

U S GLOBAL INVESTORS INC
Form 10-Q
November 12, 2015

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 September 30, 2015

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 No.)

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

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

(§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 November 2, 2015, there were 13,866,421 shares of Registrant’s class A nonvoting common stock issued and 13,239,021 shares of Registrant’s class A nonvoting common stock issued and outstanding, no shares of Registrant’s class B nonvoting common shares outstanding, and 2,069,127 shares of Registrant’s class C voting common stock issued and outstanding.

Table of Contents

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION	1
<u>ITEM 1. FINANCIAL STATEMENTS</u>	1
<u>CONSOLIDATED BALANCE SHEETS</u>	1
<u>CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)</u>	2
<u>CONSOLIDATED STATEMENTS 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>	18
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	22
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	23
PART II. OTHER INFORMATION	24
<u>ITEM 1A. RISK FACTORS</u>	24
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	24
<u>ITEM 5. OTHER INFORMATION</u>	24
<u>ITEM 6. EXHIBITS</u>	25
<u>SIGNATURES</u>	26

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

	September 30, 2015 (UNAUDITED)	June 30, 2015
Assets		
(dollars in thousands)		
Current Assets		
Cash and cash equivalents	\$ 4,474	\$ 3,507
Trading securities, at fair value	15,140	15,640
Receivables	654	1,837
Prepaid expenses	326	410
Total Current Assets	20,594	21,394
Net Property and Equipment	2,665	2,736
Other Assets		
Investment securities available-for-sale, at fair value	3,177	4,263
Other investments	2,303	2,303
Intangible assets, net	30	41
Other assets, long term	32	33
Total Other Assets	5,542	6,640
Total Assets	\$ 28,801	\$ 30,770
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 160	\$ 119
Accrued compensation and related costs	498	456
Dividends payable	115	231
Other accrued expenses	700	821
Total Current Liabilities	1,473	1,627
Commitments and Contingencies (Note 11)		
Shareholders' Equity		
Common stock (class A) - \$0.025 par value; nonvoting; authorized, 28,000,000 shares; issued, 13,866,421 at September 30, 2015, and June 30, 2015	347	347
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, 2,069,127 shares at September 30, 2015, and June 30, 2015	52	52
Additional paid-in-capital	15,683	15,694
Treasury stock, class A shares at cost; 610,977 and 555,786 shares at September 30, 2015, and June 30, 2015, respectively	(1,580)	(1,464)
Accumulated other comprehensive loss, net of tax	(1,148)	(483)

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

Retained earnings	13,441	14,423
Total U.S. Global Investors Inc. Shareholders' Equity	26,795	28,569
Non-Controlling Interest in Subsidiary	533	574
Total Shareholders' Equity	27,328	29,143
Total Liabilities and Shareholders' Equity	\$ 28,801	\$ 30,770

The accompanying notes are an integral part of these consolidated financial statements.

Page 1

Table of Contents

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(dollars in thousands, except per share data)	Three Months Ended September 30,	
	2015	2014
Operating Revenues		
Advisory fees	\$1,139	\$2,420
Distribution fees	245	463
Administrative services fees	111	208
Shareholder services fees	103	206
	1,598	3,297
Operating Expenses		
Employee compensation and benefits	1,466	1,578
General and administrative	981	1,178
Platform fees	342	680
Advertising	117	94
Depreciation	80	83
	2,986	3,613
Operating Loss	(1,388)	(316)
Other Income		
Investment income	534	220
Total Other Income	534	220
Loss Before Income Taxes	(854)	(96)
Provision for Federal Income Taxes		
Tax expense (benefit)	11	(7)
Net Loss	(865)	(89)
Less: Net Income Attributable to Non-Controlling Interest	3	39
Net Loss Attributable to U.S. Global Investors, Inc.	\$(868)	\$(128)
Basic Net Loss per Share	\$(0.06)	\$(0.01)
Diluted Net Loss per Share	\$(0.06)	\$(0.01)
Basic weighted average number of common shares outstanding	15,342,186	15,429,327
Diluted weighted average number of common shares outstanding	15,342,186	15,429,327

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(dollars in thousands)	Three Months Ended	
	2015	September 30, 2014
Net Loss Attributable to U.S. Global Investors, Inc.	\$(868) \$(128
Other Comprehensive Income (Loss), Net of Tax:		
Unrealized losses on available-for-sale securities arising during period	(113) (231
Less: reclassification adjustment for gains/losses included in net income	(471) (195
Net change from available-for-sale investments, net of tax	(584) (426
Foreign currency translation adjustment	(125) (78
Other Comprehensive Loss	(709) (504
Comprehensive Loss	(1,577) (632
Less: Comprehensive Loss Attributable to Non-Controlling Interest	(44) (28
Comprehensive Loss Attributable to U.S. Global Investors, Inc.	\$(1,533) \$(604

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(dollars in thousands)	Three Months Ended September 30,	
	2015	2014
Cash Flows from Operating Activities:		
Net loss	\$(865)	\$(89)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80	83
Net recognized loss on disposal of fixed assets	-	26
Net recognized gain on securities	(438)	(295)
Provision for deferred taxes	-	3
Stock bonuses	8	3
Changes in operating assets and liabilities:		
Accounts receivable	1,172	226
Prepaid and other assets	82	179
Trading securities	464	231
Accounts payable and accrued expenses	(23)	(477)
Total adjustments	1,345	(21)
Net cash provided by (used in) operating activities	480	(110)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(5)	(35)
Purchase of available-for-sale securities	-	(62)
Purchase of other investments	-	(1,000)
Proceeds on sale of available-for-sale securities	962	351
Return of capital on investment	13	6
Net cash provided by (used in) investing activities	970	(740)
Cash Flows from Financing Activities:		
Issuance of common stock	28	32
Repurchases of common stock	(163)	(59)
Dividends paid	(230)	(232)
Net cash used in financing activities	(365)	(259)
Effect of exchange rate changes on cash and cash equivalents	(118)	(67)
Net increase (decrease) in cash and cash equivalents	967	(1,176)
Beginning cash and cash equivalents	3,507	5,910
Ending cash and cash equivalents	\$4,474	\$4,734
Supplemental Disclosures of Cash Flow Information		
Cash paid for income taxes	\$-	\$-

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

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, 2015.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, United Shareholder Services, Inc. (“USSI”), U.S. Global Brokerage, Inc., U.S. Global Investors (Bermuda) Limited, U.S. Global Investors (Canada) Limited (“USCAN”), and U.S. Global Indices, LLC, and its 65% interest in Galileo Global Equity Advisor Inc. (“Galileo”).

Galileo is consolidated with the operations of the Company. The non-controlling interest in this subsidiary is included in “non-controlling interest in subsidiaries” in the equity section of the Consolidated Balance Sheets. Frank Holmes, CEO, and Susan McGee, President and General Counsel, serve as directors of Galileo.

The Company's evaluation for consolidation includes whether entities in which it has an interest are variable interest entities (“VIEs”) and whether the Company is the primary beneficiary of any VIEs identified in its analysis. A VIE is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) the group of holders of the equity investment at risk lack certain characteristics of a controlling financial interest. The primary beneficiary is the entity that has the power to direct the activities that most significantly impact the VIE’s economic performance and the obligation to absorb losses of or right to receive benefits from the VIE that could potentially be significant to the VIE. If the VIE qualifies for the investment company deferral, the primary beneficiary is the entity that has the obligation to absorb a majority of the expected losses or the right to receive the majority of the residual returns.

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, the funds it advises. The Company has determined that these entities qualify for the investment company deferral in Accounting Standards Codification (“ASC”) 810-10-65-2 (aa) and thus determines whether it is the primary beneficiary of these entities by virtue of its exposure to the expected losses and expected residual returns of the entity. The Company’s interests in these entities consist of the Company’s direct ownership therein, which in each case is insignificant to the total ownership of the fund, and any fees earned but uncollected. In the ordinary course of business, the Company may choose to waive certain fees or assume operating expenses of the funds it advises for competitive, regulatory or contractual reasons (see Note 4 for information regarding fee waivers). The Company has not provided financial support to any of these entities outside the ordinary course of business. The Company’s risk of loss with respect to these managed entities is limited to the carrying value of its investments in, and fees receivable from, the entities. The Company does not consolidate these VIEs because it is not the primary beneficiary of these VIEs.

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 three months ended September 30, 2015, 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.

Table of Contents

Recent Accounting Pronouncements

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements and Property, Plant, and Equipment - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (“ASU 2014-08”). ASU 2014-08 became effective for the Company on July 1, 2015. The adoption of ASU 2014-08 was not material to the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard in 2018.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (“ASU 2014-15”). This update requires an entity's management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). When conditions or events raise substantial doubts about an entity's ability to continue as a going concern, management shall disclose: i) the principal conditions or events that raise substantial doubt about the entity's ability to continue as a going concern; ii) management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations; and iii) management's plans that are intended to mitigate the conditions or events - and whether or not those plans alleviate the substantial doubt about the entity's ability to continue as a going concern. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and early application is permitted. Management does not currently anticipate that this update will have any impact on the Company's financial statement disclosures.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis (“ASU 2015-02”), which amends the consolidation requirements in ASC 810, Consolidation. This standard modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 is effective for fiscal years and interim periods within those years beginning after December 15, 2015, and requires either a retrospective or a modified retrospective approach to adoption. Early adoption is permitted. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements, as well as the available transition methods.

In May 2015, the FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (“ASU 2015-07”). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The update is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015, and early adoption is permitted. The update requires the retrospective adoption approach. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

Table of Contents

NOTE 2. INVESTMENTS

As of September 30, 2015, the Company held investments with a fair value of approximately \$18.3 million and a cost basis of approximately \$20.2 million. The fair value of these investments is approximately 63.6% of the Company's total assets. In addition, the Company held other investments of \$2.3 million accounted for under the cost method of accounting. On September 30, 2015, the Company had \$16.2 million and \$349,000 at fair value invested in USGIF and an offshore fund the Company advises, respectively. These amounts were included in the Consolidated Balance Sheet as "trading securities" and "available-for-sale securities."

Investments in securities classified as trading are reflected as current assets on the Consolidated Balance Sheets at their fair value. Unrealized holding gains and losses on trading securities are included in earnings in the Consolidated Statements of Operations.

Investments in securities classified as available-for-sale, which may not be readily marketable, are reflected as non-current assets on the Consolidated Balance Sheets 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.

Other investments consist of equity investments in entities over which the Company is unable to exercise significant influence and which do not have readily determinable fair values. These investments are accounted for under the cost method of accounting and evaluated for impairment.

The Company considers many factors in determining impairment, including the severity and duration of the decline in value below cost, the Company's interest and ability to hold the security for a period of time sufficient for an anticipated recovery in value, and the financial condition and specific events related to the issuer. When an impairment of a security is determined to be other-than-temporary, the impairment is recognized in earnings.

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.

Table of Contents

The following details the components of the Company's investments recorded as fair value as of September 30, 2015, and June 30, 2015.

(dollars in thousands)	Cost	September 30, 2015		Fair Value
		Gains	(Losses)	
Trading securities¹				
Offshore fund	\$ 1,184	\$ -	\$ (835)	\$ 349
Mutual funds - Fixed income	14,291	134	(1)	14,424
Mutual funds - Domestic equity	535	-	(168)	367
Other	46	-	(46)	-
Total trading securities	\$ 16,056	\$ 134	\$ (1,050)	\$ 15,140
Available-for-sale securities²				
Common Stock - Domestic	\$ 109	\$ -	\$ (11)	\$ 98
Common Stock - International	659	58	(82)	635
Corporate debt	1,394	-	(750)	644
Mutual funds - Fixed income	1,229	14	(32)	1,211
Mutual funds - Domestic equity	543	-	(110)	433
Other	166	-	(10)	156
Total available-for-sale securities³	\$ 4,100	\$ 72	\$ (995)	\$ 3,177

(dollars in thousands)	Cost	June 30, 2015		Fair Value
		Gains	(Losses)	
Trading securities¹				
Offshore fund	\$1,184	\$-	\$(703)	\$481
Mutual funds - Fixed income	14,691	68	(5)	14,754
Mutual funds - Domestic equity	535	-	(130)	405
Other	81	-	(81)	-
Total trading securities	\$16,491	\$68	\$(919)	\$15,640
Available-for-sale securities²				
Common Stock - Domestic	\$535	\$316	\$(9)	\$842
Common Stock - International	695	309	(39)	965
Corporate debt	1,433	-	(817)	616
Mutual funds - Fixed income	1,227	9	(22)	1,214
Mutual funds - Domestic equity	543	-	(80)	463
Other	169	1	(7)	163
Total available-for-sale securities³	\$4,602	\$635	\$(974)	\$4,263

- 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.
- 3 Net unrealized gains (losses) on available-for-sale securities gross and net of tax as of September 30, 2015, are \$(923) and \$(923), respectively, and as of June 30, 2015, are (\$339) and (\$339), respectively.

Table of Contents

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:

(dollars in thousands)	Less Than 12 Months		September 30, 2015 12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities						
Common stock - Domestic	\$ -	\$ -	\$ 98	\$ (11)	\$ 98	\$ (11)
Common stock - International	154	(25)	89	(57)	243	(82)
Corporate debt	-	-	431	(750)	431	(750)
Mutual funds - Fixed income	63	(13)	134	(19)	197	(32)
Mutual funds - Domestic equity	433	(110)	-	-	433	(110)
Other	155	(10)	-	-	155	(10)
Total available-for-sale securities	\$ 805	\$ (158)	\$ 752	\$ (837)	\$ 1,557	\$ (995)

(dollars in thousands)	Less Than 12 Months		June 30, 2015 12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities						
Common stock - Domestic	\$ 77	\$ (7)	\$ 107	\$ (2)	\$ 184	\$ (9)
Common stock - International	114	(23)	39	(16)	153	(39)
Corporate debt	386	(817)	-	-	386	(817)
Mutual funds - Fixed income	67	(7)	139	(15)	206	(22)
Mutual funds - Domestic equity	463	(80)	-	-	463	(80)
Other	112	(7)	-	-	112	(7)
Total available-for-sale securities	\$ 1,219	\$ (941)	\$ 285	\$ (33)	\$ 1,504	\$ (974)

Investment income can be volatile and varies depending on market fluctuations, the Company's ability to participate in investment opportunities, and timing of transactions. 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:

(dollars in thousands)	Three Months Ended September 30,	
	2015	2014
Investment Income		
Realized gains on sales of available-for-sale securities	\$ 531	\$ 295
Realized losses on sales of trading securities	(35)	-
Unrealized losses on trading securities	(64)	(231)
Realized foreign currency gains	35	20
Other-than-temporary declines in available-for-sale securities	(60)	-
Dividend and interest income	127	136
Total Investment Income	\$ 534	\$ 220

Table of Contents

Included in investment income were other-than temporary declines in value on available-for-sale corporate debt securities of approximately \$60,000 for the three months ended September 30, 2015. The impairment loss resulted from fair values of securities being lower than book value and proposed changes to debt securities. Three securities with a combined cost basis of \$49,000 were written down to a combined fair value of \$12,000. Another security was written down to the net present value of estimated cash flows. This security had a cost basis of \$970,000 and was written down to \$947,000. In making these determinations, the Company considered the length of time and extent to which the fair value has been less than cost basis, financial condition and prospects of the issuers and the Company's ability to hold the investment until recovery.

NOTE 3. FAIR VALUE DISCLOSURES

ASC 820, Fair Value Measurement and Disclosures, 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.

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 for which not all significant inputs are observable, directly or indirectly. Corporate debt securities valued in accordance with the evaluated price supplied by an independent service are categorized as Level 2 in the hierarchy. Other securities categorized as Level 2 include securities valued at the mean between the last reported bid and ask quotation.

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. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with the investing in those securities. Because of the inherent uncertainties of valuation, the values reflected may materially differ from the values received upon actual sale of those investments.

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 traded on the last business day of the quarter, it is generally valued at the mean between the last bid and ask quotation. Mutual funds, which include open- and closed-end funds, exchange-traded funds, and offshore funds, are valued at net asset value or closing price, as applicable. Certain corporate debt securities are valued by an independent pricing service using an evaluated quote based on such factors as institutional-size trading in similar groups of securities, yield, quality maturity, coupon rate, type of issuance and individual trading characteristics and other market data. As part of its independent price verification process, the Company reviews the fair value provided by the pricing service using information such as transactions in these investments, broker quotes, market transactions in comparable investments, general market conditions and the issuer's financial condition. Debt securities that are not valued by an independent pricing service are valued based on review of similarly structured issuances in similar jurisdictions, when possible, or based on other traded debt securities issued by the issuer. The Company also takes into consideration numerous other factors that could affect valuation such as overall market conditions, liquidity of the security and bond structure. Securities for which market quotations are not readily available are valued at their fair value as determined by the portfolio

management team. The portfolio management team includes representatives from the investment, accounting and legal/compliance departments. The portfolio management team meets periodically to consider a number of factors in determining a security's fair value, including the security's trading volume, market values of similar class issuances, investment personnel's judgment regarding the market experience of the issuer, financial status of the issuer, the issuer's management, and back testing, as appropriate. The fair values may differ from what may have been used had a broader market for these securities existed. The portfolio management team reviews inputs and assumptions and reports material items to the board of directors.

Table of Contents

The following presents fair value measurements, as of September 30, 2015, and June 30, 2015, for the major categories of U.S. Global's investments measured at fair value on a recurring basis:

(dollars in thousands)	September 30, 2015			Total
	Quoted Prices (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Trading securities				
Offshore fund	\$ -	\$ 349	\$ -	\$ 349
Mutual funds - Fixed income	14,424	-	-	14,424
Mutual funds - Domestic equity	367	-	-	367
Other	-	-	-	-
Total trading securities	14,791	349	-	15,140
Available-for-sale securities				
Common stock - Domestic	\$ 98	\$ -	\$ -	\$ 98
Common stock - International	625	10	-	635
Corporate debt	-	85	559	644
Mutual funds - Fixed income	1,211	-	-	1,211
Mutual funds - Domestic equity	433	-	-	433
Other	156	-	-	156
Total available-for-sale securities	2,523	95	559	3,177
Total	\$ 17,314	\$ 444	\$ 559	\$ 18,317

(dollars in thousands)	June 30, 2015			Total
	Quoted Prices (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Trading securities				
Offshore fund	\$ -	\$ 481	\$ -	\$ 481
Mutual funds - Fixed income	14,754	-	-	14,754
Mutual funds - Domestic equity	405	-	-	405
Other	-	-	-	-
Total trading securities	15,159	481	-	\$ 15,640
Available-for-sale securities				
Common stock - Domestic	\$ 842	\$ -	\$ -	\$ 842
Common stock - International	965	-	-	965
Corporate debt	-	77	539	616
Mutual funds - Fixed income	1,214	-	-	1,214
Mutual funds - Domestic equity	463	-	-	463
Other	163	-	-	163
Total available-for-sale securities	3,647	77	539	4,263
Total	\$ 18,806	\$ 558	\$ 539	\$ 19,903

Table of Contents

As of September 30, 2015, approximately 95 percent of the Company's financial assets measured at fair value are derived from Level 1 inputs, two percent of the Company's financial assets measured at fair value are derived from Level 2 inputs, and the remaining three percent are Level 3 inputs. As of June 30, 2015, approximately 94 percent of the Company's financial assets measured at fair value are derived from Level 1 inputs, three percent of the Company's financial assets measured at fair value are derived from Level 2 inputs, and the remaining three percent are Level 3 inputs. The Company had transfers from Level 1 to Level 2 in the amount of \$10,000 due to securities valued at quoted price less a discount at September 30, 2015, and which were valued at a quoted price at the prior period end. The Company recognizes transfers between levels at the end of each quarter.

In Level 2, the Company has an investment in an affiliated offshore fund, classified as trading, with a fair value of \$349,000 as of September 30, 2015, based on the net asset value per share, which 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.

In addition, the Company has investments in corporate debt securities of \$85,000 as of September 30, 2015, categorized as Level 2, which the Company valued using the mean between the last reported bid ask quotation.

The corporate debt in Level 3 is valued based on review of similarly structured issuances in similar jurisdictions. At September 30, 2015, the Level 3 corporate debt is valued at cost, which approximates fair value as a result of the Company's review of similar structured issuances in similar jurisdictions, or valued based on traded issuances from the issuer.

The following table is a reconciliation of investments for which unobservable inputs (Level 3) were used in determining fair value during the three months ended September 30, 2015, and September 30, 2014:

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis		
	September 30, 2015	September 30, 2014
(dollars in thousands)	Corporate Debt	Corporate Debt
Beginning Balance	\$ 539	\$ 250
Return of capital	(13)	(6)
Total gains or losses (realized/unrealized)		
Included in earnings (investment income)	(23)	-
Included in other comprehensive income (loss)	56	6
Purchases	-	-
Sales	-	-
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Ending Balance	\$ 559	\$ 250

NOTE 4. INVESTMENT MANAGEMENT, TRANSFER AGENT AND OTHER FEES

The Company serves as investment adviser to U.S. Global Investors Funds ("USGIF" or the "Funds") and receives a fee based on a specified percentage of net assets under management. The Company recorded base advisory fees from USGIF totaling \$885,000 and \$1.9 million for the three months ended September 30, 2015 and 2014, respectively.

The advisory agreement for the equity funds within USGIF provides for a base advisory fee that 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 months ended September 30, 2015 and 2014, the Company realized a decrease in its base advisory fee of \$168,000 and \$183,000, respectively.

The Company has agreed to contractually limit the expenses of the Near-Term Tax Free Fund through April 2016. The Company has voluntarily waived or reduced its fees and/or agreed to pay expenses on the remaining funds. These caps will continue on a voluntary basis at the Company's discretion. The aggregate fees waived and expenses borne by the Company for USGIF for the three months ended September 30, 2015 and 2014, were \$378,000 and \$277,000, respectively.

Prior to the U.S. Government Securities Savings Fund conversion, the Company voluntarily agreed to waive fees and/or reimburse the Government Fund to the extent necessary to maintain the respective fund's yield at a certain level as determined by the Company ("Minimum Yield"). The Company may recapture any fees waived and/or expenses reimbursed to maintain the Minimum Yield within three years after the end of the fund's fiscal year of such waiver and/or reimbursement. Thus, \$510,000 of the waiver for the Government Fund is recoverable by the Company through December 31, 2015; and \$498,000 through December 31, 2016.

USGIF pays the Company a distribution fee at an annual rate of 0.25 percent of the average daily net assets of the investor class of each of the equity funds.

Table of Contents

The Company receives shareholder servicing fees from USGIF based on the value of assets held through broker-dealer platforms.

Effective in December 2013, administrative service fees paid to the Company by USGIF changed from an annual rate of 0.08 percent to 0.10 percent per investor class and from 0.06 percent to 0.08 percent per institutional class of each fund, based on average daily net assets, plus \$10,000 per fund per year. Effective November 1, 2014, the per fund fee changed to \$7,000 per year.

As of September 30, 2015, the Company had \$563,000 of receivables from USGIF included in the Consolidated Balance Sheets within “receivables.”

The Company also serves as investment adviser to an exchange traded fund (“ETF”) client, U. S. Global Jets ETF, that commenced operations in April 2015. The Company receives a unitary management fee of 0.60 percent of average net assets and has agreed to bear all expenses of the ETF. The Company recorded ETF advisory fees totaling \$70,000 for the three months ended September 30, 2015.

The Company provides advisory services for two offshore clients and received 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 \$22,000 and \$47,000 for the three months ended September 30, 2015 and 2014. Frank Holmes, CEO, serves as a director of the offshore clients.

Galileo provides advisory services for clients and receives advisory fees based on the net asset values of the clients. Galileo recorded advisory fees from these clients totaling \$330,000 and \$662,000 for the three months ended September 30, 2015 and 2014, respectively.

NOTE 5. BORROWINGS

As of September 30, 2015, the Company has no borrowings or long-term liabilities.

The Company has access to a \$1 million credit facility, which can be utilized for working capital purposes and is available through May 31, 2016. The credit agreement requires the Company to maintain certain quarterly financial covenants to access the line of credit. The Company has been in compliance with all financial covenants during the fiscal year. As of September 30, 2015, this credit facility remained unutilized by the Company.

NOTE 6. STOCKHOLDERS’ EQUITY

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 \$0.0025 per share is authorized through December 31, 2015, and will be reviewed by the board quarterly.

The Board of Directors approved a share repurchase program on December 7, 2012, authorizing the Company to purchase up to \$2.75 million of its outstanding common shares, as market and business conditions warrant, on the open market in compliance with Rule 10b-18 of the Securities Exchange Act of 1934 through December 31, 2013. On December 12, 2013, and December 10, 2014, the Board of Directors renewed the repurchase program for calendar year 2014 and 2015, respectively. The total amount of shares that may be repurchased in 2015 under the renewed program is \$2.75 million. The acquired shares may be used for corporate purposes, including shares issued to employees in the Company’s stock-based compensation programs. For the three months ended September 30, 2015 and 2014, the Company repurchased 73,021 and 16,793 class A shares using cash of \$163,000 and \$59,000, respectively.

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. Options outstanding and exercisable at September 30, 2015, were 22,000 at a weighted average exercise price of \$18.72. There were no options granted, exercised or forfeited for the three months ended September 30, 2015.

The Company accounts for stock-based compensation in accordance with ASC 718 Compensation – Stock Compensation. Stock-based compensation expense is recorded for the cost of stock options. There was no stock-based compensation expense for the three months ended September 30, 2015 and 2014. As of September 30, 2015 and 2014, there was no unrecognized share-based compensation cost related to share-based compensation granted under the plans to be recognized over the remainder of their respective vesting periods.

Table of Contents

NOTE 7. 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:

(dollars in thousands, except per share data)	Three Months Ended September 30,	
	2015	2014
Net loss attributable to U.S. Global Investors, Inc.	\$ (868)	\$ (128)
Weighted average number of outstanding shares		
Basic	15,342,186	15,429,327
Effect of dilutive securities		
Employee stock options	-	-
Diluted	15,342,186	15,429,327
Loss per share attributable to U.S. Global Investors, Inc.		
Basic	\$ (0.06)	\$ (0.01)
Diluted	\$ (0.06)	\$ (0.01)

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 months ended September 30, 2015 and 2014, 22,000 options were excluded from diluted EPS.

During the three months ended September 30, 2015 and 2014, the Company repurchased class A shares on the open market. Upon repurchase, these shares are classified as treasury shares and are deducted from outstanding shares in the earnings per share calculation.

NOTE 8. INCOME TAXES

The Company and its non-Canadian subsidiaries file a consolidated U.S. federal income tax return. USCAN and Galileo file separate tax returns in Canada. 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. The long-term deferred tax asset is composed primarily of unrealized losses and other-than-temporary impairments on available-for-sale securities, differences in tax and book accumulated depreciation and the difference in tax treatment of stock options. The Company has not recognized deferred income taxes on undistributed earnings of USCAN and Galileo since such earnings are considered to be reinvested indefinitely.

For federal income tax purposes at September 30, 2015, the Company has charitable contribution carryovers totaling approximately \$122,000 with \$68,000 expiring in fiscal year 2018, \$34,000 expiring in fiscal year 2019, \$19,000

expiring in fiscal year 2020 and \$1,000 expiring in 2021. The Company has federal net operating loss carryovers of \$3.772 million with \$3.0 million expiring in fiscal year 2035 and \$772,000 expiring in fiscal year 2036. For Canadian income tax purposes, Galileo has cumulative eligible capital carryovers of \$246,000 with no expiration and net operating loss carryovers of \$64,000, \$116,000, \$43,000, and \$39,000 expiring in fiscal 2025, 2027, 2029 and 2030, respectively. If certain changes in the Company's ownership should occur, there could be an annual limitation on the amount of net operating loss carryovers that could be utilized.

Table of Contents

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax amount will not be realized. At September 30, 2015, and June 30, 2015, a valuation allowance of \$2,362,000 and \$2,073,000, respectively, was included related to net operating loss carryovers, other carryovers and book/tax differences in the balance sheet.

NOTE 9. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents change in accumulated other comprehensive income (loss) ("AOCI") by component:

(dollars in thousands)	Unrealized gains (losses) on		Total
	available-for-sale investments 1	Foreign currency adjustment	
Balance at June 30, 2015	\$ (339)	\$ (144)	\$ (483)
Other comprehensive loss before reclassifications	(113)	(81)	(194)
Tax effect	-	-	-
Amount reclassified from AOCI	(471)	-	(471)
Tax effect	-	-	-
Net other comprehensive loss for quarter	(584)	(81)	(665)
Balance at September 30, 2015	\$ (923)	\$ (225)	\$ (1,148)

(dollars in thousands)	Unrealized gains (losses) on		Total
	available-for-sale investments 1	Foreign currency adjustment	
Balance at June 30, 2014	\$ 888	\$ 18	\$ 906
Other comprehensive loss before reclassifications	(350)	(50)	(400)
Tax effect	119	-	119
Amount reclassified from AOCI	(295)	-	(295)
Tax effect	100	-	100
Net other comprehensive loss for 2014	(426)	(50)	(476)
Balance at September 30, 2014	\$ 462	\$ (32)	\$ 430

1 Amounts reclassified from unrealized gains (losses) on available-for-sale investments, net of tax, were recorded in investment income (loss) on the Consolidated Statements of Operations.

Table of Contents

NOTE 10. FINANCIAL INFORMATION BY BUSINESS SEGMENT

The Company operates principally in three business segments: providing investment management services to USGIF, offshore clients and an ETF client, investment management services in Canada, 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:

(dollars in thousands)	Investment Management Services	Investment Management Services - Canada	Corporate Investments	Consolidated
Three months ended September 30, 2015				
Net operating revenues	\$ 1,268	1 \$ 330	2 \$ -	\$ 1,598
Net other income	\$ -	\$ -	\$ 534	\$ 534
Income (loss) before income taxes	\$ (1,335)	\$ (45)	\$ 526	\$ (854)
Depreciation and amortization	\$ 64	\$ 16	\$ -	\$ 80
Capital expenditures	\$ 5	\$ -	\$ -	\$ 5
Gross identifiable assets at September 30, 2015				
	\$ 6,259	\$ 1,686	\$ 20,856	\$ 28,801
Deferred tax asset				\$ -
Consolidated total assets at September 30, 2015				
				\$ 28,801
Three months ended September 30, 2014				
Net operating revenues	\$ 2,635	1 \$ 662	2 \$ -	\$ 3,297
Net other income	\$ -	\$ -	\$ 220	\$ 220
Income (loss) before income taxes	\$ (384)	\$ 68	\$ 220	\$ (96)
Depreciation	\$ 63	\$ 20	\$ -	\$ 83
Capital expenditures	\$ 35	\$ -	\$ -	\$ 35

1 Includes operating revenues from USGIF of \$1,176 and \$2,588 for the three months ended September 30, 2015 and September 30, 2014, respectively.

2 Includes operating revenues from Galileo Funds of \$267 and \$545; and other advisory clients of \$61 and \$113 for the three months ended September 30, 2015 and September 30, 2014, respectively.

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.

The Board has authorized a monthly dividend of \$0.0025 per share through December 31, 2015, 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 expected to be paid to class A and class C shareholders from October to December 2015 is approximately \$115,000.

Table of Contents

NOTE 12. SUBSEQUENT EVENTS

On November 12, 2015, a proxy statement and notice of a special meeting of USGIF shareholders, to be held on December 9, 2015, was filed with the SEC. The purpose of the special meeting is to ask the shareholders of the Funds to elect a new slate of trustees to the Board of Trustees of the Funds. If successful, such action would facilitate the Funds becoming part of the family of funds that receive administrative, fund accounting and transfer agency services from Atlantic Fund Services (“Atlantic”). Transitioning the Funds to the Atlantic-sponsored family of funds may enable the Funds to realize certain operational economies of scale. The Company and the current Board of Trustees of the Funds endorse this proposal.

If the proposed trustees are elected, it is anticipated that Atlantic will, over time, provide administrative, fund accounting and transfer agency services to the Funds. A revised administration agreement between the Funds and the Company is anticipated whereby the Company will provide reduced administrative services to the Funds than it currently provides, and at a reduced fee level. For the three months ending September 30, 2015, revenue from administrative fees was \$111,000. The estimated administrative fees for the quarter ending September 30, 2015, if the revised agreement had been in place before July 1, 2015, would have been approximately \$50,000. There is no assurance, however, that the new Board will approve the revised agreement. The Company will continue to provide the day-to-day investment management of the Funds pursuant to the investment advisory agreement currently in effect.

It is anticipated that a third-party will become the distributor for the Funds. Therefore, the Company’s wholly-owned subsidiary, U.S. Global Brokerage, Inc., will cease to be the distributor for the Funds and will no longer receive distribution fees and shareholder services fees from the Funds. The Company expects to be reimbursed for certain platform expenses and other distribution-related expenses, thereby reducing the Company’s expenses. For the three months ending September 30, 2015, revenue from distribution fees and shareholder services fees were \$245,000 and \$103,000, respectively.

It is also anticipated that certain other expenses of the Funds will be reduced upon implementation of the proposal. The Company currently waives or reduces its fees and/or agrees to pay expenses of the Funds above a certain amount. If the proposal is approved and expenses of the Funds are reduced, the Company expects that the fees it waives or expenses it pays to cap the Funds’ expenses will decrease. The Company will review and streamline processes and costs related to the reduction in services and responsibilities to the Funds. All costs related to the proposal will be split equally between the Company and the Funds, with the Funds’ portion exclusive of each Fund’s expense cap. The total costs are estimated to be approximately \$660,000, but could be higher or lower. The Company’s portion, approximately \$330,000, is expected to be included as an expense in the quarter ending December 31, 2015.

Table of Contents

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 three business segments: (1) the Company offers a broad range of investment management products and services to meet the needs of individual and institutional investors; (2) the Company, through its Canadian subsidiary, owns a 65% controlling interest in Galileo Global Equity Advisors Inc. ("Galileo"), which offers investment management products and services in Canada; and (3) 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 segments, the Company holds a significant amount of its total assets in investments. The following is a brief discussion of the Company's three business segments.

Investment Management Services

The Company generates operating revenues from managing and servicing U.S. Global Investors Funds ("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. Detailed information regarding the funds managed by the Company within USGIF can be found on the Company's website, www.usfunds.com, including performance information for each USGIF fund for various time periods, assets under management as of the most recent quarter end and inception date of each fund.

The mutual fund shareholders in USGIF are not required to give advance notice prior to redemption of shares in the funds; however, the equity funds charge a redemption fee if the fund shares have been held for less than the applicable periods of time set forth in the funds' prospectuses. The fixed income funds do not charge a redemption fee. Detailed information about redemption fees can be found in the funds' prospectuses, which are available on the Company's website, www.usfunds.com.

Beginning in April 2015, the Company provides advisory services for an exchange traded fund ("ETF") client and receives monthly advisory fees, based on the net asset values of the fund. Information on the ETF can be found at www.usglobletfs.com, including the prospectus, performance and holdings.

The Company provides advisory services for two offshore clients and received 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. Frank Holmes, CEO, serves as a director of the offshore clients.

Table of Contents

At September 30, 2015, total assets under management as of period-end, including USGIF, offshore clients and the ETF client, were \$565.3 million versus \$824.6 million at September 30, 2014, a decrease of 31.4 percent. During the three months ended September 30, 2015, average assets under management were \$597.3 million versus \$918.1 million during the three months ended September 30, 2014. Total assets under management as of period-end at September 30, 2015, were \$565.3 million versus \$641.6 million at June 30, 2015, the Company's prior fiscal year end.

The following tables summarize the changes in assets under management for USGIF for the three months ended September 30, 2015, and 2014:

Changes in Assets Under Management Three Months Ended September 30, 2015					
(dollars in thousands)	Equity		Fixed Income		Total
Beginning Balance	\$	442,243	\$	148,583	\$ 590,826
Market appreciation					
(depreciation)		(55,267)		918	(54,349)
Dividends and distributions		-		(390)	(390)
Net shareholder redemptions		(22,004)		(1,464)	(23,468)
Ending Balance	\$	364,972	\$	147,647	\$ 512,619
Average investment management fee		0.89 %		0.00 %	0.65 %
Average net assets	\$	393,163	\$	147,963	\$ 541,126

Changes in Assets Under Management Three Months Ended September 30, 2014					
(dollars in thousands)	Equity		Fixed Income		Total
Beginning Balance	\$	815,368	\$	130,560	\$ 945,928
Market appreciation					
(depreciation)		(111,834)		223	(111,611)
Dividends and distributions		-		(426)	(426)
Net shareholder purchases (redemptions)		(32,641)		4,817	(27,824)
Ending Balance	\$	670,893	\$	135,174	\$ 806,067
Average investment management fee		0.98 %		0.00 %	0.84 %
Average net assets	\$	765,539	\$	132,003	\$ 897,542

As shown above, period-end assets under management were lower at September 30, 2015, compared to September 30, 2014. Also, average net assets for the three-month period in the current fiscal year were lower than the same period in the previous fiscal year. Net shareholder redemptions and market depreciation resulted in an overall decrease in net assets.

The average annualized investment management fee rate (total mutual fund advisory fees, excluding performance fees, as a percentage of average assets under management) was 65 basis points in the first quarter of fiscal 2016 and 84 basis points in the same period in fiscal 2015. The average investment management fee for the equity funds in the first quarter of fiscal 2016 year was 89 basis points and 98 basis points in the same period in fiscal 2015. The average investment management fee for the fixed income funds was nil for the periods. This is due to fee waivers on these

funds as discussed in Note 4 to the financial statements.

Table of Contents

Investment Management Services - Canada

The Company owns a 65% controlling interest in Galileo Global Equity Advisors Inc., a privately held Toronto-based asset management firm which offers investment management products and services in Canada. 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.

At September 30, 2015, total Galileo assets under management as of period-end were \$113.9 million versus \$226.4 million at September 30, 2014, a decrease of 49.7 percent. During the three months ended September 30, 2015, average assets under management were \$126.6 million versus \$244.9 million during the three months ended September 30, 2014. Total assets under management as of period-end at September 30, 2015, were \$113.9 million versus \$150.7 million at June 30, 2015, the Company's prior fiscal year end.

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 September 30, 2015, the Company held investments with a fair value of approximately \$18.3 million and a cost basis of approximately \$20.2 million. The fair value of these investments is approximately 63.6% of the Company's total assets. In addition, the Company held other investments of \$2.3 million. See Note 2 (Investments) and Note 3 (Fair Value Disclosures) for additional detail regarding investment activities.

RESULTS OF OPERATIONS – Three months ended September 30, 2015, and 2014

The Company posted a net loss attributable to U.S. Global Investors, Inc. of \$868,000 (\$0.06 per share loss) for the three months ended September 30, 2015, compared with a net loss attributable to U.S. Global Investors, Inc. of \$128,000 (\$0.01 per share loss) for the three months ended September 30, 2014, an increase in net loss of \$740,000. The increase in net loss is mainly due to the decrease in revenues, somewhat offset by the decrease in expenses. Revenues are primarily based on assets under management ("AUM"). AUM is dependent on market values of the securities held by the funds and purchases and redemptions in the funds. Over the last few years, the Company's AUM has decreased due to market depreciation and net redemptions. The continuation of this trend is dependent on several factors, including the markets in which the funds invest and competition from alternative products. To address the AUM trend, the Company continues to streamline processes, as appropriate, and reduce expenses accordingly.

Table of Contents

Operating Revenues

Total consolidated operating revenues for the three months ended September 30, 2015, decreased \$1,699,000, or 51.5 percent, compared with the three months ended September 30, 2014. This decrease was primarily attributable to the following:

- Advisory fees decreased by \$1,281,000, or 53.0 percent, as a result of decreased fees due to lower assets under management and higher performance fee adjustments somewhat offset by the ETF advisory fees. Mutual fund advisory fees are comprised of two components: a base management fee and a performance fee. The performance fee, which applies to the USGIF equity funds only, is a fulcrum fee that 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.
- Base management fees decreased \$1,296,000. Base fees decreased primarily as a result of lower assets under management in the USGIF funds and Galileo funds due to market depreciation and shareholder redemptions, somewhat offset by the addition of ETF advisory fees.
- Performance fee adjustments paid out in the current period decreased \$15,000 versus the corresponding period in the prior year.
- Distribution fee revenue, shareholder services fee revenue and administrative services fee revenue decreased by \$218,000; \$103,000 and \$97,000 or 47.1 percent, 50.0 percent and 46.6 percent, respectively, as a result of lower average net assets under management upon which these fees are based.

Operating Expenses

Total consolidated operating expenses for the three months ended September 30, 2015, decreased \$627,000, or 17.4 percent, compared with the three months ended September 30, 2014. This was largely attributable to the following:

- Employee compensation and benefits decreased by \$112,000, or 7.1 percent, primarily as a result of lower performance-based bonuses and fewer employees.
- General and administrative expenses decreased \$197,000, or 16.7 percent, primarily due strategic cost cutting measures.
 - Platform fees decreased by \$338,000, or 49.7 percent, due to lower assets held through broker-dealer platforms.

Other Income

Total consolidated other income for the three months ended September 30, 2015, increased \$314,000, or 142.7 percent, compared with the three months ended September 30, 2014. This was largely attributable to an increase in realized gains on sales of available-for-sale securities and lower unrealized losses on trading securities in the current year.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2015, the Company had net working capital (current assets minus current liabilities) of approximately \$19.1 million and a current ratio (current assets divided by current liabilities) of 14.0 to 1. With approximately \$4.5 million in cash and cash equivalents and approximately \$18.3 million in marketable securities, the Company has adequate liquidity to meet its current obligations. Total U.S. Global Investors, Inc. shareholders' equity is approximately \$26.8 million, with cash, cash equivalents, and marketable securities comprising 79.1 percent of total assets. Approximately \$1.6 million in cash and investments in USCAN and Galileo are included in the amounts above. USGI would be required to accrue and pay taxes to repatriate (i.e., bring back into the U.S.) these funds, and there is no current intention to repatriate.

Table of Contents

As of September 30, 2015, the Company has no long-term debt; thus, the Company's only material commitment going forward is for operating expenses. The Company also has access to a \$1 million credit facility, which can be utilized for working capital purposes and is available through May 31, 2016. The credit agreement requires the Company to maintain certain quarterly financial covenants to access the line of credit. The Company has been in compliance with all financial covenants during the current fiscal year. As of September 30, 2015, this credit facility remained unutilized by the Company.

The investment advisory and related contracts between the Company or its subsidiaries and USGIF have been renewed through September 2016. The investment advisory contract between the Company and the ETF client is in its initial two-year term and will not expire until 2017. With respect to the Company's two offshore advisory clients, the contracts between the Company and these offshore clients expire periodically, and management anticipates that its offshore clients will renew the contracts. Galileo's investment management agreement with Canadian registered mutual funds may be terminated each September 30 with a 180-day prior notice of unitholders' resolution. Galileo's advisory agreements with other advisory clients can be terminated upon 30-day written notice.

The primary cash requirements are for operating activities. The Company also uses cash to purchase investments, pay dividends and repurchase Company stock. The cash outlays for investments and dividend payments are discretionary and management or the Board may discontinue as deemed necessary. The stock repurchase plan is approved through December 31, 2015. Although the Company had net loss of \$868,000 for the quarter ended September 30, 2015, cash and marketable securities of approximately \$18.3 million are available to fund current activities. As discussed in Note 12 of the financial statements, the shareholders of the Funds are being asked to elect a new slate of trustees to the Board of Trustees for the Funds. If the Company-endorsed proposal is approved, the Company anticipates a reduction in certain revenues and expenses. The Company's estimated portion of the proposal expenses, approximately \$330,000, is expected to be included in expenses in the quarter ending December 31, 2015. Management believes current cash reserves, investments, and financing available will be sufficient to meet foreseeable cash needs for operating activities.

CRITICAL ACCOUNTING ESTIMATES

For a discussion of other 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, 2015. As discussed in Note 1 of the Notes to Consolidated Financial Statements, the Company has adopted certain recently issued financial accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's Consolidated Balance Sheets includes assets whose fair value is subject to market risks. Due to the Company's investments in securities recorded at fair value, price fluctuations represent a market risk factor affecting the Company's consolidated financial position. The carrying values of investments subject to 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.

Table of Contents

The table below summarizes the Company's price risks as of September 30, 2015, and shows the effects of a hypothetical 25 percent increase and a 25 percent decrease in market prices.

(dollars in thousands)	Fair Value at September 30, 2015	Hypothetical Percentage Change	Estimated Fair Value After Hypothetical Price Change	Increase (Decrease) in Shareholders' Equity, Net of Tax
Trading securities ¹	\$ 15,140	25% increase	\$ 18,925	\$ 3,785
		25% decrease	\$ 11,355	\$ (3,785)
Available-for-sale ²	\$ 3,177	25% increase	\$ 3,971	\$ 794
		25% decrease	\$ 2,383	\$ (794)

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 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 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 September 30, 2015, 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 September 30, 2015.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

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, 2015. There have been no material changes since fiscal year end to the risk factors listed therein.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

(dollars in thousands,
except price data)

Period	Total Number of Shares Purchased ¹	Total Amount Purchased	Average Price Paid Per Share ²	Total Number of Shares Purchased as Part of Publicly Announced Plan ³	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
07-01-15 to 07-31-15	45,682	\$ 108	\$ 2.35	45,682	\$ 2,557
08-01-15 to 08-31-15	9,000	20	2.21	9,000	2,537
09-01-15 to 09-30-15	18,339	35	1.92	18,339	2,502
Total	73,021	\$ 163	\$ 2.22	73,021	

- 1 The Board of Directors of the company approved on December 7, 2012, and renewed on December 12, 2013, and December 10, 2014, a repurchase of up to \$2.75 million, in each of calendar years 2013, 2014, and 2015, respectively, of its outstanding class A common stock from time to time on the open market in accordance with all applicable rules and regulations.
- 2 The average price paid per share of stock repurchased under the stock repurchase program includes the commissions paid to brokers.
- 3 The repurchase plan was approved on December 7, 2012, and renewed on December 12, 2013, and December 10, 2014, and will continue through calendar year 2015. The total amount of shares that may be repurchased in 2015 under the renewed program is \$2.75 million.

ITEM 5. OTHER INFORMATION

Investors and others should note that the Company announces material financial information to its investors using the website (www.usfunds.com), SEC filings, press releases, public conference calls and webcasts. The Company also uses social media to communicate with its customers and the public about the Company. It is possible that the information it posts on social media could be deemed to be material information. Therefore, the Company encourages investors, the media, and others interested in the Company to review the information it posts on social media channels listed below. This list may be updated from time to time.

<https://www.facebook.com/USFunds>

<https://twitter.com/USFunds>

<https://twitter.com/USGlobalETFs>

Information contained on the Company’s website or on social media channels is not deemed part of this report.

Table of Contents

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.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

Table of Contents

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: November 12,
2015

BY: /s/ Frank E. Holmes
Frank E. Holmes
Chief Executive Officer

DATED: November 12,
2015

BY: /s/ Lisa C. Callicotte
Lisa C. Callicotte
Chief Financial Officer

