

U S GLOBAL INVESTORS INC

Form 10-Q

February 02, 2011

**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 December 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 January 27, 2011, there were 13,862,445 shares of Registrant's class A nonvoting common stock issued and 13,321,077 shares of Registrant's class A nonvoting common stock issued and outstanding, no shares of Registrant's

class B nonvoting common shares outstanding, and 2,073,103 shares of Registrant's class C voting common stock issued and outstanding.

---

**TABLE OF CONTENTS**

<b><u>PART I. FINANCIAL INFORMATION</u></b>	<b>1</b>
<b><u>ITEM 1. FINANCIAL STATEMENTS</u></b>	<b>1</b>
<b><u>Consolidated Balance Sheets</u></b>	<b>1</b>
<b><u>Consolidated Statements of Operations and Comprehensive Income (Unaudited)</u></b>	<b>3</b>
<b><u>Consolidated Statements of Cash Flows (Unaudited)</u></b>	<b>4</b>
<b><u>Notes to Consolidated Financial Statements (Unaudited)</u></b>	<b>5</b>
<b><u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></b>	<b>15</b>
<b><u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u></b>	<b>19</b>
<b><u>ITEM 4. CONTROLS AND PROCEDURES</u></b>	<b>19</b>
<b><u>PART II. OTHER INFORMATION</u></b>	<b>20</b>
<b><u>ITEM 1A. RISK FACTORS</u></b>	<b>20</b>
<b><u>ITEM 6. EXHIBITS</u></b>	<b>20</b>
<b><u>SIGNATURES</u></b>	<b>21</b>
<b><u>EX-31</u></b>	
<b><u>EX-32</u></b>	

---

**Table of Contents**

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

Page 1 of 25

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

Assets	December 31, 2010 (UNAUDITED)	June 30, 2010
<b>Current Assets</b>		
Cash and cash equivalents	\$ 23,286,916	\$ 23,837,479
Trading securities, at fair value	5,875,757	5,072,724
Receivables		
Mutual funds	4,166,528	3,065,100
Offshore clients	919,777	29,070
Employees	3,388	1,885
Other	6,917	152,930
Prepaid expenses	855,188	756,394
Deferred tax asset	-	200,129
<b>Total Current Assets</b>	<b>35,114,471</b>	<b>33,115,711</b>
<b>Net Property and Equipment</b>	<b>3,657,348</b>	<b>3,906,712</b>
<b>Other Assets</b>		
Deferred tax asset, long term	499,798	933,241
Investment securities available-for-sale, at fair value	4,803,855	3,028,034
<b>Total Other Assets</b>	<b>5,303,653</b>	<b>3,961,275</b>
<b>Total Assets</b>	<b>\$ 44,075,472</b>	<b>\$ 40,983,698</b>

The accompanying notes are an integral part of this statement.

---

**Table of Contents**

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

Page 2 of 25

<b>Liabilities and Shareholders Equity</b>	<b>December 31, 2010 (UNAUDITED)</b>	<b>June 30, 2010</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 59,413	\$ 174,690
Accrued compensation and related costs	2,210,912	1,701,255
Deferred tax liability	171,010	-
Dividends payable	922,692	921,514
Other accrued expenses	2,173,719	1,994,367
<b>Total Current Liabilities</b>	<b>5,537,746</b>	<b>4,791,826</b>
 <b>Commitments and Contingencies</b>		
 <b>Shareholders Equity</b>		
Common stock (class A) - \$0.025 par value; nonvoting; authorized, 28,000,000 shares; issued, 13,862,445 shares at December 31, 2010, and June 30, 2010	346,561	346,561
Common stock (class B) - \$0.025 par value; nonvoting; authorized, 4,500,000 shares; no shares issued	-	-
Convertible common stock (class C) - \$0.025 par value; voting; authorized, 3,500,000 shares; issued, 2,073,103 shares at December 31, 2010, and June 30, 2010	51,828	51,828
Additional paid-in-capital	15,142,466	15,136,537
Treasury stock, class A shares at cost; 545,868 and 573,764 shares at December 31, 2010, and June 30, 2010, respectively	(1,278,082)	(1,343,397)
Accumulated other comprehensive income, net of tax	1,079,352	555,352
Retained earnings	23,195,601	21,444,991
<b>Total Shareholders Equity</b>	<b>38,537,726</b>	<b>36,191,872</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>\$ 44,075,472</b>	<b>\$ 40,983,698</b>

The accompanying notes are an integral part of this statement.

**Table of Contents**

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

Page 3 of 25

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

	Six Months Ended December		Three Months Ended December	
	2010	2009	2010	2009
<b>Revenues</b>				
Mutual fund advisory fees	\$ 12,429,836	\$ 9,639,067	\$ 7,058,638	\$ 5,282,464
Transfer agent fees	2,518,854	2,780,472	1,315,699	1,455,622
Distribution fees	2,809,025	2,587,286	1,528,950	1,391,584
Administrative services fees	901,082	931,210	491,168	492,275
Other advisory fees	1,159,378	198,181	992,544	95,615
Investment income	989,898	896,194	510,047	296,741
Other	23,406	25,080	13,692	14,304
	20,831,479	17,057,490	11,910,738	9,028,605
<b>Expenses</b>				
Employee compensation and benefits	6,656,080	5,966,786	3,928,059	3,257,898
General and administrative	4,466,774	2,879,928	2,259,756	1,469,892
Platform fees	2,864,982	2,668,115	1,536,401	1,426,161
Subadvisory fees	144,994	279,989	15,000	151,325
Advertising	952,084	412,728	459,239	314,187
Depreciation	147,042	163,252	71,990	100,089
	15,231,956	12,370,798	8,270,445	6,719,552
<b>Income Before Income Taxes</b>	5,599,523	4,686,692	3,640,293	2,309,053
<b>Provision for Federal Income Taxes</b>				
Tax expense	2,003,544	1,782,133	1,310,007	801,001
<b>Net Income</b>	3,595,979	2,904,559	2,330,286	1,508,052
<b>Other Comprehensive Income, Net of Tax:</b>				
Unrealized gains on available-for-sale securities arising during period	564,630	273,853	104,948	78,932
Less: reclassification adjustment for gains/losses included in net income	(40,630)	-	(40,630)	-
<b>Comprehensive Income</b>	\$ 4,119,979	\$ 3,178,412	\$ 2,394,604	\$ 1,586,984
<b>Basic Net Income per Share</b>	\$ 0.23	\$ 0.19	\$ 0.15	\$ 0.10
<b>Diluted Net Income per Share</b>	\$ 0.23	\$ 0.19	\$ 0.15	\$ 0.10
<b>Basic weighted average number of common shares outstanding</b>	15,368,527	15,324,269	15,372,554	15,336,967
	15,368,527	15,327,924	15,372,554	15,340,847

**Diluted weighted average number of  
common shares outstanding**

The accompanying notes are an integral part of this statement.

---



**Table of Contents**

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

Page 4 of 25

**Consolidated Statements of Cash Flows (Unaudited)**

	<b>Six Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 3,595,979	\$ 2,904,559
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	147,042	163,252
Net recognized loss on disposal of fixed assets	154,216	-
Net recognized (gain) loss on securities	(62,864)	58,576
Provision for deferred taxes	378,821	433,527
Stock bonuses	113,796	196,558
Stock-based compensation expense	18,913	34,477
Changes in operating assets and liabilities:		
Accounts receivable	(1,847,625)	207,002
Prepaid expenses	(98,794)	(208,949)
Trading securities	(803,033)	(615,780)
Accounts payable and accrued expenses	573,732	517,728
Total adjustments	(1,425,796)	786,391
Net cash provided by operating activities	2,170,183	3,690,950
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(51,894)	(415,988)
Purchase of available-for-sale securities	(1,039,639)	(116,906)
Proceeds on sale of available-for-sale securities	99,287	22
Return of capital on investment	21,334	-
Net cash used in investing activities	(970,912)	(532,872)
<b>Cash Flows from Financing Activities:</b>		
Exercise of stock options	-	116,749
Issuance of common stock	94,357	92,967
Dividends paid	(1,844,191)	(1,838,919)
Net cash used in financing activities	(1,749,834)	(1,629,203)
Net (decrease) increase in cash and cash equivalents	(550,563)	1,528,875
Beginning cash and cash equivalents	23,837,479	20,303,594
Ending cash and cash equivalents	\$ 23,286,916	\$ 21,832,469

Supplemental Disclosures of Cash Flow Information

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

Cash paid for income taxes	\$ 1,325,000	\$ -
----------------------------	--------------	------

The accompanying notes are an integral part of this statement.

---

**Table of Contents**

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

Page 5 of 25

**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, 2010.

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 six months ended December 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.

**Recent Accounting Pronouncements**

In June 2009, the Financial Accounting Standards Board ( 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. The adoption of this standard did not have an impact 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)*). The adoption of this standard did not have an impact on the Company s consolidated financial statements.

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. The adoption of ASU 2010-06 by the Company did not have a material effect on its consolidated financials statements except for enhanced disclosure in the notes to its consolidated financial statements.

**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 through March 2011 and will be reviewed by the board quarterly.

**Table of Contents**

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

Page 6 of 25

**Note 3. Investments**

As of December 31, 2010, the Company held investments with a market value of approximately \$10.7 million and a cost basis of approximately \$9.1 million. The market value of these investments is approximately 24.2 percent of the Company's total assets.

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.

The Company records security transactions on trade date. Realized gains (losses) from security transactions are calculated on the first-in/first-out cost basis, unless otherwise identifiable, and are recorded in earnings on the date of sale.

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

Securities	Market Value	Cost	Unrealized Gain (Loss)	Unrealized holding losses on available-for-sale securities, net of tax
Trading <sup>1</sup>	\$ 5,875,757	\$ 5,963,272	\$ (87,515)	N/A
Available-for-sale <sup>2</sup>	4,803,855	3,168,474	1,635,381	\$ 1,079,351
Total at December 31, 2010	\$ 10,679,612	\$ 9,131,746	\$ 1,547,866	
Trading <sup>1</sup>	\$ 5,072,724	\$ 5,963,272	\$ (890,548)	N/A
Available-for-sale <sup>2</sup>	3,028,034	2,186,591	841,443	\$ 555,352
Total at June 30, 2010	\$ 8,100,758	\$ 8,149,863	\$ (49,105)	

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

<sup>2</sup> 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.

**Table of Contents**

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

Page 7 of 25

The following details the components of the Company's available-for-sale investments as of December 31, 2010, and June 30, 2010.

<b>December 31, 2010 (in thousands)</b>				
<b>Gross Unrealized</b>				
	<b>Cost</b>	<b>Gains</b>	<b>(Losses)</b>	<b>Market Value</b>
Available-for-sale securities				
Common stock	\$ 930	\$ 1,029	\$ (3)	\$ 1,956
Venture capital investments	208	45	(7)	246
Mutual funds	2,030	572	-	2,602
Total available-for-sale securities	\$ 3,168	\$ 1,646	\$ (10)	\$ 4,804

<b>June 30, 2010 (in thousands)</b>				
<b>Gross Unrealized</b>				
	<b>Cost</b>	<b>Gains</b>	<b>(Losses)</b>	<b>Market Value</b>
Available-for-sale securities				
Common stock	\$ 927	\$ 538	\$ (11)	\$ 1,454
Venture capital investments	230	45	(7)	268
Mutual funds	1,030	277	(1)	1,306
Total available-for-sale securities	\$ 2,187	\$ 860	\$ (19)	\$ 3,028

The following tables show the gross unrealized losses and fair values of available-for-sale investment securities with unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

<b>December 31, 2010 (in thousands)</b>						
	<b>Less Than 12 Months</b>		<b>12 Months or Greater</b>		<b>Total</b>	
	<b>Gross Unrealized</b>		<b>Gross Unrealized</b>		<b>Gross Unrealized</b>	
	<b>Fair Value</b>	<b>Losses</b>	<b>Fair Value</b>	<b>Losses</b>	<b>Fair Value</b>	<b>Losses</b>
Available-for-sale securities						
Common stock	\$ 3	\$ (3)	\$ -	\$ -	\$ 3	\$ (3)
Venture capital investments	118	(7)	-	-	118	(7)
Mutual funds	-	-	-	-	-	-
Total available-for-sale securities	\$ 121	\$ (10)	\$ -	\$ -	\$ 121	\$ (10)

	June 30, 2010 (in thousands)					
	Less Than 12 Months Gross Unrealized		12 Months or Greater Gross Unrealized		Total Gross Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Available-for-sale securities						
Common stock	\$ 118	\$ (11)	\$ -	\$ -	\$ 118	\$ (11)
Venture capital investments	49	(7)	-	-	49	(7)
Mutual funds	19	(1)	-	-	19	(1)
Total available-for-sale securities	\$ 186	\$ (19)	\$ -	\$ -	\$ 186	\$ (19)

---

**Table of Contents**

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

Page 8 of 25

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 three and six months ended December 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 reflected in earnings for the periods discussed:

<b>Investment Income</b>	<b>Six Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
Realized gains on sales of available-for-sale securities	\$ 62,864	\$ 22
Realized losses on sales of trading securities	-	(58,598)
Unrealized gains on trading securities	803,033	870,489
Realized foreign currency gains (losses)	(3,833)	3,112
Dividend and interest income	127,834	81,169
<b>Total Investment Income</b>	<b>\$ 989,898</b>	<b>\$ 896,194</b>

<b>Investment Income</b>	<b>Three Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
Realized gains on sales of available-for-sale securities	\$ 61,561	\$ 22
Realized losses on sales of trading securities	-	(58,598)
Unrealized gains on trading securities	347,887	314,141
Realized foreign currency gains (losses)	(2,402)	147
Dividend and interest income	103,001	41,029
<b>Total Investment Income</b>	<b>\$ 510,047</b>	<b>\$ 296,741</b>

**Note 4. Fair Value Disclosures**

Accounting Standards Codification (ASC) 820, *Fair Value Measurement and Disclosures* (formerly SFAS 157), 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. ASC 820 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., Levels 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.

---



**Table of Contents**

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

Page 9 of 25

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, offshore funds and a venture capital investment at net asset value. The following table presents fair value measurements, as of December 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	\$ 214	\$ 28	\$ -	\$ 242
Mutual funds	4,008	-	-	4,008
Offshore fund	-	1,626	-	1,626
Total trading securities	4,222	1,654	-	5,876
Available-for-sale securities				
Common stock	1,956	-	-	1,956
Venture capital investments	-	-	246	246
Mutual funds	2,602	-	-	2,602
Total available-for-sale securities	4,558	-	246	4,804
Total Investments	\$ 8,780	\$ 1,654	\$ 246	\$ 10,680

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, 16 percent of the Company's financial assets measured at fair value are derived from Level 2 inputs, including an investment in an offshore fund, and the remaining two percent are Level 3 inputs. The Company recognizes transfers between levels at the end of each quarter. The Company did not transfer any securities between Level 1 and Level 2 during the six months ended December 31, 2010.

In Level 2, the Company has an investment in an offshore fund with a fair value of approximately \$1,626,025 that invests in companies in the energy and natural resources 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.

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 December 31, 2010.

The Company has a venture capital investment with a fair value of approximately \$128,000 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 \$118,000 that primarily invests in companies in the medical and

---

**Table of Contents**

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

Page 10 of 25

medical technology sectors. The Company may redeem this investment with general partner approval. As of December 31, 2010, the Company has an unfunded commitment of \$125,000 related to this investment. The following table presents additional information about investments measured at fair value on a recurring basis and for which the Company has utilized significant unobservable inputs to determine fair value:

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

	<b>Venture Capital Investments</b>
Beginning Balance	\$ 267
Return of capital	(21)
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	-
Ending Balance	\$ 246

**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.

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.

The advisory agreement for the nine equity funds provides for a base advisory fee that, beginning in October 2009, is adjusted upwards or downwards by 0.25 percent when there is a performance difference of 5 percent or more between a fund's performance and that of its designated benchmark index over the prior rolling 12 months. For the three and six months ended December 31, 2010, the Company adjusted its base advisory fees upwards by \$880,398 and \$1,080,087. The Company has voluntarily waived or reduced its fees and/or agreed to pay expenses on all thirteen funds. These caps will continue on a 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 three and six months ended December 31, 2010, were \$737,765 and \$1,538,309, respectively, compared with \$654,385 and \$1,879,199 for the corresponding periods in fiscal 2010.

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). Reflecting increased demand in the market for government securities, yields on such products have decreased to record lows. For the three and six months ended December 31, 2010, total fees waived and/or expenses reimbursed as a result of this agreement were \$381,055 and \$755,756. For the corresponding period in fiscal year 2010, the total fees waived and/or expenses reimbursed were \$354,367 and \$665,204.

The Company may recapture any fees waived and/or expenses reimbursed within three years after the end of the funds' fiscal year of such waiver and/or reimbursement to the extent that such recapture would not cause the funds' yield to fall below the Minimum Yield. Thus, \$170,642 of these waivers is recoverable by the Company through December 31, 2011, \$1,047,980 through December 31, 2012, and \$1,562,956 through December 31, 2013. Management believes these waivers could increase in the future. Such increases in fee waivers could be significant and will negatively impact the

---

**Table of Contents**

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

Page 11 of 25

Company's revenues and net income. Management cannot predict the impact of the waivers due to the number of variables and the range of potential outcomes.

The Company provides 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 \$992,544 and \$1,159,378 for the three and six months ended December 31, 2010, and \$95,615 and \$198,191 for the corresponding periods in fiscal 2010. 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, as well as investment income.

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

**Note 6. Borrowings**

As of December 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 December 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 three and six months ended December 31, 2010, was \$9,457 and \$18,913, compared to \$9,457 and \$34,477 in the corresponding periods in fiscal 2010. As of December 31, 2010, and 2009, respectively, there was approximately \$57,456 and \$95,283 of total unrecognized share-based compensation cost related to share-based compensation granted under the 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 six months ended December 31, 2010.

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
<b>Options outstanding, beginning of year</b>	55,300	\$ 19.21
Granted	-	-
Exercised	-	-
Forfeited	(30,000)	19.06
<b>Options outstanding, end of period</b>	25,300	\$ 19.40

<b>Options exercisable, end of period</b>	20,180	\$	19.78
---	--------	----	-------

---

**Table of Contents**

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

Page 12 of 25

**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:

	<b>Six Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Net income</b>	\$ 3,595,979	\$ 2,904,559
<b>Weighted average number of outstanding shares</b>		
Basic	15,368,527	15,324,269
<b>Effect of dilutive securities</b>		
Employee stock options	-	3,655
Diluted	15,368,527	15,327,924
<b>Earnings (loss) per share</b>		
Basic	\$ 0.23	\$ 0.19
Diluted	\$ 0.23	\$ 0.19
	<b>Three Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Net income</b>	\$ 2,330,286	\$ 1,508,052
<b>Weighted average number of outstanding shares</b>		
Basic	15,372,554	15,336,967
<b>Effect of dilutive securities</b>		
Employee stock options	-	3,880
Diluted	15,372,554	15,340,847
<b>Earnings per share</b>		
Basic	\$ 0.15	\$ 0.10
Diluted	\$ 0.15	\$ 0.10

The diluted EPS calculation excludes the effect of stock options when their exercise prices exceed the average market price for the period. For both the three and six months ended December 31, 2010, 25,300 options were excluded from diluted EPS, and 45,300 were excluded in both corresponding periods in fiscal 2010.

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 six months ended December 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.

---



**Table of Contents**

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

Page 13 of 25

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 December 31, 2010, or June 30, 2010.

**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:

	<b>Investment Management Services</b>	<b>Corporate Investments</b>	<b>Consolidated</b>
<b>Six months ended December 31, 2010</b>			
Net revenues	\$ 20,148,878	\$ 682,601	\$ 20,831,479
Net income before income taxes	4,918,903	680,620	5,599,523
Depreciation	147,042	-	147,042
Capital expenditures	51,894	-	51,894
Gross identifiable assets at December 31, 2010	32,879,330	10,696,344	43,575,674
Deferred tax asset			499,798
Consolidated total assets at December 31, 2010			\$ 44,075,472
<b>Six months ended December 31, 2009</b>			
Net revenues	\$ 16,242,467	\$ 815,023	\$ 17,057,490
Net income before income taxes	3,879,201	807,491	4,686,692
Depreciation	163,252	-	163,252
Capital expenditures	415,988	-	415,988
<b>Three months ended December 31, 2010</b>			
Net revenues	\$ 11,516,395	\$ 394,343	\$ 11,910,738
Net income before income taxes	3,246,941	393,352	3,640,293
Depreciation	71,990	-	71,990
Capital expenditures	27,278	-	27,278
<b>Three months ended December 31, 2009</b>			
Net revenues	\$ 8,772,892	\$ 255,713	\$ 9,028,605

Net income before income taxes	2,055,516	253,537	2,309,053
Depreciation	100,089	-	100,089
Capital expenditures	174,050	-	174,050

**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 estimable.

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.  
December 31, 2010, Quarterly Report on Form 10-Q

Page 14 of 25

The Board has authorized a monthly dividend of \$0.02 per share through March 2011, at which time it will be considered for continuation by the Board. 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. The total amount of cash dividends to be paid to class A and class C shareholders from January 2011 to March 2011 will be approximately \$923,000.

**Note 12. Subsequent Events**

The Company has evaluated subsequent events that occurred after December 31, 2010, through the filing of this Form 10-Q. Any material subsequent events that occurred during this time have been properly recognized or disclosed in our financial statements.

---

**Table of Contents**

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

Page 15 of 25

**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.

The Company provides 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 advisory and performance fees from these clients totaling \$992,544 and \$1,159,378 for the three and six months ended December 31, 2010, and \$95,615 and \$198,181 for the corresponding periods in fiscal 2010. 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 December 31, 2010, total assets under management as of period end, including both SEC-registered funds and offshore clients, were \$3.044 billion versus \$2.669 billion at December 31, 2009, an increase of 14 percent. During the six months ended December 31, 2010, average assets under management were \$2.648 billion versus \$2.509 billion during the six months ended December 31, 2009. The increase was primarily due to an increase in the natural resources funds under management. Total assets under management at June 30, 2010, were \$2.402 billion versus \$3.044 billion at December 31, 2010.

---

**Table of Contents**

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

Page 16 of 25

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

As of December 31, 2010, the Company held investments with a market value of approximately \$10.7 million and a cost basis of approximately \$9.1 million. The market value of these investments is approximately 24.2 percent of the Company's total assets. See Note 3 (Investments) and Note 4 (Fair Value Disclosures) for additional detail regarding investment activities.

---

**Table of Contents**

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

Page 17 of 25

**RESULTS OF OPERATIONS THREE MONTHS ENDED DECEMBER 31, 2010, AND 2009**

The Company posted net income of \$2,330,286 (\$0.15 income per share) for the three months ended December 31, 2010, compared with net income of \$1,508,052 (\$0.10 income per share) for the three months ended December 31, 2009, an increase of \$822,234, or 54.5 percent.

**Revenues**

Total consolidated revenues for the three months ended December 31, 2010, increased \$2,882,133, or 31.9 percent, compared with the three months ended December 31, 2009. This increase was primarily attributable to the following:

Mutual fund advisory fees increased by \$1,776,174, or 33.6 percent. Of that increase, mutual fund management fees contributed \$498,683, primarily due to market appreciation in the natural resources funds, while mutual fund performance fees contributed \$1,277,491. Performance fees are paid when there is a performance difference of 5 percent or more between a fund's performance and that of its designated benchmark index over the prior rolling 12 months. See Note 5 for additional information regarding performance fees.

Other advisory fees increased by \$896,929, or 938.1 percent, primarily as a result of an increase in offshore fund performance fees due to natural resources-related market appreciation of fund holdings.

Investment income increased by \$213,306, or 71.9 percent, primarily due to unrealized gains on trading securities.

**Expenses**

Total consolidated expenses for the three months ended December 31, 2010, increased \$1,550,893, or 23.1 percent, compared with the three months ended December 31, 2009. This was largely attributable to the following:

General and administrative expenses increased by \$789,864, or 53.7 percent, primarily due to investment-related travel and sales-related conference and consulting fees.

Employee compensation increased by \$670,161, or 20.6 percent, primarily due to performance-based bonuses.

Advertising increased by \$145,052, or 46.2 percent, primarily as a result of increased marketing and sales activities.

**RESULTS OF OPERATIONS SIX MONTHS ENDED DECEMBER 31, 2010, AND 2009**

The Company posted net income of \$3,595,979 (\$0.23 income per share) for the six months ended December 31, 2010, compared with net income of \$2,904,559 (\$0.19 income per share) for the six months ended December 31, 2009, an increase of \$691,420, or 23.8 percent.

**Revenues**

Total consolidated revenues for the six months ended December 31, 2010, increased \$3,773,989, or 22.1 percent, compared with the six months ended December 31, 2009. This increase was primarily attributable to the following:

Mutual fund advisory fees increased by \$2,790,769, or 29.0 percent. Of that increase, mutual fund management fees contributed \$1,313,589, primarily due to market appreciation in the natural resources funds, while mutual fund performance fees contributed \$1,477,180. Performance fees are paid when there is a performance difference of 5 percent or more between a fund's performance and that of its designated benchmark index over the prior rolling 12 months. See Note 5 for additional information regarding performance fees.

Other advisory fees increased by \$961,197, or 485.0 percent, primarily as a result of an increase in offshore fund performance fees due to natural resources-related market appreciation of fund holdings.

Distribution fees increased by \$221,739, or 8.6 percent, as a result of increased assets under management.

The above increases in revenue were slightly offset by a decline in transfer agent fees of \$261,618 or 9.4 percent, due to a decline in the number of accounts and transactions in USGIF.

**Expenses**

Total consolidated expenses for the six months ended December 31, 2010, increased \$2,861,158, or 23.1 percent, compared with the six months ended December 31, 2009. This was largely attributable to the following:



**Table of Contents**

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

Page 18 of 25

General and administrative expenses increased by \$1,586,846, or 55.1 percent, primarily relating to investment-related travel, sales-related conference and consulting fees, and implementation of new investment management and trading software.

Employee compensation increased by \$689,294, or 11.6 percent, primarily due to performance-based bonuses. Advertising increased by \$539,356, or 130.7 percent, primarily as a result of increased marketing and sales activities.

**LIQUIDITY AND CAPITAL RESOURCES**

At December 31, 2010, the Company had net working capital (current assets minus current liabilities) of approximately \$29.6 million and a current ratio (current assets divided by current liabilities) of 6.3 to 1. With approximately \$23.3 million in cash and cash equivalents and approximately \$10.7 million in marketable securities, the Company has adequate liquidity to meet its current obligations. Total shareholders' equity was approximately \$38.5 million, with cash, cash equivalents, and marketable securities comprising 77.1 percent of total assets.

As of December 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 December 31, 2010, this credit facility remained unutilized by the Company.

Management believes current cash reserves, financing 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, 2010. 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.

**CRITICAL ACCOUNTING ESTIMATES**

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, 2010. As discussed in Note 1 of the Notes to Consolidated Financial Statements, the Company has adopted certain recently issued financial accounting pronouncements.

---



**Table of Contents**

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

Page 19 of 25

**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, 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.

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

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

	Fair Value at December 31, 2010	Hypothetical Percentage Change	Estimated Fair Value After Hypothetical Price Change	Increase (Decrease) in Shareholders Equity, Net of Tax
Trading securities <sup>1</sup>	\$5,875,757	25% increase	\$7,344,696	\$969,500
		25% decrease	\$4,406,818	(\$969,500)
Available-for-sale <sup>2</sup>	\$4,803,855	25% increase	\$6,004,819	\$792,636
		25% decrease	\$3,602,891	(\$792,636)

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

<sup>2</sup> 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 changes do not reflect what could be considered best- or worst-case scenarios. Results could be significantly different 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 December 31, 2010, was conducted under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2010.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended December 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.  
December 31, 2010, Quarterly Report on Form 10-Q

Page 20 of 25

**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, 2010. There has been no material changes since fiscal year end to the risk factors listed therein.

**ITEM 6. EXHIBITS**

1. Exhibits

- 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.  
December 31, 2010, Quarterly Report on Form 10-Q

Page 21 of 25

**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: February 2, 2011

BY: /s/ Frank E. Holmes

Frank E. Holmes  
Chief Executive Officer

DATED: February 2, 2011

BY: /s/ Catherine A.  
Rademacher

Catherine A. Rademacher  
Chief Financial Officer