

U S GLOBAL INVESTORS INC  
Form 10-Q  
May 03, 2012  
Table of Contents

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

**FORM 10-Q**

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2012

For the Quarterly Period Ended March 31, 2012

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)

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

YES

NO

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

YES

NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

(Do not check if a smaller reporting company)

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

YES

NO

On April 20, 2012, there were 13,862,505 shares of Registrant's class A nonvoting common stock issued and 13,380,191 shares of Registrant's class A nonvoting common stock issued and outstanding, no shares of Registrant's class B nonvoting common shares outstanding, and 2,073,043 shares of Registrant's class C voting common stock issued and outstanding.

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>PART I. FINANCIAL INFORMATION</u></b>	<b>1</b>
<b><u>ITEM 1. FINANCIAL STATEMENTS</u></b>	<b>1</b>
<u>CONSOLIDATED BALANCE SHEETS</u>	1
<u>CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)</u>	3
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)</u>	4
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)</u>	5
<b><u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></b>	<b>15</b>
<b><u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u></b>	<b>20</b>
<b><u>ITEM 4. CONTROLS AND PROCEDURES</u></b>	<b>20</b>
<b><u>PART II. OTHER INFORMATION</u></b>	<b>21</b>
<b><u>ITEM 1A. RISK FACTORS</u></b>	<b>21</b>
<b><u>ITEM 6. EXHIBITS</u></b>	<b>21</b>
<b><u>SIGNATURES</u></b>	<b>22</b>

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 1 OF 26

**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CONSOLIDATED BALANCE SHEETS**

Assets	March 31, 2012 (UNAUDITED)	June 30, 2011
<b>Current Assets</b>		
Cash and cash equivalents	\$ 20,916,776	\$ 27,207,896
Trading securities, at fair value	5,499,418	5,703,916
Receivables		
Mutual funds	2,117,649	3,259,251
Offshore clients	29,250	33,828
Income tax	527,879	244,149
Employees	1,777	2,200
Other	7,415	7,391
Prepaid expenses	714,845	816,814
Deferred tax asset	20,316	-
<b>Total Current Assets</b>	<b>29,835,325</b>	<b>37,275,445</b>
<b>Net Property and Equipment</b>	<b>3,431,571</b>	<b>3,547,303</b>
<b>Other Assets</b>		
Deferred tax asset, long term	643,377	482,927
Investment securities available-for-sale, at fair value	9,238,756	4,660,928
<b>Total Other Assets</b>	<b>9,882,133</b>	<b>5,143,855</b>
<b>Total Assets</b>	<b>\$ 43,149,029</b>	<b>\$ 45,966,603</b>

The accompanying notes are an integral part of this statement.

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 2 OF 26

## Consolidated Balance Sheets

Liabilities and Shareholders Equity	March 31, 2012 (UNAUDITED)	June 30, 2011
<b>Current Liabilities</b>		
Accounts payable	\$ 24,736	\$ 55,181
Accrued compensation and related costs	899,594	1,734,267
Deferred tax liability	-	77,432
Dividends payable	927,318	924,672
Other accrued expenses	1,287,246	2,117,604
<b>Total Current Liabilities</b>	<b>3,138,894</b>	<b>4,909,156</b>
<b>Commitments and Contingencies</b>		
<b>Shareholders Equity</b>		
Common stock (class A) - \$0.025 par value; nonvoting; authorized, 28,000,000 shares; issued, 13,862,505 and 13,862,445 shares at March 31, 2012, and June 30, 2011, respectively	346,563	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, 2,073,043 and 2,073,103 shares at March 31, 2012, and June 30, 2011, respectively	51,826	51,828
Additional paid-in-capital	15,512,692	15,267,231
Treasury stock, class A shares at cost; 482,314 and 526,583 shares at March 31, 2012, and June 30, 2011, respectively	(1,129,279)	(1,232,929)
Accumulated other comprehensive income, net of tax	781,052	1,042,462
Retained earnings	24,447,281	25,582,294
<b>Total Shareholders Equity</b>	<b>40,010,135</b>	<b>41,057,447</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>\$ 43,149,029</b>	<b>\$ 45,966,603</b>

The accompanying notes are an integral part of this statement.

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 3 OF 26

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)**

	Nine Months Ended March 31,		Three Months Ended March 31,	
	2012	2011	2012	2011
<b>Revenues</b>				
Mutual fund advisory fees	\$ 11,649,691	\$ 20,009,026	\$ 2,848,116	\$ 7,579,190
Distribution fees	3,264,166	4,451,540	962,395	1,642,515
Transfer agent fees	2,886,989	3,878,042	855,140	1,359,188
Administrative services fees	1,058,160	1,427,441	312,110	526,359
Other advisory fees	263,634	1,276,285	86,536	116,907
Other	30,679	34,262	8,967	10,856
Investment income	56,256	1,165,114	464,863	175,216
	19,209,575	32,241,710	5,538,127	11,410,231
<b>Expenses</b>				
Employee compensation and benefits	7,781,417	9,763,236	2,368,646	3,107,156
General and administrative	4,392,153	5,938,744	1,412,290	1,757,752
Platform fees	3,150,296	4,591,891	869,437	1,726,909
Advertising	1,007,665	1,919,546	6,743	681,680
Depreciation	212,744	219,281	70,586	72,239
Subadvisory fees	45,000	159,994	15,000	15,000
	16,589,275	22,592,692	4,742,702	7,360,736
<b>Income Before Income Taxes</b>	2,620,300	9,649,018	795,425	4,049,495
<b>Provision for Federal Income Taxes</b>				
Tax expense	974,262	3,358,954	308,287	1,355,410
<b>Net Income</b>	1,646,038	6,290,064	487,138	2,694,085
<b>Other Comprehensive Income, Net of Tax:</b>				
Unrealized gains (losses) on available-for-sale securities arising during period	(149,083)	729,934	263,894	165,304
Less: reclassification adjustment for gains/losses included in net income	(112,327)	(60,894)	(112,327)	(20,264)
<b>Comprehensive Income</b>	\$ 1,384,628	\$ 6,959,104	\$ 638,705	\$ 2,839,125
<b>Basic Net Income per Share</b>	\$ 0.11	\$ 0.41	\$ 0.03	\$ 0.17
<b>Diluted Net Income per Share</b>	\$ 0.11	\$ 0.41	\$ 0.03	\$ 0.17
	15,436,601	15,377,765	15,448,100	15,396,240

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<b>Basic weighted average number of common shares outstanding</b>				
<b>Diluted weighted average number of common shares outstanding</b>	15,436,959	15,377,765	15,448,518	15,396,240

The accompanying notes are an integral part of this statement.

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 4 OF 26

**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	<b>Nine Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 1,646,038	\$ 6,290,064
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	\$ 212,744	\$ 219,281
Net recognized loss (gain) on disposal of fixed assets	\$ (78,638)	\$ 154,214
Net recognized gain on securities	\$ (157,668)	\$ (132,486)
Provision for deferred taxes	\$ (130,206)	\$ 404,925
Stock bonuses	\$ 188,300	\$ 161,989
Stock-based compensation expense	\$ 25,424	\$ 28,369
Changes in operating assets and liabilities:		
Accounts receivable	\$ 862,849	\$ (1,070,349)
Prepaid expenses	\$ 101,969	\$ (122,133)
Trading securities	\$ 201,860	\$ (847,138)
Accounts payable and accrued expenses	\$ (1,695,476)	\$ 591,158
 Total adjustments	 \$ (468,842)	 \$ (612,170)
 Net cash provided by operating activities	 \$ 1,177,196	 \$ 5,677,894
 <b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(18,374)	(65,968)
Purchase of available-for-sale securities	(5,002,332)	(1,056,384)
Proceeds on sale of available-for-sale securities	170,192	191,505
Return of capital on investment	18,542	55,905
 Net cash used in investing activities	 (4,831,972)	 (874,942)
 <b>Cash Flows from Financing Activities:</b>		
Issuance of common stock	142,062	142,794
Dividends paid	(2,778,406)	(2,767,919)
 Net cash used in financing activities	 (2,636,344)	 (2,625,125)
 Net (decrease) increase in cash and cash equivalents	 (6,291,120)	 2,177,827
Beginning cash and cash equivalents	27,207,896	23,837,479
 Ending cash and cash equivalents	 20,916,776	 26,015,306

**Supplemental Disclosures of Cash Flow Information**



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Cash paid for income taxes	\$ 1,365,000	\$ 2,460,000
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The accompanying notes are an integral part of this statement.

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**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 5 OF 26

**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, 2011.

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, 2012, 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 May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The ASU expands existing disclosure requirements and amends some fair value measurement principles. The ASU is effective for interim periods beginning on or after December 15, 2011. The adoption of ASU No. 2011-04 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.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*. This standard eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Under this guidance, an entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. This guidance is effective for publicly traded companies for fiscal years beginning after December 15, 2011 and interim and annual periods thereafter. Early adoption is permitted, but full retrospective application is required. As the Company reports comprehensive income within its consolidated statement of operations, the adoption of this guidance will not result in a change in the presentation of comprehensive income in the Company s consolidated financial statements.

In December 2011, the FASB issued ASU no. 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. This standard indefinitely defers certain provisions of ASU 2011-05 (described above). The amendments take effect for fiscal years and interim periods within those years beginning after December 15, 2011. The adoption of this guidance will not result in a change in the presentation of comprehensive income in the Company s 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 2012 and will be reviewed by the board quarterly.

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 6 OF 26

**NOTE 3. INVESTMENTS**

As of March 31, 2012, the Company held investments with a market value of approximately \$14.7 million and a cost basis of approximately \$14.0 million. The market value of these investments is approximately 34.2 percent of the Company's total assets.

Investments in securities classified as trading are reflected as current assets on the consolidated balance sheet at their fair market value. Unrealized holding gains and losses on trading securities are included in earnings in the consolidated statements of operations and comprehensive income.

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, 2012, and June 30, 2011.

Securities	Market Value	Cost	Unrealized Gain (Loss)	Unrealized holding gains on available-for- sale securities, net of tax
Trading <sup>1</sup>	\$ 5,499,418	\$ 5,960,634	\$ (461,216)	N/A
Available-for-sale <sup>2</sup>	9,238,756	8,055,344	1,183,412	\$ 781,052
Total at March 31, 2012	\$ 14,738,174	\$ 14,015,978	\$ 722,196	
Trading <sup>1</sup>	\$ 5,703,916	\$ 5,963,272	\$ (259,356)	N/A
Available-for-sale <sup>2</sup>	4,660,928	3,081,439	1,579,489	\$ 1,042,462
Total at June 30, 2011	\$ 10,364,844	\$ 9,044,711	\$ 1,320,133	

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

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

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 7 OF 26

The following details the components of the Company's available-for-sale investments as of March 31, 2012, and June 30, 2011.

	March 31, 2012 (in thousands)			
	Cost	Gross Gains	Gross (Losses)	Market Value
Available-for-sale securities				
Common stock	\$ 919	\$ 511	\$ (25)	\$ 1,405
Venture capital investments	106	-	-	106
Offshore fund	5,000	-	-	5,000
Mutual funds	2,030	700	(2)	2,728
Total available-for-sale securities	\$ 8,055	\$ 1,211	\$ (27)	\$ 9,239

	June 30, 2011 (in thousands)			
	Cost	Gross Gains	Gross (Losses)	Market Value
Available-for-sale securities				
Common stock	\$ 917	\$ 777	\$ (4)	\$ 1,690
Venture capital investments	134	122	(13)	243
Mutual funds	2,030	698	-	2,728
Total available-for-sale securities	\$ 3,081	\$ 1,597	\$ (17)	\$ 4,661

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, 2012 (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	\$ 129	\$ (25)	\$ -	\$ -	\$ 129	\$ (25)
Venture capital investments	-	-	-	-	-	-
Offshore Fund	-	-	-	-	-	-
Mutual funds	10	(2)	-	-	10	(2)
Total available-for-sale securities	\$ 139	\$ (27)	\$ -	\$ -	\$ 139	\$ (27)

	June 30, 2011 (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	\$ 31	\$ (4)	\$ -	\$ -	\$ 31	\$ (4)

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Venture capital investments	112	(13)	-	-	112	(13)
Mutual funds	-	-	-	-	-	-
Total available-for-sale securities	\$ 143	\$ (17)	\$ -	\$ -	\$ 143	\$ (17)

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 8 OF 26

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, 2012, 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,	
	2012	2011
Realized gains on sales of available-for-sale securities	\$ 179,379	\$ 132,486
Realized losses on sales of trading securities	(2,638)	-
Unrealized gains (losses) on trading securities	(201,860)	847,138
Realized foreign currency gains (losses)	(646)	1,060
Other-than-temporary declines in available-for-sale securities	(19,073)	-
Dividend and interest income	101,094	184,430
<b>Total Investment Income (Loss)</b>	<b>\$ 56,256</b>	<b>\$ 1,165,114</b>

Investment Income	Three Months Ended March 31,	
	2012	2011
Realized gains on sales of available-for-sale securities	\$ 179,379	\$ 69,622
Unrealized gains on trading securities	277,192	44,106
Realized foreign currency gains (losses)	(253)	4,892
Other-than-temporary declines in available-for-sale securities	(19,036)	-
Dividend and interest income	27,581	56,596
<b>Total Investment Income</b>	<b>\$ 464,863</b>	<b>\$ 175,216</b>

**NOTE 4. FAIR VALUE DISCLOSURES**

Accounting Standards Codification (ASC) 820, *Fair Value Measurement and Disclosures* (formerly SFAS 157), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy (i.e., Levels 1, 2, and 3 inputs, as defined below). The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Additionally, companies are required to provide enhanced disclosures regarding instruments in the Level 3 category (which have inputs to the valuation techniques that are unobservable and require significant management judgment), including a reconciliation of the beginning and ending values separately for each major category of assets or liabilities.

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 9 OF 26

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

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

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

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

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

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

The following table presents fair value measurements, as of March 31, 2012, for the three major categories of U.S. Global's investments measured at fair value on a recurring basis:

	Fair Value Measurement using (in thousands)			Total
	Quoted Prices (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Trading securities</b>				
Common stock	\$ 259	\$ 4	\$ -	\$ 263
Mutual funds	4,024	-	-	4,024
Offshore fund	-	1,212	-	1,212
<b>Total trading securities</b>	<b>4,283</b>	<b>1,216</b>	<b>-</b>	<b>5,499</b>
<b>Available-for-sale securities</b>				
Common stock	1,406	-	-	1,406
Venture capital investments	-	-	106	106
Mutual funds	2,727	-	-	2,727
Offshore fund	-	5,000	-	5,000
<b>Total available-for-sale securities</b>	<b>4,133</b>	<b>5,000</b>	<b>106</b>	<b>9,239</b>
<b>Total Investments</b>	<b>\$ 8,416</b>	<b>\$ 6,216</b>	<b>\$ 106</b>	<b>\$ 14,738</b>

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Approximately 57 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, 42 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 one 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, 2012.

In Level 2, the Company has an investment in an offshore fund it advises with a fair value of \$1,211,965 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.



**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 10 OF 26

During the quarter ended March 31, 2012, the Company invested \$5,000,000 in an offshore fund it advises classified as a Level 2 investment that invests in dividend-paying equity and debt securities of companies located around the world. 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 Level 3, the Company held investments in three securities with a value of zero and one venture capital investment that was measured at fair value using significant unobservable inputs at March 31, 2012.

During the quarter ended March 31, 2012, the Company redeemed its Level 3 investment in a venture capital investment that primarily invests in companies in the energy and precious metals sectors for a realized gain of \$179,379.

The Company also has a Level 3 venture capital investment with a fair value of \$105,964 that primarily invests in companies in the medical and medical technology sectors. The Company may redeem this investment with general partner approval. As of March 31, 2012, 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:

<b>Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis For the Nine Months Ended March 31, 2012 (in thousands)</b>	
	<b>Venture Capital Investments</b>
Beginning Balance	\$ 243
Return of capital	(19)
Total gains or losses (realized/unrealized)	
Included in earnings (investment income)	160
Included in other comprehensive income	(108)
Purchases, sales, issuances, and settlements	(170)
Transfers in and/or out of Level 3	-
Ending Balance	\$ 106

**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 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, 2012, the Company adjusted its base advisory fees downward by \$1,137,345 and \$1,787,199. For the corresponding periods in fiscal 2011, base advisory fees were increased by \$925,897 and \$2,005,984.

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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, 2012, were \$773,394 and \$2,372,547 compared with \$741,991 and \$2,280,301, respectively, for the corresponding periods in fiscal 2011.

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**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 11 OF 26

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, 2012, total fees waived and/or expenses reimbursed as a result of this agreement were \$349,661 and \$1,150,573. For the corresponding periods in fiscal year 2011, the total fees waived and/or expenses reimbursed were \$384,954 and \$1,140,710.

The Company may recapture any fees waived and/or expenses reimbursed within three years after the end of the fund's fiscal year of such waiver and/or reimbursement to the extent that such recapture would not cause the fund's yield to fall below the Minimum Yield. Thus, \$1,047,980 of these waivers is recoverable by the Company through December 31, 2012; \$1,562,956 through December 31, 2013; \$1,605,619 through December 31, 2014; and \$349,661 through December 31, 2015. Management believes that these potential recoveries will be realized only in a rising interest rate environment and that 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 and/or reimbursements due to the number of variables and the range of potential outcomes.

The Company provides advisory services for three 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 fees from these clients totaling \$86,536 and \$263,634 for the three and nine months ended March 31, 2012. The Company recorded advisory and performance fees totaling \$116,907 and \$1,276,285 for the corresponding periods in fiscal 2011. The performance fees for these clients are calculated and recorded quarterly in accordance with the terms of the advisory agreements. These fees may fluctuate significantly from year to year based on factors that may be out of the Company's control. Frank Holmes, CEO, serves as a director of the offshore clients.

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

Substantially all of the cash and cash equivalents included in the balance sheet at March 31, 2012, and June 30, 2011, is invested in USGIF money market funds.

**NOTE 6. BORROWINGS**

As of March 31, 2012, 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, 2012, 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, 2012, was \$7,882 and \$25,424 compared to \$9,457 and \$28,369 in the corresponding periods in fiscal 2011. As of March 31, 2012, and 2011, respectively, there was approximately \$25,300 and \$48,000 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.

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 12 OF 26

**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, 2012.

	Number of Options	Weighted Average Exercise Price
<b>Options outstanding, beginning of year</b>	25,300	\$ 19.40
Granted	5,000	6.54
Exercised	-	-
Forfeited	(1,000)	24.74
<b>Options outstanding, end of period</b>	29,300	\$ 17.02
<b>Options exercisable, end of period</b>	22,240	\$ 19.17

**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,	
	2012	2011
<b>Net income</b>	\$ 1,646,038	\$ 6,290,064
<b>Weighted average number of outstanding shares</b>		
Basic	15,436,601	15,377,765
<b>Effect of dilutive securities</b>		
Employee stock options	358	-
Diluted	15,436,959	15,377,765
<b>Earnings per share</b>		
Basic	\$ 0.11	\$ 0.41
Diluted	\$ 0.11	\$ 0.41

	Three Months Ended March 31,	
	2012	2011

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<b>Net income</b>	\$	487,138	\$	2,694,085
<b>Weighted average number of outstanding shares</b>				
Basic		15,448,100		15,396,240
<b>Effect of dilutive securities</b>				
Employee stock options		418		-
Diluted		15,448,518		15,396,240
<b>Earnings per share</b>				
Basic	\$	0.03	\$	0.17
Diluted	\$	0.03	\$	0.17

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 13 OF 26

The diluted EPS calculation excludes the effect of stock options when their exercise prices exceed the average market price for the period. For the three and nine months ended March 31, 2012, 24,300 options were excluded from diluted EPS and 25,300 were excluded in the corresponding periods in fiscal 2011.

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, 2012. Upon repurchase, these shares are classified as treasury shares and are deducted from outstanding shares in the earnings per share calculation.

**NOTE 9. INCOME TAXES**

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

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax amount will not be realized. No valuation allowance was included or deemed necessary at March 31, 2012, or June 30, 2011.

**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
<b>Nine months ended March 31, 2012</b>			
Net revenues	\$ 19,171,019	\$ 38,556	\$ 19,209,575
Net income before income taxes	2,591,491	28,809	2,620,300
Depreciation	212,744	-	212,744
Capital expenditures	18,374	-	18,374
Gross identifiable assets at March 31, 2012	27,728,600	14,756,736	42,485,336
Deferred tax asset			663,693
Consolidated total assets at March 31, 2012			\$ 43,149,029
<b>Nine months ended March 31, 2011</b>			
Net revenues	\$ 31,181,757	\$ 1,059,953	\$ 32,241,710

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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
<b>Three months ended March 31, 2012</b>			
Net revenues	\$ 5,073,839	\$ 464,288	\$ 5,538,127
Net income before income taxes	336,904	458,521	795,425
Depreciation	70,586	-	70,586
Capital expenditures	5,384	-	5,384
<b>Three months ended March 31, 2011</b>			
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

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 14 OF 26

**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 \$0.02 per share through June 2012, 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 to June 2012 will be approximately \$927,318.



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**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 15 OF 26

**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](http://www.usfunds.com), including performance information for each fund for various time periods, assets under management as of the most recent month end and the 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](http://www.usfunds.com).

The Company provides advisory services for three 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 fees from these clients totaling \$86,536 and \$263,634 for the three and nine months ended March 31, 2012. The Company recorded advisory and performance fees totaling \$116,907 and \$1,276,285 for the corresponding periods in fiscal 2011. 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, 2012, total assets under management as of period-end, including both SEC-registered funds and offshore clients, were \$1.894 billion versus \$3.180 billion at March 31, 2011, a decrease of 40.5 percent. During the nine months ended March 31, 2012, average assets under management were \$2.168 billion versus \$2.797 billion during the nine months ended March 31, 2011. Total assets under management as of period-end at March 31, 2012, were \$1.894 billion versus \$2.603 billion at June 30, 2011, the Company's prior fiscal year end.

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 16 OF 26

The following tables summarize the changes in assets under management for the SEC-registered funds for the three and nine months ended March 31, 2012, and 2011:

(Dollars in Thousands)	Changes in Assets Under Management Three Months Ended March 31,					
	2012 Money Market			2011 Money Market and		
	Equity	Fixed Income	Total	Equity	Fixed Income	Total
Beginning Balance	\$ 1,540,132	\$ 318,898	\$ 1,859,030	\$ 2,643,210	\$ 352,258	\$ 2,995,468
Market appreciation/(depreciation)	89,222	433	89,655	59,704	267	59,971
Dividends and distributions	(1)	(391)	(392)	-	(373)	(373)
Net shareholder purchases/(redemptions)	(80,242)	(13,040)	(93,282)	86,916	(8,123)	78,793
Ending Balance	\$ 1,549,111	\$ 305,900	\$ 1,855,011	\$ 2,789,830	\$ 344,029	\$ 3,133,859
Average investment management fee	0.99%	0.00%	0.83%	0.99%	0.00%	0.88%
<b>Average net assets</b>	<b>\$ 1,624,744</b>	<b>\$ 312,038</b>	<b>\$ 1,936,782</b>	<b>\$ 2,703,630</b>	<b>\$ 350,959</b>	<b>\$ 3,054,589</b>

(Dollars in Thousands)	Changes in Assets Under Management Nine Months Ended March 31,					
	2012 Money Market and			2011 Money Market and		
	Equity	Fixed Income	Total	Equity	Fixed Income	Total
Beginning Balance	\$ 2,225,729	\$ 336,793	\$ 2,562,522	\$ 1,985,203	\$ 382,062	\$ 2,367,265
Market appreciation/(depreciation)	(294,998)	2,072	(292,926)	793,780	325	794,105
Dividends and distributions	(117,744)	(1,121)	(118,865)	(144,176)	(1,116)	(145,292)
Net shareholder purchases/(redemptions)	(263,876)	(31,844)	(295,720)	155,023	(37,242)	117,781
Ending Balance	\$ 1,549,111	\$ 305,900	\$ 1,855,011	\$ 2,789,830	\$ 344,029	\$ 3,133,859
Average investment management fee	0.99%	0.00%	0.84%	1.00%	0.00%	0.87%
<b>Average net assets</b>	<b>\$ 1,806,825</b>	<b>\$ 325,355</b>	<b>\$ 2,132,180</b>	<b>\$ 2,390,702</b>	<b>\$ 364,147</b>	<b>\$ 2,754,849</b>

As shown above, both average and period-end assets under management for the three and nine months ended March 31, 2012, decreased compared to the same time periods for fiscal year 2011. The decrease in assets under management during the three months ended March 31, 2012, was driven by shareholder redemptions in the equity funds, primarily in the natural resources and emerging market categories, which were offset by market appreciation during the quarter. The decrease in assets under management during the nine months ended March 31, 2012, was driven by market depreciation and shareholder redemptions in the equity funds, primarily in the natural resources and emerging market categories. A significant portion of the dividends and distributions shown above are reinvested and included in net shareholder purchases (redemptions). Fixed income funds experienced a net decrease as shareholders sought alternatives to low yields.

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Stock market performance was marked by wide swings in 2010 and 2011. Equities linked to gold and broader natural resources, where most of the assets managed by the Company are invested, were also volatile. Effects from the recent global financial crisis and subsequent volatility in markets, combined with fund performance, were significant factors in the shareholder activity shown in all periods.

The average annualized investment management fee rate (total mutual fund advisory fees, excluding performance fees, as a percentage of average assets under management) was 83 and 84 basis points in the three and nine months ending March 31, 2012, respectively, compared to 88 and 87 basis points for the same time periods in fiscal 2011. The average investment management fee for the equity funds was 99 basis points for the three and nine months ending March 31, 2012, respectively, compared to 99 and 100 basis points for the same time periods in fiscal year 2011. 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.

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 17 OF 26

**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, 2012, the Company held investments with a market value of approximately \$14.7 million and a cost basis of approximately \$14.0 million. The market value of these investments is approximately 34.2 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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**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 18 OF 26

**RESULTS OF OPERATIONS THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

The Company posted net income of \$487,138 (\$0.03 per share) for the three months ended March 31, 2012, compared with net income of \$2,694,085 (\$0.17 per share) for the three months ended March 31, 2011, a decrease of \$2,206,947, or 81.9 percent.

**Revenues**

Total consolidated revenues for the three months ended March 31, 2012, decreased \$5,872,104, or 51.5 percent, compared with the three months ended March 31, 2011. This decrease was primarily attributable to the following:

Mutual fund advisory fees decreased by \$4,731,074, or 62.4 percent. Of that amount, \$2,667,832 was attributable to a decrease in mutual fund management fees, primarily due to shareholder redemptions in the natural resources and emerging markets funds. In addition, \$2,063,242 was attributable to a swing in performance fee adjustments driven by net payments to the funds in the current quarter versus net receipts from the funds in the same quarter of the prior year. Performance fees are paid or received 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.

Distribution fee revenue decreased by \$680,120, or 41.4 percent, as a result of decreased assets under management.

Transfer agent fees decreased by \$504,048, or 37.1 percent, as a result of a decline in the number of shareholder accounts and the number of transactions.

**Expenses**

Total consolidated expenses for the three months ended March 31, 2012, decreased \$2,618,034, or 35.6 percent, compared with the three months ended March 31, 2011. This was largely attributable to the following:

Platform fees decreased by \$857,472, or 49.7 percent, primarily as a result of lower assets under management.

Employee compensation and benefits decreased by \$738,510, or 23.8 percent, primarily as a result of lower performance-based bonuses.

Advertising decreased by \$674,937, or 99.0 percent as a result of decreased marketing and sales activity.

General and administrative expense decreased by \$345,462, or 19.7 percent, primarily due to prior period software implementation and prior period consulting expenses.

**RESULTS OF OPERATIONS NINE MONTHS ENDED MARCH 31, 2012 AND 2011**

The Company posted net income of \$1,646,038 (\$0.11 per share) for the nine months ended March 31, 2012, compared with net income of \$6,290,064 (\$0.41 per share) for the nine months ended March 31, 2011, a decrease of \$4,644,026 or 73.8 percent.

**Revenues**

Total consolidated revenues for the nine months ended March 31, 2012, decreased \$13,032,135, or 40.4 percent, compared with the nine months ended March 31, 2011. This decrease was primarily attributable to the following:

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Mutual fund advisory fees decreased by \$8,359,335, or 41.8 percent. Of that amount, \$4,566,152 was attributable to a decrease in mutual fund management fees, primarily due to market depreciation and shareholder redemptions in the natural resources and emerging markets funds. In addition, \$3,793,183 was attributable to a swing in performance fee adjustments driven by net payments to the funds in the current quarter versus net receipts in the same quarter of the prior year. Performance fees are paid or received 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.

Distribution fee revenue decreased by \$1,187,374, or 26.7 percent, as a result of decreased assets under management.

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**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 19 OF 26

Investment income decreased \$1,108,858, or 95.2 percent, primarily due to lower unrealized gains on trading securities in the nine months ended March 31, 2012, compared to unrealized gains on trading securities in the nine months ended March 31, 2011.

Other advisory fees decreased by \$1,012,651, or 79.3 percent, primarily as a result of a decrease in offshore fund performance fees due to natural resource-related market depreciation of fund holdings.

Transfer agent fees decreased by \$991,053, or 25.6 percent, primarily due to a decline in the number of shareholder accounts and account activity.

**Expenses**

Total consolidated expenses for the nine months ended March 31, 2012, decreased \$6,003,417, or 26.6 percent, compared with the nine months ended March 31, 2011. This was largely attributable to the following:

Employee compensation and benefits decreased by \$1,981,819, or 20.3 percent, primarily as a result of lower performance-based bonuses.

General and administrative expense decreased by \$1,546,591, or 26.0 percent, primarily due to prior period software implementation and prior period consulting expenses.

Platform fees decreased by \$1,441,595, or 31.4 percent, primarily as a result of lower assets under management.

Advertising decreased by \$911,881, or 47.5 percent as a result of decreased marketing and sales activity.

**LIQUIDITY AND CAPITAL RESOURCES**

At March 31, 2012, the Company had net working capital (current assets minus current liabilities) of approximately \$26.7 million and a current ratio (current assets divided by current liabilities) of 9.5 to 1. With approximately \$20.9 million in cash and cash equivalents and approximately \$14.7 million in marketable securities, the Company has adequate liquidity to meet its current obligations. Total shareholders' equity was approximately \$40.0 million, with cash, cash equivalents, and marketable securities comprising 82.6 percent of total assets.

As of March 31, 2012, 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, 2012, 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 annual investment advisory and related contracts between the Company and USGIF were renewed effective October 1, 2011. The Company provides advisory services to three 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, 2011. As discussed in Note 1 of the Notes to Consolidated Financial

Statements, the Company has adopted certain recently issued financial accounting pronouncements.



**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 20 OF 26

**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, 2012, and shows the effects of a hypothetical 25 percent increase and a 25 percent decrease in market prices.

	Fair Value at March 31, 2012	Hypothetical Percentage Change	Estimated Fair	Increase (Decrease)
			Value After Hypothetical Price Change	in Shareholders' Equity, Net of Tax
Trading securities <sup>1</sup>	\$5,499,418	25% increase	\$6,874,273	\$907,404
		25% decrease	\$4,124,564	(\$907,404)
Available-for-sale <sup>2</sup>	\$9,238,756	25% increase	\$11,548,445	\$1,524,395
		25% decrease	\$6,929,067	(\$1,524,395)

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

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

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

**ITEM 4. CONTROLS AND PROCEDURES**

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2012, 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, 2012.

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There has been no change in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2012, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Table of Contents**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 21 OF 26

**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, 2011. There has been no material changes since fiscal year end to the risk factors listed therein.

**ITEM 6. EXHIBITS**

1. Exhibits

31	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act Of 2002
32	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002
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**

U.S. GLOBAL INVESTORS, INC.

MARCH 31, 2012, QUARTERLY REPORT ON FORM 10-Q

PAGE 22 OF 26

**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 2, 2012

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

DATED: May 2, 2012

BY: /s/ Catherine A. Rademacher  
Catherine A. Rademacher  
Chief Financial Officer