	461,739	-	461,739
Gross identifiable assets at March 31, 2010	30,801,546	8,701,072	39,502,618
Deferred tax asset			791,682
Consolidated total assets at March 31, 2010			\$ 40,294,300
Nine months ended March 31, 2009			
Net revenues	\$ 21,938,604	\$ (5,272,306)	\$ 16,666,298
Net income before income taxes	2,083,777	(5,284,277)	(3,200,500)
Depreciation	213,995	-	213,995
Capital expenditures	1,263,555	-	1,263,555
Three months ended March 31, 2010			
Net revenues	\$ 9,042,644	\$ 318,447	\$ 9,361,091
Net income before income taxes	1,972,233	310,441	2,282,674
Depreciation	80,371	-	80,371
Capital expenditures	45,751	-	45,751
Three months ended March 31, 2009			
Net revenues	\$ 4,901,996	\$ 90,801	\$ 4,992,797

Net income before income taxes	246,135	81,674	327,809
Depreciation	67,223	-	67,223
Capital expenditures	86,050	-	86,050

Note 11. Contingencies and Commitments

The Company continuously reviews all investor, employee and vendor complaints, and pending or threatened litigation. The likelihood that a loss contingency exists is evaluated through consultation with legal counsel, and a loss contingency is recorded if probable and reasonably estimatable.

During the normal course of business, the Company may be subject to claims, legal proceedings, and other contingencies. These matters are subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably. The Company establishes accruals for matters for which the outcome is probable and can be reasonably estimated. Management believes that any liability in excess of these accruals upon the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial statements of the Company.

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 13 of 23

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

U.S. Global has made forward-looking statements concerning the Company's performance, financial condition, and operations in this report. The Company from time to time may also make forward-looking statements in its public filings and press releases. Such forward-looking statements are subject to various known and unknown risks and uncertainties and do not guarantee future performance. Actual results could differ materially from those anticipated in such forward-looking statements due to a number of factors, some of which are beyond the Company's control, including: (i) the volatile and competitive nature of the investment management industry, (ii) changes in domestic and foreign economic conditions, (iii) the effect of government regulation on the Company's business, and (iv) market, credit, and liquidity risks associated with the Company's investment management activities. Due to such risks, uncertainties, and other factors, the Company cautions each person receiving such forward-looking information not to place undue reliance on such statements. All such forward-looking statements are current only as of the date on which such statements were made.

BUSINESS SEGMENTS

The Company, with principal operations located in San Antonio, Texas, manages two business segments: (1) the Company offers a broad range of investment management products and services to meet the needs of individual and institutional investors; and (2) the Company invests for its own account in an effort to add growth and value to its cash position. Although the Company generates the majority of its revenues from its investment advisory segment, the Company holds a significant amount of its total assets in investments. The following is a brief discussion of the Company's two business segments.

Investment Management Products and Services

The Company generates substantially all of its operating revenues from managing and servicing USGIF and other advisory clients. These revenues are largely dependent on the total value and composition of assets under its management. Fluctuations in the markets and investor sentiment directly impact the funds' asset levels, thereby affecting income and results of operations.

On November 6, 2008, effective immediately, the Company terminated its relationship with Endeavour Financial Corp. as the adviser to its equity portfolio. As investment adviser, the Company was paid a monthly advisory fee based on the net asset value of the portfolio and an annual performance fee, if any, based on a percentage of consolidated net income from operations in excess of a predetermined percentage return on equity. The Company recorded fees totaling \$0 and \$661,262 for the nine months ended March 31, 2010, and March 31, 2009, respectively. The Company continues to provide advisory services for two offshore clients and receives monthly advisory fees based on the net asset values of the clients and performance fees, if any, based on the overall increase in net asset values. The Company recorded fees from these clients totaling \$308,102 and \$190,579 for the nine months ended March 31, 2010, and March 31, 2009, respectively. The performance fees for these clients are calculated and recorded quarterly in accordance with the terms of the advisory agreements. These fees may fluctuate significantly from year to year based on factors that may be out of the Company's control. Frank Holmes, CEO, serves as a director of the offshore clients.

At March 31, 2010, total assets under management as of period end, including both SEC-registered funds and offshore clients, were \$2.652 billion versus \$1.933 billion at March 31, 2009, and \$2.222 billion at June 30, 2009. During the nine and three months ended March 31, 2010, average assets under management were \$2.549 billion and \$2.629 billion, respectively, versus \$2.670 billion and \$1.902 billion for the same periods ended March 31, 2009.

Investment Activities

Management believes it can more effectively manage the Company's cash position by broadening the types of investments used in cash management and continues to believe that such activities are in the best interest of the

Company. Company compliance and operational personnel review and monitor these activities, and various reports are provided to investment advisory clients.

Investment income (loss) from the Company's investments includes:

- realized gains and losses on sales of securities;
- unrealized gains and losses on trading securities;
- realized foreign currency gains and losses;
- other-than-temporary impairments on available-for-sale securities; and
- dividend and interest income.

This source of revenue does not remain consistent and is dependent on market fluctuations, the Company's ability to participate in investment opportunities, and timing of transactions.

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 14 of 23

As of March 31, 2010, the Company held investments with a market value of approximately \$8.682 million and a cost basis of approximately \$8.071 million. The market value of these investments is approximately 21.5 percent of the Company's total assets. The Company currently has no investments in debt securities or mortgage-backed securities. The following summarizes investment income (loss) reflected in earnings for the periods discussed:

Investment Income (Loss)	Nine Months Ended March 31,	
	2010	2009
Realized losses on sales of trading securities	\$ (58,598)	\$ -
Realized gain on sales of available-for-sale securities	22	-
Unrealized gains (losses) on trading securities	1,191,850	(2,798,736)
Realized foreign currency gains (losses)	196	(53,295)
Other-than-temporary declines in available-for-sale securities	-	(2,456,618)
Dividend and interest income	138,047	340,419
Total Investment Income (Loss)	\$ 1,271,517	\$ (4,968,230)

Investment Income	Three Months Ended March 31,	
	2010	2009
Unrealized gains on trading securities	\$ 321,361	\$ 37,910
Realized foreign currency losses	(2,916)	(4,500)
Dividend and interest income	56,878	59,384
Total Investment Income	\$ 375,323	\$ 92,794

RESULTS OF OPERATIONS NINE MONTHS ENDED MARCH 31, 2010, AND 2009

The Company posted net after-tax income of \$4,378,529 (\$0.29 income per share) for the nine months ended March 31, 2010, compared with a net after-tax loss of \$3,200,500 (\$0.21 loss per share) for the nine months ended March 31, 2009.

Revenues

Total consolidated revenues for the nine months ended March 31, 2010, increased \$9,752,283, or 59 percent, compared with the nine months ended March 31, 2009. This increase was primarily attributable to the following:

Investment income increased by \$6,240,000 primarily as a result of a rebound from declines in the market value of trading securities as well as other-than-temporary impairments in the comparable period;

Distribution and administrative fees increased by \$2,689,000. Prior year comparative figures include only six months of fees since the fees commenced on October 31, 2008, whereas current year numbers include nine months; and

Mutual fund investment advisory fees increased by approximately \$1,986,000 primarily as a result of increased assets under management in the natural resources and international equity funds.

Expenses

Total consolidated expenses for the nine months ended March 31, 2010, decreased \$2,074,214, or 10 percent, compared with the nine months ended March 31, 2009. This was largely attributable to the following:

General and administrative expenses decreased by \$2,935,000 primarily due to prior period proxy-related costs associated with the merger of the USGIF and USGAF trusts; and

Subadvisory fees decreased by \$1,880,000 due to a prior period change in the subadvisory contract.

These decreases were offset to a certain degree by the following increases:

Employee compensation and benefits increased by \$1,986,000 primarily as a result of higher performance-based bonuses; and

Advertising expenses increased \$418,000 as a result of increased marketing activity.

Table of Contents

U.S. Global Investors, Inc.
March 31, 2010, Quarterly Report on Form 10-Q

Page 15 of 23

RESULTS OF OPERATIONS THREE MONTHS ENDED MARCH 31, 2010, AND 2009

The Company posted net after-tax income of \$1,473,970 (\$0.10 income per share) for the three months ended March 31, 2010, compared with net after-tax income of \$327,809 (\$0.02 per share) for the three months ended March 31, 2009.

Revenues

Total consolidated revenues for the three months ended March 31, 2010, increased \$4,368,294, or 87 percent, compared with the three months ended March 31, 2009. This increase was primarily attributable to the following:

Mutual fund investment advisory fees increased by approximately \$3,330,000 primarily as a result of increased assets under management in the natural resources and international equity funds;

Distribution and administrative fees increased by \$555,000 due to increased assets under management; and

Investment income increased by \$283,000, primarily as a result of a rebound from declines in the market value of trading securities.

Expenses

Total consolidated expenses for the three months ended March 31, 2010, increased \$2,450,147, or 53 percent, compared with the three months ended March 31, 2009. This was largely attributable to the following:

Employee compensation and benefits increased by \$1,148,000 primarily as a result of higher performance-based bonuses;

Platform fees increased by \$656,000 as a result of increased assets under management;

General and administrative expenses increased by \$329,000 due to increased donations and travel expenses; and

Advertising expenses increased \$243,000 as a result of increased marketing activity.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2010, the Company had net working capital (current assets minus current liabilities) of approximately \$28.2 million and a current ratio (current assets divided by current liabilities) of 8.1 to 1. With approximately \$22.4 million in cash and cash equivalents and \$8.7 million in marketable securities, the Company has adequate liquidity to meet its current obligations. Total shareholders' equity was approximately \$36.3 million, with cash, cash equivalents, and marketable securities comprising over 77 percent of total assets.

As of March 31, 2010, the Company has no long-term liabilities. The Company has access to a \$1 million credit facility with a one-year maturity for working capital purposes. The credit agreement requires the Company to maintain certain quarterly financial covenants to access the line of credit. As of March 31, 2010, this credit facility remained unutilized by the Company.

Management believes current cash reserves, financing obtained and/or available, and potential cash flow from operations will be sufficient to meet foreseeable cash needs or capital necessary for the above-mentioned activities and allow the Company to take advantage of opportunities for growth whenever available.

Market volatility may cause the price of the Company's publicly traded class A shares to fluctuate, which in turn may allow the Company an opportunity to buy back stock at favorable prices.

The investment advisory and related contracts between the Company and USGIF were renewed effective October 1, 2009. The Company provides advisory services to two offshore clients for which the Company receives a monthly advisory fee and a quarterly performance fee, if any, based on agreed-upon performance measurements. The contracts between the Company and these offshore clients expire periodically, and management anticipates that its offshore clients will renew the contracts.

The Company receives additional revenue from several sources including custodial fee revenues, mailroom operations, and investment income.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company is subject to extensive and often complex and frequently changing governmental regulation and accounting oversight. Moreover, financial reporting requirements, such as those listed below, and the processes, controls and procedures that have been put in place to address them, are comprehensive and complex. While management has focused considerable attention and resources on meeting these reporting requirements, interpretations by regulatory or accounting agencies that differ from those of the Company could negatively impact financial results.

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 16 of 23

In June 2009, the FASB removed the concept of a qualifying special-purpose entity and removed the exception from applying in consolidation of variable interest entities to qualifying special-purpose entities in ASC 860 Transfers and Servicing (formerly SFAS No. 166, *Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140*). This standard is effective for both interim and annual periods as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. Management is in the process of determining the effect the adoption of this standard will have on the Company's Consolidated Financial Statements.

Effective for both interim and annual periods as of the beginning of each reporting entity's first annual report period beginning after November 15, 2009, enterprises are required to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity, in accordance with ASC 810 Consolidation (formerly SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)*). Management is in the process of determining the effect the adoption of this standard will have on the Company's Consolidated Financial Statements.

In June 2009, the FASB established the Codification as the source of authoritative GAAP recognized by the FASB, to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date, the Codification superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification became nonauthoritative. Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of Codification did not have a material affect our financial position or results of operations. Commencing with the Form 10-Q for the September 30, 2009 quarter end, future filings with the SEC will reference the Codification rather than prior accounting and reporting standards.

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements*. This ASU will add new requirements for disclosures into and out of Levels 1 and 2 fair-value measurements and information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. It also clarifies existing fair value disclosures about the level of disaggregation, inputs and valuation techniques. Except for the detailed Level 3 reconciliation disclosures, the guidance in the ASU is effective for annual and interim reporting periods in fiscal years beginning after December 15, 2009. The new disclosures for Level 3 activity are effective for annual and interim reporting periods in fiscal years beginning after December 15, 2010. Management is in the process of determining the effect the adoption of this standard will have on the Company's Consolidated Financial Statement disclosures.

CRITICAL ACCOUNTING POLICIES

For a discussion of critical accounting policies that the Company follows, please refer to the notes to the consolidated financial statements included in the Annual Report on Form 10-K for the year ended June 30, 2009.

Table of Contents

U.S. Global Investors, Inc.
 March 31, 2010, Quarterly Report on Form 10-Q

Page 17 of 23

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's balance sheet includes assets whose fair value is subject to market risks. Due to the Company's investments in equity securities (foreign and domestic), equity price fluctuations represent a market risk factor affecting the Company's consolidated financial position. The carrying values of investments subject to equity price risks are based on quoted market prices or, if not actively traded, management's estimate of fair value as of the balance sheet date. Market prices fluctuate, and the amount realized in the subsequent sale of an investment may differ significantly from the reported market value.

Global financial markets continue to experience unprecedented volatility, and unpredictable business conditions remain foreseeable for the future. These market conditions have produced substantial reductions in the Company's assets under management, which directly impact the Company's revenues and net income. Continued market volatility and disruptions in the global financial markets could substantially impact the Company.

The Company's investment activities are reviewed and monitored by Company compliance personnel, and various reports are provided to investment advisory clients. Written procedures are also in place to manage compliance with the code of ethics.

The table below summarizes the Company's equity price risks as of March 31, 2010, and shows the effects of a hypothetical 25 percent increase and a 25 percent decrease in market prices.

	Fair Value at March 31, 2010	Hypothetical Percentage Change	Estimated Fair Value After Hypothetical Price Change	Increase (Decrease) in Shareholders Equity, Net of Tax
Trading securities ¹	\$5,390,041	increase 25%	\$6,737,551	\$889,357
		decrease 25%	\$4,042,531	(\$889,357)
Available-for-sale ²	\$3,291,782	increase 25%	\$4,114,728	\$543,144
		decrease 25%	\$2,468,837	(\$543,144)

¹ Unrealized and realized gains and losses on trading securities are included in earnings in the statement of operations.

² Unrealized and realized gains and losses on available-for-sale securities are excluded from earnings and recorded in other comprehensive income as a component of shareholders' equity until realized.

The selected hypothetical change does not reflect what could be considered best or worst-case scenarios. Results could be significantly worse due to both the nature of equity markets and the concentration of the Company's investment portfolio.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2010, was conducted under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2010.

There has been no change in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2010, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

U.S. Global Investors, Inc.
March 31, 2010, Quarterly Report on Form 10-Q

Page 18 of 23

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

For a discussion of risk factors which could affect the Company, please refer to Item 1A. Risk Factors in the Annual Report on Form 10-K for the year ended June 30, 2009. There has been no material changes since fiscal year end to the risk factors listed therein.

ITEM 6. EXHIBITS

1. Exhibits

- 10.2 Amended and Restated Transfer Agency Agreement, dated January 15, 2010, by and between U.S. Global Investors Funds and United Shareholder Services, Inc., incorporated by reference to Post-Effective Amendment 105 filed February 26, 2010 (EDGAR Accession No. 0000950123-10-018191).
 - 10.3 Amended and Restated Administrative Services Agreement, dated January 15, 2010, by and between U.S. Global Investors Funds and U.S. Global Investors, Inc., incorporated by reference to Post-Effective Amendment 105 filed February 26, 2010 (EDGAR Accession No. 0000950123-10-018191).
 - 10.4 Amended and Restated Distribution Plan Pursuant to Rule 12b-1 Plan, dated January 15, 2010, by and between U.S. Global Investors Funds and U.S. Global Brokerage, Inc., incorporated by reference to Post-Effective Amendment 105 filed February 26, 2010 (EDGAR Accession No. 0000950123-10-018191).
 - 10.5 Amended and Restated Distribution Agreement dated March 4, 2010, by and between U.S. Global Investors Funds and U.S. Global Brokerage, Inc., incorporated by reference to Post-Effective Amendment 107 filed April 30, 2010 (EDGAR Accession No. 0001104659-10-024038).
 - 31 Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act Of 2002
 - 32 Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002
-

Table of Contents

U.S. Global Investors, Inc.
March 31, 2010, Quarterly Report on Form 10-Q

Page 19 of 23

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

U.S. GLOBAL INVESTORS,
INC.

DATED: May 6, 2010

BY: /s/ Frank E. Holmes

Frank E. Holmes
Chief Executive Officer

DATED: May 6, 2010

BY: /s/ Catherine A. Rademacher

Catherine A. Rademacher
Chief Financial Officer