

U S GLOBAL INVESTORS INC
Form 10-Q
May 06, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2011

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 (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 [X]

On April 28, 2011, there were 13,862,445 shares of Registrant's class A nonvoting common stock issued and 13,329,260 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.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Consolidated Balance Sheets

Assets	March 31, 2011 (UNAUDITED)	June 30, 2010
Current Assets		
Cash and cash equivalents	\$ 26,015,306	\$ 23,837,479
Trading securities, at fair value	5,919,862	5,072,724
Receivables		
Mutual funds	4,243,936	3,065,100
Offshore clients	38,565	29,070
Employees	4,336	1,885
Other	32,497	152,930
Prepaid expenses	878,527	756,394
Deferred tax asset	-	200,129
Total Current Assets	37,133,029	33,115,711
 Net Property and Equipment	 3,599,184	 3,906,712
 Other Assets		
Deferred tax asset, long term	402,992	933,241
Investment securities available-for-sale, at fair value	4,983,191	3,028,034
Total Other Assets	5,386,183	3,961,275
Total Assets	\$ 46,118,396	\$ 40,983,698

The accompanying notes are an integral part of this statement.

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Liabilities and Shareholders Equity	March 31, 2011 (UNAUDITED)	June 30, 2010
Current Liabilities		
Accounts payable	\$ 185,035	\$ 174,690
Accrued compensation and related costs	1,791,481	1,701,255
Deferred tax liability	175,026	-
Dividends payable	924,220	921,514
Other accrued expenses	2,484,954	1,994,367
Total Current Liabilities	5,560,716	4,791,826
 Commitments and Contingencies		
 Shareholders Equity		
Common stock (class A) - \$0.025 par value; nonvoting; authorized, 28,000,000 shares; issued, 13,862,445 shares at March 31, 2011, 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 March 31, 2011, and June 30, 2010	51,828	51,828
Additional paid-in-capital	15,218,857	15,136,537
Treasury stock, class A shares at cost; 533,185 and 573,764 shares at March 31, 2011, and June 30, 2010, respectively	(1,248,387)	(1,343,397)
Accumulated other comprehensive income, net of tax	1,224,391	555,352
Retained earnings	24,964,430	21,444,991
Total Shareholders Equity	40,557,680	36,191,872
Total Liabilities and Shareholders Equity	\$ 46,118,396	\$ 40,983,698

The accompanying notes are an integral part of this statement.

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Consolidated Statements of Operations and Comprehensive Income (Unaudited)

	Nine Months Ended March		Three Months Ended March	
	31,	31,	31,	31,
	2011	2010	2011	2010
Revenues				
Mutual fund advisory fees	\$ 20,009,026	\$ 15,389,101	\$ 7,579,190	\$ 5,750,034
Transfer agent fees	3,878,042	4,111,575	1,359,188	1,331,103
Distribution fees	4,451,540	3,937,894	1,642,515	1,350,608
Administrative services fees	1,427,441	1,363,406	526,359	432,196
Other advisory fees	1,276,285	308,102	116,907	109,921
Investment income	1,165,114	1,271,517	175,216	375,323
Other	34,262	36,986	10,856	11,906
	32,241,710	26,418,581	11,410,231	9,361,091
Expenses				
Employee compensation and benefits	9,763,236	9,349,496	3,107,156	3,382,710
General and administrative	6,329,339	4,582,200	1,862,565	1,702,272
Platform fees	4,591,891	4,101,509	1,726,909	1,433,394
Subadvisory fees	159,994	425,567	15,000	145,578
Advertising	1,528,951	746,820	576,867	334,092
Depreciation	219,281	243,623	72,239	80,371
	22,592,692	19,449,215	7,360,736	7,078,417
Income Before Income Taxes	9,649,018	6,969,366	4,049,495	2,282,674
Provision for Federal Income Taxes				
Tax expense	3,358,954	2,590,837	1,355,410	808,704
Net Income	6,290,064	4,378,529	2,694,085	1,473,970
Other Comprehensive Income, Net of Tax:				
Unrealized gains on available-for-sale securities arising during period	729,934	428,922	165,304	155,069
Less: reclassification adjustment for gains/losses included in net income	(60,894)	-	(20,264)	-
Comprehensive Income	\$ 6,959,104	\$ 4,807,451	\$ 2,839,125	\$ 1,629,039
Basic Net Income per Share	\$ 0.41	\$ 0.29	\$ 0.17	\$ 0.10
Diluted Net Income per Share	\$ 0.41	\$ 0.29	\$ 0.17	\$ 0.10
Basic weighted average number of common shares outstanding	15,377,765	15,333,142	15,396,240	15,350,888

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

15,377,765

15,336,485

15,396,240

15,353,504

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Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended March 31,	
	2011	2010
Cash Flows from Operating Activities:		
Net income	\$ 6,290,064	\$ 4,378,529
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	219,281	243,623
Net recognized loss (gain) on disposal of fixed assets	154,214	(1,017)
Net recognized (gain) loss on securities	(132,486)	58,576
Provision for deferred taxes	404,925	658,601
Stock bonuses	161,989	238,897
Stock-based compensation expense	28,369	43,934
Changes in operating assets and liabilities:		
Accounts receivable	(1,070,349)	278,630
Prepaid expenses	(122,133)	(279,388)
Trading securities	(847,138)	(937,141)
Accounts payable and accrued expenses	591,158	466,424
Total adjustments	(612,170)	771,139
Net cash provided by operating activities	5,677,894	5,149,668
Cash Flows from Investing Activities:		
Purchase of property and equipment	(65,968)	(461,739)
Proceeds from sale of fixed assets	-	1,017
Purchase of available-for-sale securities	(1,056,384)	(146,906)
Proceeds on sale of available-for-sale securities	191,505	22
Return of capital on investment	55,905	41,671
Net cash used in investing activities	(874,942)	(565,935)
Cash Flows from Financing Activities:		
Exercise of stock options	-	116,749
Issuance of common stock	142,794	156,539
Dividends paid	(2,767,919)	(2,759,940)
Net cash used in financing activities	(2,625,125)	(2,486,652)
Net increase in cash and cash equivalents	2,177,827	2,097,081
Beginning cash and cash equivalents	23,837,479	20,303,594
Ending cash and cash equivalents	\$ 26,015,306	\$ 22,400,675

Supplemental Disclosures of Cash Flow Information

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Cash paid for income taxes	\$ 2,460,000	\$ 775,000
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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 nine months ended March 31, 2011, 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 financial 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 June 2011 and will be reviewed by the board quarterly.

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Note 3. Investments

As of March 31, 2011, the Company held investments with a market value of approximately \$10.9 million and a cost basis of approximately \$9.1 million. The market value of these investments is approximately 23.6 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.

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 March 31, 2011, and June 30, 2010.

Securities	Market Value	Cost	Unrealized Gain (Loss)	Unrealized holding gains on available-for-sale securities, net of tax
Trading ¹	\$ 5,919,862	\$ 5,963,272	\$ (43,410)	N/A
Available-for-sale ²	4,983,191	3,128,051	1,855,140	\$ 1,224,391
Total at March 31, 2011	\$ 10,903,053	\$ 9,091,323	\$ 1,811,730	
Trading ¹	\$ 5,072,724	\$ 5,963,272	\$ (890,548)	N/A
Available-for-sale ²	3,028,034	2,186,591	841,443	\$ 555,352
Total at June 30, 2010	\$ 8,100,758	\$ 8,149,863	\$ (49,105)	

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

²Unrealized 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.

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The following details the components of the Company's available-for-sale investments as of March 31, 2011, and June 30, 2010.

March 31, 2011 (in thousands)				
Gross Unrealized				
	Cost	Gains	(Losses)	Market Value
Available-for-sale securities				
Common stock	\$ 924	\$ 1,045	\$ (2)	\$ 1,967
Venture capital investments	174	117	(13)	278
Mutual funds	2,030	713	(5)	2,738
Total available-for-sale securities	\$ 3,128	\$ 1,875	\$ (20)	\$ 4,983

June 30, 2010 (in thousands)				
Gross Unrealized				
	Cost	Gains	(Losses)	Market Value
Available-for-sale securities				
Common stock	\$ 927	\$ 538	\$ (10)	\$ 1,455
Venture capital investments	230	45	(8)	267
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:

March 31, 2011 (in thousands)						
	Less Than 12 Months		12 Months or Greater		Total	
	Gross Unrealized		Gross Unrealized		Gross Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Available-for-sale securities						
Common stock	\$ 13	\$ (2)	\$ -	\$ -	\$ 13	\$ (2)
Venture capital investments	112	(13)	-	-	112	(13)
Mutual funds	995	(5)	-	-	995	(5)
Total available-for-sale securities	\$ 1,120	\$ (20)	\$ -	\$ -	\$ 1,120	\$ (20)

June 30, 2010 (in thousands)

	Less Than 12 Months		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	\$ 118	\$ (10)	\$ -	\$ -	\$ 118	\$ (10)
Venture capital investments	49	(8)	-	-	49	(8)
Mutual funds	19	(1)	-	-	19	(1)
Total available-for-sale securities	\$ 186	\$ (19)	\$ -	\$ -	\$ 186	\$ (19)

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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 nine months ended March 31, 2011, 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:

Investment Income	Nine Months Ended March 31,	
	2011	2010
Realized gains on sales of available-for-sale securities	\$ 132,486	\$ 22
Realized losses on sales of trading securities	-	(58,598)
Unrealized gains on trading securities	847,138	1,191,850
Realized foreign currency gains	1,060	196
Dividend and interest income	184,430	138,047
Total Investment Income	\$ 1,165,114	\$ 1,271,517

Investment Income	Three Months Ended March 31,	
	2011	2010
Realized gains on sales of available-for-sale securities	\$ 69,622	\$ -
Unrealized gains on trading securities	44,106	321,361
Realized foreign currency gains (losses)	4,892	(2,916)
Dividend and interest income	56,596	56,878
Total Investment Income	\$ 175,216	\$ 375,323

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.

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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 March 31, 2011, 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)			
	Quoted Prices (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Trading securities				
Common stock	\$ 292	\$ 47	\$ -	\$ 339
Mutual funds	4,019	-	-	4,019
Offshore fund	-	1,562	-	1,562
Total trading securities	4,311	1,609	-	5,920
Available-for-sale securities				
Common stock	1,967	-	-	1,967
Venture capital investments	-	-	278	278
Mutual funds	2,738	-	-	2,738
Total available-for-sale securities	4,705	-	278	4,983
Total Investments	\$ 9,016	\$ 1,609	\$ 278	\$ 10,903

Approximately 83 percent of the Company's financial assets measured at fair value are derived from Level 1 inputs including SEC-registered mutual funds and equity securities traded on an active market, 15 percent 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 nine months ended March 31, 2011.

In Level 2, the Company has an investment in an offshore fund with a fair value of \$1,562,372 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.

The Company held investments in three securities with a value of zero and two venture capital investments that were measured at fair value using significant unobservable inputs (Level 3) at March 31, 2011.

The Company has a venture capital investment with a fair value of \$166,077 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 \$111,528 that primarily invests in companies in the medical and medical technology sectors. The

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Company may redeem this investment with general partner approval. As of March 31, 2011, 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 Nine Months Ended March 31, 2011 (in
thousands)**

	Venture Capital Investments
Beginning Balance	\$ 267
Return of capital	(56)
Total gains or losses (realized/unrealized)	-
Included in earnings (or changes in net assets)	-
Included in other comprehensive income	67
Purchases, issuances, and settlements	-
Transfers in and/or out of Level 3	-
Ending Balance	\$ 278

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 nine months ended March 31, 2011, the Company adjusted its base advisory fees upwards by \$925,897 and \$2,005,984. For the three and nine months ended March 31, 2010, base advisory fees were increased by \$263,653 and decreased by \$133,440, respectively.

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 nine months ended March 31, 2011, were \$741,991 and \$2,280,301, respectively, compared with \$780,208 and \$2,659,408 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). Yields on such products have declined to record lows as a result of the decline in the federal funds rate pursuant to the Federal Reserve's economic policy to spur economic growth through low interest rates and quantitative easing. For the three and nine months ended March 31, 2011, total fees waived and/or expenses reimbursed as a result of this agreement were \$384,954 and \$1,140,710. For the corresponding periods in fiscal year 2010, the total fees waived and/or expenses reimbursed were \$399,713 and \$1,064,918.

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,

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\$1,047,980 through December 31, 2012, \$1,562,956 through December 31, 2013, and \$384,954 through December 31, 2014. Management believes these waivers could increase in the future. Such increases in fee waivers could be significant and will negatively impact the 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 quarterly performance fees, if any, based on the overall increase in net asset values. The Company recorded advisory and performance fees from these clients totaling \$116,907 and \$1,276,285 for the three and nine months ended March 31, 2011, and \$109,921 and \$308,102 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 March 31, 2011, and June 30, 2010, is invested in USGIF money market funds.

Note 6. Borrowings

As of March 31, 2011, the Company has no long-term liabilities.

The Company has access to a \$1 million credit facility with a one-year maturity for working capital purposes. The credit agreement requires the Company to maintain certain quarterly financial covenants to access the line of credit. As of March 31, 2011, 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 nine months ended March 31, 2011, was \$9,457 and \$28,369, compared to \$9,457 and \$43,934 in the corresponding periods in fiscal 2010. As of March 31, 2011, and 2010, respectively, there was approximately \$48,000 and \$85,826 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 nine months ended March 31, 2011.

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

**Options outstanding,
end of period**

**Options exercisable,
end of period**

20,180 \$ 19.78

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Note 8. Earnings Per Share

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

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

	Nine Months Ended March 31,	
	2011	2010
Net income	\$ 6,290,064	\$ 4,378,529
Weighted average number of outstanding shares		
Basic	15,377,765	15,333,142
Effect of dilutive securities		
Employee stock options	-	3,343
Diluted	15,377,765	15,336,485
Earnings (loss) per share		
Basic	\$ 0.41	\$ 0.29
Diluted	\$ 0.41	\$ 0.29
	Three Months Ended March 31,	
	2011	2010
Net income	\$ 2,694,085	\$ 1,473,970
Weighted average number of outstanding shares		
Basic	15,396,240	15,350,888
Effect of dilutive securities		
Employee stock options	-	2,616
Diluted	15,396,240	15,353,504
Earnings per share		
Basic	\$ 0.17	\$ 0.10
Diluted	\$ 0.17	\$ 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 nine months ended March 31, 2011, 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 nine months ended March 31, 2011. 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 liability primarily consists of temporary differences in the deductibility of prepaid expenses and accrued liabilities. The long-term deferred tax asset is

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composed primarily of unrealized losses on available-for-sale securities and the difference in tax treatment of stock options.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax amount will not be realized. No valuation allowance was included or deemed necessary at March 31, 2011, 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:

	Investment Management Services	Corporate Investments	Consolidated
Nine months ended March 31, 2011			
Net revenues	\$ 31,181,757	\$ 1,059,953	\$ 32,241,710
Net income before income taxes	8,597,084	1,051,934	9,649,018
Depreciation	219,281	-	219,281
Capital expenditures	65,968	-	65,968
Gross identifiable assets at March 31, 2011	34,795,654	10,919,750	45,715,404
Deferred tax asset			402,992
Consolidated total assets at March 31, 2011			\$ 46,118,396
Nine months ended March 31, 2010			
Net revenues	\$ 25,285,111	\$ 1,133,470	\$ 26,418,581
Net income before income taxes	5,851,434	1,117,932	6,969,366
Depreciation	243,623	-	243,623
Capital expenditures	461,739	-	461,739
Three months ended March 31, 2011			
Net revenues	\$ 11,260,440	\$ 149,791	\$ 11,410,231
Net income before income taxes	3,905,741	143,754	4,049,495
Depreciation	72,239	-	72,239
Capital expenditures	14,074	-	14,074

Three months ended March 31, 2010

Net revenues	\$ 9,042,644	\$ 318,447	\$ 9,361,091
Net income before income taxes	1,972,233	310,441	2,282,674
Depreciation	80,371	-	80,371
Capital expenditures	45,751	-	45,751

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

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will not have a material adverse effect on the consolidated financial statements of the Company.

The Board has authorized a monthly dividend of \$0.02 per share through June 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 April 2011 to June 2011 will be approximately \$924,220.

Note 12. Subsequent Events

The Company has evaluated subsequent events that occurred after March 31, 2011, 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.

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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.

Detailed information regarding the SEC-registered funds managed by the Company can be found on the Company's website, www.usfunds.com, including performance information for each fund for various time periods, assets under management as of the most recent month end and inception date of each fund.

SEC-registered mutual fund shareholders 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 and money market funds charge no redemption fee. Detailed information about redemption fees can be found in the funds' prospectus, which is available on the Company's website, www.usfunds.com.

The Company provides advisory services for two offshore clients and receives monthly advisory fees based on the net asset values of the clients and quarterly performance fees, if any, based on the overall increase in net asset values. The Company recorded advisory and performance fees from these clients totaling \$116,907 and \$1,276,285 for the three and nine months ended March 31, 2011, and \$109,921 and \$308,102 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 March 31, 2011, total assets under management as of period-end, including both SEC-registered funds and offshore clients, were \$3.180 billion versus \$2.652 billion at March 31, 2010, an increase of 20 percent. During the nine months ended March 31, 2011, average assets under management were \$2.797 billion versus \$2.549 billion during the nine months ended March 31, 2010. The increase was primarily due to an increase in the natural resources funds under

management. Total assets under management as of period-end at March 31, 2011, were \$3.180 billion versus \$2.402 billion at June 30, 2010, the Company's prior fiscal year end.

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The following tables summarize the changes in assets under management for the SEC-registered funds for the three and nine months ended March 31, 2011, and 2010:

Changes in Assets Under Management						
Three Months Ended March 31,						
(Dollars in Thousands)	2011			2010		
	Equity	Money Market and Fixed Income	Total	Equity	Money Market and Fixed Income	Total
Beginning Balance	\$ 2,643,210	\$ 352,258	\$ 2,995,468	\$ 2,230,193	\$ 402,560	\$ 2,632,753
Market appreciation/(depreciation)	59,704	267	59,971	71,670	303	71,973
Dividends and distributions	-	(373)	(373)	-	(362)	(362)
Net shareholder purchases/(redemptions)	86,916	(8,123)	78,793	(85,546)	(7,185)	(92,731)
Ending Balance	\$ 2,789,830	\$ 344,029	\$ 3,133,859	\$ 2,216,317	\$ 395,316	\$ 2,611,633
Average investment management fee	0.99%	0.00%	0.88%	1.02%	0.00%	0.86%
Average net assets	\$ 2,703,630	\$ 350,959	\$ 3,054,589	\$ 2,190,996	\$ 401,745	\$ 2,592,741

Changes in Assets Under Management						
Nine Months Ended March 31,						
(Dollars in Thousands)	2011			2010		
	Equity	Money Market and Fixed Income	Total	Equity	Money Market and Fixed Income	Total
Beginning Balance	\$ 1,985,203	\$ 382,062	\$ 2,367,265	\$ 1,757,012	\$ 439,942	\$ 2,196,954
Market appreciation/(depreciation)	793,780	325	794,105	650,946	1,696	652,642
Dividends and distributions	(144,176)	(1,116)	(145,292)	(24,873)	(1,020)	(25,893)
Net shareholder purchases/(redemptions)	155,023	(37,242)	117,781	(166,768)	(45,302)	(212,070)
Ending Balance	\$ 2,789,830	\$ 344,029	\$ 3,133,859	\$ 2,216,317	\$ 395,316	\$ 2,611,633
	1.00%	0.00%	0.87%	0.98%	0.00%	0.82%

Average investment
management fee

Average net assets \$ 2,390,702 \$ 364,147 \$ 2,754,849 \$ 2,098,297 \$ 415,594 \$ 2,513,891

As shown above, assets under management increased in fiscal 2011 compared to fiscal 2010. The increase in assets under management for both the three and nine months ending March 31, 2011, was driven by both shareholder flows and market appreciation in the equity funds, primarily in the natural resources category. Fixed income funds experienced a net decrease as shareholders sought alternatives to low yields.

In 2009, the financial markets rebounded strongly from the global financial market deterioration in 2008 as investor confidence improved and credit market conditions eased. Stock market performance was marked by wide swings in 2010. Equities linked to gold and broader natural resources, where most of the assets managed by the Company are invested, were also volatile.

The global financial crisis and subsequent volatility in markets were significant factors in the shareholder activity shown in fiscal 2010. As markets started to recover, shareholder activity also began to improve.

The average annualized investment management fee rate (total mutual fund advisory fees, excluding performance fees, as a percentage of average assets under management) was 88 and 87 basis points in the third quarter and first nine months of fiscal 2011, respectively, compared to 86 and 82 basis points in the comparable periods of fiscal 2010. The average investment management fee for equity funds has remained relatively stable for fiscal 2011. The increase in the average rate in fiscal 2010 was due to modifying the agreement to waive fees and/or reduce expenses. The agreement changed

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from a contractual to a voluntary agreement effective October 1, 2009, and caps on equity funds were modified. The average investment management fee for the fixed income funds is nil or close to nil for the periods. This is due to voluntary fee waivers on these funds as discussed in Note 5 to the financial statements, including a voluntary agreement to support the yields for the money market funds.

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 March 31, 2011, the Company held investments with a market value of approximately \$10.9 million and a cost basis of approximately \$9.1 million. The market value of these investments is approximately 23.6 percent of the Company's total assets. See Note 3 (Investments) and Note 4 (Fair Value Disclosures) for additional detail regarding investment activities.

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RESULTS OF OPERATIONS THREE MONTHS ENDED MARCH 31, 2011, AND 2010

The Company posted net income of \$2,694,085 (\$0.17 income per share) for the three months ended March 31, 2011, compared with net income of \$1,473,970 (\$0.10 income per share) for the three months ended March 31, 2010, an increase of \$1,220,115, or 82.8 percent.

Revenues

Total consolidated revenues for the three months ended March 31, 2011, increased \$2,049,140, or 21.9 percent, compared with the three months ended March 31, 2010. This increase was primarily attributable to the following:

Mutual fund advisory fees increased by \$1,829,156, or 31.8 percent. Of that increase, mutual fund management fees contributed \$1,166,912, primarily due to market appreciation in the natural resources funds, while mutual fund performance fees contributed \$662,244. 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. The average investment management fee rate was 88 basis points in the third quarter of fiscal 2011 compared to 86 basis points in the third quarter of fiscal 2010.

Distribution fees increased by \$291,907 as a result of increased assets under management.

The above increases in revenue were slightly offset by a decrease in investment income of \$200,107, or 53.3 percent, primarily due to lower unrealized gains on trading securities.

Expenses

Total consolidated expenses for the three months ended March 31, 2011, increased \$282,319, or 4.0 percent, compared with the three months ended March 31, 2010. This was largely attributable to the following:

Platform fees expense increased by \$293,515, or 20.5 percent, due to an increase in assets under management.

Advertising increased by \$242,775, or 72.7 percent, as a result of increased marketing and sales activities.

Slightly offsetting these increases, employee compensation and benefits decreased by \$275,554, or 8.1 percent, as a result of lower performance-based bonuses.

RESULTS OF OPERATIONS NINE MONTHS ENDED MARCH 31, 2011, AND 2010

The Company posted net income of \$6,290,064 (\$0.41 income per share) for the nine months ended March 31, 2011, compared with net income of \$4,378,529 (\$0.29 income per share) for the nine months ended March 31, 2010, an increase of \$1,911,535, or 43.7 percent.

Revenues

Total consolidated revenues for the nine months ended March 31, 2011, increased \$5,823,129, or 22.0 percent, compared with the nine months ended March 31, 2010. This increase was primarily attributable to the following:

Mutual fund advisory fees increased by \$4,619,925, or 30.0 percent. Of that increase, mutual fund management fees contributed \$2,480,501, primarily due to market appreciation in the natural resources funds, while mutual fund performance fees contributed \$2,139,424. 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. The average investment management fee rate was 87 basis points in the first nine months of fiscal 2011 compared to 82 basis points in the first nine months of fiscal 2010. The increase in the average rate was due to modifying the agreement to waive fees and/or reduce expenses as noted in the discussion under Investment Management Products and Services.

Other advisory fees increased by \$968,183, or 314.2 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 \$513,646, or 13.0 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 \$233,533, or 5.7 percent, due to a decline in the number of accounts and transactions in USGIF.

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Expenses

Total consolidated expenses for the nine months ended March 31, 2011, increased \$3,143,477, or 16.2 percent, compared with the nine months ended March 31, 2010. This was largely attributable to the following:

General and administrative expenses increased by \$1,747,139, or 38.1 percent, primarily relating to sales-related conferences and consulting fees, investment-related travel, and implementation of new investment management and trading software.

Advertising increased by \$782,131, or 104.7 percent, primarily as a result of increased marketing and sales activities.

Platform fees increased by \$490,382, or 12.0 percent, as a result of increased assets under management.

Employee compensation increased by \$413,740, or 4.4 percent, primarily due to performance-based bonuses.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2011, the Company had net working capital (current assets minus current liabilities) of approximately \$31.6 million and a current ratio (current assets divided by current liabilities) of 6.7 to 1. With approximately \$26.0 million in cash and cash equivalents and approximately \$10.9 million in marketable securities, the Company has adequate liquidity to meet its current obligations. Total shareholders' equity was approximately \$40.6 million, with cash, cash equivalents, and marketable securities comprising 80.1 percent of total assets.

As of March 31, 2011, the Company has no long-term liabilities. The Company has access to a \$1 million credit facility with a one-year maturity for working capital purposes. The credit agreement requires the Company to maintain certain quarterly financial covenants to access the line of credit. As of March 31, 2011, 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.

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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 March 31, 2011, and shows the effects of a hypothetical 25 percent increase and a 25 percent decrease in market prices.

	Fair Value at March 31, 2011	Hypothetical Percentage Change	Estimated Fair Value After Hypothetical Price Change	Increase (Decrease) in Shareholders Equity, Net of Tax
Trading securities ¹	\$5,919,862	25% increase	\$7,399,828	\$976,777
		25% decrease	\$4,439,897	(\$976,777)
Available-for-sale ²	\$4,983,191	25% increase	\$6,228,989	\$822,227
		25% decrease	\$3,737,393	(\$822,227)

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

²Unrealized 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 March 31, 2011, 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 March 31, 2011.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2011, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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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

- 10.16 Note Modification Agreement dated March 25, 2011 by and between the Company and JPMorgan Chase Bank, N.A., included herein.

 - 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
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SIGNATURES

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

U.S. GLOBAL INVESTORS,
INC.

DATED: May 5, 2011

BY: /s/ Frank E. Holmes

Frank E. Holmes
Chief Executive Officer

DATED: May 5, 2011

BY: /s/ Catherine A. Rademacher

Catherine A. Rademacher
Chief Financial Officer