

U S GLOBAL INVESTORS INC
Form 10-K
August 28, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended June 30, 2013

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.

Incorporated in the State of Texas

IRS Employer Identification No. 74-1598370

Principal Executive Offices:

7900 Callaghan Road

San Antonio, Texas 78229

Telephone Number: 210-308-1234

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Class A common stock

(\$0.025 par value per share)

Registered: NASDAQ Capital Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the Company (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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Small reporting company

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

Yes No

The aggregate market value of the 9,466,282 shares of nonvoting class A common stock held by nonaffiliates of the registrant was \$37,959,791, based on the last sale price quoted on NASDAQ as of December 31, 2012, the last business day of the registrant's most recently completed second fiscal quarter. Registrant's only voting stock is its class C common stock, par value of \$0.025 per share, for which there is no active market. The aggregate value of the 7,899 shares of the class C common stock held by nonaffiliates of the registrant on December 31, 2012 (based on the last sale price of the class C common stock in a private transaction) was \$1,974.75. For purposes of this disclosure only, the registrant has assumed that its directors, executive officers, and beneficial owners of 5 percent or more of the registrant's common stock are affiliates of the registrant.

On August 14, 2013, there were 13,865,021 shares of Registrant's class A nonvoting common stock issued and 13,401,843 shares of Registrant's class A nonvoting common stock issued and outstanding, no shares of Registrant's class B nonvoting common stock outstanding, and 2,070,527 shares of Registrant's class C voting common stock issued and outstanding.

Documents incorporated by reference: None

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Part I of Annual Report on Form 10-K

Item 1. Business

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, U.S. Global Investors, Inc. and its subsidiaries (collectively, U.S. Global or the Company) may make other written and oral communications from time to time that contain such statements. Forward-looking statements include statements as to industry trends, future expectations of the Company, and other matters that do not relate strictly to historical facts and are based on certain assumptions by management. These statements are often identified by the use of words such as may, will, expect, believe, anticipate, intend, could, estimate, or continue, and similar expressions or variations. These statements are based on the beliefs and assumptions of Company management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from the forward-looking statements include, among others, the risks described in Part I, Item 1A, Risk Factors, and elsewhere in this report and other documents filed or furnished by U.S. Global from time to time with the U.S. Securities and Exchange Commission (SEC). U.S. Global cautions readers to carefully consider such factors. Furthermore, such forward-looking statements speak only as of the date on which such statements are made. Except to the extent required by applicable law, U.S. Global undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

U.S. Global, a Texas corporation organized in 1968, is a registered investment adviser under the Investment Advisers Act of 1940, as amended (Advisers Act). The Company and its subsidiaries are principally engaged in the business of providing investment advisory and other services to U.S. Global Investors Funds (USGIF or the Funds), a Delaware statutory trust, as well as offshore clients. USGIF is an investment company offering shares of thirteen mutual funds on a no-load basis.

As part of the mutual fund management business, the Company provides: (1) investment advisory services; (2) transfer agency and record keeping services; (3) distribution services; and (4) administrative services to mutual funds advised by the Company. The fees from investment advisory and transfer agency services, as well as investment income, are the primary sources of the Company's revenue.

Lines of Business

Investment Management Services

Investment Advisory Services. The Company furnishes an investment program for each of the clients it manages and determines, subject to overall supervision by the applicable board of trustees of the clients, the clients' investments pursuant to an advisory agreement (the Advisory Agreement). Consistent with the investment restrictions, objectives and policies of the particular client, the portfolio team for each client determines what investments should be purchased, sold, and held, and makes changes in the portfolio deemed necessary or appropriate. In the Advisory Agreement, the Company is charged with seeking the best overall terms in executing portfolio transactions and selecting brokers or dealers.

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As required by the Investment Company Act of 1940, as amended (Investment Company Act), the Advisory Agreement with USGIF is subject to annual renewal and is terminable upon 60-day notice. This agreement has been renewed through September 2014.

In addition to providing advisory services to USGIF, the Company provides advisory services to three offshore clients.

Net assets under management on June 30, 2013, and June 30, 2012, are detailed in the following table.

| Assets Under Management (AUM) | | AUM at | AUM at |
|--|-------------|---------------------------------|---------------------------------|
| Fund | Ticker | June 30, 2013 (in thousands) | June 30, 2012 (in thousands) |
| U.S. Global Investors Funds Natural Resources | | | |
| Global Resources | PSPFX/PIPFX | \$ 391,429 | \$ 530,604 |
| World Precious Minerals | UNWPX/UNWIX | 147,998 | 323,802 |
| Gold and Precious Metals | USERX | 87,657 | 155,570 |
| Total Natural Resources | | 627,084 | 1,009,976 |
| Emerging Markets | | | |
| Emerging Europe | EUROX | 130,482 | 177,019 |
| China Region | USCOX | 25,514 | 28,272 |
| Global Emerging Markets | GEMFX | 6,643 | 7,962 |
| Total Emerging Markets | | 162,639 | 213,253 |
| Fixed Income | | | |
| U.S. Government Securities Savings | UGSXX | 133,381 | 156,307 |
| U.S. Treasury Securities Cash | USTXX | 78,029 | 85,427 |
| Near-Term Tax Free | NEARX | 51,713 | 38,253 |
| Tax Free | USUTX | 20,021 | 22,783 |
| Total Fixed Income | | 283,144 | 302,770 |
| Domestic Equity | | | |
| Holmes Growth | ACBGX | 36,559 | 35,805 |
| All American Equity | GBTFX | 19,734 | 17,010 |
| MegaTrends | MEGAX/MEGIX | 11,286 | 13,116 |
| Total Domestic Equity | | 67,579 | 65,931 |
| Total SEC-Registered Funds | | 1,140,446 | 1,591,930 |
| Other Advisory Clients | | 21,715 | 32,551 |
| Total AUM | | \$ 1,162,161 | \$ 1,624,481 |

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Transfer Agency and Other Services. The Company's wholly-owned subsidiary, United Shareholder Services, Inc. (USSI), is a transfer agent registered under the Securities Exchange Act of 1934 (Exchange Act), providing transfer agency, printing, and mailing services to investment company clients. The transfer agency utilizes a third party external system providing the Company's fund shareholder communication network with computer equipment and software designed to meet the operating requirements of a mutual fund transfer agency.

The transfer agency's duties encompass, but are not limited to, the following: (1) acting as servicing agent in connection with dividend and distribution functions; (2) performing shareholder account and administrative agent functions in connection with the issuance, transfer and redemption, or repurchase of shares; (3) maintaining such records as are necessary to document transactions in the Funds' shares; (4) acting as servicing agent in connection with mailing of shareholder communications, including reports to shareholders, dividend and distribution notices, and proxy materials for shareholder meetings; and (5) investigating and answering all shareholder account inquiries.

The transfer agency agreements provide that USSI will receive, as compensation for services rendered as transfer agent, certain annual and activity-based fees and will be reimbursed for out-of-pocket expenses. In connection with obtaining/providing administrative services to the beneficial owners of fund shares through institutions that provide such services and maintain an omnibus account with USSI, each fund pays a monthly fee based on the value of the shares of the fund held in accounts at the institution.

The Company's Board of Directors formally agreed on August 23, 2013, to exit the transfer agency business so that the Company could focus more on its core strength of investment management. On August 23, 2013, the Funds' board of trustees agreed to continue the existing transfer agency contract with USSI until conversion to the new transfer agent, which is projected to be in December 2013.

Distribution Services. The Company has registered its wholly-owned subsidiary, U.S. Global Brokerage, Inc. (USGB), with the Financial Industry Regulatory Authority (FINRA), the SEC and appropriate state regulatory authorities as a limited-purpose broker-dealer for the purpose of distributing Fund shares. The distribution agreement with USGIF is subject to annual renewal and is terminable upon 60-day notice. This agreement has been renewed through September 2014.

Administrative Services. The Company also manages, supervises and conducts certain other affairs of USGIF, subject to the control of the Funds' board of trustees pursuant to an administrative agreement (the Administrative Services Agreement). It provides office space, facilities and certain business equipment as well as the services of executive and clerical personnel for administering the affairs of the Funds. U.S. Global and its affiliates compensate all personnel, officers, directors and interested trustees of the Funds if such persons are also employees of the Company or its affiliates. The Administrative Services Agreement with USGIF is subject to renewal on an annual basis and is terminable upon 60-day notice. This agreement has been renewed through September 2014. On August 23, 2013, the Funds' board of trustees agreed to increase the rate from 0.08 percent to 0.10 percent for each investor class and from 0.06 percent to 0.08 percent for each institutional class plus \$10,000 per Fund. This change is expected to take effect in December 2013.

Corporate Investments

Investment Activities. In addition to providing management and advisory services, the Company is actively engaged in trading for its own account. See segment information in the notes to the consolidated financial statements at Note 16 Financial Information by Business Segment.

Employees

As of June 30, 2013, U.S. Global and its subsidiaries employed 65 full-time employees and 3 part-time employees; as of June 30, 2012, it employed 70 full-time employees and 4 part-time employees. The Company considers its relationship with its employees to be good.

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Competition

The mutual fund industry is highly competitive. According to the Investment Company Institute, at the end of 2012 there were approximately 8,800 domestically registered open-end investment companies of varying sizes and investment policies, whose shares are being offered to the public worldwide. Generally, there are two types of mutual funds: load and no-load. In addition, there are both load and no-load funds that have adopted Rule 12b-1 plans authorizing the payment of distribution costs of the funds out of fund assets. USGIF is a trust with no-load funds that have adopted 12b-1 plans. Load funds are typically sold through or sponsored by brokerage firms, and a sales commission is charged on the amount of the investment. No-load funds, such as the USGIF, however, may be purchased directly from the particular mutual fund organization or through a distributor, and no sales commissions are charged.

In addition to competition from other mutual fund managers and investment advisers, the Company and the mutual fund industry are in competition with various investment alternatives offered by insurance companies, banks, securities broker-dealers, and other financial institutions. Many of these institutions are able to engage in more liberal advertising than mutual funds and may offer accounts at competitive interest rates, which may be insured by federally chartered corporations such as the Federal Deposit Insurance Corporation.

A number of mutual fund groups are significantly larger than the funds managed by U.S. Global, offer a greater variety of investment objectives and have more experience and greater resources to promote the sale of investments therein. However, the Company believes it has the resources, products, and personnel to compete with these other mutual funds. In particular, the Company is known for its expertise in the gold mining and exploration, natural resources and emerging markets. Competition for sales of fund shares is influenced by various factors, including investment objectives and performance, advertising and sales promotional efforts, distribution channels, and the types and quality of services offered to fund shareholders.

Success in the investment advisory and mutual fund distribution businesses is substantially dependent on each fund's investment performance, the quality of services provided to shareholders, and the Company's efforts to market the Funds effectively. Sales of Fund shares generate management, distribution and administrative services fees (which are based on assets of the Funds), and transfer agent fees (which are based on the number of Fund accounts and the activity in those accounts). Costs of distribution and compliance continue to put pressure on profit margins for the mutual fund industry.

Despite the Company's expertise in gold mining and exploration, natural resources, and emerging markets, the Company faces the same obstacle many advisers face, namely uncovering undervalued investment opportunities as the markets face further uncertainty and increased volatility. In addition, the growing number of alternative investments, especially in specialized areas, has created pressure on the profit margins and increased competition for available investment opportunities.

Supervision and Regulation

The Company, USSI, USGB, and the clients the Company manages and administers operate under certain laws, including federal and state securities laws, governing their organization, registration, operation, and legal, financial, and tax status. Among the potential penalties for violation of the laws and regulations applicable to the Company and its subsidiaries are fines, imprisonment, injunctions, revocation of registration, and certain additional administrative sanctions. Any determination that the Company or its management has violated applicable laws and regulations could have a material adverse effect on the business of the Company. Moreover, there is no assurance that changes to existing laws, regulations, or rulings promulgated by governmental entities having jurisdiction over the Company and the Funds will not have a material adverse effect on the Company's business. The Company has no control over regulatory rulemaking or the consequences it may have on the mutual fund and investment advisory industry.

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Recent and accelerating regulatory pronouncements and oversight have significantly increased the burden of compliance infrastructure with respect to the mutual fund industry and the capital markets. This momentum of new regulations has contributed significantly to the costs of managing and administering mutual funds.

U.S. Global is registered as an investment adviser with the SEC. As a registered investment adviser, it is subject to the requirements of the Advisers Act, and the SEC's regulations thereunder, as well as to examination by the SEC's staff. The Advisers Act imposes substantive regulation on virtually all aspects of the Company's business and relationships with the Company's clients. Applicable rules relate to, among other things, fiduciary duties to clients, transactions with clients, effective compliance programs, conflicts of interest, advertising, recordkeeping, reporting, and disclosure requirements. The Funds for which the Company acts as the investment adviser are registered with the SEC under the Investment Company Act. The Investment Company Act imposes additional obligations, including detailed operational requirements for both funds and their advisers. Moreover, an investment adviser's contract with a registered fund may be terminated by the fund on not more than 60 days' notice and is subject to annual renewal by the fund's board after an initial two-year term. Both the Advisers Act and the Investment Company Act regulate the assignment of advisory contracts by the investment adviser. The SEC is authorized to institute proceedings and impose sanctions for violations of the Investment Advisers Act and the Investment Company Act, ranging from fines and censures to termination of an investment adviser's registration. The failure of the Company, or the Funds which the Company advises, to comply with the requirements of the SEC could have a material adverse effect on the Company. The Company is also subject to federal and state laws affecting corporate governance, including the Sarbanes-Oxley Act of 2002 ("S-Ox Act"), as well as rules adopted by the SEC.

USGB is subject to regulation by the SEC under the Exchange Act and regulation by FINRA, a self-regulatory organization composed of other registered broker-dealers. U.S. Global, USSI, and USGB are required to keep and maintain certain reports and records, which must be made available to the SEC and FINRA upon request.

Relationships with Clients

The businesses of the Company are to a very significant degree dependent on their associations and contractual relationships with USGIF. In the event the advisory or administrative agreements with USGIF are canceled or not renewed pursuant to the terms thereof, the Company would be substantially adversely affected. U.S. Global, and USGB consider their relationships with the Funds to be good, and they have no reason to believe that their management and service contracts will not be renewed in the future; however, there is no assurance that USGIF will choose to continue its relationship with the Company, or USGB. As discussed in Item 1 under the heading "Lines of Business - Transfer Agency and Other Services," USSI has elected to exit the transfer agency business, and USSI and USGIF have mutually agreed to terminate the related transfer agency services agreement once the conversion to the new transfer agent is complete, which is projected to be in December 2013.

In addition, the Company is also dependent on its relationships with its offshore clients. Even though the Company views its relationship with its offshore clients as stable, the Company could be adversely affected if these relationships ended.

Available Information

Available Information. The Company's Internet website address is www.usfunds.com. Information contained on the Company's website is not part of this annual report on Form 10-K. The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed with (or furnished to) the SEC are available through a link on the Company's Internet website, free of charge, soon after such material is filed or furnished. (The link to the Company's SEC filings can be found at www.usfunds.com by clicking "About Us," followed by "Investor Relations," followed by "SEC Filings.") The Company routinely posts important information on its website.

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The Company also posts its Corporate Governance Guidelines, Code of Business Conduct, Code of Ethics for Principal Executive and Senior Financial Officers and the charters of the audit and compensation committees of its Board of Directors on the Company's website in the Policies and Procedures section. The Company's SEC filings and governance documents are available in print to any stockholder that makes a written request to: Investor Relations, U.S. Global Investors, Inc., 7900 Callaghan Road, San Antonio, Texas 78229.

The Company files reports electronically with the SEC via the SEC's Electronic Data Gathering, Analysis and Retrieval system (EDGAR), which may be accessed through the Internet. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, at www.sec.gov.

The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Investors and others should note that we announce material financial information to our investors using the website, SEC filings, press releases, public conference calls and webcasts. We also use social media to communicate with our customers and the public about our company. It is possible that the information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our company to review the information we post on social media channels listed below. This list may be updated from time to time.

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

<https://twitter.com/USFunds>

Information contained on our website or on social media channels is not deemed part of this report.

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Item 1A. Risk Factors

The Company faces a variety of significant and diverse risks, many of which are inherent in the business. Described below are certain risks that could materially affect the Company. Other risks and uncertainties that the Company does not presently consider to be material, or of which the Company is not presently aware, may become important factors that affect it in the future. The occurrence of any of the risks discussed below could materially and adversely affect the business, prospects, financial condition, results of operations, or cash flow.

The investment management business is intensely competitive.

Competition in the investment management business is based on a variety of factors, including:

- Investment performance;
- Investor perception of an investment team's drive, focus, and alignment of interest with them;
- Quality of service provided to, and duration of relationships with, clients and shareholders;
- Business reputation; and
- Level of fees charged for services.

The Company competes with a large number of investment management firms, commercial banks, broker-dealers, insurance companies, and other financial institutions. Competitive risk is heightened by the fact that some competitors may invest according to different investment styles or in alternative asset classes which the markets may perceive as more attractive than the Company's investment approach. If the Company is unable to compete effectively, revenues and earnings may be reduced and the business could be materially affected.

Poor investment performance could lead to a decline in revenues.

Success in the investment management industry is largely dependent on investment performance relative to market conditions and the performance of competing products. Good relative performance generally attracts additional assets under management, resulting in additional revenues. Conversely, poor performance generally results in decreased sales and increased redemptions with a corresponding decrease in revenues. Therefore, poor investment performance relative to the portfolio benchmarks and to competitors could impair the Company's revenues and growth. Effective October 2009, a performance fee was implemented for the nine equity Funds whereby the base advisory fee is adjusted upwards or downwards by 0.25 percent if 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.

The Company's clients can terminate their agreements with the Company on short notice, which may lead to unexpected declines in revenue and profitability.

The Company's investment advisory agreements are generally terminable on short notice and subject to annual renewal. If the Company's investment advisory agreements are terminated, which may occur in a short time frame, the Company may experience a decline in revenues and profitability.

Difficult market conditions can adversely affect the Company by reducing the market value of the assets we manage or causing shareholders to make significant redemptions.

Changes in economic or market conditions may adversely affect the profitability, performance of and demand for the Company's investment products and services. Under the Company's advisory fee arrangements, the fees received are primarily based on the market value of assets under management. Accordingly, a decline in the price of securities held in the Funds would be expected to cause revenues and net income to decline, which would result in lower advisory fees, or cause increased shareholder redemptions in favor of investments they perceive as offering greater opportunity or lower risk, which redemptions would also result in lower advisory fees. The ability of the Company to compete and grow is dependent on the relative attractiveness of the types of investment products the Company offers and its investment performance and strategies under prevailing market conditions.

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Market-specific risks may negatively impact the Company's earnings.

The Company manages certain funds in the emerging market and natural resource sectors, which are highly cyclical. The investments in the Funds are subject to significant loss due to political, economic and diplomatic developments, currency fluctuations, social instability, and changes in governmental policies. Foreign trading markets, particularly in some emerging market countries, are often smaller, less liquid, less regulated and significantly more volatile than the U.S. and other established markets.

In addition, yields on government securities, and the investment products investing in them, have remained at record lows. Thus, the Company has voluntarily waived fees and/or reimbursed the USGIF money market funds to maintain each fund's yield at a certain level as determined by the Company. These waivers could increase in the future. Such increases in fee waivers could be significant and would negatively affect the Company's net income.

The market price and trading volume of the Company's class A common stock may be volatile, which could result in rapid and substantial losses for the Company's stockholders.

The market price of the Company's class A common stock may be volatile and the trading volume may fluctuate, causing significant price variations to occur. If the market price of the Company's class A common stock declines significantly, stockholders may be unable to sell their shares at or above their purchase price. The Company cannot assure that the market price of its class A common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of the Company's class A common stock, or result in fluctuations in price or trading volume, include:

- Decreases in assets under management;
- Variations in quarterly and annual operating results;
- Publication of research reports about the Company or the investment management industry;
- Departures of key personnel;
- Adverse market reactions to any indebtedness the Company may incur, acquisitions or disposals the Company may make, or securities the Company may issue in the future;
- Changes in market valuations of similar companies;
- Changes or proposed changes in laws or regulations, or differing interpretations thereof, affecting the business, or enforcement of these laws and regulations, or announcements relating to these matters;
- Adverse publicity about the asset management industry, generally, or individual scandals, specifically; and
- General market and economic conditions.

The market price of the Company's class A common stock could decline due to the large number of shares of the Company's class C common stock eligible for future sale upon conversion to class A shares.

The market price of the Company's class A common stock could decline as a result of sales of a large number of shares of class A common stock eligible for future sale upon the conversion of class C shares, or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for the Company to raise additional capital by selling equity securities in the future, at a time and price the Company deems appropriate.

Failure to comply with government regulations could result in fines, which could cause the Company's earnings and stock price to decline.

The Company and its subsidiaries are subject to a variety of federal securities laws and agencies, including, but not limited to, the Advisers Act, the Investment Company Act, the S-Ox Act, the Gramm-Leach-Bliley Act of 1999, the Bank Secrecy Act of 1970, as amended, the USA PATRIOT Act of 2001, the SEC, FINRA, and NASDAQ. Moreover, financial reporting requirements and the processes, controls, and procedures that have been put in place to address them, are comprehensive and complex. While management has focused attention and resources on compliance policies and procedures, non-compliance with applicable laws or regulations could result in fines, sanctions or censures which could affect the Company's reputation, and thus its revenues and earnings.

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Our business is subject to substantial risk from litigation, regulatory investigations and potential securities laws liability.

Many aspects of U.S. Global's business involve substantial risks of litigation, regulatory investigations and/or arbitration. The Company is exposed to liability under federal and state securities laws, other federal and state laws and court decisions, as well as rules and regulations promulgated by the SEC, FINRA and other regulatory bodies. U.S. Global, its subsidiaries, and/or officers could be named as parties in legal actions, regulatory investigations and proceedings. An adverse resolution of any lawsuit, legal or regulatory proceeding or claim against the Company could result in substantial costs or reputational harm to the Company, and have a material adverse effect on the Company's business, financial condition or results of operations, which, in turn, may negatively affect the market price of the Company's common stock and U.S. Global's ability to pay dividends. In addition to these financial costs and risks, the defense of litigation or arbitration may divert resources and management's attention from operations.

Higher insurance premiums and related insurance coverage risks could increase costs and reduce profitability.

While U.S. Global carries insurance in amounts and under terms that it believes are appropriate, the Company cannot assure that its insurance will cover most liabilities and losses to which it may be exposed, or that our insurance policies will continue to be available at acceptable terms and fees. U.S. Global is subject to regulatory and governmental inquiries and civil litigation. An adverse outcome of any such proceeding could involve substantial financial penalties. From time to time, various claims against us arise in the ordinary course of business, including employment-related claims. There has been increased incidence of litigation and regulatory investigations in the financial services industry in recent years, including customer claims and class action suits alleging substantial monetary damages. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As U.S. Global's insurance policies come up for renewal, the Company may need to assume higher deductibles or co-insurance liabilities, or pay higher premiums, which would increase the Company's expenses and reduce net income.

Increased regulatory and legislative actions and reforms could increase costs and negatively impact the Company's profitability and future financial results.

During the past decade, federal securities laws have been substantially augmented and made significantly more complex by the S-Ox Act and the USA PATRIOT Act of 2001. With new laws and changes in interpretations and enforcement of existing requirements, the associated time the Company must dedicate to, and related costs the Company must incur in, meeting the regulatory complexities of the business have increased. In order to comply with these new requirements, the Company has had to expend additional time and resources, including substantial efforts to conduct evaluations required to ensure compliance with the S-Ox Act.

The Company is subject to financial services laws, regulations, corporate governance requirements, administrative actions and policies. During 2009 and 2010, as many emergency government programs slowed or wound down, global regulatory and legislative focus generally moved to a second phase of broader reform and a restructuring of financial institution regulation. On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which fundamentally changed the U.S. financial regulatory landscape. The full scope of the regulatory changes imposed by the Dodd-Frank Act will only be determined once extensive rules and regulations have been proposed and become effective, which may result in significant changes in the manner in which the Company's operations are regulated.

Further, adverse results of regulatory investigations of mutual fund, investment advisory, and financial services firms could tarnish the reputation of the financial services industry generally, and mutual funds and investment advisers more specifically, causing investors to avoid further fund investments or redeem their balances. Redemptions would decrease the Company's assets under management, which would reduce its advisory revenues and net income.

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The Company intends to pay regular dividends to its stockholders, but the ability to do so is subject to the discretion of the Board of Directors.

The Company intends to pay cash dividends on a monthly basis, but the Board of Directors, at its discretion, may decrease the level or frequency of dividends or discontinue payment of dividends entirely based on earnings, operations, capital requirements, general financial condition of the Company, and general business conditions.

One person beneficially owns substantially all of our voting stock and controls the outcome of all matters requiring a vote of stockholders, which may influence the value of our publicly traded non-voting stock.

Frank Holmes, CEO, is the beneficial owner of over 99 percent of our class C voting convertible common stock and controls the outcome of all issues requiring a vote of stockholders. All of our publicly traded stock is nonvoting stock. Consequently, except to the extent provided by law, stockholders other than Frank Holmes have no vote with respect to the election of directors or any other matter requiring a vote of stockholders. This lack of voting rights may adversely affect the market value of the publicly traded class A nonvoting common stock.

The loss of key personnel could negatively affect the Company's financial performance.

The success of the Company depends on key personnel, including the portfolio managers, analysts, and executive officers. Competition for qualified, motivated, and skilled personnel in the asset management industry remains significant. As the business grows, the Company will likely need to increase the number of employees. Moreover, in order to retain certain key personnel, the Company may be required to increase compensation to such individuals, resulting in additional expense. The loss of key personnel or the Company's failure to attract replacement personnel could negatively affect its financial performance.

The Company could be subject to losses if it fails to properly safeguard sensitive and confidential information.

As part of the Company's normal operations, it maintains and transmits confidential information about the Company and the Funds' clients as well as proprietary information relating to its business operations. These systems could be victimized by unauthorized users or corrupted by computer viruses or other malicious software code, or authorized persons could inadvertently or intentionally release confidential or proprietary information. Such a breach could subject the Company to liability for a failure to safeguard client data, result in the termination of relationships with our existing customers, require significant capital and operating expenditures to investigate and remediate the breach and subject the Company to regulatory action.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The Company presently owns and occupies an office building as its headquarters in San Antonio, Texas. The office building is approximately 46,000 square feet on approximately 2.5 acres of land.

Item 3. Legal Proceedings

There are no material legal proceedings in which the Company is involved.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents*Part II of Annual Report on Form 10-K***Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities****Market Information**

The Company has three classes of common equity: class A, class B, and class C common stock, par value \$0.025 per share.

The Company's class A common stock is traded over-the-counter and is quoted daily under NASDAQ's Capital Markets. Trades are reported under the symbol GROW.

There is no established public trading market for the Company's class B and class C common stock.

The Company's class A and class B common stock have no voting privileges.

The following table sets forth the range of high and low sales prices of GROW from NASDAQ for the fiscal years ended June 30, 2013, and June 30, 2012. The quotations represent prices between dealers and do not include any retail markup, markdown, or commission.

| | Sales Price | | | |
|------------------------|-------------|----------|-----------|----------|
| | 2013 | | 2012 | |
| | High (\$) | Low (\$) | High (\$) | Low (\$) |
| First quarter (9/30) | 6.32 | 4.06 | 8.70 | 6.00 |
| Second quarter (12/31) | 6.25 | 3.85 | 7.80 | 5.76 |
| Third quarter (3/31) | 4.48 | 3.50 | 7.83 | 6.03 |
| Fourth quarter (6/30) | 3.70 | 2.11 | 7.52 | 3.98 |

Holder

On August 14, 2013, there were approximately 192 holders of record of class A common stock, no holders of record of class B common stock, and 37 holders of record of class C common stock.

Dividends

The Company paid cash dividends of \$0.02 per share per month in fiscal year 2012 and through December 2012. After paying a special \$0.02 per share dividend in December 2012, the Company lowered its monthly dividend from \$0.02 to \$0.005 per share per month beginning in January 2013. A monthly dividend of \$0.005 is authorized through December 2013 and will be considered for continuation at that time 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.

Table of Contents**Securities authorized for issuance under equity compensation plans**

Information relating to equity compensation plans under which our stock is authorized for issuance is set forth in Item 12 of Part III of this Form 10-K under the heading Equity Compensation Plan Information.

Purchases of equity securities by the issuer

Effective January 1, 2013, the Board of Directors approved a share repurchase program authorizing the Company to purchase up to \$2.75 million of its outstanding class A common shares as market and business conditions warrant on the open market in compliance with Rule 10b-18 of the Securities Exchange Act of 1934. As of June 30, 2013, the Company had purchased 55,052 class A shares using cash of \$173,608. The Company may repurchase stock from employees; however, none were repurchased from employees in fiscal year 2013. Nor were there any repurchases of classes B or C common stock during the fiscal year ended June 30, 2013.

| Period | Total Number of Shares Purchased¹ | Total Amount Purchased | Average Price Paid Per Share² | Total Number of Shares Purchased as Part of Publicly Announced Plan³ | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan |
|----------------------|---|-------------------------------|---|--|--|
| 01-01-13 to 01-31-13 | 4,300 | \$ 17,816 | \$ 4.14 | 4,300 | \$ 2,732,184 |
| 02-01-13 to 02-28-13 | 9,003 | 33,560 | 3.73 | 9,003 | 2,698,624 |
| 03-01-13 to 03-31-13 | 8,900 | 33,607 | 3.78 | 8,900 | 2,665,017 |
| 04-01-13 to 04-30-13 | 10,800 | 34,456 | 3.19 | 10,800 | 2,630,561 |
| 05-01-13 to 05-31-13 | 7,457 | 20,118 | 2.70 | 7,457 | 2,610,443 |
| 06-01-13 to 06-30-13 | 14,592 | 34,051 | 2.33 | 14,592 | 2,576,392 |
| Total | 55,052 | \$ 173,608 | \$ 3.15 | 55,052 | 2,576,392 |

¹ The Board of Directors of the company approved on December 7, 2012, a repurchase of up to \$2.75 million of its outstanding class A common stock from time to time on the open market in calendar year 2013 in accordance with all applicable rules and regulations.

² The average price paid per share of stock repurchased under the stock repurchase program includes the commissions paid to brokers.

³ The repurchase plan was approved on December 7, 2012, and will continue for twelve months in calendar year 2013.

Table of Contents**Company Performance Presentation**

The following graph compares the cumulative total return for the Company's class A common stock (GROW) to the cumulative total return for the S&P 500 Index, the Russell 2000 Index, and the NYSE Arca Gold BUGS Index for the Company's last five fiscal years. The graph assumes an investment of \$10,000 in the class A common stock and in each index as of June 30, 2008, and that all dividends are reinvested. The historical information included in this graph is not necessarily indicative of future performance and the Company does not make or endorse any predictions as to future stock performance.

| | Fiscal Year-End Date | | | | | |
|---|----------------------|----------|-----------|-----------|-----------|-----------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| U.S. Global Investors, Inc., class A (GROW) | \$ 10,000 | \$ 5,732 | \$ 3,522 | \$ 4,727 | \$ 2,973 | \$ 1,492 |
| S&P 500 Index | \$ 10,000 | \$ 7,379 | \$ 8,443 | \$ 11,035 | \$ 11,636 | \$ 14,033 |
| Russell 2000 Index | \$ 10,000 | \$ 7,499 | \$ 9,110 | \$ 12,518 | \$ 12,258 | \$ 15,225 |
| NYSE Arca Gold BUGS Index | \$ 10,000 | \$ 7,601 | \$ 10,695 | \$ 11,817 | \$ 9,819 | \$ 5,328 |

Table of Contents**Item 6. Selected Financial Data**

The following selected financial data is qualified by reference to, and should be read in conjunction with, the Company's Consolidated Financial Statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this Form 10-K. The selected financial data as of June 30, 2009, through June 30, 2013, and the years then ended, is derived from the Company's audited Consolidated Financial Statements.

| Selected Financial Data | Year Ended June 30, | | | | |
|--|---------------------|---------------|---------------|---------------|----------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Operating revenues | \$ 18,665,250 | \$ 24,027,570 | \$ 40,925,058 | \$ 34,051,038 | \$ 27,756,791 |
| Operating expenses | 19,106,805 | 21,351,222 | 29,903,607 | 26,521,396 | 26,750,817 |
| Operating income (loss) | (441,555) | 2,676,348 | 11,021,451 | 7,529,642 | 1,005,974 |
| Other income (loss) | 262,567 | (176,961) | 1,008,568 | 979,115 | (4,616,522) |
| Pretax income (loss) | (178,988) | 2,499,387 | 12,030,019 | 8,508,757 | (3,610,548) |
| Income tax expense (benefit) | 15,224 | 968,953 | 4,197,372 | 3,159,472 | (1,372,969) |
| Net income (loss) | \$ (194,212) | \$ 1,530,434 | \$ 7,832,647 | \$ 5,349,285 | \$ (2,237,579) |
| Basic income (loss) per share | (0.01) | 0.10 | 0.51 | 0.35 | (0.15) |
| Working capital | 23,340,007 | 25,710,714 | 32,366,289 | 28,323,885 | 27,363,133 |
| Total assets | 38,695,414 | 41,755,794 | 45,966,603 | 40,983,698 | 37,153,846 |
| Dividends per common share | 0.17 | 0.24 | 0.24 | 0.24 | 0.24 |
| Shareholders' equity | 36,849,241 | 38,709,646 | 41,057,447 | 36,191,872 | 34,627,994 |
| Net cash provided by operating activities | 461,005 | 1,817,046 | 7,718,529 | 7,632,350 | 3,040,931 |
| Net cash used in investing activities | (368,035) | (4,894,472) | (845,601) | (739,266) | (4,386,782) |
| Net cash used in financing activities | (2,620,465) | (3,517,749) | (3,502,511) | (3,359,199) | (3,485,630) |
| Average assets under management (in billions) | 1.55 | 2.06 | 2.82 | 2.56 | 2.53 |

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion reviews and analyzes the consolidated results of operations for the past three fiscal years and other factors that may affect future financial performance. This discussion should be read in conjunction with the Consolidated Financial Statements, Notes to the Consolidated Financial Statements and Selected Financial Data.

Recent Trends in Financial Markets

During the fiscal year ended June 30, 2013, global financial markets responded positively to the change in leadership at the European Central Bank (ECB). The head of the ECB, Mario Draghi, declared in late July 2012 that the ECB would do whatever it takes to save the euro, and by doing so has put the central bank's credibility on the line. This was a big confidence boost for the market, which was looking for leadership out of Europe and was a significant driver of the improvement in sentiment and global equity market performance in the second half of 2012.

The Federal Reserve (Fed) also followed up with another round of quantitative easing (QE3) in September 2012, an open-ended mandate to purchase \$40 billion in mortgages per month until the Fed believes it is no longer necessary to do so. Late in the year, the Fed also rolled over the expiring operation twist into an additional \$45 billion monthly quantitative easing program. The Fed is on pace for a trillion dollars in QE if this pace continues throughout 2013. Also late last year a change in leadership in Japan led to aggressive government policy changes, including both the fiscal and monetary policy, and the Bank of Japan's QE program is almost as large as the Fed's. This initially provided a boost to all risky assets but, as the months have passed, the biggest beneficiary has primarily been the U.S. equity market as gold, commodities and emerging markets are generally flat to down over the past twelve months. As a consequence of these events, U.S. domestic equity mutual funds have seen asset flows while investments in emerging markets, commodity related equities, fixed income and cash have experienced outflows in recent months.

The volatility in the Company's revenue is correlated to the price swings in natural resources and emerging markets, which represent roughly 70 percent of assets under management. During the past fiscal year, U.S. stocks and the U.S. dollar have been positive, while emerging markets stocks and commodity-related stocks generally have been lagging in performance. For the past 10 years, the one-year normal volatility of one standard deviation has been 17.5 percent for the S&P 500 Index, approximately 30.6 percent for the MSCI Emerging Markets Index and nearly 35.7 percent for gold equities. To manage expenses, the Company maintains a flexible structure for one of its largest costs, compensation expense, by setting relatively lower base salaries with bonuses that are related to average assets under management and fund performance. Thus, our expense model expands and contracts with asset swings and performance.

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.

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Investment Management Products and Services

The Company generates substantially all of its operating revenues from managing and servicing the Funds 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 three offshore clients and receives monthly advisory fees based on the net asset values of the clients and performance fees, if any, based on the overall increase in net asset values. In fiscal year 2013, the Company recorded advisory and performance fees from these clients totaling \$298,521 and \$19,202, respectively, and \$352,103 and \$6,172, respectively, in fiscal year 2012. The performance fees for these clients are calculated and recorded 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.

On June 30, 2013, total assets under management as of period end, including both SEC-registered Funds and offshore clients, were \$1.162 billion versus \$1.624 billion on June 30, 2012, a decrease of 28.5 percent. During fiscal year 2013, average assets under management were \$1.552 billion versus \$2.055 billion in fiscal year 2012. The decrease was primarily due to market depreciation in the natural resources funds and redemptions in the natural resources and emerging markets funds under management.

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The following tables summarize the changes in assets under management for the SEC-registered Funds for fiscal years 2013, 2012, and 2011:

| (Dollars in Thousands) | Changes in Assets Under Management Year Ended June 30, 2013 | | |
|-----------------------------------|--|--|--------------|
| | Equity | Money Market and Fixed Income | Total |
| Beginning Balance | \$ 1,289,160 | \$ 302,770 | \$ 1,591,930 |
| Market depreciation | (146,115) | (87) | (146,202) |
| Dividends and distributions | (14,981) | (1,675) | (16,656) |
| Net shareholder redemptions | (270,762) | (17,864) | (288,626) |
| Ending Balance | \$ 857,302 | \$ 283,144 | \$ 1,140,446 |
| Average investment management fee | 0.98% | 0.00% | 0.79% |
| Average net assets | \$ 1,229,373 | \$ 293,027 | \$ 1,522,400 |

| (Dollars in Thousands) | Changes in Assets Under Management Year Ended June 30, 2012 | | |
|------------------------------------|--|--|--------------|
| | Equity | Money Market and Fixed Income | Total |
| Beginning Balance | \$ 2,225,729 | \$ 336,793 | \$ 2,562,522 |
| Market appreciation/(depreciation) | (480,540) | 2,774 | (477,766) |
| Dividends and distributions | (117,744) | (1,506) | (119,250) |
| Net shareholder redemptions | (338,285) | (35,291) | (373,576) |
| Ending Balance | \$ 1,289,160 | \$ 302,770 | \$ 1,591,930 |
| Average investment management fee | 0.99% | 0.00% | 0.83% |
| Average net assets | \$ 1,699,921 | \$ 320,242 | \$ 2,020,163 |

| (Dollars in Thousands) | Changes in Assets Under Management Year Ended June 30, 2011 | | |
|-----------------------------------|--|--|--------------|
| | Equity | Money Market and Fixed Income | Total |
| Beginning Balance | \$ 1,985,203 | \$ 382,062 | \$ 2,367,265 |
| Market appreciation | 528,737 | 1,493 | 530,230 |
| Dividends and distributions | (144,176) | (1,488) | (145,664) |
| Net shareholder redemptions | (144,035) | (45,274) | (189,309) |
| Ending Balance | \$ 2,225,729 | \$ 336,793 | \$ 2,562,522 |
| Average investment management fee | 1.00% | 0.00% | 0.87% |
| Average net assets | \$ 2,418,615 | \$ 358,121 | \$ 2,776,736 |

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As shown above, both average and period-end assets under management decreased in total in fiscal year 2013 compared to fiscal year 2012 and in fiscal year 2012 compared to fiscal year 2011. The decrease in assets under management in fiscal year 2013 was driven by market depreciation, primarily in the natural resources funds, and redemptions, primarily in the natural resources and emerging markets funds. The decrease in assets under management in fiscal year 2012 was driven by market depreciation and redemptions in the equity funds, primarily in the natural resources and emerging markets funds.

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A significant portion of the dividends and distributions shown above are reinvested and included in net shareholder redemptions. The money market funds experienced a net decrease as shareholders sought alternatives to low yields for all periods.

While stock market performance for domestic U.S. equities has been steadily rising, while equities linked to gold and broader natural resources, where most of the assets managed by the Company are invested, were generally volatile and declining. The 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 79 basis points in fiscal year 2013 compared to 83 basis points in fiscal year 2012 and 87 basis points in fiscal year 2011. The average investment management fee for equity funds in fiscal year 2013, 2012, and 2011 was 98, 99, and 100 basis points, respectively. The average investment management fee for the money market and fixed income funds was nil or close to nil for fiscal year 2013, 2012, and 2011. This is due to voluntary fee waivers on these funds as discussed in Note 6 to the consolidated 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 maintaining certain types of investments utilized in cash management and continues to believe that such activities are in the best interest of the Company.

The following summarizes the market value, cost, and unrealized gain or loss on investments as of June 30, 2013, and June 30, 2012.

| Securities | Market Value | Cost | Unrealized Gain (Loss) | Unrealized holding gains on available-for-sale securities, net of tax |
|---------------------------------|---------------|---------------|---------------------------|---|
| Trading ¹ | \$ 4,758,220 | \$ 5,457,989 | \$ (699,769) | N/A |
| Available-for-sale ² | 9,053,111 | 8,064,902 | 988,209 | \$ 652,218 |
| Total at June 30, 2013 | \$ 13,811,331 | \$ 13,522,891 | \$ 288,440 | |
| Trading ¹ | \$ 5,216,139 | \$ 5,960,634 | \$ (744,495) | N/A |
| Available-for-sale ² | 8,824,311 | 8,117,844 | 706,467 | \$ 466,268 |
| Total at June 30, 2012 | \$ 14,040,450 | \$ 14,078,478 | \$ (38,028) | |

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

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

As of June 30, 2013, and 2012, the Company held approximately \$1.6 million in investments other than the clients the Company advises. 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.

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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.

Investment income can be volatile and may vary 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 is concentrated in a small number of issuers. For fiscal years 2013, 2012, and 2011, the Company had net recognized gains (losses) on sales or other-than-temporary impairment of securities of (\$26,445), \$157,668, and 135,759, respectively. Due to market volatility, the Company expects that gains or losses will continue to fluctuate in the future.

Table of Contents**Consolidated Results of Operations**

The following is a discussion of the consolidated results of operations of the Company and a detailed discussion of the Company's revenues and expenses.

| | 2013 | 2012 | % Change | 2012 | 2011 | % Change |
|----------------------------------|-----------|----------|----------|----------|----------|----------|
| Net income (loss) (in thousands) | \$ (194) | \$ 1,530 | (112.7%) | \$ 1,530 | \$ 7,833 | (80.5%) |
| Net income (loss) per share | | | | | | |
| Basic | \$ (0.01) | \$ 0.10 | (110.0%) | \$ 0.10 | \$ 0.51 | (80.4%) |
| Diluted | \$ (0.01) | \$ 0.10 | (110.0%) | \$ 0.10 | \$ 0.51 | (80.4%) |
| Weighted average shares | | | | | | |
| outstanding (in thousands) | | | | | | |
| Basic | 15,483 | 15,441 | | 15,441 | 15,384 | |
| Diluted | 15,483 | 15,442 | | 15,442 | 15,384 | |

Year Ended June 30, 2013, Compared with Year Ended June 30, 2012

The Company posted net loss of \$194,212 (\$0.01 loss per share) for the year ended June 30, 2013, compared with net income of \$1,530,434 (\$0.10 per share) for the year ended June 30, 2012. This decrease in profitability is primarily attributable to the following factors:

Revenues

Total consolidated operating revenues for the year ended June 30, 2013, decreased \$5,362,320, or 22.3 percent, compared with the year ended June 30, 2012. This decrease was primarily attributable to the following:

Mutual fund advisory fee revenue decreased by \$2,704,458, or 18.6 percent. Mutual fund advisory fees are comprised of two components: a base management fee and a performance fee. The performance fee is a fulcrum fee that is adjusted upwards or downwards by 0.25 percent when there is a performance difference of 5 percent or more between a Fund's performance and that of its designated benchmark index over the prior rolling 12 months.

- o Of that amount, \$4,802,258 was attributable to a decrease in mutual fund management fees as a result of lower assets under management due to market depreciation and shareholder redemptions in the natural resources and emerging markets funds.
- o This decrease in management fees was offset by a \$2,097,800 decrease in performance fee adjustments paid out in the current period versus the prior period.

Distribution fee revenue decreased by \$1,252,717, or 30.8 percent, as a result of lower average net assets under management upon which these fees are based.

Administrative services fee revenue decreased by \$391,586, or 29.6 percent, as a result of lower average net assets under management upon which these fees are based.

Transfer agent fee revenue decreased by \$976,147, or 26.6 percent, as a result of a decline in the number of shareholder accounts and the number of transactions.

Total consolidated other income for the year ended June 30, 2013, increased \$439,528, or 248.4 percent, compared with the year ended June 30, 2012. This increase was primarily attributable to an increase in investment income as a result of changes in trading securities.

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Expenses

Total consolidated expenses for the year ended June 30, 2013, decreased by \$2,244,417, or 10.5 percent, compared with the prior year and was primarily attributable to the following:

Employee compensation and benefits decreased by \$671,337, or 6.7 percent, primarily as a result of lower performance-based bonuses and fewer employees.

Platform fees decreased by \$1,331,842, or 33.3 percent, primarily due to lower assets held through broker-dealer platforms.

Advertising decreased \$320,201, or 27.1 percent, as a result of decreased marketing and sales costs.

Year Ended June 30, 2012, Compared with Year Ended June 30, 2011

The Company posted net income of \$1,530,434 (\$0.10 per share) for the year ended June 30, 2012, compared with net income of \$7,832,647 (\$0.51 per share) for the year ended June 30, 2011. This decrease in profitability is primarily attributable to the following factors:

Revenues

Total consolidated operating revenues for the year ended June 30, 2012, decreased \$16,897,488, or 41.3 percent, compared with the year ended June 30, 2011. This decrease was primarily attributable to the following:

Mutual fund advisory fee revenue decreased by \$11,996,085, or 45.1 percent, as a result of lower assets under management. Of that amount, \$7,384,666 was attributable to a decrease in mutual fund management fees due to market depreciation and shareholder redemptions in the natural resources and emerging markets funds. In addition, \$4,611,419 was attributable to a swing in performance fee adjustments driven by net payments to the Funds in the current period versus net receipts from the Funds in the prior period. 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 \$1,918,511, or 32.0 percent, as a result of lower average net assets under management upon which these fees are based.

Transfer agent fee revenue decreased by \$1,344,053, or 26.8 percent, as a result of a decline in the number of shareholder accounts and the number of transactions.

Offshore fund advisory fee revenue decreased by \$1,029,083, or 74.2 percent. Of that amount, \$949,693 was attributable to a decline in performance fees, while \$79,390 was attributable to a decline in offshore fund management fees.

Other income, which consists of investment income, decreased by \$1,185,529, or 117.5 percent, as a result of unrealized losses on trading securities.

Expenses

Total consolidated expenses for the year ended June 30, 2012, decreased by \$8,552,385, or 28.6 percent, compared with the prior year and was primarily attributable to the following:

Employee compensation and benefits decreased by \$2,476,461, or 19.9 percent, primarily as a result of lower performance-based bonuses and fewer employees.

General and administrative expenses decreased by \$2,361,115, or 28.8 percent, primarily due to prior period software implementation and consulting expenses.

Platform fees decreased by \$2,308,399, or 36.6 percent, primarily due to lower assets held through broker-dealer platforms.

Advertising decreased \$1,281,471, or 52.0 percent, as a result of decreased marketing and sales costs.

Table of Contents**Revenues**

| (Dollars in Thousands) | 2013 | 2012 | % Change | 2012 | 2011 | % Change |
|--|------------------|------------------|----------------|------------------|------------------|----------------|
| Investment advisory fees: | | | | | | |
| Natural resource funds | \$ 9,302 | \$ 11,085 | (16.1%) | \$ 11,085 | \$ 20,341 | (45.5%) |
| Emerging markets funds | 2,170 | 2,991 | (27.4%) | 2,991 | 5,558 | (46.2%) |
| Domestic equity funds | 399 | 499 | (20.0%) | 499 | 672 | (25.7%) |
| Fixed income funds | - | - | 0.0% | - | - | 0.0% |
| Total mutual fund advisory fees | 11,871 | 14,575 | (18.6%) | 14,575 | 26,571 | (45.1%) |
| Other advisory fees | 318 | 358 | (11.2%) | 358 | 1,387 | (74.2%) |
| Total investment advisory fees | 12,189 | 14,933 | (18.4%) | 14,933 | 27,958 | (46.6%) |
| Transfer agent fees | 2,690 | 3,667 | (26.6%) | 3,667 | 5,011 | (26.8%) |
| Distribution fees | 2,817 | 4,070 | (30.8%) | 4,070 | 5,988 | (32.0%) |
| Administrative services fees | 929 | 1,321 | (29.7%) | 1,321 | 1,922 | (31.3%) |
| Other revenues | 40 | 37 | 8.1% | 37 | 46 | (19.6%) |
| Total Operating Revenue | 18,665 | 24,028 | (22.3%) | 24,028 | 40,925 | (41.3%) |
| Other Income (Loss) | 263 | (177) | 248.6% | (177) | 1,009 | (117.5%) |
| Total Revenue | \$ 18,928 | \$ 23,851 | (20.6%) | \$ 23,851 | \$ 41,934 | (43.1%) |

Investment Advisory Fees. Investment advisory fees, the largest component of the Company's revenues, are derived from two sources: SEC-registered mutual fund advisory fees, which in fiscal year 2013 accounted for 97 percent of the Company's total advisory fees, and offshore investment advisory fees, which accounted for three percent of total advisory fees.

SEC-registered mutual fund investment advisory fees are calculated as a percentage of average net assets, ranging from 0.375 percent to 1.375 percent, and are paid monthly. These advisory fees decreased by approximately \$2.7 million, or 18.6 percent, in fiscal year 2013 compared to fiscal year 2012 primarily as a result of decreased assets under management due to market depreciation and shareholder redemptions in the natural resources and emerging markets funds.

Mutual fund investment advisory fees are also affected by changes in assets under management, which include:

- market appreciation or depreciation;
- the addition of new client accounts;
- client contributions of additional assets to existing accounts;
- withdrawals of assets from and termination of client accounts;
- exchanges of assets between accounts or products with different fee structures; and
- the amount of fees voluntarily reimbursed.

The fees on the nine equity USGIF funds consist of a base advisory fee that is adjusted upward or downward by 0.25 percent if 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 year ended June 30, 2013, the Company adjusted its base advisory fees downward by \$133,011. For the year ended June 30, 2012, the Company adjusted its base advisory fees downward by \$2,230,811. For the year ended June 30, 2011, the Company adjusted its base advisory fees upward by \$2,380,608.

Transfer Agent Fees. United Shareholder Services, Inc., a wholly owned subsidiary of the Company, provides transfer agency and mailing services for Company clients. The Company receives an annual fee per account as well as transaction and activity-based fees as compensation for services rendered as transfer agent and is reimbursed for out-of-pocket expenses associated with processing shareholder information. In addition, the Company collects custodial fees on IRAs and other types of retirement plans invested in USGIF. Transfer agent fees are therefore

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significantly affected by the number of client accounts. The Company also receives shareholder servicing fees based on the value of the Funds held through broker-dealer platforms.

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Transfer agent fees decreased by \$976,147 and \$1,344,053 in fiscal years 2013 and 2012, respectively, primarily as a result of a decline in the number of shareholder accounts and number of transactions.

The Company's Board of Directors formally agreed on August 23, 2013, to exit the transfer agency business so that the Company could focus more on its core strength of investment management. On August 23, 2013, the Funds' board of trustees agreed to continue the existing transfer agency contract with USSI until conversion to the new transfer agent, which is projected to be in December 2013. Transfer agent fees are based on the number of shareholder accounts as well as transactions and activity of shareholders. Therefore, the change in the Company's revenue cannot be precisely estimated. Based on fiscal year 2013, the Company estimates that net transfer agency revenues are expected to decrease on an annual basis approximately \$1.31 million and expenses will decrease approximately \$1.47 million. (For additional details please see Note 20 to the Consolidated Financial Statements - Subsequent Events.)

Distribution Fees. The Funds pay USGB a distribution fee, at an annual rate of 0.25 percent of the average daily net assets of the investor class of each of the nine equity Funds. Distribution fees decreased by \$1,252,717 and \$1,918,511 in fiscal years 2013 and 2012, respectively, due to lower average net assets under management upon which these fees are based.

Administrative Services Fees. The Funds pay the Company compensation at an annual rate of 0.08 percent for each investor class and 0.06 percent for each institutional class of each Fund, based on average daily net assets for administrative services provided by the Company to the Funds. Administrative services fees decreased by \$391,586 and \$600,474 in fiscal years 2013 and 2012, respectively, due to lower average net assets under management upon which these fees are based. On August 23, 2013, the Funds' board of trustees agreed to increase the rate from 0.08 percent to 0.10 percent for each investor class and from 0.06 percent to 0.08 percent for each institutional class plus \$10,000 per Fund. This change is expected to take effect in December 2013.

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

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

This source of revenue is dependent on market fluctuations and does not remain at a consistent level. Timing of transactions and the Company's ability to participate in investment opportunities largely affect this source of revenue.

Investment income increased by \$385,000 in fiscal year 2013 due to unrealized gains in trading securities offset by realized losses on sales of trading securities. Investment income decreased by \$1,185,529 in fiscal year 2012 due to unrealized losses in trading securities.

Included in investment income were other-than-temporary impairments of \$47,459 in fiscal year 2013, \$19,073 in fiscal year 2012, and \$3,699 in fiscal year 2011.

Equity Investment Income. In fiscal year 2013, the Company made an investment that is accounted for under the equity method, as described in Note 3 to the consolidated financial statements. The Company's proportional share of the investee's net income of \$54,528 was recorded in fiscal year 2013.

Table of Contents**Expenses**

| (Dollars in Thousands) | 2013 | 2012 | % Change | 2012 | 2011 | % Change |
|------------------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
| Employee compensation and benefits | \$ 9,320 | \$ 9,991 | (6.7%) | \$ 9,991 | \$ 12,468 | (19.9%) |
| General and administrative | 5,927 | 5,841 | 1.5% | 5,841 | 8,201 | (28.8%) |
| Platform fees | 2,663 | 3,995 | (33.3%) | 3,995 | 6,304 | (36.6%) |
| Advertising | 862 | 1,182 | (27.1%) | 1,182 | 2,464 | (52.0%) |
| Depreciation | 275 | 282 | (2.5%) | 282 | 292 | (3.4%) |
| Subadvisory fees | 60 | 60 | 0.0% | 60 | 175 | (65.7%) |
| Total | \$ 19,107 | \$ 21,351 | (10.5%) | \$ 21,351 | \$ 29,904 | (28.6%) |

Employee Compensation and Benefits. Employee compensation and benefits decreased by \$671,337, or 6.7 percent, in fiscal year 2013, as a result of lower performance-based bonuses and fewer employees. Employee compensation and benefits decreased by \$2,476,461, or 19.9 percent, in fiscal year 2012, as a result of lower performance-based bonuses and fewer employees.

Subadvisory Fees. Through September 2010, subadvisory fees were calculated as a percentage of average net assets of the two funds that are subadvised by a third party manager. From October 2010 to present, subadvisory fees are a flat fee per month. The subadvisory fees were the same in fiscal years 2013 and 2012. The decrease in subadvisory fees of \$114,994, or 65.7 percent, in fiscal year 2012 from fiscal year 2011 is due to the restructured responsibilities of the third party subadviser.

General and Administrative. General and administrative expenses were relatively flat in fiscal year 2013 compared to fiscal year 2012. The decrease in general and administrative expenses of \$2,361,115, or 28.8 percent, in fiscal year 2012 from fiscal year 2011 was primarily a result of prior period software implementation and consulting expenses.

Platform Fees. Broker-dealers typically charge an asset-based fee for assets held through their platforms. Platform fees decreased \$1,331,842, or 33.3 percent, in fiscal year 2013 and decreased \$2,308,399, or 36.6 percent, in fiscal year 2012 due to decreases in assets held through the broker-dealer platforms. The incremental assets received through the broker-dealer platforms are not as profitable as those received from direct shareholder accounts because of platform fees paid to various broker-dealers for the assets held through platforms.

Advertising. Advertising decreased by \$320,201, or 27.1 percent, in fiscal year 2013 and decreased by \$1,281,471, or 52.0 percent, in fiscal year 2012 as a result of reduced marketing and sales costs.

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 basis of assets and liabilities for financial and tax purposes resulting from the use of the liability method of accounting for income taxes.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax amount will not be realized. A valuation allowance of \$27,286 related to a charitable contribution carryover is included in deferred taxes at June 30, 2013.

Off Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

Table of Contents**Contractual Obligations**

A summary of contractual obligations of the Company as of June 30, 2013, is as follows:

| Contractual Obligations | Total | Payments due by period | | | |
|-----------------------------|--------------|------------------------|--------------|--------------|----------------------|
| | | Less than 1 year | 1-3 years | 4-5 years | More than 5 years |
| Operating lease obligations | \$ 558,512 | \$ 197,497 | \$ 295,045 | \$ 65,970 | \$ |
| Contractual obligations | 754,358 | 527,080 | 227,278 | | |
| Total | \$ 1,312,870 | \$ 724,577 | \$ 522,323 | \$ 65,970 | \$ |

Operating leases consist of office and mailroom equipment leased from several vendors. Contractual obligations include educational and charitable organization pledges, commitments to fund a venture capital investment and agreements for services used in daily operations. Other contractual obligations not included in this table consist of agreements to waive or reduce fees and/or pay expenses on certain funds. Future obligations under these agreements are dependent upon future levels of fund assets.

The Board has authorized a monthly dividend of \$0.005 per share through December 2013, at which time the Board will consider continuation of the 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. The total amount of cash dividends to be paid to class A and class C shareholders from July 2013 to December 2013 will be approximately \$465,000.

Liquidity and Capital Resources

At fiscal year-end, the Company had net working capital (current assets minus current liabilities) of approximately \$23.3 million and a current ratio (current assets divided by current liabilities) of 13.6 to 1. With approximately \$18.1 million in cash and cash equivalents and \$13.8 million in marketable securities, the Company has adequate liquidity to meet its current obligations. Total shareholders' equity was approximately \$36.8 million, with cash, cash equivalents, and marketable securities comprising 82.4 percent of total assets.

The Company has no long-term debt; thus, the Company's only material commitment going forward is for operating expenses. The Company also has access to a \$1 million credit facility, which can be utilized for working capital purposes. The Company's available working capital and projected cash flow are expected to be sufficient to cover current expenses.

With the exception of the mutually agreed upon termination of the transfer agency agreement between USSI and USGIF, the investment advisory and related contracts between the Company or its subsidiaries and USGIF have been renewed through September 2014. With respect to offshore advisory clients, the contracts between the Company and the clients expire periodically and management anticipates that its offshore clients will renew the contracts.

Management believes current cash reserves, available financing, and projected 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 investment opportunities whenever available.

Critical Accounting Estimates

The discussion and analysis of financial condition and results of operations are based on the Company's financial statements, which have been prepared in accordance with generally accepted accounting principles in the U.S. (GAAP). The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, and expenses. Management reviews these estimates on an ongoing basis. Estimates are based on experience and on various other assumptions that the Company believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or

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conditions. While recent accounting policies are described in more detail in Note 2 to the consolidated financial statements, the Company believes the accounting policies that require management to make assumptions and estimates involving significant judgment are those relating to valuation of investments, income taxes, and valuation of stock-based compensation.

Investments. The Company classifies its investments based on intent at the time of purchase and reevaluates and whether the Company is able to exercise significant influence such designation as of each reporting period date. 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.

Trading Securities. Securities that are purchased and held principally for the purpose of selling in the near term are classified as trading securities and reported at fair value. Unrealized gains and losses on these securities are included in earnings.

Held-to-Maturity Securities. Investments in debt securities that are purchased with the intent and ability to hold until maturity are classified as held-to-maturity and measured at amortized cost. The Company currently has no investments in debt securities.

Available-for-sale Securities. Investments that are neither trading securities nor held-to-maturity securities and for which the Company does not have significant influence are classified as available-for-sale securities and reported at fair value. Unrealized gains and losses on these available-for-sale securities are excluded from earnings, reported net of tax as a separate component of shareholders' equity, and recorded in earnings on the date of sale.

The Company evaluates its available-for-sale investments for other-than-temporary decline in value on a periodic basis. This may exist when the fair value of an investment security has been below the current value for an extended period of time. When a security in the Company's investment portfolio has an unrealized loss in fair value that is deemed to be other than temporary, the Company reduces the book value of such security to its current fair value, recognizing the credit related decline as a realized loss in the Consolidated Statements of Operations and Comprehensive Income and a revised GAAP cost basis for the security is established. For available-for-sale securities with declines in value deemed other than temporary, the unrealized loss recorded net of tax in accumulated other comprehensive income is realized as a charge to net income.

Equity Method Investments. Investments classified as equity method consist of investments in companies in which the Company is able to exercise significant influence but not control. Under the equity method of accounting, the Company's proportional share of investee's underlying net income or loss is recorded as a component of Other Income and increases or decreases to the carrying value of the investee. Distributions received from the investment reduce the Company's carrying value of the investee. These investments are evaluated for impairment if events or circumstances arise that indicates that the carrying amount of such assets may not be recoverable.

No impairment has been recognized for the Company's equity investment during the years presented.

Income Taxes. The Company's annual effective income tax rate is based on the mix of income and losses in its U.S. and non-U.S. entities which are part of the Company's Consolidated Financial Statements, statutory tax rates, and tax-planning opportunities available to the Company in the various jurisdictions in which it operates. Significant judgment is required in evaluating the Company's tax positions.

Tax law requires certain items to be included in the tax return at different times from when these items are reflected in the Company's Consolidated Statement of Operations and Comprehensive Income. As a result, the effective tax rate reflected in the Consolidated Financial Statements is different from the tax rate reported on the Company's consolidated tax return. Some of these differences are permanent, such as expenses that are not deductible in the tax return, and some differences reverse over time, such as depreciation expense. These timing differences create deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting

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and the tax basis of assets and liabilities and are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment dates. In addition, excess tax benefits associated with stock option exercises also create a difference between the tax rate used in the consolidated tax return and the effective tax rate in the Company's Consolidated Statement of Operations and Comprehensive Income.

The Company assesses uncertain tax positions in accordance with Accounting Standards Codification (ASC) 740 *Income Taxes*. Judgment is used to identify, recognize, and measure the amounts to be recorded in the financial statements related to tax positions taken or expected to be taken in a tax return. A liability is recognized to represent the potential future obligation to the taxing authority for the benefit taken in the tax return. These liabilities are adjusted, including any impact of the related interest and penalties, in light of changing facts and circumstances such as the progress of a tax audit. A number of years may elapse before a particular matter for which a reserve has been established is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction.

Judgment is used in classifying unrecognized tax benefits as either current or noncurrent liabilities in the Company's Consolidated Balance Sheets. Settlement of any particular issue would usually require the use of cash. A liability associated with unrecognized tax benefits will generally be classified as a noncurrent liability because there will usually be a period of several years between the filing of the tax return and the final resolution of an uncertain tax position with the taxing authority. Favorable resolutions of tax matters for which reserves have been established are recognized as a reduction to income tax expense when the amounts involved become known.

Assessing the future tax consequences of events that have been recognized in the Company's Consolidated Financial Statements or tax returns requires judgment. Variations in the actual outcome of these future tax consequences could materially impact the Company's financial position, results of operations or cash flows.

Stock-Based Compensation. Stock-based compensation expense is measured at the grant date based on the fair value of the award, and the cost is recognized as expense ratably over the award's vesting period. No options were granted in fiscal years 2013 or 2011. The Company measured the fair value of stock option granted in fiscal year 2012 for 5,000 shares on the date of grant using a Black-Scholes option-pricing model.

The Company believes that the estimates related to stock-based compensation expense are critical accounting estimates because the assumptions used could significantly impact the timing and amount of stock-based compensation expense recorded in the Company's Consolidated Financial Statements.

Table of Contents**Item 7A. Quantitative and Qualitative Disclosures About Market Risk****Market Risk Disclosures**

The Company's balance sheet includes assets whose fair value is subject to market risk. 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 June 30, 2013, and shows the effects of a hypothetical 25 percent increase and a 25 percent decrease in market prices.

| | Fair Value at June 30, 2013 | Hypothetical Percentage Change | Estimated Fair Value After Hypothetical Price Change | Increase (Decrease) in Shareholders Equity, Net of Tax |
|---------------------------------|--|---|---|---|
| Trading securities ¹ | \$4,758,220 | 25% increase | \$5,947,775 | \$785,106 |
| | | 25% decrease | \$3,568,665 | (\$785,106) |
| Available-for-sale ² | \$9,053,111 | 25% increase | \$11,316,389 | \$1,493,763 |
| | | 25% decrease | \$6,789,833 | (\$1,493,763) |

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

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

The selected hypothetical 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.

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Item 8. Financial Statements and Supplementary Data

**Report of Independent Registered Public Accounting Firm on Internal Control Over
Financial Reporting**

Board of Directors and Stockholders

U.S. Global Investors, Inc.

San Antonio, Texas

We have audited U.S. Global Investors, Inc.'s (the "Company") internal control over financial reporting as of June 30, 2013, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balances sheets of U.S. Global Investors, Inc. as of June 30, 2013 and 2012, and the related Consolidated Statements of Operations and Comprehensive Income (Loss), Stockholders' Equity, and Cash Flows for each of the three years in the period ended June 30, 2013 and our report dated August 28, 2013, expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

BDO USA, LLP

Dallas, Texas

August 28, 2013

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**Report of Independent Registered Public Accounting Firm on Consolidated
Financial Statements**

Board of Directors and Stockholders

U.S. Global Investors, Inc.

San Antonio, Texas

We have audited the accompanying Consolidated Balance Sheets of U.S. Global Investors, Inc. (the Company) as of June 30, 2013 and 2012 and the related Consolidated Statements of Operations and Comprehensive Income (Loss), Shareholders' Equity, and Cash Flows for each of the three years in the period ended June 30, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of U.S. Global Investors, Inc. at June 30, 2013 and 2012, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2013, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), U.S. Global Investors, Inc.'s internal control over financial reporting as of June 30, 2013, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated August 28, 2013, expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

BDO USA, LLP

Dallas, Texas

August 28, 2013

Table of Contents**U.S. GLOBAL INVESTORS, INC.****CONSOLIDATED BALANCE SHEETS**

| Assets | June 30, 2013 | June 30, 2012 |
|--|----------------------|----------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 18,085,226 | \$ 20,612,721 |
| Trading securities, at fair value | 4,758,220 | 5,216,139 |
| Receivables | | |
| Mutual funds | 1,356,606 | 1,709,507 |
| Offshore clients | 21,000 | 33,354 |
| Income tax | 140,792 | 407,377 |
| Employees | 5,500 | 900 |
| Other | 18,264 | 8,247 |
| Prepaid expenses | 604,701 | 606,048 |
| Deferred tax asset | 195,871 | 162,569 |
| Total Current Assets | 25,186,180 | 28,756,862 |
| Net Property and Equipment | 3,124,056 | 3,359,376 |
| Other Assets | | |
| Deferred tax asset, long-term | 677,539 | 815,245 |
| Investment securities available-for-sale, at fair value | 9,053,111 | 8,824,311 |
| Investment in Galileo | 654,528 | - |
| Total Other Assets | 10,385,178 | 9,639,556 |
| Total Assets | \$ 38,695,414 | \$ 41,755,794 |
| Liabilities and Shareholders Equity | | |
| Current Liabilities | | |
| Accounts payable | \$ 71,289 | \$ 67,560 |
| Accrued compensation and related costs | 699,645 | 1,040,262 |
| Dividends payable | 232,402 | 927,820 |
| Other accrued expenses | 842,837 | 1,010,506 |
| Total Current Liabilities | 1,846,173 | 3,046,148 |
| Commitments and Contingencies | | |
| Shareholders Equity | | |
| Common stock (class A) - \$0.025 par value; nonvoting; authorized, 28,000,000 shares; issued, 13,865,021 and 13,862,505 shares at June 30, 2013, and June 30, 2012, respectively | 346,626 | 346,563 |
| 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, 2,070,527 and 2,073,043 shares at June 30, 2013, and | 51,763 | 51,826 |

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| | | | |
|---|----|-------------------|----------------------|
| June 30, 2012, respectively | | | |
| Additional paid-in-capital | | 15,654,397 | 15,547,907 |
| Treasury stock, class A shares at cost; 463,958 and 472,685 shares at June 30, 2013, and June 30, 2012, respectively | | (1,128,704) | (1,106,733) |
| Accumulated other comprehensive income, net of tax | | 652,218 | 466,268 |
| Retained earnings | | 21,272,941 | 23,403,815 |
| Total Shareholders Equity | | 36,849,241 | 38,709,646 |
| Total Liabilities and Shareholders Equity | \$ | 38,695,414 | \$ 41,755,794 |

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

Table of Contents**U.S. GLOBAL INVESTORS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

| | Year Ended June 30, | | |
|--|----------------------------|---------------|---------------|
| | 2013 | 2012 | 2011 |
| Operating Revenues | | | |
| Mutual fund advisory fees | \$ 11,870,551 | \$ 14,575,009 | \$ 26,571,094 |
| Distribution fees | 2,816,939 | 4,069,656 | 5,988,167 |
| Transfer agent fees | 2,690,713 | 3,666,860 | 5,010,913 |
| Administrative services fees | 929,570 | 1,321,156 | 1,921,630 |
| Other advisory fees | 317,723 | 358,275 | 1,387,358 |
| Other | 39,754 | 36,614 | 45,896 |
| | 18,665,250 | 24,027,570 | 40,925,058 |
| Operating Expenses | | | |
| Employee compensation and benefits | 9,320,168 | 9,991,505 | 12,467,966 |
| General and administrative | 5,926,810 | 5,840,566 | 8,201,681 |
| Platform fees | 2,663,262 | 3,995,104 | 6,303,503 |
| Advertising | 862,086 | 1,182,287 | 2,463,758 |
| Subadvisory fees | 60,000 | 60,000 | 174,994 |
| Depreciation | 274,479 | 281,760 | 291,705 |
| | 19,106,805 | 21,351,222 | 29,903,607 |
| Operating Income (Loss) | (441,555) | 2,676,348 | 11,021,451 |
| Other Income (Loss) | | | |
| Investment income (loss) | 208,039 | (176,961) | 1,008,568 |
| Equity in earnings of Galileo | 54,528 | - | - |
| Pretax Income (Loss) | (178,988) | 2,499,387 | 12,030,019 |
| Provision for Federal Income Taxes | | | |
| Tax expense | 15,224 | 968,953 | 4,197,372 |
| Net Income (Loss) | (194,212) | 1,530,434 | 7,832,647 |
| Other comprehensive income (loss), net of tax: | | | |
| Unrealized gains (losses) on available-for-sale securities arising during period | 349,716 | (463,867) | 552,605 |
| Less: reclassification adjustment for gains included in net income | (163,766) | (112,327) | (65,495) |
| Comprehensive Income (Loss) | \$ (8,262) | \$ 954,240 | \$ 8,319,757 |
| Basic Net Income (Loss) per Share | \$ (0.01) | \$ 0.10 | \$ 0.51 |
| Diluted Net Income (Loss) per Share | \$ (0.01) | \$ 0.10 | \$ 0.51 |
| Basic weighted average number of common shares outstanding | 15,482,612 | 15,441,464 | 15,384,435 |
| Diluted weighted average number of common shares outstanding | 15,482,612 | 15,441,582 | 15,384,435 |

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

Table of Contents**U.S. GLOBAL INVESTORS, INC.****CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

| | Common Stock (class A) | Common Stock (class C) | Additional Paid-in Capital | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total |
|---|---------------------------------------|---------------------------------------|---|---------------------------|--|------------------------------|---------------|
| Balance at June 30, 2010 (13,862,445 shares of class A; 2,073,103 shares of class C) | \$ 346,561 | \$ 51,828 | \$ 15,136,537 | \$ (1,343,397) | \$ 555,352 | \$ 21,444,991 | \$ 36,191,872 |
| Purchases of stock under ESPP of 25,781 shares of Common Stock (class A) | - | - | 129,311 | 60,363 | - | - | 189,674 |
| Dividends declared | - | - | - | - | - | (3,695,344) | (3,695,344) |
| Stock bonuses | - | - | 119,379 | 50,105 | - | - | 169,484 |
| Stock-based compensation expense | - | - | (117,996) | - | - | - | (117,996) |
| Unrealized gain on securities available-for-sale (net of tax) | - | - | - | - | 487,110 | - | 487,110 |
| Net income | - | - | - | - | - | 7,832,647 | 7,832,647 |
| Balance at June 30, 2011 (13,862,445 shares of class A; 2,073,103 shares of class C) | 346,561 | 51,828 | 15,267,231 | (1,232,929) | 1,042,462 | 25,582,294 | 41,057,447 |
| Purchases of stock under ESPP of 28,998 shares of Common Stock (class A) | - | - | 120,121 | 67,895 | - | - | 188,016 |
| Conversion of 60 shares of class C common stock for class A common stock | 2 | (2) | - | - | - | - | - |
| Dividends declared | - | - | - | - | - | (3,708,913) | (3,708,913) |
| Stock bonuses | - | - | 134,920 | 58,301 | - | - | 193,221 |
| Stock-based compensation expense | - | - | 25,635 | - | - | - | 25,635 |
| Unrealized loss on securities available-for-sale (net of tax) | - | - | - | - | (576,194) | - | (576,194) |
| Net income | - | - | - | - | - | 1,530,434 | 1,530,434 |
| Balance at June 30, 2012 (13,862,505 shares of class A; 2,073,043 shares of class C) | 346,563 | 51,826 | 15,547,907 | (1,106,733) | 466,268 | 23,403,815 | 38,709,646 |
| Purchases of 55,052 shares of Common Stock (class A) | - | - | - | (173,608) | - | - | (173,608) |
| Purchases of stock under ESPP of 48,679 shares of Common Stock (class A) | - | - | 69,064 | 116,159 | - | - | 185,223 |
| Conversion of 2,516 shares of class C common stock for class A common stock | 63 | (63) | - | - | - | - | - |

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| | | | | | | | |
|---|---|---|--------|--------|---------|-------------|-------------|
| Dividends declared | - | - | - | - | - | (1,936,662) | (1,936,662) |
| Stock bonuses | - | - | 27,886 | 35,478 | - | - | 63,364 |
| Stock-based compensation expense | - | - | 9,540 | - | - | - | 9,540 |
| Unrealized gain on securities available-for-sale (net of tax) | - | - | - | - | 185,950 | - | 185,950 |
| Net loss | - | - | - | - | - | (194,212) | (194,212) |

Balance at June 30, 2013

(13,865,021 shares of class A;

2,070,527 shares of class C)

\$ 346,626 \$ 51,763 \$ 15,654,397 \$ (1,128,704) \$ 652,218 \$ 21,272,941 \$ 36,849,241

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

Table of Contents**U.S. GLOBAL INVESTORS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year Ended June 30, | | |
|--|----------------------------|---------------|---------------|
| | 2013 | 2012 | 2011 |
| Cash Flows from Operating Activities: | | | |
| Net income (loss) | \$ (194,212) | \$ 1,530,434 | \$ 7,832,647 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 274,479 | 281,760 | 291,705 |
| Net recognized gain on disposal of fixed assets | - | (75,459) | 154,216 |
| Net recognized loss (gain) on securities | 26,445 | (157,668) | (135,759) |
| Net (income) from equity method investment | (54,528) | - | - |
| Provision for deferred taxes | 8,612 | (283,333) | 321,117 |
| Stock bonuses | 63,364 | 193,221 | 169,484 |
| Stock-based compensation expense | 9,540 | 33,476 | 37,825 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | 617,223 | 1,387,434 | (297,834) |
| Prepaid expenses | 1,347 | 210,766 | (60,420) |
| Trading securities | 213,292 | 485,139 | (631,192) |
| Accounts payable and accrued expenses | (504,557) | (1,788,724) | 36,740 |
| | | | |
| Total adjustments | 655,217 | 286,612 | (114,118) |
| | | | |
| Net cash provided by operating activities | 461,005 | 1,817,046 | 7,718,529 |
| | | | |
| Cash Flows from Investing Activities: | | | |
| Purchase of property and equipment | (39,159) | (18,374) | (86,512) |
| Purchase of Galileo shares | (600,000) | - | - |
| Purchase of available-for-sale securities | (473,195) | (5,064,832) | (1,056,384) |
| Proceeds on sale of available-for-sale securities | 744,319 | 170,192 | 201,772 |
| Return of capital on investment | - | 18,542 | 95,523 |
| | | | |
| Net cash used in investing activities | (368,035) | (4,894,472) | (845,601) |
| | | | |
| Cash Flows from Financing Activities: | | | |
| Issuance of common stock | 185,223 | 188,016 | 189,674 |
| Repurchases of common stock | (173,608) | - | - |
| Dividends paid | (2,632,080) | (3,705,765) | (3,692,185) |
| | | | |
| Net cash used in financing activities | (2,620,465) | (3,517,749) | (3,502,511) |
| | | | |
| Net increase (decrease) in cash and cash equivalents | (2,527,495) | (6,595,175) | 3,370,417 |
| Beginning cash and cash equivalents | 20,612,721 | 27,207,896 | 23,837,479 |
| | | | |
| Ending cash and cash equivalents | \$ 18,085,226 | \$ 20,612,721 | \$ 27,207,896 |
| | | | |
| Supplemental Disclosures of Cash Flow Information | | | |
| Cash paid for income taxes | \$ 118,000 | \$ 1,365,000 | \$ 4,360,000 |

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

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Notes to Consolidated Financial Statements

Note 1. Organization

U.S. Global Investors, Inc. (the Company or U.S. Global) serves as investment adviser to U.S. Global Investors Funds (USGIF or the Funds). Delaware statutory trust that is a no-load, open-end investment company offering shares in numerous mutual funds to the investing public. The Company also provides administrative services, distribution, and transfer agency functions to USGIF. For these services, the Company receives fees from USGIF. The Company also provides advisory services to three offshore clients.

U.S. Global formed the following companies to provide supplementary services to USGIF: United Shareholder Services, Inc. (USSI) and U.S. Global Brokerage, Inc. (USGB).

The Company formed two subsidiaries utilized primarily for corporate investment purposes: U.S. Global Investors (Guernsey) Limited (USGG), incorporated in Guernsey (on August 3, 2013, USGG was dissolved), and U.S. Global Investors (Bermuda) Limited (USBERM), incorporated in Bermuda. A third subsidiary, U.S. Global Investors (Canada) Limited (USCAN), was formed in March 2013 for corporate investment purposes as well. In addition, in July 2013, the Company created U.S. Global Indices, LLC, a Texas limited liability company, of which the Company is the sole member. U.S. Global Indices, LLC did not have operations during fiscal year 2013.

Note 2. Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: USSI, USGG, USBERM, USGB and USCAN.

All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts have been reclassified for comparative purposes.

Cash and Cash Equivalents. Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Investments. The Company classifies its investments based on intent at the time of purchase and reevaluates and whether the Company is able to exercise significant influence such designation as of each reporting period date. 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.

Trading Securities. Securities that are purchased and held principally for the purpose of selling in the near term are classified as trading securities and reported at fair value. Unrealized gains and losses on these securities are included in earnings.

Held-to-Maturity Securities. Investments in debt securities that are purchased with the intent and ability to hold until maturity are classified as held-to-maturity and measured at amortized cost. The Company currently has no investments in debt securities.

Available-for-sale Securities. Investments that are neither trading securities nor held-to-maturity securities and for which the Company does not have significant influence are classified as available-for-sale securities and reported at fair value. Unrealized gains and losses on these available-for-sale securities are excluded from earnings, reported net of tax as a separate component of shareholders' equity, and recorded in earnings on the date of sale.

The Company evaluates its available-for-sale investments for other-than-temporary decline in value on a periodic basis. This may exist when the fair value of an investment security has been below the current value for an extended period of time. When a security in the Company's investment portfolio has an unrealized loss in fair value that is deemed to be other than temporary, the Company reduces the book value of such security to its current fair value, recognizing the credit related decline as a realized loss in the Consolidated Statements of Operations and Comprehensive Income and a revised GAAP cost basis for the security is established. For available-for-sale securities with declines in value deemed other than temporary, the unrealized loss recorded net of tax in accumulated other comprehensive income is realized as a charge to net income.

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Equity Method Investments. Investments classified as equity method consist of investments in companies in which the Company is able to exercise significant influence but not control. Under the equity method of accounting, the Company's proportional share of investee's underlying net income or loss is recorded as a component of Other Income and increases or decreases to the carrying value of the investee. Distributions received from the investment reduce the Company's carrying value of the investee. These investments are evaluated for impairment if events or circumstances arise that indicates that the carrying amount of such assets may not be recoverable.

No impairment has been recognized for the Company's equity investment during the years presented.

Advisory Receivables. Advisory receivables consist primarily of monthly advisory, transfer agent and other fees owed to the Company by USGIF as well as receivables related to offshore investment advisory fees.

Property and Equipment. Fixed assets are recorded at cost. Depreciation for fixed assets is recorded using the straight-line method over the estimated useful life of each asset as follows: furniture and equipment are depreciated over 3 to 10 years, and the building and related improvements are depreciated over 14 to 40 years.

Treasury Stock. Treasury stock purchases are accounted for under the cost method. The subsequent issuances of these shares are accounted for based on their weighted-average cost basis.

Stock-Based Compensation. Stock-based compensation expense is measured at the grant date based on the fair value of the award, and the cost is recognized as expense ratably over the award's vesting period.

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 liability method requires that deferred tax assets be reduced by a valuation allowance in cases where it is more likely than not that the deferred tax assets will not be realized.

The Company accounts for income taxes in accordance with ASC 740 *Income Taxes*. The Company's policy is to recognize interest and penalties related to uncertain tax positions in income tax expense. As of June 30, 2013, the Company did not have any accrued interest or penalties related to uncertain tax positions. The tax years from 2009 through 2012 remain open to examination by the tax jurisdictions to which the Company is subject.

Revenue Recognition. The Company earns substantially all of its revenues from advisory, administrative, distribution and transfer agency services. Mutual fund advisory, administrative, and distribution fees are calculated as a percentage of assets under management and are recorded as revenue as services are performed. Offshore advisory client contracts provide for monthly management fees, in addition to performance fees. The advisory contract for the USGIF equity funds provides for a performance fee on the base advisory fee that are calculated and recorded monthly. Transfer agency fees are calculated using a charge based upon the number of shareholder accounts serviced as well as transaction and activity-based fees. Revenue shown on the Consolidated Statements of Operations and Comprehensive Income are net of fee waivers.

Dividends and Interest. Dividends are recorded on the ex-dividend date, and interest income is recorded on an accrual basis. Both dividends and interest income are included in investment income.

Advertising Costs. The Company expenses advertising costs as they are incurred. Certain sales materials, which are considered tangible assets, are capitalized and then expensed during the period in which they are distributed. Net advertising expenditures were \$862,086, \$1,182,287, and \$2,463,758 during fiscal years 2013, 2012, and 2011, respectively.

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Foreign Currency Transactions. Transactions between the Company and foreign entities are converted to U.S. dollars using the exchange rate on the date of the transactions. Security investments valued in foreign currencies are translated to U.S. dollars using the applicable exchange rate as of the reporting date. Realized foreign currency gains and losses are immaterial and are therefore included as a component of investment income.

Fair Value of Financial Instruments. The financial instruments of the Company are reported on the Consolidated Balance Sheet at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments.

Use of Estimates. The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Earnings Per Share. The Company computes and presents earnings per share in accordance with ASC 260, *Earnings Per Share*. Basic earnings per share (EPS) excludes dilution and is computed by dividing net income (loss) 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 Company has two classes of common stock with outstanding shares. Both classes share equally in dividend and liquidation preferences.

Recent Accounting Pronouncements

On February 5, 2013, the FASB issued Accounting Standard Update (ASU) 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. ASU 2013-02 does not change the current requirement for reporting net income or other comprehensive income but requires additional disclosures about significant amounts reclassified out of accumulated other comprehensive income. ASU 2013-02 is effective for fiscal years and interim periods within those years beginning after December 31, 2012 and is not expected to have a material impact on the consolidated financial statements.

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Note 3. Purchase of Galileo Shares

In January 2013, the Company entered into a Stock Purchase Agreement with Galileo Global Equity Advisors Inc. (Galileo), a privately held Toronto-based asset management firm, to purchase 50 percent of the issued and outstanding shares of Galileo for \$600,000. The closing date of the transaction was March 31, 2013. Galileo will continue to have overall control of the operations and investment management activities of Galileo, including its management of the Galileo Funds. As the Company lacks control over the investee, the Company will account for its interest in Galileo under the equity method with its share of Galileo's profit or loss recognized in earnings. After one year, Galileo may terminate the agreement or allow the Company to purchase an additional 15 percent of its shares. Since the transaction closed on March 31, 2013, the Company is continuing to evaluate the transaction, and future changes to the amounts recorded could occur. There was no material basis difference between the cost of the Company's investment in Galileo and the Company's proportionate share of the underlying equity in net assets of Galileo. Frank Holmes, CEO, and Susan McGee, President and General Counsel, serve as directors of Galileo.

Note 4. Share Repurchase Plan

The Board of Directors approved a share repurchase program on December 7, 2012, authorizing the Company to purchase up to \$2.75 million of its outstanding common shares, as market and business conditions warrant, on the open market in compliance with Rule 10b-18 of the Securities Exchange Act of 1934. The share repurchase authorization expires at the end of calendar 2013. As of June 30, 2013, the Company had repurchased 55,052 class A shares using cash of \$173,608. There remains approximately \$2.576 million available for repurchase under this authorization.

Note 5. Investments

As of June 30, 2013, the Company held investments with a fair value of \$13,811,331 and a cost basis of \$13,522,891. The market value of these investments is approximately 35.7 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. Substantially all of the cash and cash equivalents included in the balance sheet on June 30, 2013, and June 30, 2012, are invested in USGIF money market funds.

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.

Table of Contents**Investment Activity**

The following table summarizes investment activity over the last three fiscal years:

| | Year Ended June 30, | | |
|---|---------------------|------------|-----------|
| | 2013 | 2012 | 2011 |
| Realized losses on sale of trading securities | \$ (244,627) | \$ (2,638) | \$ - |
| Trading securities, at cost | 5,457,989 | 5,960,634 | 5,963,272 |
| Trading securities, at fair value ¹ | 4,758,220 | 5,216,139 | 5,703,916 |
| Net change in unrealized gains (losses) on trading securities (included in earnings) | 44,728 | (485,139) | 631,192 |
| Available-for-sale securities, at cost | 8,064,902 | 8,117,844 | 3,081,439 |
| Available-for-sale securities, at fair value ¹ | 9,053,111 | 8,824,311 | 4,660,928 |
| Gross realized gains on sale of available-for-sale securities | 265,641 | 179,379 | 139,458 |
| Gross unrealized gains recorded in shareholders' equity | 1,289,689 | 951,631 | 1,596,949 |
| Gross unrealized losses recorded in shareholders' equity | (301,480) | (245,164) | (17,460) |
| Losses on available-for-sale securities deemed to have other-than-temporary declines in value | (47,459) | (19,073) | (3,699) |

¹ These categories of securities are comprised primarily of equity investments, including those investments discussed in Note 17 regarding related party transactions.

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

| Investment Income (Loss) | Year Ended June 30, | | |
|--|---------------------|---------------------|---------------------|
| | 2013 | 2012 | 2011 |
| Realized losses on sales of trading securities | \$ (244,627) | \$ (2,638) | \$ - |
| Realized gains on sales of available-for-sale securities | 265,641 | 179,379 | 139,458 |
| Unrealized gains (losses) on trading securities | 44,728 | (485,139) | 631,192 |
| Realized foreign currency gains (losses) | 1,255 | (1,583) | 3,013 |
| Other-than-temporary declines in available-for-sale securities | (47,459) | (19,073) | (3,699) |
| Dividend and interest income | 188,501 | 152,093 | 238,604 |
| Total Investment Income (Loss) | \$ 208,039 | \$ (176,961) | \$ 1,008,568 |

Table of Contents**Unrealized Losses**

The following tables summarize equity investments that are in an unrealized loss position at each balance sheet date, categorized by how long they have been in a continuous loss position. These investments do not include trading securities or those available-for-sale securities with declines in value deemed other than temporary as their unrealized losses are recognized in earnings.

| | June 30, 2013 (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 | \$ 95 | \$ (5) | \$ - | \$ - | \$ 95 | \$ (5) |
| Venture capital investments | 163 | (5) | - | - | 163 | (5) |
| Offshore fund | - | - | 4,712 | (288) | 4,712 | (288) |
| Mutual funds | 3 | (3) | - | - | 3 | (3) |
| Total available-for-sale securities | \$ 261 | \$ (13) | \$ 4,712 | \$ (288) | \$ 4,973 | \$ (301) |

| | June 30, 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 | \$ 135 | \$ (52) | \$ - | \$ - | \$ 135 | \$ (52) |
| Offshore fund | 4,811 | (189) | - | - | 4,811 | (189) |
| Mutual funds | 16 | (4) | - | - | 16 | (4) |
| Total available-for-sale securities | \$ 4,962 | \$ (245) | \$ - | \$ - | \$ 4,962 | \$ (245) |

Many of the investments included above are early-stage or start-up businesses whose fair values fluctuate.

Fair Value Hierarchy

ASC 820, *Fair Value Measurement and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy (i.e., Levels 1, 2, and 3 inputs, as defined below). The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. 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.

The following tables present fair value measurements, as of each balance sheet date, 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) | | | | |
|--|----------------------|--------------------------|---------------------|------------------|
| June 30, 2013 | | | | |
| | Quoted Prices | Significant Other | Significant | |
| | (Level | Inputs | Unobservable | |
| | 1) | (Level 2) | Inputs | Total |
| | | | (Level 3) | |
| Trading securities | | | | |
| Common stock | \$ 22 | \$ - | \$ - | \$ 22 |
| Mutual funds | 3,950 | - | - | 3,950 |
| Offshore fund | - | 786 | - | 786 |
| Total trading securities | 3,972 | 786 | - | 4,758 |
| Available-for-sale securities | | | | |
| Common stock | 1,299 | - | 95 | 1,394 |
| Venture capital investments | - | - | 163 | 163 |
| Mutual funds | 2,784 | - | - | 2,784 |
| Offshore fund | - | 4,712 | - | 4,712 |
| Total available-for-sale securities | 4,083 | 4,712 | 258 | 9,053 |
| Total Investments | \$ 8,055 | \$ 5,498 | \$ 258 | \$ 13,811 |

| Fair Value Measurement using (in thousands) | | | | |
|--|------------------|--------------------------|---------------------|--------------|
| June 30, 2012 | | | | |
| | Quoted | Significant Other | Significant | |
| | Prices | Inputs | Unobservable | |
| | (Level 1) | (Level 2) | Inputs | Total |
| | | | (Level 3) | |
| Trading securities | | | | |
| Common stock | \$ 185 | \$ 26 | \$ - | \$ 211 |
| Mutual funds | 3,980 | - | - | 3,980 |
| Offshore fund | - | 1,025 | - | 1,025 |
| Total trading securities | 4,165 | 1,051 | - | 5,216 |
| Available-for-sale securities | | | | |
| Common stock | 1,228 | - | - | 1,228 |
| Venture capital investments | - | - | 168 | 168 |
| Mutual funds | 2,617 | - | - | 2,617 |
| Offshore fund | - | 4,811 | - | 4,811 |
| Total available-for-sale securities | 3,845 | 4,811 | 168 | 8,824 |

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| | | | | | | |
|-------------------|----------|----|-------|----|-----|-----------|
| Total Investments | \$ 8,010 | \$ | 5,862 | \$ | 168 | \$ 14,040 |
|-------------------|----------|----|-------|----|-----|-----------|

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Approximately 58 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; 40 percent of the Company's financial assets, measured at fair value, are derived from Level 2 inputs, including investments in two offshore funds; 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 fiscal year 2013.

In Level 2, the Company has an investment in an offshore fund with a fair value of \$785,990 that invests in companies in the energy and natural resource sectors. The Company may redeem this investment on the first business day of each month after providing a redemption notice at least forty-five days prior to the proposed redemption date.

The Company also has a Level 2 investment in an offshore fund with a fair value of \$4,712,205 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 one private company and one venture capital investment. These investments are measured at fair value using significant unobservable inputs on June 30, 2013. Fair value is based on cost adjusted for known changes in value.

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 has a venture capital investment with a fair value of approximately \$162,841 that primarily invests in companies in the medical and medical technology sectors. The Company may redeem this investment with general partner approval. As of June 30, 2013, the Company has an unfunded commitment of \$62,500 related to this investment.

The Company also has an investment in restricted shares of a private sports entertainment company with a fair value of approximately \$95,066.

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

| (Dollars in Thousands) | Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis | | | |
|--|---|-----------------|-----------------------------------|-----------------|
| | Year Ended June 30, | | | |
| | 2013 | | 2012 | |
| | Venture Capital Investments | Common Stock | Venture Capital Investments | Common Stock |
| Beginning Balance | \$ 168 | \$ - | \$ 243 | \$ - |
| Return of capital | - | - | (19) | - |
| Total gains or losses (realized/unrealized) | | | | |
| Included in earnings (investment income) | - | - | 160 | - |
| Included in other comprehensive income | (5) | - | (108) | - |
| Purchases, sales, issuances, and settlements | - | 95 | (108) | - |
| Transfers in and/or out of Level 3 | - | - | - | - |
| Ending Balance | \$ 163 | \$ 95 | \$ 168 | \$ - |

As discussed in Note 3, on March 31, 2013, the Company purchased 50% of the issued and outstanding shares of Galileo Global Equity Advisors Inc., a privately held Toronto-based asset management firm for \$600,000. The Company accounts for its interest in Galileo under the equity method with its share of Galileo's profit or loss recognized in earnings. Included in other income in fiscal year 2013 is \$54,528 of equity method earnings of Galileo.

Note 6. Investment Management, Transfer Agent, and Other Fees

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The Company serves as investment adviser to USGIF and receives a fee based on a specified percentage of net assets under management. Two of the thirteen Funds within USGIF, Emerging Europe Fund and Global Emerging Markets Fund, are subadvised by a third party subadviser, Charlemagne Capital (IOM) Limited (Charlemagne), although the Company has primary day-to-day management of both Funds. On March 1, 2010, three Funds, MegaTrends Fund, Global Resources Fund and World Precious Minerals Fund, began offering institutional class shares.

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The advisory agreement for the nine equity Funds provides for a base advisory fee that is adjusted upwards or downwards by 0.25 percent if 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 year ended June 30, 2013 and 2012, the Company realized a decrease in its base advisory fee of \$133,011 and \$2,230,811, respectively, and for the year ended June 30, 2011, the Company realized an increase in its base advisory fees of \$2,380,608.

Effective September 30, 2009, the Company agreed to voluntarily cap the expenses of all thirteen Funds. These caps will continue on a modified and voluntary basis at the Company's discretion. Effective May 1, 2013, the Company agreed to contractually limit the expenses of the two fixed income funds and the institutional class of Global Resources Fund through April 30, 2014. The aggregate fees waived and expenses borne by the Company were \$3,328,326, \$3,132,831 and \$3,131,906 in 2013, 2012 and 2011 respectively.

The above waived fees include amounts waived under an agreement whereby the Company has voluntarily agreed to waive fees and/or reimburse U.S. Treasury Securities Cash Fund and U.S. Government Securities Savings Fund to the extent necessary to maintain the respective Fund's yield at a certain level as determined by the Company (Minimum Yield). For the fiscal year ended June 30, 2013, fees waived and/or expenses reimbursed as a result of this agreement were \$719,660 and \$484,206 for the U.S. Treasury Securities Cash Fund and the U.S. Government Securities Savings Fund, respectively.

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, \$1,562,956 of these waivers is recoverable by the Company through December 31, 2013; \$1,604,076 through December 31, 2014; \$1,245,458 through December 31, 2015; and \$616,631 through December 31, 2016. 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 continues to provide advisory services to three offshore clients and receives a monthly advisory fee based on the net asset values of the clients and performance fees, if any, based on the overall increase in net asset values. The contracts between the Company and the offshore clients expire periodically, and management anticipates that its offshore clients will renew the contracts.

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. The Company's Board of Directors formally agreed on August 23, 2013, to exit the transfer agency business so that the Company could focus more on its core strength of investment management. On August 23, 2013, the Funds' board of trustees agreed to continue the existing transfer agency contract with USSI until conversion to the new transfer agent, which is projected to be in December 2013. Additionally, the Company receives certain miscellaneous fees directly from USGIF shareholders. Included in transfer agent fees on the Statement of Operations are shareholder servicing fees based on the value of assets held through broker-dealer platforms. The Company will continue to receive the shareholder servicing fees.

The Company also receives distribution and administrative services fees from USGIF based on average net assets.

Table of Contents**Note 7. Property and Equipment**

Property and equipment are composed of the following:

| | June 30, | |
|---------------------------------|--------------|--------------|
| | 2013 | 2012 |
| Building and land | \$ 4,607,640 | \$ 4,568,481 |
| Furniture, equipment, and other | 1,708,261 | 1,708,261 |
| | 6,315,901 | 6,276,742 |
| Accumulated depreciation | (3,191,845) | (2,917,366) |
| Net property and equipment | \$ 3,124,056 | \$ 3,359,376 |

Depreciation expense totaled \$274,479; \$281,760; and \$291,705 in 2013, 2012, and 2011, respectively.

Note 8. Other Accrued Expenses

Other accrued expenses consist of the following:

| | June 30, | |
|---|------------|--------------|
| | 2013 | 2012 |
| Legal, professional and consulting fees | \$ 326,315 | \$ 303,156 |
| Vendors payable | 236,065 | 179,434 |
| Platform fees | 194,399 | 295,383 |
| Taxes payable | 68,400 | 103,468 |
| Performance fees | 12,612 | 123,968 |
| Subadvisory fees | 5,000 | 5,000 |
| Other | 46 | 97 |
| Other accrued expenses | \$ 842,837 | \$ 1,010,506 |

Note 9. Borrowings

As of June 30, 2013, 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 was renewed effective April 22, 2013, and requires the Company to maintain certain quarterly financial covenants to access the line of credit. The amended credit agreement will expire on May 31, 2014, and the Company intends to renew annually. The Company has been in compliance with all financial covenants during the fiscal year. As of June 30, 2013, the credit facility remains unutilized by the Company.

Note 10. Lease Commitments

The Company has operating leases for computers and equipment that expire between fiscal years 2014 and 2017. Lease expenses totaled \$490,942, \$572,148, and \$610,256 in fiscal years 2013, 2012, and 2011, respectively. Minimum non-cancelable lease payments required under operating leases for the years subsequent to June 30, 2013, are as follows:

| Fiscal Year | Amount |
|-------------|--------|
|-------------|--------|

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| | |
|-------|------------|
| 2014 | \$ 197,497 |
| 2015 | 163,105 |
| 2016 | 131,940 |
| 2017 | 65,970 |
| 2018 | - |
| Total | \$ 558,512 |

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Note 11. Benefit Plans

The Company offers a savings and investment plan qualified under Section 401(k) of the Internal Revenue Code covering substantially all employees. In connection with this 401(k) plan, participants can voluntarily contribute a portion of their compensation, up to certain limitations, to this plan, and the Company will match 100 percent of participants' contributions up to the first 3 percent of compensation and 50 percent of the next 2 percent of compensation. The Company has recorded expenses related to the 401(k) plan for contributions of \$219,611; \$205,480; and \$228,612 for fiscal years 2013, 2012, and 2011, respectively.

The 401(k) plan allows for a discretionary profit sharing contribution by the Company, as authorized by the Board of Directors. The Company made no profit sharing contribution in fiscal year 2013. The Company made profit sharing contributions of \$400,000 and \$300,000 in fiscal years 2012 and 2011, respectively.

The Company offers employees, including its executive officers, an opportunity to participate in savings programs using mutual funds managed by the Company. Employees may contribute to an IRA, and the Company matches these contributions on a limited basis. Similarly, certain employees may contribute to the Tax Free Fund, and the Company will match these contributions on a limited basis. A similar savings plan utilizing Uniform Gifts to Minors Act (UGMA) accounts is offered to employees to save for their minor relatives. The Company match, reflected in base salary expense, aggregated in all programs to \$78,706; \$77,049; and \$74,644 in fiscal years 2013, 2012, and 2011, respectively.

The Company has an Employee Stock Purchase Plan, subject to a current registration statement, whereby eligible employees can purchase treasury shares at market price, and the Company will match their contributions up to 3 percent of gross salary. During fiscal years 2013, 2012, and 2011, employees purchased 48,679; 28,998; and 25,781, respectively, shares of treasury stock from the Company.

Additionally, the Company self-funds its employee health care plan. The Company has obtained reinsurance with both a specific and an aggregate stop-loss in the event of catastrophic claims. The Company has accrued an amount representing the Company's estimate of claims incurred but not paid at June 30, 2013.

Note 12. Shareholders' Equity

The monthly dividend of \$0.005 is authorized through December 2013 and will be considered for continuation at that time 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. On a per share basis, the holders of the class C common stock and the nonvoting class A common stock participate equally in dividends as declared by the Company's Board of Directors.

During fiscal year 2013, the Company repurchased 55,052 class A shares on the open market using cash of \$173,608. During the fiscal years ended June 30, 2012 and 2011, the Company did not purchase any of its class A common stock.

The Company did not grant any shares of class A common stock to employees during fiscal year 2013. During the years ended June 30, 2012, and 2011, the Company granted 15,600 and 35,300 shares, respectively, of class A common stock to certain employees at a weighted average fair value on grant date of \$4.73 and \$8.12, respectively. Grants vest immediately after issuance.

The Company granted 3,600; 3,600; and 3,300 shares of class A common stock at a weighted average fair value of \$4.16, \$6.65, and \$8.10 to its non-employee Directors in fiscal years 2013, 2012, and 2011, respectively. Grants vest immediately after issuance.

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Shareholders of class C shares are allowed to convert to class A. During fiscal years 2013, 2012, and 2011, 2,516; 60; and 0 shares, respectively, were converted from class C to class A.

In November 1989, the Board of Directors adopted the 1989 Non-Qualified Stock Option Plan (1989 Plan), amended in December 1991, which provides for the granting of options to purchase 1,600,000 shares of the Company's class A common stock to directors, officers and employees of the Company and its subsidiaries. Options issued under the 1989 Plan vest six months from the grant date or 20 percent on the first, second, third, fourth, and fifth anniversaries of the grant date. Options issued under the 1989 Plan expire ten years after issuance. As of June 30, 2013, there were no options outstanding under the 1989 Plan.

In April 1997, the Board of Directors adopted the 1997 Non-Qualified Stock Option Plan (1997 Plan), which provides for the granting of stock appreciation rights (SARs) and/or options to purchase 400,000 shares of the Company's class A common stock to directors, officers, and employees of the Company and its subsidiaries. Options issued under the 1997 Plan expire ten years after issuance. No options were granted in fiscal year 2013. One option for 5,000 shares was granted in fiscal year 2012 with a fair value, net of tax, of \$8,052. The option will vest over five years with 20 percent vesting on each anniversary date. No options were granted in fiscal year 2011.

The estimated fair value of options granted is amortized to expense over the options' vesting period. The fair value of these options is estimated at the date of the grant using a Black-Scholes option pricing model with the following assumptions for the option granted in fiscal year 2012: expected volatility factor based on historical volatility of 49.9 percent, risk-free interest rate of 2.4 percent and an expected life of 5.67.

Stock option transactions under the various employee stock option plans for the past three fiscal years are summarized below:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life in Yrs | Aggregate Intrinsic Value (net of tax) |
|----------------------------------|--------|---------------------------------|--|--|
| Outstanding June 30, 2010 | 55,300 | \$ 19.21 | | |
| Granted | - | n/a | | |
| Exercised | - | n/a | | |
| Forfeited | 30,000 | \$ 19.06 | | |
| Outstanding June 30, 2011 | 25,300 | \$ 19.40 | | |
| Granted | 5,000 | \$ 6.54 | | |
| Exercised | - | n/a | | |
| Forfeited | 1,300 | \$ 22.63 | | |
| Outstanding June 30, 2012 | 29,000 | \$ 17.03 | | |
| Granted | - | n/a | | |
| Exercised | - | n/a | | |
| Forfeited | - | n/a | | |
| Outstanding June 30, 2013 | 29,000 | \$ 17.03 | 5.04 | \$ 200,336 |

As of June 30, 2013, 2012, and 2011, exercisable employee stock options totaled 25,000; 22,000; and 20,180 shares and had weighted average exercise prices of \$18.71, \$19.21, and \$19.78 per share, respectively.

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Class A common stock options outstanding and exercisable under the employee stock option plans at June 30, 2013, were as follows:

| | Date of Option Grant | Options Outstanding | | | Weighted Average Exercise Price (\$) | Options Exercisable | |
|--------------------------|----------------------|---------------------|-------------------------|------------------------------------|--------------------------------------|---------------------|------------------------------------|
| | | Number Outstanding | Remaining Life in Years | Weighted Average Option Price (\$) | | Number Exercisable | Weighted Average Option Price (\$) |
| 1997 Plan Class A | 06/20/07 | 2,000 | 3.97 | \$ 24.74 | 2,000 | \$ 24.74 | |
| | 10/03/07 | 20,000 | 4.25 | \$ 19.36 | 20,000 | \$ 19.36 | |
| | 10/07/09 | 2,000 | 6.27 | \$ 12.31 | 2,000 | \$ 12.31 | |
| | 08/23/11 | 5,000 | 8.15 | \$ 6.54 | 1,000 | \$ 6.54 | |
| | | 29,000 | 5.04 | \$ 17.03 | 25,000 | \$ 18.71 | |

Note 13. 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. At June 30, 2013, the current deferred tax asset primarily consists of temporary differences in the deductibility of prepaid expenses, accrued liabilities and stock-based compensation, as well as unrealized gains on trading securities. The long-term deferred tax asset is composed primarily of unrealized losses and other than temporary impairments on available-for-sale securities and capital loss carryovers.

For federal income tax purposes at June 30, 2013, the Company has capital loss carryovers of approximately \$1.6 million expiring in fiscal year 2018. The Company also has charitable contribution carryovers of approximately \$80,000 expiring in fiscal year 2018.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax amount will not be realized. At June 30, 2013, a \$27,286 valuation allowance was included related to the charitable contribution carryover. No valuation allowance was included at June 30, 2012, or 2011.

The reconciliation of income tax computed at the U.S. federal statutory rates to income tax expense is:

| | 2013 | | Year ended June 30, 2012 | | 2011 | |
|---------------------------------------|-------------|-------------|--------------------------|-------------|--------------|-------------|
| | \$ | % of Pretax | \$ | % of Pretax | \$ | % of Pretax |
| Tax expense (benefit) | | | | | | |
| at statutory rate | \$ (60,856) | 34.0% | \$ 849,792 | 34.0% | \$ 4,090,206 | 34.0% |
| Nondeductible membership dues | 26,853 | -15.0% | 27,491 | 1.1% | 27,929 | 0.2% |
| Nondeductible meals and entertainment | 44,294 | -24.7% | 40,720 | 1.7% | 42,959 | 0.4% |
| Other | 4,933 | -2.8% | 50,950 | 2.0% | 36,278 | 0.3% |
| Total tax expense | \$ 15,224 | -8.5% | \$ 968,953 | 38.8% | \$ 4,197,372 | 34.9% |

Components of total tax expense (benefit) are as follows:

| | Year ended June 30, | | |
|---------------------|---------------------|--------------|--------------|
| | 2013 | 2012 | 2011 |
| Current tax expense | \$ 6,612 | \$ 1,252,286 | \$ 3,876,255 |

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| | | | |
|--------------------------------|-----------|------------|--------------|
| Deferred tax expense (benefit) | 8,612 | (283,333) | 321,117 |
| Total tax expense | \$ 15,224 | \$ 968,953 | \$ 4,197,372 |

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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's deferred assets and liabilities using the effective statutory tax rate (34.0 percent for 2013 and 2012) are as follows:

| | Year ended June 30, | |
|--|----------------------------|-------------------|
| | 2013 | 2012 |
| Book/tax differences in the balance sheet | | |
| Trading securities | \$ 237,921 | \$ 253,128 |
| Prepaid expenses | (152,391) | (201,124) |
| Accumulated depreciation | 85,208 | 60,837 |
| Available-for-sale securities & equity method | (74,070) | 640,280 |
| Accrued expenses | 110,341 | 110,564 |
| Stock-based compensation expense | 117,372 | 114,129 |
| Tax Carryovers | | |
| Capital loss carryover | 549,029 | - |
| Charitable contributions carryover | 27,286 | - |
| Valuation Allowance | (27,286) | - |
| Net deferred tax asset | \$ 873,410 | \$ 977,814 |

Note 14. Earnings Per Share

The following table sets forth the computation for basic and diluted earnings per share (EPS):

| | Year Ended June 30, | | |
|--|----------------------------|---------------|---------------|
| | 2013 | 2012 | 2011 |
| Basic and diluted net income (loss) | \$ (194,212) | \$ 1,530,434 | \$ 7,832,647 |
| Weighted average number of outstanding shares | | | |
| Basic | 15,482,612 | 15,441,464 | 15,384,435 |
| Effect of dilutive securities | | | |
| Employee stock options | - | 118 | - |
| Diluted | 15,482,612 | 15,441,582 | 15,384,435 |
| Earnings (loss) per share | | | |
| Basic | <u>(\$0.01)</u> | <u>\$0.10</u> | <u>\$0.51</u> |
| Diluted | <u>(\$0.01)</u> | <u>\$0.10</u> | <u>\$0.51</u> |

The diluted EPS calculation excludes the effect of stock options when their exercise prices exceed the average market price for the period. For the year ended June 30, 2013, employee stock options for 29,000 shares were excluded from diluted EPS. For the year ended June 30, 2012, employee stock options for 24,000 shares were excluded from diluted EPS. For the year ended June 30, 2011, employee stock options for 25,300 shares were excluded from diluted EPS. During fiscal year 2013, the Company repurchased 55,052 class A shares on the open market using cash of \$173,608. The Company did not repurchase any shares of its class A common stock on the open market during fiscal years 2012 or 2011 or from employees during fiscal years 2013, 2012 or 2011. Repurchased shares are classified as treasury shares and are deducted from outstanding shares in the earnings per share calculation.

Table of Contents**Note 15. Comprehensive Income**

The Company has disclosed the components of comprehensive income in the Consolidated Statements of Operations and Comprehensive Income.

| | Before-Tax Amount | Tax Effect | Net-of-Tax Amount |
|---|------------------------------|-----------------------|------------------------------|
| June 30, 2011 | | | |
| Unrealized gains (losses) on available-for-sale securities | \$ 837,281 | \$ (284,676) | \$ 552,605 |
| Less: reclassification adjustment for gains (losses) included in net income | (99,235) | 33,740 | (65,495) |
| Other comprehensive income (loss) | \$ 738,046 | \$ (250,936) | \$ 487,110 |
| June 30, 2012 | | | |
| Unrealized gains (losses) on available-for-sale securities | \$ (702,829) | \$ 238,962 | \$ (463,867) |
| Less: reclassification adjustment for gains (losses) included in net income | (170,192) | 57,865 | (112,327) |
| Other comprehensive income (loss) | \$ (873,021) | \$ 296,827 | \$ (576,194) |
| June 30, 2013 | | | |
| Unrealized gains (losses) on available-for-sale securities | \$ 529,873 | \$ (180,157) | \$ 349,716 |
| Less: reclassification adjustment for gains (losses) included in net income | (248,131) | 84,365 | (163,766) |
| Other comprehensive income (loss) | \$ 281,742 | \$ (95,792) | \$ 185,950 |

Table of Contents**Note 16. 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 |
|--|---|----------------------------------|---------------------|
| Year ended June 30, 2011 | | | |
| Net operating revenues | \$ 40,925,058 | \$ | \$ 40,925,058 |
| Net other income | 2,887 | 1,005,681 | 1,008,568 |
| Net income before income taxes | 11,034,140 | 995,879 | 12,030,019 |
| Depreciation | 291,705 | | 291,705 |
| Capital expenditures | 86,512 | | 86,512 |
| Year ended June 30, 2012 | | | |
| Net operating revenues | \$ 24,066,909 | \$ | \$ 24,066,909 |
| Net other income (loss) | 2,684 | (179,645) | (176,961) |
| Net income (loss) before income taxes | 2,690,689 | (191,302) | 2,499,387 |
| Depreciation | 281,760 | | 281,760 |
| Capital expenditures | 18,374 | | 18,374 |
| Year ended June 30, 2013 | | | |
| Net operating revenues | \$ 18,665,250 | \$ | \$ 18,665,250 |
| Net other income | 2,317 | 260,250 | 262,567 |
| Net income (loss) before income taxes | (425,724) | 246,736 | (178,988) |
| Depreciation | 274,479 | | 274,479 |
| Capital expenditures | 39,159 | | 39,159 |
| Gross identifiable assets at June 30, 2013 | 23,288,449 | 14,533,555 | 37,822,004 |
| Deferred tax asset | | | 873,410 |
| Consolidated total assets at June 30, 2013 | | | \$ 38,695,414 |

Note 17. Related Party Transactions

On June 30, 2013, and June 30, 2012, respectively, the Company had \$29.7 million and \$32.9 million at fair value invested in USGIF and offshore clients the Company advises, and these amounts were included in the balance sheet in cash and cash equivalents and trading securities. The Company recorded \$113,787, \$117,234, and \$238,604 in dividend income and (\$146,544), \$50,480, and \$725,512 in net unrealized gains (losses) on its investments in the Funds and offshore clients for fiscal years 2013, 2012, and 2011, respectively. Receivables from mutual funds

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shown on the Consolidated Balance Sheets represent amounts due the Company and its wholly-owned subsidiaries for investment advisory fees, administrative fees, distribution fees, transfer agent fees and out-of-pocket expenses, net of amounts payable to the mutual funds. Frank Holmes, a director and Chief Executive Officer of the Company, is a trustee of USGIF.

The Company provides advisory services for the Meridian Global Gold and Resources Fund Ltd., an offshore fund. The Company receives a monthly advisory fee and a performance fee, if any, based on the overall increase in value of the net assets in the fund. The Company recorded fees totaling \$145,054, \$211,960, and \$1,129,271 for the years ended June 30, 2013, 2012, and 2011, respectively. Frank Holmes, a director and Chief Executive Officer of the Company, is a director of Meridian Global Gold and Resources Fund Ltd. and Meridian Fund Managers Ltd., the manager of the Meridian Global Gold and Resources Fund Ltd.

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The Company provides advisory services for the Meridian Global Energy and Resources Fund Ltd., an offshore fund. The Company receives a monthly advisory fee and a performance fee, if any, based on the overall increase in value of the net assets in the fund. The Company recorded fees totaling \$99,663, \$122,182, and \$258,087 for the years ended June 30, 2013, 2012, and 2011, respectively. Mr. Holmes is a director of Meridian Global Energy and Resources Fund Ltd. and Meridian Fund Managers Ltd., the manager of the Meridian Global Energy and Resources Fund Ltd. In addition, the Company has an investment in the Meridian Global Energy and Resources Fund Ltd. classified as trading with a fair value of \$785,990 on June 30, 2013.

The Company provides advisory services for the Meridian Global Dividend Income Fund Ltd., an offshore fund. The Company receives a monthly advisory fee and a performance fee, if any, based on the overall increase in value of the net assets in the fund. The Company recorded fees totaling \$73,006 for the year ended June 30, 2013 and \$24,133 for the year ended June 30, 2012, the first year in which services were provided. Mr. Holmes is a director of Meridian Global Dividend and Income Fund Ltd. and Meridian Fund Managers Ltd., the manager of the Meridian Global Dividend Income Fund Ltd. In addition, the Company has an investment in the Meridian Global Dividend and Income Fund Ltd. classified as available-for-sale with a fair value of \$4,712,205 at June 30, 2013.

The Company owns a position in Charlemagne Capital Limited on June 30, 2013, with a fair value of approximately \$719,550 and recorded as an available-for-sale security. Charlemagne Capital (IOM) Limited, a wholly owned subsidiary of Charlemagne Capital Limited, specializes in emerging markets and is the non-discretionary subadviser to the Emerging Europe Fund and Global Emerging Markets Fund, two funds in USGIF.

Note 18. 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 \$0.005 per share through December 2013, 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 July 2013 to December 2013 will be approximately \$465,000.

Table of Contents**Note 19. Selected Quarterly Financial Data (Unaudited)**

Note that some rows may not add to the correct annual total due to rounding.

| Fiscal 2013 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|--|--------------------|--------------------|--------------------|--------------------|
| <i>(in thousands except per share figures)</i> | | | | |
| Operating revenues | \$ 4,777 | \$ 5,330 | \$ 4,788 | \$ 3,770 |
| Operating expenses | 4,888 | 5,186 | 4,686 | 4,347 |
| Other income (loss) | 201 | 161 | (16) | (83) |
| Pretax income (loss) | 90 | 305 | 86 | (660) |
| Net income (loss) | 49 | 166 | 41 | (450) |
| Comprehensive income (loss) | 151 | (31) | 470 | (598) |
| Earnings (loss) per share: | | | | |
| Basic | \$ - | \$ 0.01 | \$ - | \$ (0.02) |
| Diluted | \$ - | \$ 0.01 | \$ - | \$ (0.02) |
| Fiscal 2012 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
| <i>(in thousands except per share figures)</i> | | | | |
| Operating revenues | \$ 8,344 | \$ 5,737 | \$ 5,073 | \$ 4,874 |
| Operating expenses | 6,630 | 5,217 | 4,743 | 4,761 |
| Other income (loss) | (552) | 143 | 465 | (233) |
| Pretax income (loss) | 1,162 | 663 | 795 | (120) |
| Net income (loss) | 750 | 409 | 487 | (116) |
| Comprehensive income (loss) | 309 | 436 | 639 | (430) |
| Earnings (loss) per share: | | | | |
| Basic | \$ 0.05 | \$ 0.03 | \$ 0.03 | \$ (0.01) |
| Diluted | \$ 0.05 | \$ 0.03 | \$ 0.03 | \$ (0.01) |

Note 20. Subsequent Events

The Company's Board of Directors formally agreed on August 23, 2013, to exit the transfer agency business so that the Company could focus more on its core strength of investment management. On August 23, 2013, the Funds' board of trustees agreed to continue the existing transfer agency contract with USSI until conversion to the new transfer agent, which is projected to be in December 2013.

Transfer agent fees are based on the number of shareholder accounts as well as transactions and activity of shareholders. Therefore, the change in the Company's revenue cannot be precisely estimated. Based on fiscal year 2013, the Company estimates that net transfer agency revenues will decrease on an annual basis approximately \$1.31 million and expenses will decrease approximately \$1.47 million. The Company has estimated that the transition costs will range from \$150,000 to \$375,000; these will be recognized in fiscal year 2014. The Company will continue to receive shareholder servicing fees based on the assets held through broker-dealer platforms. These shareholder servicing fees, included in transfer agent fees in the Consolidated Statements of Operations and Comprehensive Income, amounted to \$1.38 million in fiscal year 2013. On August 23, 2013, the Funds' board of trustees also approved an increase to the administrative services fees paid to the Company. The new fees, projected to be effective in December 2013, will change from an annual rate of 0.08 percent to 0.10 percent per investor class and from 0.06 percent to 0.08 percent per institutional class of each Fund, based on average daily net assets, plus \$10,000 per Fund.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with accountants on accounting and financial disclosure during the two most recent fiscal years.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2013. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of June 30, 2013, to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is: (1) recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms; and (2) accumulated and communicated to management, including the principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined by Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of its internal control over financial reporting as of June 30, 2013. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (1992). Based on the Company's assessment, management believes that, as of June 30, 2013, the Company's management has maintained effective internal control over financial reporting.

The effectiveness of the Company's internal control over financial reporting as of June 30, 2013, has been audited by BDO USA, LLP, the independent registered public accounting firm who also audited the Company's consolidated financial statements. Its report appears in Item 8.

Changes in Internal Control over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the fourth quarter ended June 30, 2013, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Inherent Limitation of the Effectiveness of Internal Control. A control system, no matter how well conceived, implemented and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of such inherent limitations, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company or any division of a company have been detected.

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Item 9B. Other Information

In light of Frank Holmes' ownership of 99.71 percent of the class C voting shares, the Company is eligible to rely on the exemption from certain of the NASDAQ corporate governance listing requirements relating to the independence of the Board of Directors and certain committees that is afforded to controlled companies. Under NASDAQ rules, a controlled company is a company of which more than 50 percent of the voting power for the election of directors is held by an individual, a group or another company.

The Company's Board of Directors formally agreed on August 23, 2013, to exit the transfer agency business so that the Company could focus more on its core strength of investment management. On August 23, 2013, the Funds' board of trustees agreed to continue the existing transfer agency contract with USSI until conversion to the new transfer agent, which is projected to be in December 2013.

Based on fiscal year 2013, the Company estimates that net transfer agency revenues are expected to decrease on an annual basis approximately \$1.31 million and expenses will decrease approximately \$1.47 million. The Company has estimated that the transition costs of one-time termination benefits and contract termination costs will range from \$150,000 to \$375,000; these will be recognized in fiscal year 2014.

On August 23, 2013, the Funds' board of trustees also approved an increase to the administrative services fees paid to the Company. The new fees, projected to be effective in December 2013, will change from an annual rate of 0.08 percent to 0.10 percent per investor class and from 0.06 percent to 0.08 percent per institutional class of each Fund, based on average daily net assets, plus \$10,000 per Fund.

Table of Contents*Part III of Annual Report on Form 10-K***Item 10. Directors, Executive Officers and Corporate Governance**

The directors and executive officers of the Company are as follows:

| Name | Age | Position |
|-------------------------|------------|--|
| Frank E. Holmes | 58 | Director of the Company and Chief Executive Officer of the Company since October 1989, and Chief Investment Officer since June 1999. Since October 1989, Mr. Holmes has served and continues to serve in various positions with the Company, its subsidiaries, and the investment companies it sponsors. Mr. Holmes has served as Trustee of U.S. Global Investors Funds since August 1989 and Trustee of U.S. Global Accolade Funds from April 1993 to October 2008. Mr. Holmes has also served as Director of Meridian Fund Managers Ltd. since November 2003, Director of Meridian Global Gold & Resources Fund Ltd. since December 2003, Director of Meridian Global Energy & Resources Fund Ltd. since April 2006, Director of Meridian Global Dividend Income Fund since April 2011 and Chairman of Endeavour Financial Corp. from October 2005 to November 2008. Mr. Holmes served as Director, President, and Secretary of F.E. Holmes Organization, Inc. from July 1978 to July 2009. |
| Jerold H. Rubinstein | 75 | Chairman of the Board of Directors since February 2006 and Director of the Company since October 1989. Director, Chairman of the Board and CEO of Stratus Media Group, Inc. since April 2011. Director, Chief Executive Officer, and Chairman of the Board for ProElite, Inc. since June 2012. Founder and Chief Executive Officer of Music Imaging & Media, Inc. from July 2002 to January 2010. Director and Chairman of the Audit Committee of CKE Restaurants from June 2006 to July 2010. |
| Roy D. Terracina | 66 | Director of the Company since December 1994 and Vice Chairman of the Board of Directors since May 1997. Owner of Sunshine Ventures, Inc., a company formed to hold investments, since January 1994. Chairman of the Board of Our Lady of the Lake University since May 2010. |
| Thomas F. Lydon, Jr. | 53 | Director of the Company since June 1997. Chairman of the Board and President of Global Trends Investments since April 1996. Trustee, Rydex/SGI from June 2005 to February 2012. Trustee, Guggenheim Investments since February 2012. |
| Susan B. McGee | 54 | President of the Company since February 1998, General Counsel since March 1997. Since September 1992, Ms. McGee has served and continues to serve in various positions with the Company, its subsidiaries, and the investment companies it sponsors. |
| Catherine A. Rademacher | 53 | Chief Financial Officer of the Company from August 2004 to July 12, 2013. Controller of the Company from April 2004 until August 2004. |
| Lisa C. Callicotte | 40 | Chief Financial Officer of the Company since July 12, 2013. Controller of the Company from July 2009 until July 2013. Prior to joining the Company, Ms. Callicotte was employed with Ernst & Young LLP from January 1997 to July 2009. |

None of the directors or executive officers of the Company has a family relationship with any of the other directors or executive officers.

The members of the Board of Directors are elected for one-year terms or until their successors are elected and qualified. The Board of Directors appoints the executive officers of the Company.

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Director Independence. The Company's Board of Directors is currently composed of four members. The Board of Directors has determined that three of the four members meet the definition of an independent director set forth in NASDAQ Rule 5605(a)(2), with the exception being Frank Holmes who is the Chief Executive Officer and Chief Investment Officer of the Company. In assessing the independence of directors, the Board of Directors considered the business relationships between the Company and its directors or their affiliated businesses, including businesses owned and operated by family members, other than ordinary investment relationships. Furthermore, the Board has determined that none of the members of the two standing committees of the Board of Directors in existence during the 2013 fiscal year has any material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) and that each such member is independent within the meaning of the independence standards applicable to each such committee.

The Board of Directors held six meetings over the past fiscal year. All incumbent directors attended 75 percent or more of the Board meetings and meetings of the committees on which they served during the last fiscal year. Directors are encouraged to attend the Annual Meeting of Shareholders. Three of the four directors attended the 2012 Annual Meeting. The standing committees of the Board of Directors currently consist of the Audit Committee and the Compensation Committee. The membership and responsibilities of those committees are described below:

| <u>Independent Directors</u> | <u>Audit Committee</u> | <u>Compensation Committee</u> |
|------------------------------|------------------------|-------------------------------|
| Roy D. Terracina | Chairman | Member |
| Thomas F. Lydon, Jr. | Member | Chairman |
| Jerold H. Rubinstein | Member | Member |

Audit Committee. The Company has a separately designated Audit Committee, established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee assists the Board of Directors in monitoring the integrity of the financial statements of the Company; the independent auditor's qualifications and independence; the performance of the Company's internal audit function and independent auditors; complaints relating to the Company's accounting, internal accounting controls and audit matters; and the Company's accounting and financial reporting processes and audits of the Company's financial statements. The Board of Directors has determined that Director Roy Terracina qualifies as an audit committee financial expert as defined in Item 401(e) of Regulation S-K under the Exchange Act. Mr. Terracina's pertinent experience, qualifications, attributes, and skills include: a bachelor's degree and a master's degree in finance, financial experience as a treasurer of a publicly traded company, managerial experience attained as the owner of a company responsible as a major supplier of baked and packaged goods primarily through the Department of Defense, the knowledge and experience he has attained from service on other boards and the knowledge and experience he has attained from his service on U.S. Global's Board. The Audit Committee met six times during the past fiscal year. All incumbent committee members attended 75 percent or more of the committee meeting on which they served during the last fiscal year.

Report of the Audit Committee. Management is responsible for U.S. Global's internal controls and financial reporting process. BDO USA, LLP, U.S. Global's independent registered public accounting firm for the fiscal year ended June 30, 2013, is responsible for performing an independent audit of U.S. Global's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB), and an audit of the effectiveness of U.S. Global's internal control over financial reporting in accordance with the standards of the PCAOB and to issue its reports thereon. The Audit Committee monitors and oversees these processes. The Audit Committee approves the selection and appointment of U.S. Global's independent registered public accounting firm and recommends the ratification of such selection and appointment to U.S. Global's Board of Directors.

The Audit Committee has reviewed and discussed U.S. Global's audited financial statements with management and BDO USA, LLP. The committee has discussed with BDO USA, LLP the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the PCAOB in Rule 3200T, which relates to the conduct of our audit, including our auditors' judgment about the quality of the accounting

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principles applied in our fiscal year 2013 audited consolidated financial statements. The Audit Committee has received the written disclosures and the letter from BDO USA, LLP required by applicable requirements of the PCAOB regarding the independent accountant's communications with the committee concerning independence and has discussed with BDO USA, LLP that firm's independence.

Based on the foregoing review and discussions and such other matters the Audit Committee considered relevant and appropriate, the committee recommended to the Board that the audited financial statements of U.S. Global be included in its Annual Report on Form 10-K for the year ended June 30, 2013.

Compensation Committee. The Compensation Committee assists the Board of Directors in carrying out its responsibilities with respect to employee qualified benefit plans and employee programs, executive compensation programs, stock option plans and director compensation programs. The Compensation Committee has broad responsibility for assuring that the Company's executive officers, including the Company's Chief Executive Officer, are effectively compensated in terms of salaries, supplemental compensation and benefits that are internally equitable and externally competitive. Additional responsibilities include the review and approval of corporate goals and objectives relevant to the Chief Executive Officer. The Compensation Committee reviews all components of compensation, including salaries, cash incentive plans, long-term incentive plans and various employee benefit matters. The Compensation Committee met two times during the past fiscal year. All incumbent committee members attended 75 percent or more of the committee meetings on which they served during the last fiscal year.

Compensation Committee Interlocks and Insider Participation. During fiscal year 2013, the Compensation Committee consisted of Roy D. Terracina, Thomas F. Lydon, Jr., and Jerold H. Rubinstein. All members of the Compensation Committee were independent directors, and no member was an employee or former employee. During fiscal year 2013, none of the Company's executive officers served on the compensation committee (or its equivalent) or board of directors of another entity whose executive officer served on the Company's Compensation Committee.

Nomination of Directors. Although the Company does not have a standing nominating committee, the Company's Corporate Governance Guidelines effectively provide guidance on selection and nomination process whenever a vacancy occurs on the Board of Directors. Due to the longevity of service of the current Board of Directors, those Directors have not participated in consideration of director nominees.

The Company believes generally that its Board as a whole should encompass a range of talent and expertise enabling it to provide sound guidance with respect to the Company's operations and interests. Whenever a vacancy occurs on the Board of Directors, the Board is responsible for identifying one or more candidates to fill that vacancy, investigating each candidate and evaluating their suitability for service on the Board. The following attributes or qualifications will be considered by the Board in evaluating a person's candidacy:

Management and leadership experience;

Skilled and diverse background; and

Integrity and professionalism.

The Board is authorized to use any methods it deems appropriate for identifying candidates for Board membership. In addition, candidates recommended by the Company's stockholders, pursuant to a Director Recommendation Form, are considered in the same manner as other candidates.

The Company's policy is to have at least a majority of directors qualify as independent under the NASDAQ Listing Rules and the Company's Corporate Governance Guidelines, which are available at the Company's website at www.usfunds.com.

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Code of Ethics for Principal Executive and Senior Financial Officers

The Company has adopted a Code of Ethics for Principal Executive and Senior Financial Officers that applies to the Company's principal executive officer and principal financial officer. This code charges these individuals with responsibilities regarding honest and ethical conduct, the preparation and quality of the disclosures in documents and reports the Company files with the SEC, and compliance with applicable laws, rules, and regulations.

Compliance with Section 16(a) of the 1934 Act

Section 16(a) of the 1934 Act requires directors and officers of the Company and persons who own more than 10 percent of the Company's class A common stock to file with the SEC initial reports of ownership and reports of changes in ownership of the stock. Directors, officers and more than 10 percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on the Company's review of the copies of such reports received by the Company and on written representations by the Company's officers and directors regarding their compliance with the applicable reporting requirements under Section 16(a) of the Exchange Act, the Company believes that, with respect to the fiscal year ended June 30, 2013, its officers and directors, and all of the persons known to it to own more than 10 percent of its common stock, filed all required reports on a timely basis.

Table of Contents**Item 11. Executive Compensation****Compensation Discussion and Analysis****Overview**

The following section provides a discussion and analysis of the basis for the compensation awarded to the CEO, the CFO, and our other most highly compensated executive officer of the Company (Named Executive Officers or NEOs), as well as our directors in fiscal year 2013. We provide investment advisory and other services to our clients. Our long-term success depends on our ability to provide superior investment returns and outstanding client service. As such, one of our greatest assets is the collective skill, experience and efforts of our employees. To achieve success, we must be able to attract, retain and motivate professionals within all levels of our Company who are committed to our core values.

We place great significance on our values of performance, teamwork, initiative, responsiveness, focused work ethic, and intellectual curiosity. We believe that adherence to these core values will contribute to the long-term success of the Company and our shareholders.

We compete for talent with a large number of investment management and financial services companies, many of which have significantly larger market capitalization than we do. Our relatively small size within the industry, geographic location, and lean executive management team provide unique challenges.

Setting Executive Compensation

The Compensation Committee of our Board of Directors is responsible for reviewing and approving corporate goals and objectives relevant to the CEO, Frank Holmes; evaluating the CEO's performance in light of those goals and objectives; and determining and approving the CEO's compensation level based on this evaluation. In addition, the committee is responsible for reviewing and approving compensation recommended by Mr. Holmes for our other executive officers. The Board appointed Messrs. Lydon, Terracina, and Rubinstein as members of the Compensation Committee. Mr. Lydon serves as the chairman of the Compensation Committee, and there are no Compensation Committee interlocks to report. The Compensation Committee has a charter that is available for review on our website at www.usfunds.com by clicking About Us, followed by Investor Relations, then Policies and Procedures.

The individuals listed below are the CEO and CFO, plus our other most highly compensated NEO in fiscal year 2013.

| Name | Title |
|-------------------------|--|
| Frank E. Holmes | Chief Executive Officer and Chief Investment Officer |
| Catherine A. Rademacher | Chief Financial Officer |
| Susan B. McGee | President and General Counsel |

In establishing total annual compensation for Mr. Holmes, the Compensation Committee considers a number of factors. For assistance in determining the appropriate factors to consider, the Compensation Committee consulted in 2005 with Moss Adams LLP, an executive compensation consulting firm. Importantly, the Compensation Committee considers the various functions Mr. Holmes assumes, including the dual role of CEO and Chief Investment Officer (CIO). In addition, the Compensation Committee considers various measures of company performance, including profitability and total shareholder return. The Compensation Committee also reviews Mr. Holmes' performance in managing our corporate investments, in overseeing the management of our client portfolios and the results of our operational earnings.

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In addition to his base salary, Mr. Holmes receives a bonus based on operational earnings, which are substantially derived from assets under management, based on a percentage of operational earnings, and capped at a predetermined dollar amount, as computed for financial reporting purposes in accordance with GAAP (before consideration of this fee).

Mr. Holmes also receives a bonus when our investment team meets their performance goals. The bonus is based on calculated fund performance bonuses of the investment team and is in recognition of Mr. Holmes' creation and oversight of the investment processes and strategy.

In addition, Mr. Holmes receives a percentage of offshore fund management and performance fees in recognition of attracting and managing offshore client accounts and a percentage of realized gains on investments, offset by realized losses and other-than-temporary write-downs, in recognition of his expertise in managing the investments of the company.

The committee has delegated to Mr. Holmes the responsibility for reviewing the performance of, and recommending the compensation levels for, our other NEOs. The committee does not use rigid formulas with respect to the compensation of NEOs. Mr. Holmes makes a recommendation based on the achievement of qualitative goals that apply to all employees, quantitative goals that apply to an executive officer's specific job responsibilities and other accomplishments, such as expansion in functional responsibility. In forming his recommendations, Mr. Holmes also considers the responsibilities and workload of the executive officer; the explicit and tacit knowledge required to perform these responsibilities, including any professional designations; the profitability of the company; and the cost of living in San Antonio, Texas.

Objectives

Our executive compensation programs are designed to:

attract and retain key executives,

align executive performance with our long-term interests and those of our shareholders, and

link executive pay with performance.

Elements of Executive Compensation

The committee reviews and approves all components of executive officer compensation. The principal elements of executive compensation, other than Mr. Holmes, are:

base salary,

performance-based cash and stock bonuses,

long-term incentive awards, and

other compensation and benefits.

Base Salary

Base salaries for NEOs are reviewed annually by the Compensation Committee. Generally, the salaries of NEOs are occasionally adjusted to recognize expansion of an individual's role, outstanding and sustained performance, or to bring the officer's pay into alignment with the market. We did not use any benchmarking studies in fiscal year 2013 to obtain market information. In addition, the Compensation Committee did not

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consider the equity ownership of the Company by Mr. Holmes when setting his compensation. Nor did the committee aim for a specific relationship between Mr. Holmes and the other executive officers. Base salaries paid to NEOs during the fiscal year are shown in the Summary Compensation Table.

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Performance-Based Cash Bonuses

Executive officers, except Mr. Holmes, participate in a team performance pay program based on each employee's annual salary to recognize monthly completion of departmental goals. Additionally, key executive officers are compensated based on individual performance pay arrangements. Discretionary cash bonuses are awarded from time to time for such things as completion of critical projects or outstanding performance.

Mr. Holmes considered a matrix of factors in reviewing the performance of, and compensation for, the CFO, Catherine Rademacher. Mr. Holmes considered such things as responsibilities, productivity, results of the Company's actual versus targeted goals, hours of work, profitability of the Company, timely and accurate financial regulatory filings, unqualified S-Ox and audit results and the cost of living in San Antonio. Ms. Rademacher received a monthly bonus when certain fund performance criteria were met and a monthly bonus when certain other financial metrics were met. Occasionally, Ms. Rademacher received discretionary bonuses for the completion of special projects.

In reviewing the performance of and compensation for the President and General Counsel Susan McGee, Mr. Holmes considers a matrix of factors including responsibilities, productivity, hours of work, profitability of the Company, timely and accurate regulatory filings, completion of regulatory examinations, and the cost of living in San Antonio. In addition to her base salary, Ms. McGee is paid a monthly bonus based on new assets flowing through institutional accounts in recognition of her leadership and strategic guidance of the institutional sales department. Ms. McGee receives a monthly bonus when certain financial metrics are met. Occasionally Ms. McGee receives discretionary bonuses for special projects such as completion of regulatory exams or managing significant new business relationships.

Long-Term Incentive Awards

Long-term incentive awards include stock options and restricted shares. We have utilized option grants to induce qualified individuals to join us, thereby providing the individual with an opportunity to benefit if we have significant growth. Similarly, options have been utilized to reward existing employees, including NEOs, for long and faithful service and to encourage them to stay with us. The Compensation Committee administers the stock option plans. Although the Company has no written policy for allocating between cash and equity, or current and long-term compensation for the CEO and other NEOs, the weighting has generally been in the range of less than 5 percent long-term compensation in the form of options or stock awards, with the remaining compensation in cash.

Stock Option Plans

In November 1989, the Board of Directors adopted the 1989 Non-Qualified Stock Option Plan (1989 Plan) which provides for the granting of options to purchase shares of our class A common stock to directors, officers, and employees. On December 6, 1991, shareholders approved and amended the 1989 Plan to provide provisions to cause the plan and future grants under the plan to qualify under 1934 Act Rule 16b-3. The 1989 Plan is administered by the Compensation Committee consisting of three outside members of the Board of Directors. The maximum number of shares of class A common stock initially approved for issuance under the 1989 Plan is 1,600,000 shares. During the fiscal year ended June 30, 2013, no stock options were granted. As of June 30, 2013, under this amended plan, 1,733,400 options had been granted, 883,000 options had been exercised, 850,400 options had expired, no options remained outstanding and 717,000 options are available for grant.

In April 1997, the Board of Directors adopted the 1997 Non-Qualified Stock Option Plan (1997 Plan), which shareholders approved on April 25, 1997. It provides for the granting of stock appreciation rights (SARs) and/or options to purchase shares of our class A common stock to directors, officers and employees. The 1997 Plan expressly requires that all grants under the plan qualify under 1934 Act Rule 16b-3. The 1997 Plan is administered by the Compensation Committee consisting of three outside members of the Board of Directors. The maximum number of shares of class A common stock initially approved for issuance under the 1997 Plan is 400,000 shares. During the fiscal year ended June 30, 2013, no stock options were granted. As of June 30, 2013, 581,300 options had been granted, 257,000 shares had been exercised, 295,300 options had expired, 29,000 options remained outstanding and 114,000 options are available for grant.

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2010 Stock Incentive Plan

In October 2010, at the Annual Meeting of Shareholders, the class C shareholders voted to adopt the 2010 Stock Incentive Plan. The 2010 Stock Incentive Plan is intended to promote the interests of the Company by providing eligible persons in the Company's service with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Company to align such persons' interests with those of the Company's shareholders and as an incentive for them to remain in such service. During fiscal year 2013, no stock bonuses were awarded to NEOs.

Assessment of Risk

By design, the Company's compensation program for all employees, including executive officers, does not incentivize excessive risk-taking. The Company's base salary component of compensation does not encourage risk-taking because it is a fixed amount. Generally, incentive awards have the following risk-limiting characteristics:

Awards are made based on a review of a variety of indicators of performance, thus diversifying the risk associated with any single indicator of performance;

For executive officers other than Mr. Holmes (who is a significant U.S. Global shareholder), the majority of the award value is delivered in the form of stock that vests over a multiple years, which aligns the interests of executive officers to long-term shareholder interests; and

All participants, including executive officers, in the Employee Stock Purchase Plan are subject to stock ownership and holding guidelines.

Other Compensation and Benefits

Health, Welfare and Retirement Benefits

Health, welfare, and retirement benefits are designed to provide a safety net of protection for employees in the event of illness, disability, or death, and to provide employees an opportunity to accumulate retirement savings.

We offer a range of health and welfare benefits to substantially all employees, including the NEOs. These benefits include medical, dental, vision, prescription drug, short-term disability, long-term disability, group life and accidental death insurance, tuition reimbursement, and a free health club membership.

401(k) Plan

We offer a 401(k) plan covering substantially all employees, including NEOs. Participants may contribute, on a pretax basis, their base salary and cash incentive compensation, up to a limit imposed by the Internal Revenue Code, which is \$17,500 in calendar year 2013. An additional catch-up pretax contribution of up to \$5,500 is allowed for employees over 50. We automatically match 100 percent of the first 3 percent of participating employees' contributions and 50 percent of the next 2 percent of participating employees' contributions. We contribute to participants' accounts at the same time that the employee's pay deferral is made. Employees are immediately vested in both their 401(k) salary deferral contribution and the matched contributions. Participants in our 401(k) plan may allocate some or all of their contributions to a separate designated Roth account, commonly known as a Roth 401(k).

Profit Sharing

The 401(k) plan allows for us to make a discretionary profit sharing contribution, as authorized by the Board of Directors. Factors that are considered by the Board include earnings, cash flows, capital requirements and the general financial condition of the Company. No specific performance thresholds or goals are required by the Board to authorize a profit sharing contribution. Profit sharing contributions of \$0, \$400,000, and \$300,000 were made in fiscal years 2013, 2012, and 2011, respectively.

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Savings Plans

We also have a program pursuant to which we offer employees an opportunity to participate in savings programs using managed investment companies. Employee contributions to an Individual Retirement Account are matched to a maximum of \$100 per month for certain management-level employees, including NEOs, and a maximum of \$30 for all other employees. Similarly, certain management-level employees, including NEOs, may contribute to the Tax Free Fund and we will match these contributions up to a maximum of \$90 per month. A similar savings plan utilizing UGMA accounts is offered to all employees to save for minor relatives and is matched at a maximum of \$15 per month per child.

Employee Stock Purchase Plan

We also have a program whereby eligible employees can purchase treasury shares, at market price, and we will automatically match their contribution up to 3 percent of gross salary. During fiscal years 2013, 2012, and 2011, employees purchased 48,679; 28,998; and 25,781 shares of treasury stock from us, respectively. The purchase price used is the closing stock price on the last business day of each month. We do not restrict the ability of our employees or directors to hedge their position in our shares. In addition, neither the Board nor NEOs are required to own or purchase a certain number of shares.

The Summary Compensation Table includes the matched contributions to the plans described above for each NEO.

Perquisites and Other Benefits

We provide certain perquisites that the committee believes are reasonable and consistent with our overall compensation program to a limited number of officers. The perquisites consist of such things as memberships for business entertainment purposes and policies for long-term disability and life insurance. The Summary Compensation Table shows the value of perquisites provided to NEOs in fiscal year 2013 in the All Other Compensation column.

Employment Agreements, Termination and Change-in Control Arrangements

We do not have any employment agreements, termination agreements, or change-in control agreements with any of our executive officers.

Compliance with Section 162(m)

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public corporations for compensation greater than \$1 million paid during any fiscal year to our CEO and our four other most highly compensated executive officers. However, the statute exempts qualifying performance-based compensation from the deduction limit if certain requirements are met. The Compensation Committee plans to review this matter as appropriate and take action as may be necessary to preserve the deductibility of compensation payments to the extent reasonably practical and consistent with our objectives.

Table of Contents**Compensation of Named Executive Officers**

The following table sets forth for the fiscal year ended June 30, 2013, the compensation reportable for the NEOs, as determined by SEC rules. Columns were omitted if they were not applicable.

| Name and Principal | | Summary Compensation Table | | | | | Non-Equity Incentive Plan | All Other Compensation | Total |
|--------------------------------------|------|----------------------------|------------|-------------------|--|--------------------------------|---------------------------|------------------------|-------|
| Position | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$) | | Compensation (\$) ¹ | (\$) | (\$) | |
| Frank E. Holmes | 2011 | 421,799 | 6,300 | | | 880,591 | 150,012 | 1,458,702 | |
| Chief Executive Officer | 2012 | 421,799 | 6,200 | | | 257,175 | 162,336 | 847,510 | |
| Chief Investment Officer | 2013 | 411,799 | 6,300 | | | 229,979 | 122,616 ² | 770,694 | |
| Catherine A. Rademacher ⁵ | 2011 | 98,006 | 98,416 | 28,780 | | | 31,211 | 256,413 | |
| Chief Financial Officer | 2012 | 100,021 | 62,226 | 12,374 | | | 37,496 | 212,117 | |
| | 2013 | 101,004 | 48,618 | | | | 18,382 ³ | 168,004 | |
| Susan B. McGee | 2011 | 256,895 | 74,898 | 16,600 | | 120,263 | 131,311 | 599,967 | |
| President | 2012 | 258,041 | 35,891 | 11,539 | | 44,758 | 147,083 | 497,312 | |
| General Counsel | 2013 | 258,396 | 28,935 | | | 48,150 | 132,026 ⁴ | 467,507 | |

¹ Amounts consist of cash incentive compensation awards earned for services. The amounts were paid pursuant to the senior executive bonus programs.

² Represents amounts paid by us on behalf of Mr. Holmes as follows: (i) \$56,248 in insurance, (ii) \$32,033 in matched contributions, (iii) \$13,400 in memberships, (iv) \$6,000 in trustee fees, and (v) \$14,935 in miscellaneous items.

³ Represents amounts paid by us on behalf of Ms. Rademacher as follows: (i) \$9,675 in matched contributions, (ii) \$6,554 in memberships, and (iii) \$2,153 in miscellaneous items.

⁴ Represents amounts paid us on behalf of Ms. McGee as follows: (i) \$72,526 in insurance, (ii) \$25,210 in matched contributions, (iii) \$18,047 in memberships, and (iv) \$16,243 in miscellaneous items.

⁵ Ms. Rademacher separated her employment effective July 12, 2013, and was replaced as CFO by Ms. Lisa C. Callicotte. No stock awards were granted to the named executive officer in fiscal year 2013.

During fiscal year 2013, there were no exercises of stock options, vesting of restricted stock or options outstanding for any of the named executive officers.

The Outstanding Equity Awards at Fiscal Year-End, Pension Benefits and Nonqualified Deferred Compensation Tables were omitted because they were not applicable.

Table of Contents**Compensation of Directors**

The compensation of directors is subject to a minimum of \$6,000 in any quarter paid in arrears. We may grant non-employee directors options under our 1989 and 1997 Stock Option Plans. Directors are reimbursed for reasonable travel expenses incurred in attending the meetings held by the Board of Directors. Mr. Rubinstein serves as the chairman of the Board. The Company grants each director 100 shares of stock per month. Director compensation for the fiscal year ended June 30, 2013, is detailed in the table below. Columns that were not applicable were omitted.

| Name | Director Compensation | | |
|----------------------|--|---------------------------|-----------|
| | Fees Earned or Paid in Cash ¹ | Stock Awards ² | Total |
| Jerold H. Rubinstein | \$ 88,320 | \$ 4,997 | \$ 93,317 |
| Roy D. Terracina | \$ 28,320 | \$ 4,997 | \$ 33,317 |
| Thomas F. Lydon, Jr. | \$ 24,000 | \$ 4,997 | \$ 28,997 |

¹ The difference in fees earned was primarily due to Mr. Rubinstein receiving an additional \$5,000 per month for added responsibilities as chairman.

² Amounts shown represent expense recognized in the consolidated financial statements for stock awards granted to non-employee directors in fiscal year 2013.

Compensation Committee Report on Executive Compensation

The Compensation Committee is composed entirely of independent directors in accordance with the listing standards of the NASDAQ Stock Market. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based upon this review and discussion, the committee has recommended to the Board that the Compensation Discussion and Analysis section be included in this annual report.

Respectfully,

Members of the Compensation Committee

Thomas F. Lydon, Jr., Chairman

Jerold H. Rubinstein

Roy D. Terracina

Table of Contents**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters****Security Ownership of Certain Beneficial Owners****Class C Common Stock (Voting Stock)**

On August 14, 2013, there were 2,070,527 shares of the Company's class C common stock outstanding. The following table sets forth, as of such date, information regarding the beneficial ownership of the Company's class C common stock by each person known by the Company to own 5 percent or more of the outstanding shares of class C common stock.

| Name and Address of Beneficial Owner | Class C Common Shares Beneficially Owned | Percent of Class (%) |
|--|---|---------------------------------|
| Frank Holmes 7900 Callaghan Road San Antonio, TX 78229 | 2,064,560 | 99.71% |

Class A Common Stock (Nonvoting Stock)

On August 14, 2013, there were 13,401,843 shares of the Company's class A common stock issued and outstanding. The following table sets forth, as of such date, information regarding the beneficial ownership of the Company's class A common stock by each person known by the Company to own 5 percent or more of the outstanding shares of class A common stock.

| Name and Address of Beneficial Owner | Class A Common Shares Beneficially Owned | Percent of Class (%) |
|--|---|---------------------------------|
| Royce & Associates, LLC New York, NY ¹ | 2,078,000 ¹ | 15.51% |
| Financial & Investment Management Group, Ltd. Traverse City, MI ² | 1,855,242 ² | 13.84% |

¹ Information is from Schedule 13F for the period ending June 30, 2013, filed with the SEC on August 7, 2013.

² Information is from Schedule 13F for the period ending June 30, 2013, filed with the SEC on August 5, 2013.

Table of Contents**Security Ownership of Management**

The following table sets forth, as of August 14, 2013, information regarding the beneficial ownership of the Company's class A and class C common stock by each director and named executive officer and by all directors and executive officers as a group. Except as otherwise indicated in the notes below, each person owns directly the number of shares indicated in the table and has sole voting power and investment power with respect to all such shares.

| Beneficial Owner | Class C Common Stock | | Class A Common Stock | |
|---|---------------------------------|----------|---------------------------------|----------|
| | Number of Shares | % | Number of Shares | % |
| Frank E. Holmes, CEO, Director | 2,064,560 | 99.71% | 317,228 | 2.37% |
| Catherine A. Rademacher, CFO ¹ | | | 23,489 | 0.18% |
| Susan B. McGee, President, General Counsel | | | 86,060 | 0.64% |
| Jerold H. Rubinstein, Director | | | 6,900 | 0.05% |
| Roy D. Terracina, Director | | | 40,900 | 0.31% |
| Thomas F. Lydon, Jr., Director | | | 6,900 | 0.05% |
| All directors and executive officers as a group (six persons) | 2,064,560 | 99.71% | 481,477 | 3.59% |

¹ Ms. Rademacher separated her employment effective July 12, 2013, and was replaced as CFO by Ms. Lisa C. Callicotte.

Table of Contents**Equity Compensation Plan Information**

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|--|---|--|
| Equity compensation plans approved by security holders | N/A | N/A | N/A |
| Equity compensation plans not approved by security holders | | | |
| 1989 Stock Option Plan ¹ | - | - | 717,000 |
| 1997 Non-Qualified Stock Option Plan ² | 29,000 | \$ 17.03 | 114,000 |
| Employee Stock Purchase Plan ³ | N/A | N/A | 20,610 |
| 2010 Stock Incentive Plan ⁴ | N/A | N/A | 88,600 |
| Total | 29,000 | | 940,210 |

¹ Stock options under this plan may be granted to directors, officers, and employees of the Company from authorized but unissued shares or treasury shares.

² Stock options under this plan may be granted to directors, executives, and key salaried employees of the Company from authorized but unissued shares or treasury shares. The term of the option periods must be less than ten years.

³ The Company has adopted a stock purchase plan to provide eligible employees of the Company an opportunity to purchase common stock of the Company. There are authorized shares of treasury stock reserved for issuance under the plan for which a registration statement was filed. The Company contributes on behalf of each participant an amount equal to lesser of (i) the aggregate amount of the participant's payroll deductions the purchase period, or (ii) 3% of the participant's base compensation during the purchase period.

⁴ The Company has adopted a stock incentive plan to provide eligible persons in the Company's service an opportunity to acquire common stock of the Company. There are authorized shares of treasury stock reserved for issuance under the plan for which a registration statement was filed.

Item 13. Certain Relationships and Related Transactions, and Director Independence

U.S. Global is invested in several of the mutual funds it manages. See Note 17 to the Consolidated Financial Statements, which incorporates the information of the relationships and related transaction for this Item 13. Refer to Item 10 for information regarding director independence.

Table of Contents**Item 14. Principal Accounting Fees and Services**

The following table represents fees for professional audit services for the audit of the Company's annual financial statements for the fiscal years ended June 30, 2013, and 2012, respectively, rendered by BDO USA, LLP.

| | Fiscal year ended June 30, | |
|---------------------------------|-----------------------------------|-------------------|
| | 2013 | 2012 |
| Audit fees ¹ | \$ 318,300 | \$ 325,000 |
| Audit-related fees ² | 10,000 | 10,000 |
| Tax fees ³ | 44,865 | 53,285 |
| Total fees | \$ 373,165 | \$ 388,285 |

¹ *Audit fees consist of fees for professional services rendered by the principal accountant for the audit of the Company's annual financial statements and review of the financial statements included in the Company's Form 10-Q and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.*

² *Audit-related fees consist primarily of fees for assurance and related services by the accountant that are reasonably related to the performance of the audit or review of the Company's financial statements and fees related to the audit of the Employee Stock Purchase Plan.*

³ *Tax fees include the preparation of federal tax returns as well as tax planning and consultation on new tax legislation, regulations, rulings, and developments.*

Audit Committee Pre-Approval Policies

The Audit Committee has established pre-approval policies pursuant to which all audit and auditor- provided non-audit engagement fees and terms must be approved. Pre-approval is generally provided and is detailed as to the particular service or category of services. The Audit Committee is also responsible for considering, to the extent applicable, whether the independent auditors' provision of other non-audit services to the Company is compatible with maintaining the independence of the independent auditors.

All services provided by BDO USA, LLP in the fiscal years ended June 30, 2013, and 2012 were pre-approved by the Audit Committee.

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Part IV of Annual Report on Form 10-K

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial Statements

The Consolidated Financial Statements including:

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

Consolidated Balance Sheets as of June 30, 2013, and June 30, 2012

Consolidated Statements of Operations and Comprehensive Income for the three years ended June 30, 2013

Consolidated Statements of Shareholders' Equity for the three years ended June 30, 2013

Consolidated Statements of Cash Flows for the three years ended June 30, 2013

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

None.

3. Exhibits

- 3.1 Fourth Restated and Amended Articles of Incorporation of Company, incorporated by reference to the Company's Form 10-Q for the quarterly report ended March 31, 2007 (EDGAR Accession Number 000095134-07-010817).
- 3.2 Amended and Restated By-Laws of Company, incorporated by reference to Exhibit 3.02 of the Company's Form 8-K filed on November 8, 2006, (EDGAR Accession Number 0000754811-06-000076).

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- 10.1 Advisory Agreement with U.S. Global Investors Funds, dated October 1, 2008, incorporated by reference to Post-Effective Amendment 100 filed October 1, 2008 (EDGAR Accession No. 0000950134-08-017422).
- 10.2 Amended and Restated Transfer Agency Agreement, dated January 15, 2010, by and between U.S. Global Investors Funds and United Shareholder Services, Inc., incorporated by reference to Post-Effective Amendment 105 filed February 26, 2010 (EDGAR Accession No. 0000950123-10-018191).

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| 10.3 | Amended and Restated Administrative Services Agreement, dated May 29, 2013, by and between U.S. Global Investors Funds and U.S. Global Investors, Inc., included herein. |
| 10.4 | Amended and Restated Distribution Plan Pursuant to Rule 12b-1 Plan, dated January 15, 2010, by and between U.S. Global Investors Funds and U.S. Global Brokerage, Inc., incorporated by reference to Post-Effective Amendment 105 filed February 26, 2010 (EDGAR Accession No. 0000950123-10-018191). |
| 10.5 | Amended and Restated Distribution Agreement dated March 4, 2010, by and between U.S. Global Investors Funds and U.S. Global Brokerage, Inc., incorporated by reference to Post-Effective Amendment 107 filed April 30, 2010 (EDGAR Accession No. 0001104659-10-024038). |
| 10.6 | United Services Advisors, Inc. 1985 Incentive Stock Option Plan as amended November 1989 and December 1991, incorporated by reference to Exhibit 4(b) of the Company's Registration Statement No. 33-3012, Post-Effective Amendment No. 2, filed on Form S-8 with the Commission on April 23, 1997 (EDGAR Accession No. 0000754811-97-000004). |
| 10.7 | United Services Advisors, Inc. 1989 Non-Qualified Stock Option Plan, incorporated by reference to Exhibit 4(a) of the Company's Registration Statement No. 33-3012, Post-Effective Amendment No. 2, filed on Form S-8 with the Commission on April 23, 1997 (EDGAR Accession No. 0000754811-97-000004). |
| 10.8 | U.S. Global Investors, Inc. 1997 Non-Qualified Stock Option Plan, incorporated by reference to Exhibit 4 of the Company's Registration Statement No. 333-25699 filed on Form S-8 with the Commission on April 23, 1997 (EDGAR Accession No. 0000754811-97-000003). |
| 10.9 | Line of Credit Note dated June 3, 2005, between the Company and JP Morgan Chase Bank N.A., incorporated by reference to Exhibit 10.10 of the Company's Form 10-K for fiscal year ended June 30, 2006 (EDGAR Accession No. 0000950134-06-017619). |
| 10.10 | 2010 Stock Incentive Plan, incorporated by reference, filed on September 26, 2011 (EDGAR Accession No. 0000950123-11-082564). |
| 10.11 | Reserved |
| 10.12 | Amendment dated February 26, 2009 to Credit Agreement dated June 3, 2005, and Line of Credit Note dated February 26, 2009 by and between the Company and JP Morgan Chase Bank N.A., incorporated by reference, filed on September 10, 2009 (EDGAR Accession No. 0000950123-09-042459). |
| 10.13 | Registration statement for the U.S. Global Investors, Inc. Employee Stock Purchase Plan, as amended May 9, 2005, incorporated by reference, filed July 8, 2008 (EDGAR Accession No. 0000950134-08-012469). |
| 10.14 | Registration statement for the U.S. Global Investors, Inc. 401(k) Plan, as amended January 1, 2007, incorporated by reference, filed July 8, 2008 (EDGAR Accession No. 0000950134-08-012468). |

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| 10.15 | Registration statement for the U.S. Global Investors, Inc. Employee Stock Purchase Plan, as amended April 28, 2009, incorporated by reference, filed April 30, 2009 (EDGAR Accession No. 0000950134-09-008950). |
| 10.16 | Note Modification Agreement dated March 26, 2013, by and between the Company and JPMorgan Chase Bank, N.A., included herein. |
| 14.01 | Code of Ethics for Principal Executive and Senior Financial Officers, adopted December 15, 2003, and amended February 23, 2009, incorporated by reference, filed on September 10, 2009 (EDGAR Accession No. 0000950123-09-042459). |
| 14.02 | Code of Ethics, adopted June 28, 1989, and amended October 3, 2012, incorporated by reference to Post-Effective Amendment 113 filed May 1, 2013 (EDGAR Accession No. 0001104659-13-035762). |
| 21 | List of Subsidiaries of the Company, included herein. |
| 23.1 | BDO USA, LLP consent of independent registered public accounting firm for Form 10-K for U.S. Global Investors, Inc., included herein. |
| 24 | Power of Attorney, incorporated by reference to Annual Report on Form 10-K for fiscal year ended June 30, 2001 (EDGAR Accession No. 0000754811-01-500016). |
| 31.1 | Rule 13a-14(a) Certifications (under Section 302 of the Sarbanes-Oxley Act of 2002), included herein. |
| 32.1 | Section 1350 Certifications (under Section 906 of the Sarbanes-Oxley Act of 2002), included herein. |
| 101.INS | INS XBRL Instance Document. |
| 101.SCH | SCH XBRL Taxonomy Extension Schema Document. |
| 101.CAL | CAL XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | DEF XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | LAB XBRL Taxonomy Extension Labels Linkbase Document. |
| 101.PRE | PRE XBRL Taxonomy Extension Presentation Linkbase Document. |

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Signatures

Pursuant to the requirements of Section 13 of 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

U.S. GLOBAL INVESTORS, INC.

By: /s/ Frank E. Holmes
FRANK E. HOLMES
Chief Executive Officer

Date: August 28, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| SIGNATURE | CAPACITY IN WHICH SIGNED | DATE |
|--|------------------------------|-----------------|
| /s/ Frank E. Holmes FRANK E. HOLMES | Chief Executive Officer | August 28, 2013 |
| | Chief Investment Officer | |
| | Director | |
| * /s/ Thomas F. Lydon, Jr. THOMAS F. LYDON, JR. | Director | August 28, 2013 |
| * /s/ Jerold H. Rubinstein JEROLD H. RUBINSTEIN | Chairman, Board of Directors | August 28, 2013 |
| * /s/ Roy D. Terracina ROY D. TERRACINA | Director | August 28, 2013 |
| /s/ Lisa C. Callicotte LISA C. CALLICOTTE | Chief Financial Officer | August 28, 2013 |
| *BY: /s/ Susan B. McGee Susan B. McGee | | August 28, 2013 |
| Attorney-in-Fact under | | |
| Power of Attorney dated | | |
| September 26, 2001 | | |