

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended June 30, 2014**

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 8,937,245 shares of nonvoting class A common stock held by nonaffiliates of the registrant was \$22,700,602, based on the last sale price quoted on NASDAQ as of December 31, 2013, 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 5,231 shares of the class C common stock held by nonaffiliates of the registrant on December 31, 2013 (based on the last sale price of the class C common stock in a private transaction) was \$1,308. 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 18, 2014, there were 13,866,361 shares of Registrant’s class A nonvoting common stock issued and 13,361,378 shares of Registrant’s class A nonvoting common stock issued and outstanding, no shares of Registrant’s class B nonvoting common stock outstanding, and 2,069,187 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,” “should,” “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, with principal operations located in San Antonio, Texas, manages three business segments:

1. Investment Management Services, by which the Company offers, through U.S. Global Investors Funds (“USGIF” or the “Fund(s)”), a Delaware statutory trust, and offshore clients, a broad range of investment management products and services to meet the needs of individual and institutional investors;
2. Investment Management Services - Canada, through which, as of June 1, 2014, the Company owns a 65% controlling interest in Galileo Global Equity Advisors Inc. (“Galileo”), a privately held Toronto-based asset management firm which offers investment management products and services in Canada; and
3. Corporate Investments, through which the Company invests for its own account in an effort to add growth and value to its cash position. Although the Company generates the majority of its revenues from its investment advisory segments, the Company holds a significant amount of its total assets in investments.

As part of its investment management businesses, the Company provides: (1) investment advisory services; (2) distribution services; and (3) administrative services to mutual funds advised by the Company. The investment management segments provide advisory services to other investors. The fees from these services, as well as investment income, are the primary sources of the Company’s revenue. Through December 2013, the Company also provided transfer agency services to the mutual funds advised by the Company.

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. 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.

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. The board of trustees of USGIF will meet to consider the agreement renewal in September 2014. Management anticipates that the advisory agreement will be renewed.

In addition to providing advisory services to USGIF, the Company provides advisory services to two offshore clients. A third offshore fund liquidated in November 2013.

Net assets under management on June 30, 2014, and June 30, 2013, are detailed in the following table.

Assets Under Management (“AUM”)			
Fund	Ticker	June 30, 2014	June 30, 2013
<i>(dollars in thousands)</i>			
U.S. Global Investors Funds			
Natural Resources			
Global Resources	PSPFX/PIPFX	\$ 349,945	\$ 391,429
World Precious Minerals	UNWPX/UNWIX	166,993	147,998
Gold and Precious Metals	USERX	97,339	87,657
Total Natural Resources		614,277	627,084
International Equity			
Emerging Europe	EUROX	102,065	130,482
China Region	USCOX	23,380	25,514
Global Emerging Markets ¹	GEMFX	—	6,643
Total International Equity		125,445	162,639
Fixed Income			
U.S. Government Securities Ultra-Short Bond ²	UGSXX	68,576	133,381
U.S. Treasury Securities Cash ³	USTXX	—	78,029
Near-Term Tax Free ⁴	NEARX	61,984	51,713
Tax Free ⁴	USUTX	—	20,021
Total Fixed Income		130,560	283,144
Domestic Equity			
Holmes Macro Trends ⁵	MEGAX	51,980	36,559
All American Equity	GBTFX	23,666	19,734
MegaTrends ⁵	MEGAX/MEGIX	—	11,286
Total Domestic Equity		75,646	67,579
Total SEC-Registered Funds		945,928	1,140,446
Offshore Advisory Clients		20,012	21,715
		965,940	1,162,161
Total Canada AUM (see separate discussion)		267,210	—
Total AUM		\$ 1,233,150	\$ 1,162,161

^{1.} The Global Emerging Markets Fund liquidated on October 31, 2013.

^{2.} The U.S. Government Securities Savings Fund changed from a money market fund to the U.S. Government Securities Ultra-Short Bond Fund in December 2013.

^{3.} The U.S. Treasury Securities Cash Fund was liquidated on December 27, 2013.

^{4.} The Tax Free Fund was reorganized into the Near-Term Tax Free Fund in December 2013.

^{5.} The MegaTrends Fund was reorganized into the Holmes Macro Trends Fund (formerly the Holmes Growth Fund) in December 2013. In addition, the ticker symbol for the Holmes Macro Trends Fund was changed from ACBGX to MEGAX.

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. The board of trustees of USGIF will meet to consider the distribution agreement renewal in September 2014. Management anticipates that the distribution agreement will be renewed.

Shareholder Services. In connection with obtaining and/or providing administrative services to the beneficial owners of USGIF through broker-dealers, banks, trust companies and similar institutions which provide such services, the Company receives shareholder services fees at an annual rate of up to 0.20 percent of the value of shares held in accounts at the institutions, which helps offset related platform costs.

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 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. Effective December 2013, the Funds’ board of trustees increased the annual 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. The administrative services agreement with USGIF is subject to renewal on an annual basis and is terminable upon 60-day notice. The board of trustees of USGIF will meet to consider the agreement renewal in September 2014. Management anticipates that the administrative service agreement will be renewed.

Transfer Agency and Other Services. Through December 6, 2013, the Company’s wholly-owned subsidiary, United Shareholder Services, Inc. (“USSI”), a transfer agent registered under the Securities Exchange Act of 1934 (“Exchange Act”), provided transfer agency, printing, and mailing services to investment company clients.

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. USSI served as transfer agent until conversion to the new transfer agent on December 9, 2013. The transfer agency results, together with expenses associated with discontinuing transfer agency operations, are reflected as discontinued operations in the Consolidated Statement of Operations and are, therefore, excluded from continuing operations results.

Investment Management Services - Canada

Assets Under Management (“AUM”)			
(dollars in thousands)	Ticker	June 30, 2014	June 30, 2013
Galileo Funds			
Galileo High Income Plus Fund	N/A ¹	\$ 119,329	N/A ²
Galileo Growth and Income Fund	N/A ¹	7,724	N/A ²
Total Galileo Funds		127,053	
Other Advisory Clients		140,157	N/A ²
Total Canada AUM		<u>\$ 267,210</u>	

¹ The Galileo Funds are Canadian registered Funds and are not available in the United States.

² Prior year net assets are not shown as Galileo was not a subsidiary at that time.

The fiscal year ended June 30, 2014, is the first fiscal year that Investment Management Services - Canada has been presented as a business segment.

Effective March 31, 2013, the Company, through its wholly-owned subsidiary, U.S. Global Investors (Canada) Limited (“USCAN”), purchased 50 percent of the issued and outstanding shares of Galileo Global Equity Advisors, Inc., a privately held Toronto-based asset management firm, for \$600,000 cash.

Effective June 1, 2014, the Company, through USCAN, completed its purchase of an additional 15 percent interest in Galileo from the company’s founder, Michael Waring, for \$180,000 cash. This strategic investment brings USCAN’s ownership to 65 percent of the issued and outstanding shares of Galileo, which represents controlling interest of Galileo. Through Galileo, the Company expects to increase its presence in Canada. The non-controlling interest in this subsidiary is included in “non-controlling interest in subsidiaries” in the equity section of the Consolidated Balance Sheets. Frank Holmes, CEO, and Susan McGee, President and General Counsel, serve as directors of Galileo.

Galileo Equity Management Inc. was incorporated under the Business Corporations Act (Ontario) on July 16, 1999. On May 17, 2007, its name changed to Galileo Global Equity Advisors, Inc. Galileo is registered as a portfolio manager and exempt market dealer with the Ontario Securities Commission (“OSC”), the Nova Scotia Securities Commission and the Quebec Securities Commission. Additionally, the company is registered as an exempt market dealer with the New Brunswick and Newfoundland and Labrador Securities Commissions. On July 31, 2012, Galileo was also registered as an investment fund manager with the OSC.

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 17 Financial Information by Business Segment, of this Annual Report in Form 10-K.

Additional Segment Information

See additional financial information about business segments in Part II, Item 8, Financial Statements and Supplementary Data at Note 17 Financial Information by Business Segment, of this Annual Report in Form 10-K.

Employees

As of June 30, 2014, U.S. Global and its subsidiaries employed 48 full-time employees and 4 part-time employees; as of June 30, 2013, it employed 65 full-time employees and 3 part-time employees. The Company considers its relationship with its employees to be good.

Competition

The mutual fund industry is highly competitive. According to the Investment Company Institute, at the end of 2013 there were approximately 9,000 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, other financial institutions, and exchange traded funds (“ETFs”). ETFs have had a significant impact on the industry in the past decade, growing from nearly nothing to approximately 1,300 ETFs available at the end of 2013. 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 the assets of the Funds), and shareholder services fees (which are based on the assets of the Funds held through institutions). 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, 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.

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 and USGB are required to keep and maintain certain reports and records, which must be made available to the SEC and FINRA upon request.

Galileo Global Equity Advisors Inc. ("Galileo") is registered as a portfolio manager and investment fund manager with the Ontario Securities Commission ("OSC"). As a registered portfolio manager, the OSC imposes substantive regulation on virtually all aspects of the Company's business and relationships with the Company's clients. Applicable legislation 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 fund manager are registered with the OSC follow under National Instrument 81-101/102/106. These National Policies impose additional obligations, including detailed operational requirements for both funds and their managers. The OSC is authorized to institute proceedings and impose sanctions for violations of the rules ranging from fines and censures to termination of a portfolio manager and investment fund manager's registration. The failure of the Company, or the Funds which the Company advises, to comply with the requirements of the OSC could have a material adverse effect on the Company. Galileo Global Equity Advisors Inc. is registered as a portfolio advisor and investment fund manager with the OSC.

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.

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.

Galileo is also dependent on its relationships with its clients. Even though Galileo views its relationship with its 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.

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.

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. The equity funds within USGIF have a performance fee 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.

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

The Company manages certain funds in the emerging market and natural resources 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.

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.

Furthermore, Galileo is subject to the rules and regulations of the OSC, and failure of the company or the funds it advises to comply with the requirements of the OSC could have a material adverse affect on the company.

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.

Galileo is also subject to risks of litigation, regulatory investigations and/or arbitration. Galileo is exposed to liability under provincial laws, court decisions as well as rules and regulations promulgated by the OSC.

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.

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 the 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.

We rely upon certain critical information systems for the operation of our business, and the failure of any critical information system, including a cyber-security breach, may result in harm to our business.

We are heavily dependent on technology infrastructure and rely upon certain critical information systems for the effective operation of our business. These information systems include data network and telecommunications, internet access and our websites, and various computer hardware equipment and software applications. These information systems are subject to damage or interruption from a number of potential sources including natural disasters, software viruses or other malware, power failures, cyber-attacks and other events to the extent that these information systems are under our control. We have implemented measures, such as virus protection software, intrusion detection systems and emergency recovery processes to address the outlined risks. However, security measures for information systems cannot be guaranteed to be failsafe. Any compromise of our data security or our inability to use or access these information systems at critical points in time could unfavorably impact the timely and efficient operation of our business and subject us to additional costs and liabilities, which could adversely affect our results of operations. Finally, federal legislation relating to cyber-security threats could impose additional requirements on our operations.

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. Galileo leases office space in Toronto, Canada.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.



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

U.S. Global Investors, Inc. ("U.S. Global" or 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, 2014, and June 30, 2013. The quotations represent prices between dealers and do not include any retail markup, markdown, or commission.

	Sales Price			
	2014		2013	
	High (\$)	Low (\$)	High (\$)	Low (\$)
First quarter (9/30)	3.40	2.10	6.32	4.06
Second quarter (12/31)	2.93	2.37	6.25	3.85
Third quarter (3/31)	4.05	2.45	4.48	3.50
Fourth quarter (6/30)	3.80	3.20	3.70	2.11

Holders

On August 18, 2014, there were approximately 172 holders of record of class A common stock, no holders of record of class B common stock, and 35 holders of record of class C common stock.

Dividends

The Company paid cash dividends of \$0.02 per share per month from July 2012 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. The Company has paid \$0.005 per share per month through June 30, 2014. A monthly dividend of \$0.005 has been authorized through December 31, 2014, and will be reviewed by the board quarterly. 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.

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. On December 12, 2013, the Board of Directors renewed the share repurchase program for up to \$2.75 million of its outstanding class A common stock through calendar year 2014.

As of June 30, 2014, the Company had purchased a total of 148,403 class A shares using cash of \$463,000. The Company may repurchase stock from employees; however, none were repurchased from employees during fiscal years ended June 30, 2014, or June 30, 2013. The Company did not repurchase any classes B or C common stock during fiscal years ended June 30, 2014, or June 30, 2013.

(dollars in thousands, except price data)

Period	Total Number of Shares Purchased ¹	Total Amount Purchased	Average Price Paid Per Share ²	Total Number of Shares Purchased as Part of Publicly Announced Plan ³	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
01-01-13 to 01-31-13	4,300	\$ 18	\$ 4.14	4,300	\$ 2,732
02-01-13 to 02-28-13	9,003	34	3.73	9,003	2,698
03-01-13 to 03-31-13	8,900	34	3.78	8,900	2,664
04-01-13 to 04-30-13	10,800	34	3.19	10,800	2,630
05-01-13 to 05-31-13	7,457	20	2.70	7,457	2,610
06-01-13 to 06-30-13	14,592	34	2.33	14,592	2,576
Total fiscal 2013	55,052	\$ 174	\$ 3.15	55,052	
07-01-13 to 07-31-13	3,980	\$ 9	\$ 2.42	3,980	2,567
08-01-13 to 08-31-13	3,480	11	3.07	3,480	2,556
09-01-13 to 09-30-13	5,759	17	2.93	5,759	2,539
10-01-13 to 10-31-13	5,330	15	2.78	5,330	2,524
11-01-13 to 11-30-13	2,700	7	2.53	2,700	2,517
12-01-13 to 12-31-13	20,197	51	2.52	20,197	See Note 3
01-01-14 to 01-31-14	4,800	15	3.15	4,800	2,735
02-01-14 to 02-28-14	15,500	53	3.42	15,500	2,682
03-01-14 to 03-31-14	14,765	52	3.56	14,765	2,630
04-01-14 to 04-30-14	—	—	n/a	—	2,630
05-01-14 to 05-31-14	12,140	43	3.52	12,140	2,587
06-01-14 to 06-30-14	4,700	16	3.38	4,700	2,571
Total fiscal 2014	93,351	\$ 289	\$ 3.10	93,351	
Total	148,403	\$ 463	\$ 3.12	148,403	

^{1.} The Board of Directors of the Company approved on December 7, 2012, and renewed on December 12, 2013, a repurchase of up to \$2.75 million of its outstanding class A common stock from time to time on the open market through calendar year 2014 in accordance with all applicable rules and regulations.

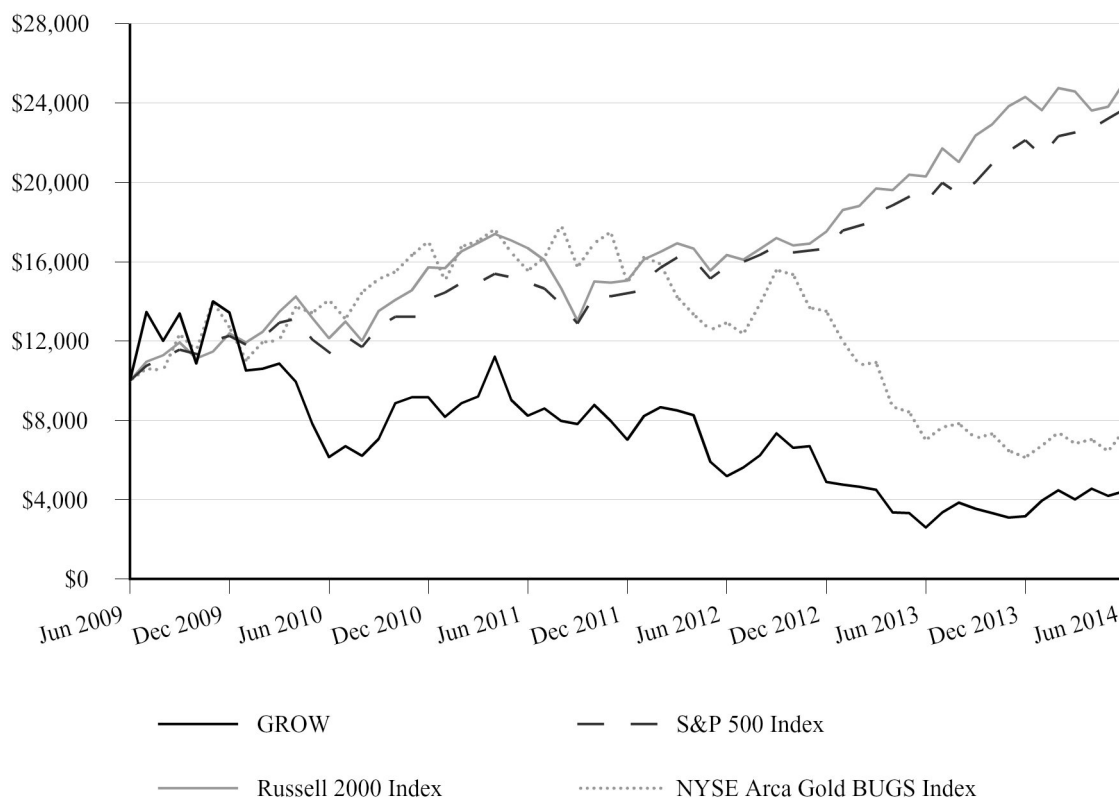
^{2.} The average price paid per share of stock repurchased under the stock repurchase program includes the commissions paid to brokers.

^{3.} The repurchase plan was approved on December 7, 2012, renewed on December 12, 2013, and will continue through calendar year 2014. The total amount of shares that may be repurchased in 2014 under the renewed program is \$2.75 million.

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, 2009, 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.

GROW Performance from June 2009 to June 2014



	Fiscal Year-End Date					
	2009	2010	2011	2012	2013	2014
U.S. Global Investors, Inc. class A (GROW)	\$ 10,000	\$ 6,145	\$ 8,236	\$ 5,187	\$ 2,603	\$ 4,430
S&P 500 Index	\$ 10,000	\$ 11,443	\$ 14,955	\$ 15,770	\$ 19,018	\$ 23,698
Russell 2000 Index	\$ 10,000	\$ 12,140	\$ 16,678	\$ 16,331	\$ 20,287	\$ 25,080
NYSE Arca Gold BUGS Index	\$ 10,000	\$ 14,071	\$ 15,547	\$ 12,918	\$ 7,010	\$ 7,514

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 of this Annual Report in Form 10-K. The selected financial data as of June 30, 2010, through June 30, 2014, and the years then ended, is derived from the Company's audited Consolidated Financial Statements.

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. USSI served as transfer agent until conversion to the new transfer agent on December 9, 2013. The transfer agency results, together with expenses associated with discontinuing transfer agency operations, are reflected as discontinued operations in the Consolidated Statement of Operations and are, therefore, excluded from continuing operations results.

(dollars in thousands, except operating data and per share data)

Selected Financial Data	Year Ended June 30,				
	2014	2013	2012	2011	2010
Operating revenues	\$ 11,439	\$ 17,318	\$ 22,374	\$ 39,118	\$ 31,435
Operating expenses	14,841	17,509	19,535	27,890	24,458
Operating income (loss)	(3,402)	(191)	2,839	11,228	6,977
Other income (loss)	2,165	262	(177)	1,008	979
Income (loss) from continuing operations before income taxes	(1,237)	71	2,662	12,236	7,956
Income tax expense (benefit)	(517)	100	1,024	4,268	2,972
Income (loss) from continuing operations	(720)	(29)	1,638	7,968	4,984
Income (loss) from discontinued operations	(243)	(165)	(108)	(136)	365
Net income (loss)	(963)	(194)	1,530	7,832	5,349
Less net income attributable to non-controlling interest	7	—	—	—	—
Net income (loss) attributable to U.S. Global Investors, Inc.	<u>\$ (970)</u>	<u>\$ (194)</u>	<u>\$ 1,530</u>	<u>\$ 7,832</u>	<u>\$ 5,349</u>
Earnings Per Share Attributable to U.S. Global Investors, Inc. - Basic					
Income (loss) from continuing operations	\$ (0.04)	\$ 0.00	\$ 0.11	\$ 0.52	\$ 0.33
Income (loss) from discontinued operations	(0.02)	(0.01)	(0.01)	(0.01)	0.02
Net income (loss) attributable to U.S. Global Investors, Inc.	<u>\$ (0.06)</u>	<u>\$ (0.01)</u>	<u>\$ 0.10</u>	<u>\$ 0.51</u>	<u>\$ 0.35</u>
Dividends per common share	\$ 0.06	\$ 0.17	\$ 0.24	\$ 0.24	\$ 0.24
Balance Sheet					
Working capital	\$ 24,673	\$ 22,958	\$ 25,711	\$ 32,366	\$ 28,324
Total assets	37,846	38,683	41,756	45,967	40,984
Total U.S. Global Investors, Inc. Shareholders' Equity	35,070	36,849	38,710	41,057	36,192
Cash Flow					
Net cash provided by (used in) operating activities	\$ (15,189)	\$ 461	\$ 1,817	\$ 7,719	\$ 7,632
Net cash provided by (used in) investing activities	4,050	(368)	(4,894)	(846)	(739)
Net cash used in financing activities	(1,061)	(2,621)	(3,518)	(3,503)	(3,359)
Operating Data (in billions)					
Average assets under management	\$ 1.08	\$ 1.55	\$ 2.06	\$ 2.82	\$ 2.56

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

This discussion reviews and analyzes the consolidated results of operations of U.S. Global Investors, Inc. and its subsidiaries (collectively, "U.S. Global" or the "Company") 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 of this Annual Report in Form 10-K.

Recent Trends in Financial Markets

During the fiscal year ended June 30, 2014, global financial markets responded positively to improving global economic conditions. The U.S. economy strengthened over the past year with very steady incremental improvement. The first quarter of 2014 was disrupted by severe weather across much of the country, but the economy bounced back in the second quarter and we ended the fiscal year on a positive economic note. Over the past year, Europe returned to modest growth after several quarters of a shallow recession. China was able to maintain steady growth while the government is pushing through reforms, which was positive for the global economy. Japan implemented a significant quantitative easing program to boost the economy in an attempt to end the ongoing deflation in the country.

The Federal Reserve ("Fed") began the wind down of their quantitative easing ("QE3") in December 2013 with the belief that the economy was strong enough to weather a reduction of the monetary stimulus. The Fed is on pace to completely wind down the QE program by the end of October 2014 and then thoughts will turn to the potential for an interest rate increase at some time in 2015. The European Central Bank ("ECB") took interest rates into negative territory at -0.10% for the ECB equivalent to the Fed Funds rate.

While the Fed is winding down its QE3 program, they are still in very easy monetary policy mode along with many other global central banks. This stimulative government policy has provided a boost to virtually all "risky" financial assets. Global equities have responded over the past year as the S&P 500 rose by more than 24 percent and emerging market equities rose by more than 14 percent. Commodities, such as oil and gold also rose over the past twelve months along with commodity related equities. Geopolitical events have heated up as Russia effectively annexed Crimea and is funding a separatist movement in the eastern portion of the country. Russia's actions have been widely condemned by the international community and sanctions have been imposed on the country, leading to considerable volatility in Russian equities. Mutual funds have generally experienced outflows even as the broad U.S. equity market has appreciated. This is primarily attributable to these asset classes or areas of the market being relatively out of favor versus other investment alternatives. Exchange traded funds ("ETFs") are also a source of increasing competition for asset flows as their market share is increasing.

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 tied 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 three business segments:

1. Investment Management Services, by which the Company offers, through U.S. Global Investors Funds ("USGIF" or the "Fund(s)"), a Delaware statutory trust, a broad range of investment management products and services to meet the needs of individual and institutional investors;
2. Investment Management Services - Canada, through which, as of June 1, 2014, the Company owns a 65% controlling interest in Galileo Global Equity Advisors Inc. ("Galileo"), a privately held Toronto-based asset management firm which offers investment management products and services in Canada; and
3. Corporate Investments, through which the Company invests for its own account in an effort to add growth and value to its cash position. Although the Company generates the majority of its revenues from its investment advisory segments, the Company holds a significant amount of its total assets in investments.

Assets Under Management ("AUM")			
<i>(dollars in thousands)</i>		June 30, 2014	June 30, 2013
Investment Management Services	SEC-Registered Funds	\$ 945,928	\$ 1,140,446
	Offshore Advisory Clients	20,012	21,715
	Total AUM	965,940	1,162,161
Investment Management Services - Canada			
	Funds	127,053	—
	Other Advisory Clients	140,157	—
	Total AUM	267,210	—
Total AUM		<u>\$ 1,233,150</u>	<u>\$ 1,162,161</u>

On June 30, 2014, total assets under management as of period end were \$1.23 billion versus \$1.16 billion on June 30, 2013, an increase of six percent. The increase was primarily due to the June 1, 2014, acquisition of a controlling interest in Galileo offset by a decrease in SEC-registered funds under management.

During fiscal year 2014, average assets under management were \$1.1 billion versus \$1.6 billion in fiscal year 2013, a decrease of 31%. The decrease was primarily due to net shareholder redemptions.

The following is a brief discussion of the Company's three business segments.

Investment Management Services

In fiscal year 2014, the Company generated substantially all of its operating revenues from managing and servicing the Funds and offshore 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 funds charge no redemption fee. Detailed information about redemption fees can be found in the funds' prospectus, which is available on the Company's website, www.usfunds.com.

The Company provides advisory services for two offshore clients (a third offshore fund liquidated in November 2013) and receives monthly advisory fees, based on the net asset values of the clients and performance fees based on the overall increase in net asset values, if any. In fiscal year 2014, the Company recorded advisory and performance fees from these clients totaling \$190,000 and \$4,000, respectively, and \$299,000 and \$19,000, respectively, in fiscal year 2013. 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 two offshore clients.

The following tables summarize the changes in assets under management for the SEC-registered funds for fiscal years 2014, 2013 and 2012:

<i>(dollars in thousands)</i>	2014		
	Equity	Money Market and Fixed Income	Total
Beginning Balance	\$ 857,302	\$ 283,144	\$ 1,140,446
Market appreciation	132,774	2,806	135,580
Dividends and distributions	(20,287)	(1,695)	(21,982)
Net shareholder redemptions	(154,421)	(153,695)	(308,116)
Ending Balance	\$ 815,368	\$ 130,560	\$ 945,928
Average investment management fee	0.97%	—%	0.79%
Average net assets	\$ 841,492	\$ 195,050	\$ 1,036,542

<i>(dollars in thousands)</i>	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%	—%	0.79%
Average net assets	\$ 1,229,373	\$ 293,027	\$ 1,522,400

<i>(dollars in thousands)</i>	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%	—%	0.83%
Average net assets	\$ 1,699,921	\$ 320,242	\$ 2,020,163

As shown above, both average and period-end assets under management decreased in fiscal year 2014 compared to fiscal year 2013 and in fiscal year 2013 compared to fiscal year 2012. The decrease in assets under management in fiscal year 2014 was driven by redemptions, primarily in the money market and natural resources funds, offset by market appreciation, primarily in the natural resources funds. The Company liquidated one of its money market funds and converted the other money market fund to a ultra-short bond fund, which contributed to the redemptions in these funds. 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.

A significant portion of the dividends and distributions shown above are reinvested and included in net shareholder redemptions.

The average annualized investment management fee rate (total advisory fees, excluding performance fees, as a percentage of average assets under management) was 79 basis points in both fiscal year 2014 and fiscal year 2013 and 83 basis points in fiscal year 2012. The average investment management fee for equity funds in fiscal year 2014, 2013, and 2012 was 97, 98 and 99 basis points, respectively. The average investment management fee for the money market and fixed income funds was nil or close to nil for fiscal years 2014, 2013, and 2012. This is due to voluntary fee waivers on these funds as discussed in Note 6 Investment Management and Other Fees of the Consolidated Financial Statements of this Annual Report in Form 10-K, including a voluntary agreement to support the yields for the money market funds.

Investment Management Services - Canada

Effective March 31, 2013, the Company, through its wholly-owned subsidiary, U.S. Global Investors (Canada) Limited (“USCAN”), purchased 50 percent of the issued and outstanding shares of Galileo Global Equity Advisors Inc. (“Galileo”), a privately held Toronto-based asset management firm, for \$600,000 cash.

Effective June 1, 2014, the Company, through USCAN, completed its purchase of an additional 15 percent interest in Galileo from the company’s founder, Michael Waring, for \$180,000 cash. This strategic investment brings USCAN’s ownership to 65 percent of the issued and outstanding shares of Galileo, which represents controlling interest of Galileo. Through Galileo, the Company expects to increase its presence in Canada. The non-controlling interest in this subsidiary is included in “non-controlling interest in subsidiaries” in the equity section of the Consolidated Balance Sheets. Frank Holmes, CEO, and Susan McGee, President and General Counsel, serve as directors of Galileo.

Corporate Investments

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 recorded at fair value as of June 30, 2014, and June 30, 2013.

Securities	Market Value	Cost	Unrealized Gain (Loss)	Unrealized gains on available-for-sale securities, net of tax
<i>(dollars in thousands)</i>				
Trading ¹	\$ 17,817	\$ 18,067	\$ (250)	N/A
Available-for-sale ²	6,196	4,851	1,345	\$ 888
Total at June 30, 2014	<u>\$ 24,013</u>	<u>\$ 22,918</u>	<u>\$ 1,095</u>	
Trading ¹	\$ 4,758	\$ 5,458	\$ (700)	N/A
Available-for-sale ²	9,053	8,065	988	\$ 652
Total at June 30, 2013	<u>\$ 13,811</u>	<u>\$ 13,523</u>	<u>\$ 288</u>	

¹ Unrealized and realized gains and losses on trading securities are included in earnings in the Consolidated Statements of Operations.

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

In addition, as of June 30, 2014, the Company held approximately \$1.4 million in other investments held at cost.

As of June 30, 2014, and 2013, the Company held approximately \$6.1 million and \$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 Sheets at their fair market value. Unrealized gains and losses on trading securities are included in earnings in the Consolidated Statements of Operations. Investments in securities classified as available for sale, which may not be readily marketable, are reflected as non-current assets on the Consolidated Balance Sheets at their fair value. Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income (loss) as a separate component of shareholders’ equity until realized.

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 2014, 2013, and 2012, the Company had net recognized gains (losses) on sales or other-than-temporary impairment of securities of \$878,000; \$(26,000); and \$158,000; respectively. Due to market volatility, the Company expects that gains or losses will continue to fluctuate in the future.

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.

<i>(dollars in thousands, except per share data)</i>	Year Ended June 30,		
	2014	2013	2012
Net income (loss)			
Income (loss) from continuing operations	\$ (720)	\$ (29)	\$ 1,638
Less: Income attributable to non-controlling interest in subsidiary	7	—	—
Income (loss) from continuing operations attributable to U.S. Global Investors, Inc.	(727)	(29)	1,638
Loss from discontinued operations attributable to U.S. Global Investors, Inc.	(243)	(165)	(108)
Net income (loss) attributable to U.S. Global Investors, Inc.	<u>\$ (970)</u>	<u>\$ (194)</u>	<u>\$ 1,530</u>
Weighted average number of outstanding shares			
Basic	15,459,022	15,482,612	15,441,464
Effect of dilutive securities			
Employee stock options	—	—	118
Diluted	<u>15,459,022</u>	<u>15,482,612</u>	<u>15,441,582</u>
Earnings (loss) per share attributable to U.S. Global Investors, Inc.			
Basic			
Income (loss) from continuing operations	\$ (0.04)	\$ 0.00	\$ 0.11
Loss from discontinued operations	(0.02)	(0.01)	(0.01)
Net income (loss) attributable to U.S. Global Investors, Inc.	<u>\$ (0.06)</u>	<u>\$ (0.01)</u>	<u>\$ 0.10</u>
Diluted			
Income (loss) from continuing operations	\$ (0.04)	\$ 0.00	\$ 0.11
Loss from discontinued operations	(0.02)	(0.01)	(0.01)
Net income (loss) attributable to U.S. Global Investors, Inc.	<u>\$ (0.06)</u>	<u>\$ (0.01)</u>	<u>\$ 0.10</u>

Year Ended June 30, 2014 Compared with Year Ended June 30, 2013

The Company posted a net loss attributable to U.S. Global Investors, Inc. of \$970,000 (\$0.06 loss per share) for the year ended June 30, 2014, compared with a net loss attributable to U.S. Global Investors, Inc. of \$194,000 (\$0.01 per share) for the year ended June 30, 2013. This decrease in profitability is primarily attributable to the following factors:

Operating Revenues

Total consolidated operating revenues for the year ended June 30, 2014, decreased \$5.9 million, or 33.9 percent, compared with the year ended June 30, 2013. This decrease was primarily attributable to the following:

- Advisory fees decreased by \$4.4 million, or 36.3 percent as the result of lower assets under management and increased performance fee adjustments. Investment 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.
 - Base management fees decreased approximately \$3.9 million as a result of lower assets under management due to market depreciation and shareholder redemptions in the natural resources and money market funds.
 - Performance fee adjustments paid out in the current period increased \$682,000 versus the corresponding period in the prior year.
- Distribution fees decreased by \$843,000, or 29.9 percent, as a result of lower average net assets under management upon which these fees are based.
- Shareholder services fees decreased by \$452,000, or 32.7 percent, as a result of a decline in net assets held through institutions.
- Administrative services fees decreased by \$155,000, or 16.7 percent, as a result of lower average net assets under management upon which these fees are based offset by the fee change implemented in December 2013.

Operating Expenses

Total consolidated operating expenses for the year ended June 30, 2014, decreased by \$2.7 million, or 15.2 percent, compared with the prior year and was primarily attributable to the following:

- Employee compensation and benefits decreased by \$1.5 million, or 18.4 percent, primarily as a result of fewer employees and lower performance-based bonuses.
- Platform fees decreased by \$760,000, or 28.5 percent, primarily due to lower assets held through broker-dealer platforms.
- Advertising decreased \$247,000, or 28.7 percent, as a result of decreased marketing and sales costs.
- General and administrative expenses decreased \$110,000, or 2.1 percent, representing a decrease of approximately \$635,000 primarily due to lower fund and operation expenses offset by one-time costs of approximately \$525,000, including legal and proxy filing and solicitation costs, related to strategic fund changes in the fall of 2013.

Other Income

Total consolidated other income for the year ended June 30, 2014, increased \$1.9 million, or 726.3 percent, compared with the year ended June 30, 2013. This increase was primarily attributable to realized gains on sale of available-for-sale securities, unrealized gains on trading securities, increased dividend and interest income and gains recognized in conjunction with the acquisition of Galileo.

Discontinued Operations

Total loss, net of tax, on discontinued operations for the year ended June 30, 2014, increased by \$78,000, or 47 percent, from \$165,000 in fiscal year 2013 to \$243,000 in fiscal year 2014. The prior year loss reflects a period in which the transfer agent was still in full operations while the current year reflects residual costs from winding down operations after the transfer agent transitioned to a third party in December 2013.

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

The Company posted a net loss attributable to U.S. Global Investors, Inc. of \$194,000 (\$0.01 loss per share) for the year ended June 30, 2013, compared with net income attributable to U.S. Global Investors, Inc. of \$1.5 million (\$0.10 per share) for the year ended June 30, 2012. This decrease in profitability is primarily attributable to the following factors:

Operating Revenues

Total consolidated operating revenues for the year ended June 30, 2013, decreased \$5.1 million, or 22.6 percent, compared with the year ended June 30, 2012. This decrease was primarily attributable to the following:

- Advisory fees decreased by \$2.7 million, or 18.4 percent. 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.
 - Base management fees decreased \$4.8 million due to a decrease in advisory fees as a result of lower assets under management due to market depreciation and shareholder redemptions in the natural resources and emerging markets funds.
 - The decrease in management fees was offset by a \$2.1 million decrease in performance fee adjustments paid out in the current period versus the prior period.
- Distribution fees decreased by \$1.3 million, or 30.8 percent, as a result of lower average net assets under management upon which these fees are based.
- Shareholder services fees decreased by \$667,000, or 32.5 percent, as a result of a decline in net assets held through institutions.
- Administrative services fees decreased by \$392,000, or 29.7 percent, as a result of lower average net assets under management upon which these fees are based.

Operating Expenses

Total consolidated operating expenses for the year ended June 30, 2013, decreased by \$2.0 million, or 10.4 percent, compared with the prior year and was primarily attributable to the following:

- Employee compensation and benefits decreased by \$451,000, or 5.1 percent, primarily as a result of lower performance-based bonuses and fewer employees.
- Platform fees decreased by \$1.3 million, or 33.3 percent, primarily due to lower assets held through broker-dealer platforms.
- Advertising decreased \$320,000, or 27.1 percent, as a result of decreased marketing and sales costs.

Other Income

Total consolidated other income for the year ended June 30, 2013, increased \$439,000, or 248.0 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.

Discontinued Operations

Total loss on discontinued operations for the year ended June 30, 2013, increased by \$57,000, or 53 percent, from \$108,000 for fiscal year 2012 to \$165,000 for fiscal year 2013 primarily as a result of lower revenue as a result of the decline in the number of shareholder accounts and the number of transactions.

Operating Revenues and Other Income

<i>(dollars in thousands)</i>	2014	2013	% Change	2013	2012	% Change
Investment advisory fees:						
Natural resources funds	\$ 5,019	\$ 9,302	(46.0)%	\$ 9,302	\$ 11,085	(16.1)%
International equity funds	1,666	2,170	(23.2)%	2,170	2,991	(27.4)%
Domestic equity funds	640	399	60.4 %	399	499	(20.0)%
Fixed income funds	7	—	N/A	—	—	N/A
Total investment advisory fees - SEC	7,332	11,871	(38.2)%	11,871	14,575	(18.6)%
Galileo advisory fees	234	—		—	—	— %
Offshore advisory fees	194	318	(39.0)%	318	358	(11.2)%
Total advisory fees	7,760	12,189	(36.3)%	12,189	14,933	(18.4)%
Distribution fees	1,974	2,817	(29.9)%	2,817	4,070	(30.8)%
Shareholder services fees	931	1,383	(32.7)%	1,383	2,050	(32.5)%
Administrative services fees	774	929	(16.7)%	929	1,321	(29.7)%
Total Operating Revenue	\$ 11,439	\$ 17,318	(33.9)%	\$ 17,318	\$ 22,374	(22.6)%
Other Income (Loss)						
Investment income (loss)	\$ 2,145	\$ 208	931.3 %	\$ 208	\$ (177)	(217.5)%
Equity in earnings of Galileo	20	54	(63.0)%	54	—	N/A
Total Other Income (Loss)	\$ 2,165	\$ 262	726.3 %	\$ 262	\$ (177)	(248.0)%

Advisory Fees. Advisory fees, the largest component of the Company's revenues, are derived from three sources: SEC-registered mutual fund advisory fees, Galileo advisory fees and offshore advisory fees. In fiscal year 2014, these sources accounted for 94.5 percent, 3.0 percent, and 2.5 percent, respectively, of the Company's total investment 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 \$4.5 million, or 38.2 percent, in fiscal year 2014 compared to fiscal year 2013, primarily as a result of decreased assets under management driven by shareholder redemptions and partially offset by market appreciation.

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 equity funds within USGIF 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, 2014, the Company adjusted its base advisory fees downward by \$815,000. For the year ended June 30, 2013, the Company adjusted its base advisory fees downward by \$133,000. For the year ended June 30, 2012, the Company adjusted its base advisory fees downward by \$2.2 million.

Distribution Fees. The Funds pay U.S. Global Brokerage, Inc. ("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 equity funds. Distribution fees decreased by \$843,000 and \$1.3 million in fiscal years 2014 and 2013, respectively, due to lower average net assets under management upon which these fees are based.

Shareholder Services Fees. In connection with obtaining and/or providing administrative services to the beneficial owners of USGIF through broker-dealers, banks, trust companies and similar institutions which provide such services, the Company receives shareholder services fees at an annual rate of up to 0.20 percent of the value of shares held in accounts at the institutions, which helps offset related platform costs.

Administrative Services Fees. The funds pay the Company compensation based on average daily net assets for administrative services provided by the Company to the funds. Effective December 2013, the funds' board of trustees increased 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. Administrative services fees decreased by \$155,000 and \$392,000 in fiscal years 2014 and 2013, respectively, due to lower average net assets under management upon which these fees are based.

Investment Income (Loss). 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 \$1.9 million in fiscal year 2014 primarily due to realized gains on sale of available-for-sale securities, unrealized gains on trading securities, increased dividend and interest income and gains recognized in conjunction with the acquisition of Galileo. 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.

Included in investment income were other-than-temporary impairments of \$3,000; \$47,000; and \$19,000; in fiscal years 2014, 2013, and 2012, respectively.

Equity Investment in Galileo. In fiscal year 2013, the Company made an investment in Galileo Global Equity Advisors Inc. that was accounted for under the equity method. Effective June 1, 2014, the Company acquired an additional 15 percent interest, bringing its ownership to 65 percent of the issued and outstanding shares, which represents a controlling interest. From March 31, 2013, to June 1, 2014, the Company accounted for its interest in Galileo under the equity method with its share of Galileo's profit or loss recognized in earnings, including \$20,000 and \$54,000 in other income in fiscal year 2014 and 2013, respectively. Effective June 1, 2014, the Company accounted for the Galileo acquisition as a business combination. For additional details, please see Note 3 Business Combination to the Consolidated Financial Statements of this Annual Report in Form 10-K.

Operating Expenses

<i>(dollars in thousands)</i>	2014	2013	% Change	2013	2012	% Change
Employee compensation and benefits	\$ 6,806	\$ 8,345	(18.4)%	\$ 8,345	\$ 8,796	(5.1)%
General and administrative	5,201	5,311	(2.1)%	5,311	5,229	1.6 %
Platform fees	1,903	2,663	(28.5)%	2,663	3,995	(33.3)%
Advertising	615	862	(28.7)%	862	1,182	(27.1)%
Depreciation and amortization	256	268	(4.5)%	268	273	(1.8)%
Subadvisory fees	60	60	— %	60	60	— %
Total operating expenses	\$ 14,841	\$ 17,509	(15.2)%	\$ 17,509	\$ 19,535	(10.4)%

Employee Compensation and Benefits. Employee compensation and benefits decreased \$1.5 million, or 18.4 percent, in fiscal year 2014 and decreased \$451,000, or 5.1 percent, in fiscal year 2013, as a result of lower performance-based bonuses and fewer employees.

General and Administrative. General and administrative expenses were relatively flat in fiscal year 2014 compared to fiscal year 2013 and in fiscal year 2013 compared to fiscal year 2012. The change in fiscal year 2014 represents a decrease of approximately \$635,000 primarily due to lower fund and operation expenses offset by one-time costs of approximately \$525,000, including legal and proxy filing and solicitation costs, related to strategic fund changes in the fall of 2013.

Platform Fees. Broker-dealers typically charge an asset-based fee for assets held through their platforms. Platform fees decreased \$760,000, or 28.5 percent, in fiscal year 2014 and decreased \$1.3 million, or 33.3 percent, in fiscal year 2013 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 \$247,000, or 28.7 percent, in fiscal year 2014 and decreased by \$320,000, or 27.1 percent, in fiscal year 2013 as a result of reduced marketing and sales costs.

Subadvisory Fees. Subadvisory fees were the same in fiscal years 2014, 2013, and 2012.

Income Taxes

The Company and its non-Canadian 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 \$35,000 related to a charitable contribution carryover is included in deferred taxes at June 30, 2014.

Off Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

Contractual Obligations

A summary of contractual obligations of the Company as of June 30, 2014, is as follows:

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
<i>(dollars in thousands)</i>					
Operating lease obligations	844	291	436	117	—
Contractual obligations	265	226	39	—	—
Total	1,109	517	475	117	—

Operating leases consist of office equipment leased from several vendors and office facilities in Canada. Contractual obligations consist of 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 of Directors has authorized a monthly dividend of \$0.005 per share through December 2014, at which time the Board of Directors 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 2014 to December 2014 will be approximately \$463,000.

Liquidity and Capital Resources

At June 30, 2014, the Company had net working capital (current assets minus current liabilities) of approximately \$24.7 million and a current ratio (current assets divided by current liabilities) of 12.5 to 1. With approximately \$5.9 million in cash and cash equivalents and \$24.0 million in securities recorded at fair value, which together comprise approximately 79 percent of total assets, the Company has adequate liquidity to meet its current obligations. Total shareholders' equity attributable to U.S. Global Investors, Inc. was approximately \$35.1 million.

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.

Investment advisory and related contracts in the U.S., by law, may not exceed one year in length and therefore must be renewed at least annually. The investment advisory and related contracts between the Company or its subsidiaries and USGIF expire in September 2014. The board of trustees of USGIF will meet to consider the agreement renewals in September 2014. Management anticipates that these agreements will be renewed.

With respect to the Company's two 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 conditions. While recent accounting policies are described in more detail in Note 2 Significant Accounting Policies to the Consolidated Financial Statements of this Annual Report in Form 10-K, 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.

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

As previously discussed, effective June 1, 2014, the Company, through USCAN, completed its purchase of an additional 15 percent interest in Galileo, which brings USCAN's ownership to 65 percent of the issued and outstanding shares of Galileo and represents controlling interest of Galileo. The non-controlling interest in this subsidiary is included in "non-controlling interest in subsidiary" in the equity section of the Consolidated Balance Sheets. After the purchase of the additional interest, Galileo changed its fiscal year end from December 31 to June 30, effective June 30, 2014, to correspond to the Company's year end. This change was treated as a change in accounting principle.

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

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, the funds it advises. The Company has determined that these entities qualify for the Investment Company deferral in the Accounting Standards Codification ("ASC") 810-10-65-2 (aa) and thus determines whether it is the primary beneficiary of these entities by virtue of its exposure to the expected losses and expected residual returns of the entity. The Company's interests in these entities consist of the Company's direct ownership therein, which in each case is insignificant to the total ownership of the fund, and any fees earned but uncollected. In the ordinary course of business, the Company may choose to waive certain fees or assume operating expenses of the funds it advises for competitive, regulatory or contractual reasons (see Note 6 Investment Management and Other Fees to the Consolidated Financial Statements of this Annual Report in Form 10-K for information regarding fee waivers). The Company has not provided financial support to any of these entities outside the ordinary course of business. The Company's risk of loss with respect to these managed entities is limited to the carrying value of its investments in, and fees receivable from, the entities. The Company does not consolidate these VIEs because it is not the primary beneficiary of these VIEs.

Business Combinations. Business combinations are accounted for under the acquisition method of accounting. Results of operations of an acquired business are included from the date of acquisition. Management estimates the fair value of the acquired assets, including identifiable intangible assets, assumed liabilities, and non-controlling interest in the acquiree based on their estimated fair values as of the date of acquisition. Any excess fair value of the acquired net assets over the acquisition date fair value of the consideration transferred, if any, is recorded as "goodwill" on the Consolidated Balance Sheets. Any excess acquisition date fair value of the consideration transferred over fair value of the acquired net assets is recorded as a gain on the Consolidated Statements of Operations.

Investments. The Company classifies its investments based on intent at the time of purchase and reevaluates 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 are reported at fair value. Unrealized holding 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 classified as held-to-maturity.

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 holding 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 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 (loss) is realized as a charge to net income.

Other Investments. Other investments consist of equity investments in entities over which the Company is unable to exercise significant influence and which do not have readily determinable fair values. These equity investments are accounted for under the cost method of accounting and evaluated for impairment. The Company considers many factors in determining impairment, including the severity and duration of the decline in value below cost, the Company's interest and ability to hold the security for a period of time sufficient for an anticipated recovery in value, and the financial condition and specific events related to the issuer. When an impairment of an equity security is determined to be other-than-temporary, the impairment is recognized in earnings.

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.

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

Intangible Asset. An intangible asset, consisting of a non-compete agreement, acquired in connection with the acquisition of Galileo shares effective June 1, 2014, is recorded at fair value determined using a discounted cash flow model as of the date of acquisition. The discounted cash flow model included various factors to project future cash flows expected to be generated from the asset, including: (1) an estimated rate of change for underlying managed assets; (2) expected revenue per managed assets; (3) incremental operating expenses; and (4) a discount rate. Management estimates a rate of change for underlying managed assets based on an estimated net redemption or sales rate. Expected revenue per managed assets and incremental operating expenses of the acquired assets are generally based on contract terms.

The Company has determined that the non-compete agreement has a finite useful life. The Company will amortize this finite-lived identifiable intangible asset on a straight-line basis over its estimated useful life, currently expected to be approximately 2 years. Management periodically evaluates the remaining useful lives and carrying values of intangible assets to determine whether events and circumstances indicate that a change in the useful life or impairment in value may have occurred. Indicators of impairment monitored by management include a decline in the level of managed assets, changes to contractual provisions underlying the intangible assets and reductions in underlying operating cash flows. Should there be an indication of a change in the useful life or impairment in value of the finite-lived intangible asset, the Company compares the carrying value of the asset and its related useful life to the projected discounted cash flows expected to be generated from the underlying managed assets over its remaining useful life to determine whether impairment has occurred. If the carrying value of the asset exceeds the discounted cash flows, the asset is written down to its fair value determined using discounted cash flows.

Non-Controlling Interests. The Company reports “non-controlling interest in subsidiary” as equity, separate from parent’s equity, on the Consolidated Balance Sheets. In addition, the Company’s Consolidated Statements of Operations includes “net income (loss) attributable to non-controlling interest.”

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 Statements of Operations. 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 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 Statements of Operations.

The Company assesses uncertain tax positions in accordance with 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.

The Company assesses whether a valuation allowance should be established against its deferred income tax assets based on consideration of available evidence, both positive and negative, using a more likely than not standard. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecast of future profitability, the duration of statutory carry back and carry forward periods, the Company’s experience with tax attributes expiring unused, and tax planning alternatives.

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 2014 or 2013. The Company measured the fair value of stock options 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.

Foreign Exchange. The balance sheets of certain foreign subsidiaries of the Company and certain foreign-denominated investment products are translated at the current exchange rate as of the end of the accounting period and the related income or loss is translated at the average exchange rate in effect during the period. Net exchange gains and losses resulting from these translations are excluded from income and are recorded in “accumulated other comprehensive income (loss)” on the Consolidated Balance Sheets. Investment transactions denominated in foreign currencies are converted to U.S. dollars using the exchange rate on the date of the transaction and any related gain or loss is included in “investment income (loss)” on the Consolidated Statements of Operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Disclosures

The Company's Consolidated Balance Sheets includes assets whose fair value is subject to market risk. Due to the Company's investments in securities recorded at fair value, price fluctuations represent a market risk factor affecting the Company's consolidated financial position. The carrying values of investments subject to price risks are based on quoted market prices or, if not actively traded, management's estimate of fair value as of the balance sheet date. Market prices fluctuate, and the amount realized in the subsequent sale of an investment may differ significantly from the reported market value.

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

The table below summarizes the Company's price risks as of June 30, 2014, and shows the effects of a hypothetical 25 percent increase and a 25 percent decrease in market prices.

<i>(dollars in thousands)</i>	Fair Value	Hypothetical Percentage Change	Estimated Fair Value After Hypothetical Price Change	Increase (Decrease) in Shareholders' Equity, Net of Tax
Trading securities ¹	\$ 17,817	25% increase	\$ 22,271	\$ 2,940
		25% decrease	13,363	(2,940)
Available-for-sale ²	6,196	25% increase	7,745	1,022
		25% decrease	4,647	(1,022)

^{1.} Unrealized and realized gains and losses on trading securities are included in earnings in the Consolidated Statements of Operations.

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

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

Item 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, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* 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, 2014, based on the COSO criteria.

As indicated in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Galileo Global Equity Advisors Inc. ("Galileo"), which was acquired on June 1, 2014, and which is included in the Consolidated Balance Sheet of U.S. Global Investors, Inc. as of June 30, 2014, and the related Consolidated Statement of Operations, Comprehensive Income (Loss), Shareholders' Equity, and Cash Flow for the year then ended. The acquired entity constituted 5.5% of total assets as of June 30, 2014, and 2.0% and (1.5)% of net revenues and loss from continuing operations before taxes, respectively, for the year then ended. Management did not assess the effectiveness of internal control over financial reporting of Galileo because of the timing of the acquisition which was completed on June 1, 2014. Our audit of internal control over financial reporting of U.S. Global Investors, Inc. also did not include an evaluation of the internal control over financial reporting of Galileo.

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, 2014 and 2013, and the related Consolidated Statements of Operations, Comprehensive Income (Loss), Shareholders' Equity, and Cash Flows for each of the three years in the period ended June 30, 2014 and our report dated August 27, 2014, expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

BDO USA, LLP

Dallas, Texas

August 27, 2014

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, 2014 and 2013 and the related Consolidated Statements of Operations, Comprehensive Income (Loss), Shareholders’ Equity, and Cash Flows for each of the three years in the period ended June 30, 2014. 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, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2014, 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, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated August 27, 2014, expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

BDO USA, LLP
Dallas, Texas
August 27, 2014

U.S. GLOBAL INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS

Assets	June 30, 2014	June 30, 2013
<i>(dollars in thousands)</i>		
Current Assets		
Cash and cash equivalents	\$ 5,910	\$ 18,085
Trading securities, at fair value	17,817	4,758
Receivables	2,513	1,148
Prepaid expenses	525	605
Deferred tax asset	51	196
Total Current Assets	26,816	24,792
Net Property and Equipment	3,024	3,085
Other Assets		
Deferred tax asset, long-term	298	678
Investment securities available-for-sale, at fair value	6,196	9,053
Other investments	1,413	—
Intangible assets, net	86	—
Investment in Galileo	—	654
Total assets held related to discontinued operations	—	421
Other assets, long term	13	—
Total Other Assets	8,006	10,806
Total Assets	\$ 37,846	\$ 38,683
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 219	\$ 71
Accrued compensation and related costs	581	688
Dividends payable	232	232
Other accrued expenses	1,064	770
Total liabilities held related to discontinued operations	47	73
Total Current Liabilities	2,143	1,834
Commitments and Contingencies (Note 19)		
Shareholders' Equity		
Common stock (class A) - \$0.025 par value; nonvoting; authorized, 28,000,000 shares; issued, 13,866,361 and 13,865,021 shares at June 30, 2014, and June 30, 2013, respectively	347	347
Common stock (class B) - \$0.025 par value; nonvoting; authorized, 4,500,000 shares; no shares issued	—	—
Convertible common stock (class C) - \$0.025 par value; voting; authorized, 3,500,000 shares; issued, 2,069,187 and 2,070,527 shares at June 30, 2014, and June 30, 2013, respectively	52	52
Additional paid-in-capital	15,669	15,654
Treasury stock, class A shares at cost; 501,518 and 463,958 shares at June 30, 2014, and June 30, 2013, respectively	(1,280)	(1,129)
Accumulated other comprehensive income, net of tax	906	652
Retained earnings	19,376	21,273
Total U.S. Global Investors, Inc. Shareholders' Equity	35,070	36,849
Non-Controlling Interest in Subsidiary	633	—
Total Shareholders' Equity	35,703	36,849
Total Liabilities and Shareholders' Equity	\$ 37,846	\$ 38,683

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

U.S. GLOBAL INVESTORS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(dollars in thousands, except per share data)</i>	Year Ended June 30,		
	2014	2013	2012
Operating Revenues			
Advisory fees	\$ 7,760	\$ 12,189	\$ 14,933
Distribution fees	1,974	2,817	4,070
Shareholder services fees	931	1,383	2,050
Administrative services fees	774	929	1,321
	<u>11,439</u>	<u>17,318</u>	<u>22,374</u>
Operating Expenses			
Employee compensation and benefits	6,806	8,345	8,796
General and administrative	5,201	5,311	5,229
Platform fees	1,903	2,663	3,995
Advertising	615	862	1,182
Depreciation and amortization	256	268	273
Subadvisory fees	60	60	60
	<u>14,841</u>	<u>17,509</u>	<u>19,535</u>
Operating Income (Loss)	<u>(3,402)</u>	<u>(191)</u>	<u>2,839</u>
Other Income (Loss)			
Investment income (loss)	2,145	208	(177)
Equity in earnings of Galileo	20	54	—
Total Other Income (Loss)	<u>2,165</u>	<u>262</u>	<u>(177)</u>
Income (Loss) from Continuing Operations Before Income Taxes	<u>(1,237)</u>	<u>71</u>	<u>2,662</u>
Provision for Federal Income Taxes			
Tax expense (benefit)	(517)	100	1,024
Income (Loss) from Continuing Operations	<u>(720)</u>	<u>(29)</u>	<u>1,638</u>
Discontinued Operations			
Loss from operations of discontinued transfer agent	(368)	(250)	(163)
Tax benefit	(125)	(85)	(55)
Loss from Discontinued Operations	<u>(243)</u>	<u>(165)</u>	<u>(108)</u>
Net Income (Loss)	<u>(963)</u>	<u>(194)</u>	<u>1,530</u>
Less: Net Income Attributable to Non-Controlling Interest	7	—	—
Net Income (Loss) Attributable to U.S. Global Investors, Inc.	<u>\$ (970)</u>	<u>\$ (194)</u>	<u>\$ 1,530</u>
Earnings Per Share Attributable to U.S. Global Investors, Inc.			
Basic			
Income (loss) from continuing operations	\$ (0.04)	\$ 0.00	\$ 0.11
Loss from discontinued operations	(0.02)	(0.01)	(0.01)
Net income (loss)	<u>\$ (0.06)</u>	<u>\$ (0.01)</u>	<u>\$ 0.10</u>
Diluted			
Income (loss) from continuing operations	\$ (0.04)	\$ 0.00	\$ 0.11
Loss from discontinued operations	(0.02)	(0.01)	(0.01)
Net income (loss)	<u>\$ (0.06)</u>	<u>\$ (0.01)</u>	<u>\$ 0.10</u>
Basic weighted average number of common shares outstanding	15,459,022	15,482,612	15,441,464
Diluted weighted average number of common shares outstanding	15,459,022	15,482,612	15,441,582

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

U.S. GLOBAL INVESTORS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<i>(dollars in thousands)</i>	Year Ended June 30,		
	2014	2013	2012
Net Income (Loss)	\$ (963)	\$ (194)	\$ 1,530
Other Comprehensive Income (Loss), Net of Tax:			
Unrealized gains (losses) on available-for-sale securities arising during period	923	350	(464)
Less: reclassification adjustment for gains included in net income	(687)	(164)	(112)
Net change from available-for-sale investments, net of tax	236	186	(576)
Foreign currency translation adjustments	27	—	—
Other Comprehensive Income (Loss)	263	186	(576)
Comprehensive Income (Loss)	(700)	(8)	954
Less: Comprehensive Income Attributable to Non-Controlling Interest	16	—	—
Comprehensive Income (Loss) Attributable to U.S. Global Investors, Inc.	<u>\$ (716)</u>	<u>\$ (8)</u>	<u>\$ 954</u>

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

U.S. GLOBAL INVESTORS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>(dollars in thousands)</i>	Common Stock (class A)	Common Stock (class C)	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non- Controlling Interest	Total
Balance at June 30, 2011 (13,862,445 shares of class A; 2,073,103 shares of class C)	\$ 347	\$ 52	\$ 15,267	\$ (1,233)	\$ 1,042	\$ 25,582	\$ —	\$ 41,057
Purchases of stock under ESPP of 28,998 shares of Common Stock (class A)	—	—	120	68	—	—	—	188
Conversion of 60 shares of class C common stock for class A common stock	—	—	—	—	—	—	—	—
Dividends declared	—	—	—	—	—	(3,708)	—	(3,708)
Stock bonuses	—	—	135	58	—	—	—	193
Stock-based compensation expense	—	—	26	—	—	—	—	26
Other comprehensive loss, net of tax	—	—	—	—	(576)	—	—	(576)
Net income	—	—	—	—	—	1,530	—	1,530
Balance at June 30, 2012 (13,862,505 shares of class A; 2,073,043 shares of class C)	347	52	15,548	(1,107)	466	23,404	—	38,710
Purchases of 55,052 shares of Common Stock (class A)	—	—	—	(174)	—	—	—	(174)
Purchases of stock under ESPP of 48,679 shares of Common Stock (class A)	—	—	69	116	—	—	—	185
Conversion of 2,516 shares of class C common stock for class A common stock	—	—	—	—	—	—	—	—
Dividends declared	—	—	—	—	—	(1,937)	—	(1,937)
Stock bonuses	—	—	28	36	—	—	—	64
Stock-based compensation expense	—	—	9	—	—	—	—	9
Other comprehensive income, net of tax	—	—	—	—	186	—	—	186
Net loss	—	—	—	—	—	(194)	—	(194)
Balance at June 30, 2013 (13,865,021 shares of class A; 2,070,527 shares of class C)	347	52	15,654	(1,129)	652	21,273	—	36,849
Purchases of 93,351 shares of Common Stock (class A)	—	—	—	(289)	—	—	—	(289)
Purchases of stock under ESPP of 52,191 shares of Common Stock (class A)	—	—	27	129	—	—	—	156
Conversion of 1,340 shares of class C common stock for class A common stock	—	—	—	—	—	—	—	—
Dividends declared	—	—	—	—	—	(927)	—	(927)
Stock bonuses	—	—	2	9	—	—	—	11
Stock-based compensation expense	—	—	(14)	—	—	—	—	(14)
Galileo acquisition - non-controlling interest	—	—	—	—	—	—	617	617
Other comprehensive income, net of tax	—	—	—	—	254	—	9	263
Net income (loss)	—	—	—	—	—	(970)	7	(963)
Balance at June 30, 2014 (13,866,361 shares of class A; 2,069,187 shares of class C)	\$ 347	\$ 52	\$ 15,669	\$ (1,280)	\$ 906	\$ 19,376	\$ 633	\$ 35,703

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

U.S. GLOBAL INVESTORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(dollars in thousands)</i>	Year Ended June 30,		
	2014	2013	2012
Cash Flows from Operating Activities:			
Net income (loss)	\$ (963)	\$ (194)	\$ 1,530
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	259	275	282
Net recognized loss (gain) on disposal of property and equipment	26	—	(75)
Net recognized loss (gain) on securities	(878)	26	(158)
Gain on acquisition of Galileo	(290)	—	—
Net income from equity method investment	(20)	(54)	—
Provision for deferred taxes	387	9	(283)
Stock bonuses	11	64	193
Stock-based compensation expense	1	9	33
Changes in operating assets and liabilities:			
Accounts receivable	(634)	617	1,387
Prepaid expenses	109	1	211
Trading securities	(13,222)	213	485
Accounts payable and accrued expenses	25	(505)	(1,788)
Total adjustments	(14,226)	655	287
Net cash provided by (used in) operating activities	(15,189)	461	1,817
Cash Flows from Investing Activities:			
Purchase of property and equipment	(30)	(39)	(18)
Purchase of Galileo shares	—	(600)	—
Cash acquired in excess of payment to acquire Galileo shares	1,236	—	—
Purchase of available-for-sale securities	(1,317)	(473)	(5,065)
Purchase of other investments	(1,187)	—	—
Proceeds on sale of available-for-sale securities	5,305	744	170
Return of capital on investment	43	—	19
Net cash provided by (used in) investing activities	4,050	(368)	(4,894)
Cash Flows from Financing Activities:			
Issuance of common stock	156	185	188
Repurchases of common stock	(289)	(174)	—
Dividends paid	(928)	(2,632)	(3,706)
Net cash used in financing activities	(1,061)	(2,621)	(3,518)
Effect of exchange rate changes on cash and cash equivalents	25	—	—
Net decrease in cash and cash equivalents	(12,175)	(2,528)	(6,595)
Beginning cash and cash equivalents	18,085	20,613	27,208
Ending cash and cash equivalents	\$ 5,910	\$ 18,085	\$ 20,613
Supplemental Disclosures of Cash Flow Information			
Cash paid for income taxes	\$ —	\$ 118	\$ 1,365

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

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 “Fund(s)”), a 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 and distribution to USGIF and through December 6, 2013, provided transfer agency functions. For these services, the Company receives fees from USGIF. The Company also provides advisory services to offshore clients and, effective June 1, 2014, holds a controlling interest in Galileo Global Equity Advisors Inc. (“Galileo”), a privately held Toronto-based asset management firm. See Note 2 Significant Accounting Policies and Note 3 Business Combination for additional information on the acquisition of controlling interest of Galileo.

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

The Company formed three subsidiaries utilized primarily for corporate investment purposes: U.S. Global Investors (Guernsey) Limited (“USGG”), incorporated in Guernsey (on August 3, 2013, USGG was dissolved), U.S. Global Investors (Bermuda) Limited (“USBERM”), incorporated in Bermuda, and U.S. Global Investors (Canada) Limited (“USCAN”), formed in March 2013. 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 2014.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

In addition, effective June 1, 2014, the Company, through USCAN, completed its purchase of an additional 15 percent interest in Galileo from the company’s founder, Michael Waring. This additional investment brings USCAN’s ownership to 65 percent of the issued and outstanding shares of Galileo and represents a controlling interest of Galileo. With the additional investment, the Company expects to increase its presence in Canada. The non-controlling interest in this subsidiary is included in “non-controlling interest in subsidiary” in the equity section of the Consolidated Balance Sheets. See Note 3 Business Combination for additional information. After the purchase of the additional interest, Galileo changed its fiscal year end from December 31 to June 30, effective June 30, 2014, to correspond to the Company’s year end. This change was treated as a change in accounting principle.

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

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, the funds it advises. The Company has determined that these entities qualify for the Investment Company deferral in ASC 810-10-65-2 (aa) and thus determines whether it is the primary beneficiary of these entities by virtue of its exposure to the expected losses and expected residual returns of the entity. The Company’s interests in these entities consist of the Company’s direct ownership therein, which in each case is insignificant to the total ownership of the fund, and any fees earned but uncollected. In the ordinary course of business, the Company may choose to waive certain fees or assume operating expenses of the funds it advises for competitive, regulatory or contractual reasons (see Note 6 Investment Management and Other Fees for information regarding fee waivers). The Company has not provided financial support to any of these entities outside the ordinary course of business. The Company’s risk of loss with respect to these managed entities is limited to the carrying value of its investments in, and fees receivable from, the entities. The Company does not consolidate these VIEs because it is not the primary beneficiary of these VIEs.

Prior to March 31, 2014, the Company classified investments in private and venture capital companies as available-for-sale Level 3 securities. Since these equity investments do not have readily determinable fair values, these investments should have been classified as “other investments” on the Consolidated Balance Sheets and accounted for under the cost method of accounting rather than at fair value. The Company determined that the difference between the fair value and the value using the cost method of accounting for these securities is not material to “accumulated other comprehensive income (loss)” or “other comprehensive income (loss)” and did not affect net income or earnings per share. To correct this balance sheet misclassification, the Company

has reclassified \$385,000 of investments as “other investments” on the face of the Consolidated Balance Sheets at cost adjusted for impairments. This reclassification was not material to “accumulated other comprehensive income (loss)” or “other comprehensive income (loss)” and did not affect net income or earnings per share.

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

Business Combinations. Business combinations are accounted for under the acquisition method of accounting. Results of operations of an acquired business are included from the date of acquisition. Management estimates the fair value of the acquired assets, including identifiable intangible assets, assumed liabilities, and non-controlling interest in the acquiree based on their estimated fair values as of the date of acquisition. Any excess acquisition date fair value of the consideration transferred over fair value of the acquired net assets, if any, is recorded as “goodwill” on the Consolidated Balance Sheets. Any excess fair value of the acquired net assets over the acquisition date fair value of the consideration transferred is recorded as a gain on the Consolidated Statements of Operations.

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 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 Investment income (loss).

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 held-to-maturity 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 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 (loss) is realized as a charge to net income.

Other Investments. Other investments consist of equity investments in entities over which the Company is unable to exercise significant influence and which do not have readily determinable fair values. These equity investments are accounted for under the cost method of accounting and evaluated for impairment. The Company considers many factors in determining impairment, including the severity and duration of the decline in value below cost, the Company’s interest and ability to hold the security for a period of time sufficient for an anticipated recovery in value, and the financial condition and specific events related to the issuer.

Equity Method Investments (Investment in Galileo). 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” with a corresponding increase or decrease to the carrying value of the investment. Distributions received from the investee reduce the Company’s carrying value of the investment. These investments are evaluated for impairment if events or circumstances arise that indicate that the carrying amount of such assets may not be recoverable. No impairment was recognized for the Company’s equity method investment during the years presented. No investments were held at June 30, 2014, that are accounted for using the equity method. See Note 3 Business Combination for further information.

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

Receivables. Receivables consist primarily of monthly advisory and other fees owed to the Company by USGIF as well as receivables related to offshore investment advisory fees. Receivables also include advisory fees owed to Galileo by the funds and clients it manages. Management considers various factors including current sales amounts, historical charge-offs and specific accounts identified as high risk. Uncollectible accounts receivable, if any, are charged against the allowance for doubtful accounts when all reasonable efforts to collect the amounts due have been exhausted. The Company had no allowance for doubtful accounts as of June 30, 2014, and 2013.

Property and Equipment. Fixed assets are recorded at cost. Other than as noted below, 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. Galileo fixed assets, consisting of furniture, equipment and leasehold improvements, are depreciated over 2 to 5 years.

Impairment of Long-Lived Assets. The Company reviews property and equipment and other long-lived assets for impairment whenever events or changes in business circumstances indicate the net book values of the assets may not be recoverable. Impairment is indicated when the assets' net book value is less than fair value of the asset. If this occurs, an impairment loss is recognized for the difference between the fair value and net book value. Factors that indicate potential impairment include: a significant decrease in the market value of the asset or a significant change in the asset's physical condition or use. No impairments of long-lived assets were recorded during the years included in these financial statements.

Intangible Asset. An intangible asset, consisting of a non-compete agreement, acquired in connection with the acquisition of Galileo shares effective June 1, 2014, is recorded at fair value determined using a discounted cash flow model as of the date of acquisition. The discounted cash flow model included various factors to project future cash flows expected to be generated from the asset, including: (1) an estimated rate of change for underlying managed assets; (2) expected revenue per managed assets; (3) incremental operating expenses; and (4) a discount rate. Management estimates a rate of change for underlying managed assets based on an estimated net redemption or sales rate. Expected revenue per managed assets and incremental operating expenses of the acquired assets are generally based on contract terms.

The Company has determined that the non-compete agreement has a finite useful life. The Company will amortize this finite-lived identifiable intangible asset on a straight-line basis over its estimated useful life, currently expected to be approximately 2 years. Management periodically evaluates the remaining useful lives and carrying values of intangible assets to determine whether events and circumstances indicate that a change in the useful life or impairment in value may have occurred. Indicators of impairment monitored by management include a decline in the level of managed assets, changes to contractual provisions underlying the intangible assets and reductions in underlying operating cash flows. Should there be an indication of a change in the useful life or impairment in value of the finite-lived intangible asset, the Company compares the carrying value of the asset and its related useful life to the projected discounted cash flows expected to be generated from the underlying managed assets over its remaining useful life to determine whether impairment has occurred. If the carrying value of the asset exceeds the discounted cash flows, the asset is written down to its fair value determined using discounted cash flows.

Non-Controlling Interests. The Company reports "non-controlling interest in subsidiary" as equity, separate from parent's equity, on the Consolidated Balance Sheets. In addition, the Company's Consolidated Statements of Operations includes "net income (loss) attributable to non-controlling interest."

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, 2014, the Company did not have any accrued interest or penalties related to uncertain tax positions. The tax years from 2010 through 2013 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, distribution services, and administrative fees that 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 equity funds within USGIF provides for a performance fee on the base advisory fee that are calculated and recorded monthly.

Shareholder services fees are based on the assets of the funds held through institutions. Revenue shown on the Consolidated Statements of Operations is 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 \$615,000; \$862,000; and \$1.2 million during fiscal years 2014, 2013, and 2012, respectively.

Foreign Exchange. The balance sheets of certain foreign subsidiaries of the Company and certain foreign-denominated investment products are translated at the current exchange rate as of the end of the accounting period and the related income or loss is translated at the average exchange rate in effect during the period. Net exchange gains and losses resulting from these translations are excluded from income and are recorded in “accumulated other comprehensive income (loss)” on the Consolidated Balance Sheets. Investment transactions denominated in foreign currencies are converted to U.S. dollars using the exchange rate on the date of the transaction and any related gain or loss is included in “investment income (loss)” on the Consolidated Statements of Operations.

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 attributable to U.S. Global Investors, Inc. in accordance with ASC 260, *Earnings Per Share*. Basic earnings per share (“EPS”) excludes dilution and is computed by dividing net income (loss) attributable to U.S. Global Investors, Inc. 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.

Accumulated Other Comprehensive Income (Loss). Accumulated other comprehensive income (loss) (“AOCI”), net of tax is reported in the Consolidated Balance Sheets and the Consolidated Statements of Shareholders’ Equity and includes the unrealized gains and losses on securities classified as available-for-sale and foreign currency translation adjustments.

Recent Accounting Pronouncements

In July 2013, the FASB issued Accounting Standard Update (“ASU”) No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (“ASU 2013-11”). ASU 2013-11 became effective for the Company on July 1, 2014. Management is evaluating the ASU and its potential impact on the financial statements.

In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements and Property, Plant, and Equipment - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (“ASU 2014-08”). ASU 2014-08 will become effective for the Company on July 1, 2015. Management is evaluating the ASU and its potential impact on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard in 2017.

NOTE 3. BUSINESS COMBINATION

Effective March 31, 2013, the Company, through USCAN, purchased 50 percent of the issued and outstanding shares of Galileo Global Equity Advisors, Inc., a privately held Toronto-based asset management firm, for \$600,000 cash.

Effective June 1, 2014, the Company, through USCAN, completed its purchase of an additional 15 percent interest in Galileo from the company's founder, Michael Waring, for \$180,000 cash. This strategic investment brings USCAN's ownership to 65 percent of the issued and outstanding shares of Galileo, which represents a controlling interest of Galileo. Through Galileo, the Company expects to increase its presence in Canada. The non-controlling interest in this subsidiary is included in "non-controlling interest in subsidiaries" in the equity section of the Consolidated Balance Sheets. Frank Holmes, CEO, and Susan McGee, President and General Counsel, serve as directors of Galileo.

From March 31, 2013, to June 1, 2014, the Company accounted for its interest in Galileo under the equity method with its share of Galileo's profit or loss recognized in earnings, including \$20,000 and \$54,000 in other income in fiscal year 2014 and 2013, respectively.

The Company accounted for the June 1, 2014, Galileo share purchase using the acquisition method of accounting, which requires, among other things, that the fair values of assets acquired, including an intangible asset, and liabilities assumed, along with the fair value of the non-controlling interest in the subsidiary, be recognized on the Consolidated Balance Sheets as of the acquisition date.

Business combinations achieved in stages also must value prior investments at fair value. A \$161,000 increase in fair value of the Company's initial investment was recognized as a gain and included in investment income.

The Company recognized a gain of \$129,000 on the June 1, 2014, purchase since the fair value of the net assets acquired was greater than the fair value of consideration given. This gain is also included within investment income.

The Consolidated Balance Sheet as of June 30, 2014, reflects the purchase price allocations based on an assessment of the fair value of the assets acquired, liabilities assumed and non-controlling interest in subsidiary. The Company is continuing to evaluate the transaction and future changes to the amounts recorded could occur. The table below presents the preliminary purchase price allocation as of the June 1, 2014, acquisition date:

(dollars in thousands)

Fair value of acquisition components

Current assets	\$	1,788
Property and equipment		149
Intangible asset re: non-compete agreement		90
Other noncurrent assets		13
Current liabilities		(278)
Non-controlling interest in subsidiary		(617)
Gain on purchase of 15%		(129)
	\$	<u>1,016</u>

Fair value of consideration as of June 1, 2014

Fair value of March 31, 2013 initial investment for 50% of stock	\$	836
June 1, 2014 acquisition for 15% of stock for cash		180
	\$	<u>1,016</u>

The following unaudited pro forma condensed consolidated results of operations for the years ended June 30, 2014; 2013; and 2012 are presented as if the Galileo acquisition had been completed on July 1, 2011. The unaudited pro forma results do not include any adjustments to eliminate the impact of cost savings or other synergies that may result from the acquisition. In addition, the unaudited pro forma results of operations do not purport to be indicative of the actual results that would have been achieved by the combined company for the periods presented or that may be achieved by the combined company in the future.

The information below reflects certain nonrecurring adjustments to remove the Company's equity in earnings of Galileo and include amortization of the intangible asset.

<i>(dollars in thousands)</i>	Year Ended June 30,		
	2014	2013	2012
Operating revenues	\$ 13,771	\$ 20,234	\$ 25,229
Net income (loss)	(856)	(13)	1,475
Net income (loss) attributable to U.S. Global Investors, Inc.	(916)	(99)	1,484
Net Income (Loss) per Share			
Income (loss) from continuing operations - basic	\$ (0.04)	\$ 0.00	\$ 0.11
Income (loss) from continuing operations - diluted	(0.04)	0.00	0.11

Post-Acquisition Financial Information

The following amounts associated with the acquisition of Galileo, subsequent to the June 1, 2014, effective date, are included in the Consolidated Statements of Operations:

<i>(dollars in thousands)</i>	
Total revenues	\$ 234
Net income	18
Net income attributable to U.S. Global Investors, Inc.	12
Costs associated with the acquisition ¹	33

¹ Costs associated with the Galileo acquisition are included in general and administrative expenses in the Consolidated Statements of Operations.

NOTE 4. DISCONTINUED OPERATIONS

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. USSI served as transfer agent until conversion to the new transfer agent on December 9, 2013.

The transfer agency results, together with expenses associated with discontinuing transfer agency operations, are reflected as "discontinued operations" in the Consolidated Statements of Operations and are therefore, excluded from continuing operations results. These expenses include approximately \$65,000 of expenses related to leased equipment that will not be utilized. Comparative periods shown in the Consolidated Financial Statements have been adjusted to conform to this presentation.

As of June 30, 2014, remaining liabilities related to the transfer agency business totaled approximately \$47,000.

The components of loss from discontinued operations were as follows:

<i>(dollars in thousands)</i>	Year Ended June 30,		
	2014	2013	2012
Operating revenue	\$ 529	\$ 1,348	\$ 1,654
Operating expenses	897	1,598	1,817
Loss from discontinued operations before income taxes	(368)	(250)	(163)
Income tax benefit	(125)	(85)	(55)
Loss from discontinued operations, net of tax	\$ (243)	\$ (165)	\$ (108)

NOTE 5. INVESTMENTS

As of June 30, 2014, the Company held investments with a fair value of \$24.0 million and a cost basis of \$22.9 million. The market value of these investments is approximately 63.4 percent of the Company's total assets. In addition, the Company held other investments of \$1.4 million.

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

Investments in securities classified as available-for-sale, which may not be readily marketable but have readily determinable fair values, are reflected as non-current assets on the Consolidated Balance Sheets at their fair value. Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income (loss) as a separate component of shareholders' equity until realized.

Other investments consist of equity investments in entities over which the Company is unable to exercise significant influence and which do not have readily determinable fair values. These equity investments are accounted for under the cost method of accounting and evaluated for impairment. The Company considers many factors in determining impairment, including the severity and duration of the decline in value below cost, the Company's interest and ability to hold the security for a period of time sufficient for an anticipated recovery in value, and the financial condition and specific events related to the issuer. When an impairment of an equity security is determined to be other-than-temporary, the impairment is recognized in earnings.

In December 2013, the shareholders of the U.S. Government Securities Savings Fund approved a proposal resulting in the conversion of the fund from a money market fund to a U.S. Government ultra-short bond fund that is not a money market fund. The fund was renamed U.S. Government Securities Ultra-Short Bond Fund ("Government Fund"). Prior to the conversion, while the fund was a money market fund, the amount held in the fund was classified as a cash equivalent. After the conversion, the amount held in the fund is classified as a Level 1 trading mutual fund investment. The amount held in the fund by the Company as of the conversion date was \$14.1 million.

The following details the components of the Company's investments recorded at fair value as of June 30, 2014, and 2013:

(dollars in thousands)	June 30, 2014			
	Cost	Gains	(Losses)	Fair Value
Trading securities ¹				
Offshore fund	\$ 1,184	\$ —	\$ (186)	\$ 998
Mutual funds - Fixed income	16,241	92	—	16,333
Mutual funds - Domestic equity	535	—	(76)	459
Other	107	—	(80)	27
Total trading securities	<u>\$ 18,067</u>	<u>\$ 92</u>	<u>\$ (342)</u>	<u>\$ 17,817</u>
Available-for-sale securities ²				
Common stock - Domestic	\$ 535	\$ 586	\$ (3)	\$ 1,118
Common stock - International	607	802	—	1,409
Corporate debt	1,706	—	(74)	1,632
Mutual funds - Fixed income	1,228	21	(2)	1,247
Mutual funds - Domestic equity	543	7	—	550
Other	232	9	(1)	240
Total available-for-sale securities ³	<u>\$ 4,851</u>	<u>\$ 1,425</u>	<u>\$ (80)</u>	<u>\$ 6,196</u>
June 30, 2013				
(dollars in thousands)	Cost	Gains	(Losses)	Fair Value
Trading securities ¹				
Offshore fund	\$ 1,184	\$ —	\$ (398)	\$ 786
Mutual funds - International equity	516	—	(156)	360
Mutual funds - Fixed income	3,116	75	—	3,191
Mutual funds - Domestic equity	535	—	(136)	399
Other	107	—	(85)	22
Total trading securities	<u>\$ 5,458</u>	<u>\$ 75</u>	<u>\$ (775)</u>	<u>\$ 4,758</u>
Available-for-sale securities ²				
Common stock - Domestic	\$ 266	\$ 313	\$ —	\$ 579
Common stock - International	604	216	(5)	815
Offshore fund	5,000	—	(288)	4,712
Mutual funds - Fixed income	1,000	4	—	1,004
Mutual funds - Domestic equity	1,010	756	—	1,766
Other	185	—	(8)	177
Total available-for-sale securities ³	<u>\$ 8,065</u>	<u>\$ 1,289</u>	<u>\$ (301)</u>	<u>\$ 9,053</u>

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 (loss) as a separate component of shareholders' equity until realized.

³ Net unrealized gains on available-for-sale securities gross and net of tax as of June 30, 2014, are \$1,345 and \$888, respectively, and as of June 30, 2013, are \$988 and \$652, respectively.

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

<i>(dollars in thousands)</i> Investment Income (Loss)	Year Ended June 30,		
	2014	2013	2012
Realized losses on sales of trading securities	\$ (163)	\$ (245)	\$ (2)
Realized gains on sales of available-for-sale securities	1,044	266	179
Unrealized gains (losses) on trading securities	450	45	(485)
Realized gain on Galileo acquisition	290	—	—
Realized foreign currency gains (losses)	1	1	(2)
Other-than-temporary declines in available-for-sale securities	(3)	(47)	(19)
Dividend and interest income	526	188	152
Total Investment Income (Loss)	\$ 2,145	\$ 208	\$ (177)

Unrealized Losses

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

<i>(dollars in thousands)</i>	June 30, 2014					
	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 - Domestic	\$ 125	\$ (3)	\$ —	\$ —	\$ 125	\$ (3)
Corporate debt	1,382	(74)	—	—	1,382	(74)
Mutual funds - Fixed income	151	(2)	—	—	151	(2)
Other	118	(1)	—	—	118	(1)
Total available-for-sale securities	\$ 1,776	\$ (80)	\$ —	\$ —	\$ 1,776	\$ (80)

<i>(dollars in thousands)</i>	June 30, 2013					
	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 - International	\$ 95	\$ (5)	\$ —	\$ —	\$ 95	\$ (5)
Offshore fund	—	—	4,712	(288)	4,712	(288)
Other	166	(8)	—	—	166	(8)
Total available-for-sale securities	\$ 261	\$ (13)	\$ 4,712	\$ (288)	\$ 4,973	\$ (301)

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

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

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with the investing in those securities. Because of the inherent uncertainties of valuation, the values reflected may materially differ from the values received upon actual sale of those investments.

For actively traded securities, the Company values investments using the closing price of the securities on the exchange or market on which the securities principally trade. If the security is not traded on the last business day of the quarter, it is generally valued at the mean between the last bid and ask quotation. Mutual funds, which include open- and closed-end funds, exchange-traded funds, and offshore funds are valued at net asset value or closing price, as applicable. Certain corporate debt securities are valued by an independent pricing service using an evaluated quote based on such factors as institutional-size trading in similar groups of securities, yield, quality maturity, coupon rate, type of issuance and individual trading characteristics and other market data. As part of its independent price verification process, the Company periodically reviews the fair value provided by the pricing service using information such as transactions in these investments, broker quotes, market transactions in comparable investments, general market conditions and the issuer's financial condition. Debt securities that are not valued by an independent pricing service are valued based on review of similarly structured issuances in similar jurisdictions when possible. The Company also takes into consideration numerous other factors that could affect valuation such as overall market conditions, liquidity of the security and bond structure. Securities for which market quotations are not readily available are valued at their fair value as determined by the portfolio management team. The portfolio management team includes representatives from the investment, accounting and legal/compliance departments. The portfolio management team meets periodically to consider a number of factors in determining a security's fair value, including the security's trading volume, market values of similar class issuances, investment personnel's judgment regarding the market experience of the issuer, financial status of the issuer, the issuer's management, and back testing, as appropriate. The fair values may differ from what may have been used had a broader market for these securities existed. The portfolio management team reviews inputs and assumptions and reports material items to the board of directors.

Prior to March 31, 2014, the Company classified investments that were valued using the mean between the last reported bid ask quotation as Level 1 investments. The Company has determined that it is reasonable to classify these securities as Level 2 investments. This reclassification does not affect balance sheet presentation, net income or earnings per share.

The following presents fair value measurements, as of each balance sheet date, for the major categories of U.S. Global's investments measured at fair value on a recurring basis:

<i>(dollars in thousands)</i>	June 30, 2014			
	Fair Value Measurement using			
	Quoted Prices (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Trading securities				
Offshore fund	\$ —	\$ 998	\$ —	\$ 998
Mutual funds - Fixed income	16,333	—	—	16,333
Mutual funds - Domestic equity	459	—	—	459
Other	27	—	—	27
Total trading securities	16,819	998	—	17,817
Available-for-sale securities				
Common stock - Domestic	1,118	—	—	1,118
Common stock - International	1,406	3	—	1,409
Corporate debt	292	1,090	250	1,632
Mutual funds - Fixed income	1,247	—	—	1,247
Mutual funds - Domestic equity	550	—	—	550
Other	240	—	—	240
Total available-for-sale securities	4,853	1,093	250	6,196
Total	\$ 21,672	\$ 2,091	\$ 250	\$ 24,013
<i>(dollars in thousands)</i>	June 30, 2013			
	Fair Value Measurement using			
	Quoted Prices (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Trading securities				
Offshore fund	\$ —	\$ 786	\$ —	\$ 786
Mutual funds - International equity	360	—	—	360
Mutual funds - Fixed income	3,191	—	—	3,191
Mutual funds - Domestic equity	399	—	—	399
Other	22	—	—	22
Total trading securities	3,972	786	—	4,758
Available-for-sale securities				
Common stock - Domestic	579	—	—	579
Common stock - International	720	—	95	815
Offshore fund	—	4,712	—	4,712
Mutual funds - Fixed income	1,004	—	—	1,004
Mutual funds - Domestic equity	1,766	—	—	1,766
Other	14	—	163	177
Total available-for-sale securities	4,083	4,712	258	9,053
Total	\$ 8,055	\$ 5,498	\$ 258	\$ 13,811

As of June 30, 2014, approximately 90 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; nine percent are derived from Level 2 inputs, including investments in offshore funds; and the remaining one percent are Level 3 inputs. As of June 30, 2013, 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 are derived from Level 2 inputs, including investments in offshore funds, and the remaining two percent are Level 3 inputs. The Company recognizes transfers between levels at the end of each quarter.

In Level 2, the Company has an investment in an affiliated offshore fund, classified as trading, with a fair value of \$998,000 and \$786,000 as of June 30, 2014, and 2013, respectively, based on the net asset value per share, which invests in companies in the energy and natural resources sectors. The Company may redeem this investment on the first business day of each month after providing a redemption notice at least forty-five days prior to the proposed redemption date.

In addition, the Company has investments in corporate debt securities, classified as available-for-sale, of \$1.1 million as of June 30, 2014, categorized as Level 2 which the Company valued in accordance with the evaluated price supplied by an independent service.

The Company also had a Level 2 investment in an affiliated offshore fund with a fair value of \$4.7 million as of June 30, 2013, classified as available-for-sale, which invested in dividend-paying equity and debt securities of companies located around the world. The fund liquidated in November 2013, and the Company received the fund's underlying investments as a non-taxable redemption-in-kind.

The corporate debt in Level 3 is valued based on review of similarly structured issuances in similar jurisdictions. At June 30, 2014, the Level 3 corporate debt is valued at cost, which approximates fair value as a result of the Company's review of similarly structured issuances in comparable jurisdictions.

At March 31, 2014, approximately \$385,000 in investments in private and venture capital securities were transferred out of available-for-sale Level 3 assets and classified as other investments.

The following table is a reconciliation of investments recorded at fair value for which unobservable inputs (Level 3) were used in determining fair value during the years ended June 30, 2014, and 2013:

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis					
Year Ended June 30,					
<i>(dollars in thousands)</i>	2014			2013	
	Common Stock - International	Corporate Debt	Other	Common Stock - International	Other
Beginning Balance	\$ 95	\$ —	\$ 163	\$ —	\$ 168
Return of capital	—	—	(43)	—	—
Total gains or losses (realized/ unrealized)					
Included in earnings (investment income)	—	—	—	—	—
Included in other comprehensive income (loss)	5	—	5	—	(5)
Purchases	—	250	160	95	—
Sales	—	—	—	—	—
Transfers into Level 3	—	—	—	—	—
Transfers out of Level 3	(100)	—	(285)	—	—
Ending Balance	<u>\$ —</u>	<u>\$ 250</u>	<u>\$ —</u>	<u>\$ 95</u>	<u>\$ 163</u>

NOTE 6. INVESTMENT MANAGEMENT AND OTHER FEES

The Company serves as investment adviser to USGIF and receives a fee based on a specified percentage of net assets under management.

The advisory agreement for the equity funds within USGIF provides for a base advisory fee that is adjusted upwards or downwards by 0.25 percent 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 years ended June 30, 2014, 2013, and 2012, the Company realized a decrease in its base advisory fee of \$815,000; \$133,000; and \$2.2 million; respectively.

The following changes were made during the current fiscal year to the mutual funds the Company manages: (1) the Global Emerging Markets Fund liquidated on October 31, 2013, (2) the MegaTrends Fund was reorganized into the Holmes Growth Fund (renamed Holmes Macro Trends Fund), (3) the Tax Free Fund was reorganized into the Near-Term Tax Free Fund, (4) the U.S. Government Securities Savings Fund changed from a money market fund to the U.S. Government Securities Ultra-Short Bond Fund, and (5) the U.S. Treasury Securities Cash Fund was liquidated on December 27, 2013.

The Company agreed to contractually limit the expenses of the Near-Term Tax Free Fund through December 2014. The Company has voluntarily waived or reduced its fees and/or agreed to pay expenses on the remaining funds. These caps will continue on a voluntary basis at the Company's discretion. The aggregate fees waived and expenses borne by the Company were \$2.4 million; \$3.3 million; and \$3.1 million; for the years ended June 30, 2014, 2013, and 2012, respectively.

Prior to the U.S. Treasury Securities Cash Fund liquidation and the Government Fund conversion, the Company voluntarily agreed to waive fees and/or reimburse these funds to the extent necessary to maintain the respective fund's yield at a certain level as determined by the Company (Minimum Yield). The above waived fees include fees waived and/or expenses reimbursed for these funds as a result of this agreement totaling \$583,000 for the year ended June 30, 2014.

The Company may recapture any fees waived and/or expenses reimbursed to maintain Minimum Yield 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, \$737,000 of the waiver for the Government Fund is recoverable by the Company through December 31, 2014; \$510,000 through December 31, 2015; and \$498,000 through December 31, 2016. The U.S. Treasury Securities Cash Fund also had waivers subject to future recapture; however, because the fund was liquidated in December 2013, there will be no recapture. Management cannot predict the impact of the waivers due to the number of variables and the range of potential outcomes.

In addition, effective December 2013, the Funds' board of trustees increased the administrative services fees paid to the Company 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.

In connection with obtaining and/or providing administrative services to the beneficial owners of USGIF through broker-dealers, banks, trust companies and similar institutions which provide such services, the Company receives shareholder services fees at an annual rate of up to 0.20 percent of the value of shares held in accounts at the institutions. The Company receives distribution and administrative services fees from USGIF based on average net assets.

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. USSI served as transfer agent to USGIF until conversion to a new transfer agent on December 9, 2013. Before the conversion, USSI received fees based on the number of shareholder accounts, transaction and activity-based fees and certain miscellaneous fees. The transfer agency fees are included in "discontinued operations" in the Consolidated Statements of Operations.

The Company provided advisory services to three offshore clients and received a monthly advisory fee based on the net asset values of the clients and performance fees based on the overall increase in net asset values, if any. One of the offshore funds liquidated in November 2013. The contracts between the Company and the offshore clients expire periodically, and management anticipates that its remaining offshore clients will renew the contracts. The Company recorded advisory and performance fees from these clients totaling \$190,000 and \$4,000 for the year ended June 30, 2014; \$299,000 and \$19,000 for the year ended June 30, 2013; and \$352,000 and \$6,000 for the year ended June 30, 2012, respectively.

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment are composed of the following:

(dollars in thousands)	June 30,	
	2014	2013
Building and land	\$ 4,608	\$ 4,608
Furniture, equipment, and other	2,795	1,415
	7,403	6,023
Accumulated depreciation	(4,379)	(2,938)
Net property and equipment	\$ 3,024	\$ 3,085

Depreciation expense totaled \$255,000; \$275,000; and \$282,000 in 2014, 2013, and 2012, respectively.

NOTE 8. INTANGIBLE ASSETS

Intangible assets consisted of the following as of June 30, 2014:

(dollars in thousands)	June 30,	
	2014	2013
Intangible asset - Non-compete agreement ¹		
Gross carrying amount	\$ 90	N/A
Accumulated amortization	(4)	N/A
Net carrying amount	\$ 86	

¹ There were no intangible assets outstanding at June 30, 2013.

The non-compete agreement included as an intangible asset was acquired effective June 1, 2014, in connection with the acquisition of Galileo. This finite-lived identifiable intangible asset is amortized on a straight-line basis over its estimated useful life. As of June 30, 2014, the remaining weighted-average estimated useful life is approximately 1.9 years.

Amortization expense totaled \$4,000 for the year ended June 30, 2014. There was no amortization expense for the years ended June 30, 2013, and 2012. Amortization expense is included in depreciation and amortization on the Consolidated Statements of Operations.

Estimated aggregate annual amortization expense for the intangible asset in each of the five succeeding fiscal years assuming no new acquisitions or impairments is as follows:

(dollars in thousands)	Amortization Expense
2015	\$ 45
2016	41
2017	—
2018	—
2019	—

NOTE 9. OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following:

<i>(dollars in thousands)</i>	June 30,	
	2014	2013
Legal, professional and consulting fees	\$ 325	\$ 266
Vendors payable	246	236
Investments payable	187	—
Platform fees	170	195
Taxes payable	131	68
Other	5	5
Other accrued expenses	<u>\$ 1,064</u>	<u>\$ 770</u>

NOTE 10. BORROWINGS

As of June 30, 2014, 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 25, 2014, 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, 2015, 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, 2014, the credit facility remains unutilized by the Company.

NOTE 11. LEASE COMMITMENTS

The Company has operating leases for office equipment that expire between fiscal years 2015 and 2018 and for office facilities in Canada that expire in 2018. Lease expenses totaled \$494,000; \$491,000; and \$572,000; in fiscal years 2014, 2013, and 2012, respectively. Minimum non-cancelable lease payments required under operating leases for future periods, are as follows:

<i>(dollars in thousands)</i>		
Fiscal Year	Amount	
2015	\$	291
2016		251
2017		185
2018		117
2019		—
Total	<u>\$</u>	<u>844</u>

NOTE 12. 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 \$175,000; \$220,000; and \$205,000; for fiscal years 2014, 2013, and 2012, 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 years 2014 and 2013. The Company made a profit sharing contribution of \$400,000 in fiscal year 2012.

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 Near-Term Tax Free Fund (formerly 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 \$58,000; \$79,000; and \$77,000 in fiscal years 2014, 2013, and 2012, 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 2014, 2013, and 2012, employees purchased 52,191; 48,679; and 28,998, 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, 2014.

NOTE 13. SHAREHOLDERS' EQUITY

Dividends

The monthly dividend of \$0.005 is authorized through December 31, 2014, and will be considered for continuation at that time by the Board of Directors. 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.

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 through December 31, 2013. On December 12, 2013, the Board of Directors renewed the repurchase program for calendar year 2014. The total amount of shares that may be repurchased in 2014 under the renewed program is \$2.75 million. The acquired shares may be used for corporate purposes, including shares issued to employees in the Company's stock-based compensation programs. As of June 30, 2014, there remains approximately \$2.57 million available for repurchase under this authorization.

During fiscal years 2014 and 2013, the Company repurchased 93,351 and 55,052, respectively, of its class A shares on the open market using cash of \$289,000 and \$174,000, respectively. To date, the Company has repurchased a total of 148,403 class A shares under the repurchase program using cash of \$463,000. The Company did not repurchase any of its class A common stock during fiscal year 2012.

Other Activity

The Company did not grant any shares of class A common stock to employees during fiscal year 2014 and 2013. During fiscal year 2012, the Company granted 15,600 shares of class A common stock to certain employees at a weighted average fair value on grant date of \$4.73. Grants vest immediately after issuance.

The Company granted 3,600; 3,600; and 3,600 shares of class A common stock at a weighted average fair value of \$3.07, \$4.16, and \$6.65 to its non-employee directors in fiscal years 2014, 2013, and 2012, respectively. Grants vest immediately after issuance.

Shareholders of class C shares are allowed to convert to class A. During fiscal years 2014, 2013, and 2012, 1,340; 2,516; and 60 shares, respectively, were converted from class C to class A. Conversions are one class A share for one class C share and are recorded at par value. There are no restrictions or requirements to convert.

Stock-based compensation

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, 2014, 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 years 2014 and 2013. One option for 5,000 shares was granted in fiscal year 2012 with a fair value, net of tax, of \$8,000 and was to vest over five years with 20 percent vesting on each anniversary date. This option was forfeited in fiscal year 2014.

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:

<i>(dollars in thousands, except price data)</i>	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (net of tax)
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		
Granted	—	n/a		
Exercised	—	n/a		
Forfeited	7,000	\$ 11.74		
Outstanding June 30, 2014	<u>22,000</u>	\$ 18.72	3.44	\$ 165

As of June 30, 2014, 2013, and 2012, exercisable employee stock options totaled 22,000; 25,000; and 22,000 shares and had weighted average exercise prices of \$18.72; \$18.71; and \$19.21 per share, respectively.

Class A common stock options outstanding and exercisable under the employee stock option plans at June 30, 2014, were as follows:

	Options Outstanding				Options Exercisable	
	Date of Option Grant	Number Outstanding	Remaining Life in Years	Weighted Average Exercise Price (\$)	Number Exercisable	Weighted Average Option Price (\$)
1997 Plan Class A	10/3/2007	20,000	3.25	\$ 19.36	20,000	\$ 19.36
	10/7/2009	2,000	5.27	\$ 12.31	2,000	\$ 12.31
		<u>22,000</u>	3.44	\$ 18.72	<u>22,000</u>	\$ 18.72

NOTE 14. INCOME TAXES

The Company and its non-Canadian 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, 2014, the current deferred tax asset primarily consists of temporary differences in the deductibility of prepaid expenses, accrued liabilities and 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, 2014, the Company has capital loss carryovers of approximately \$754,000 expiring in fiscal year 2019. The Company also has charitable contribution carryovers of approximately \$68,000 expiring in fiscal year 2018 and \$34,000 expiring in fiscal year 2019.

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, 2014 and 2013, a valuation allowance of \$35,000 and \$27,000, respectively, was included related to the charitable contribution carryover. No valuation allowance was included at June 30, 2012.

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

<i>(dollars in thousands)</i>	Year Ended June 30,					
	2014	% of Pretax	2013	% of Pretax	2012	% of Pretax
Tax expense (benefit) at statutory rate - continuing operations	\$ (421)	34.0 %	\$ 24	34.0%	\$ 905	34.0%
Nondeductible gain on business combination	(99)	8.0 %	—	—%	—	—%
Nondeductible membership dues	25	(2.0)%	27	38.0%	27	1.0%
Nondeductible meals and entertainment	25	(2.0)%	44	62.0%	41	1.5%
Other	(47)	3.8 %	5	7.0%	51	1.9%
Total tax expense (benefit) - continuing operations	<u>\$ (517)</u>	41.8 %	<u>\$ 100</u>	141.0%	<u>\$ 1,024</u>	38.4%

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

<i>(dollars in thousands)</i>	Year Ended June 30,		
	2014	2013	2012
Continuing Operations			
Current tax expense (benefit)	\$ (904)	\$ 91	\$ 1,307
Deferred tax expense (benefit)	387	9	(283)
Total tax expense (benefit) - continuing operations	<u>\$ (517)</u>	<u>\$ 100</u>	<u>\$ 1,024</u>
Tax expense (benefit) - continuing operations	\$ (517)	\$ 100	\$ 1,024
Tax benefit - discontinued operations	(125)	(85)	(55)
Total tax expense (benefit)	<u>\$ (642)</u>	<u>\$ 15</u>	<u>\$ 969</u>

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 percent for 2014 and 2013) are as follows:

<i>(dollars in thousands)</i>	Year Ended June 30,	
	2014	2013
Book/tax differences in the balance sheet		
Trading securities	84	238
Prepaid expenses	(142)	(152)
Accumulated depreciation	120	85
Available-for-sale securities	(176)	(55)
Equity method	—	(19)
Accrued expenses	108	111
Stock-based compensation expense	103	117
Tax Carryovers		
Capital loss carryover	252	549
Charitable contributions carryover	35	27
Valuation Allowance	<u>(35)</u>	<u>(27)</u>
Net deferred tax asset	<u>349</u>	<u>874</u>

NOTE 15. EARNINGS PER SHARE

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

<i>(dollars in thousands, except per share data)</i>	Year Ended June 30,		
	2014	2013	2012
Net income (loss)			
Income (loss) from continuing operations	\$ (720)	\$ (29)	\$ 1,638
Less: Income attributable to non-controlling interest in subsidiary	7	—	—
Income (loss) from continuing operations attributable to U.S. Global Investors, Inc.	(727)	(29)	1,638
Loss from discontinued operations attributable to U.S. Global Investors, Inc.	(243)	(165)	(108)
Net income (loss) attributable to U.S. Global Investors, Inc.	\$ (970)	\$ (194)	\$ 1,530
Weighted average number of outstanding shares			
Basic	15,459,022	15,482,612	15,441,464
Effect of dilutive securities			
Employee stock options	—	—	118
Diluted	15,459,022	15,482,612	15,441,582
Earnings (loss) per share attributable to U.S. Global Investors, Inc.			
Basic			
Income (loss) from continuing operations	\$ (0.04)	\$ 0.00	\$ 0.11
Loss from discontinued operations	(0.02)	(0.01)	(0.01)
Net income (loss) attributable to U.S. Global Investors, Inc.	\$ (0.06)	\$ (0.01)	\$ 0.10
Diluted			
Income (loss) from continuing operations	\$ (0.04)	\$ 0.00	\$ 0.11
Loss from discontinued operations	(0.02)	(0.01)	(0.01)
Net income (loss) attributable to U.S. Global Investors, Inc.	\$ (0.06)	\$ (0.01)	\$ 0.10

The diluted EPS calculation excludes the effect of stock options when their exercise prices exceed the average market price for the period. For the years ended June 30, 2014, 2013, and 2012, employee stock options for 22,000; 29,000; and 24,000 shares were excluded from diluted EPS.

During fiscal years 2014 and 2013, the Company repurchased class A shares on the open market. Repurchased shares are classified as treasury shares and are deducted from outstanding shares in the earnings per share calculation.

NOTE 16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents changes in accumulated other comprehensive income (loss) by component:

<i>(dollars in thousands)</i>	Unrealized gains (losses) on available-for- sale investments ¹	Foreign currency translation adjustment	Total
Balance at June 30, 2011	\$ 1,042	\$ —	\$ 1,042
Other comprehensive loss before reclassifications	(703)	—	(703)
Tax effect	239	—	239
Amount reclassified from AOCI	(170)	—	(170)
Tax effect	58	—	58
Net other comprehensive loss for 2012	(576)	—	(576)
Balance at June 30, 2012	466	—	466
Other comprehensive income before reclassifications	530	—	530
Tax effect	(180)	—	(180)
Amount reclassified from AOCI	(248)	—	(248)
Tax effect	84	—	84
Net other comprehensive income for 2013	186	—	186
Balance at June 30, 2013	652	—	652
Other comprehensive income before reclassifications	1,399	18	1,417
Tax effect	(476)	—	(476)
Amount reclassified from AOCI	(1,041)	—	(1,041)
Tax effect	354	—	354
Net other comprehensive income for 2014	236	18	254
Balance at June 30, 2014	<u>\$ 888</u>	<u>\$ 18</u>	<u>\$ 906</u>

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

NOTE 17. FINANCIAL INFORMATION BY BUSINESS SEGMENT

The Company manages the following business segments:

1. Investment Management Services, by which the Company offers, through USGIF, a Delaware statutory trust, and offshore clients, a broad range of investment management products and services to meet the needs of individual and institutional investors;
2. Investment Management Services - Canada, through which, as of June 1, 2014, the Company owns a 65% controlling interest in Galileo Global Equity Advisors Inc., a privately held Toronto-based asset management firm which offers investment management products and services in Canada; and
3. Corporate Investments, through which the Company invests for its own account in an effort to add growth and value to its cash position. Although the Company generates the majority of its revenues from its investment advisory segments, the Company holds a significant amount of its total assets in investments.

The following schedule details total revenues and income by business segment:

<i>(dollars in thousands)</i>	Investment Management Services	Investment Management Services - Canada	Corporate Investments	Consolidated
Year ended June 30, 2014				
Net operating revenues	\$ 11,205	\$ 234	\$ —	\$ 11,439
Net other income	\$ —	\$ —	\$ 2,165	\$ 2,165
Income (loss) from continuing operations before income taxes	\$ (3,426)	\$ 31	\$ 2,158	\$ (1,237)
Loss from discontinued operations	\$ (243)	\$ —	\$ —	\$ (243)
Depreciation and amortization	\$ 252	\$ 7	\$ —	\$ 259
Capital expenditures	\$ 30	\$ —	\$ —	\$ 30
Gross identifiable assets at June 30, 2014	\$ 9,843	\$ 2,159	\$ 25,495	\$ 37,497
Deferred tax asset				\$ 349
Consolidated total assets at June 30, 2014				\$ 37,846
Year ended June 30, 2013				
Net operating revenues	\$ 17,318	\$ —	\$ —	\$ 17,318
Net other income	\$ —	\$ —	\$ 262	\$ 262
Income (loss) from continuing operations before income taxes	\$ (178)	\$ —	\$ 249	\$ 71
Loss from discontinued operations	\$ (165)	\$ —	\$ —	\$ (165)
Depreciation	\$ 275	\$ —	\$ —	\$ 275
Capital expenditures	\$ 39	\$ —	\$ —	\$ 39
Year ended June 30, 2012				
Net operating revenues	\$ 22,374	\$ —	\$ —	\$ 22,374
Net other loss	\$ —	\$ —	\$ (177)	\$ (177)
Income (loss) from continuing operations before income taxes	\$ 2,851	\$ —	\$ (189)	\$ 2,662
Loss from discontinued operations	\$ (108)	\$ —	\$ —	\$ (108)
Depreciation	\$ 282	\$ —	\$ —	\$ 282
Capital expenditures	\$ 18	\$ —	\$ —	\$ 18

NOTE 18. RELATED PARTY TRANSACTIONS

On June 30, 2014, and 2013, the Company had \$19.4 million and \$29.7 million, respectively, at fair value invested in USGIF and offshore clients the Company advises. These amounts were included in the Consolidated Balance Sheet as “trading securities” and “available-for-sale securities” in 2014, and in “cash and cash equivalents”, “trading securities” and “available-for-sale securities” in 2013. The Company recorded \$132,000; \$114,000; and \$117,000 in dividend income and (\$143,000); \$(147,000); and \$50,000 in net unrealized gains (losses) on its investments in the Funds and offshore clients for fiscal years 2014, 2013, and 2012, respectively.

In addition, the Company and its subsidiaries record receivables from mutual funds for investment advisory fees, administrative fees, distribution fees, shareholder services fees and out-of-pocket expenses, net of amounts payable to the mutual funds. As of June 30, 2014, and 2013, the Company had \$1.3 million and \$964,000, respectively, of receivables from mutual funds included in the Consolidated Balance Sheets with “receivables”. Frank Holmes, a director and Chief Executive Officer of the Company, is a trustee of USGIF.

The Company provides advisory services for two offshore funds: the Meridian Global Gold and Resources Fund Ltd. and the Meridian Global Energy and Resources Fund Ltd. The Company also provided advisory services to another offshore fund, the Meridian Global Dividend Income Fund Ltd., prior to its liquidation in November 2013. Mr. Holmes is a director of each offshore fund and is also a director of Meridian Fund Managers Ltd., the manager of the offshore funds. For each offshore fund, the Company receives a monthly advisory fee and a performance fee, based on the overall increase in value of the net assets in the fund, if any. The Company recorded total fees from the offshore funds of \$194,000; \$318,000; and \$358,000 for the years ended June 30, 2014, 2013, and 2012, respectively. In addition, the Company has an investment in the Meridian Global Energy and Resources Fund Ltd. classified as trading with a fair value of \$998,000 and \$786,000 at June 30, 2014 and 2013, respectively. The Company also had an investment in Meridian Global Dividend Income Fund Ltd. classified as available-for-sale with a fair value of \$4.7 million as of June 30, 2013. When the fund liquidated in November 2013, the Company received the fund’s underlying investments as a non-taxable redemption-in-kind.

The Company holds a position in Charlemagne Capital Limited on June 30, 2014, with a fair value of approximately \$1.3 million 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, through July 31, 2014, was the non-discretionary subadviser to the Emerging Europe Fund, a fund within USGIF.

NOTE 19. 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 of Directors has authorized a monthly dividend of \$0.005 per share through December 2014, at which time it will be considered for continuation by the Board of Directors. 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 2014 to December 2014 will be approximately \$463,000.

NOTE 20. SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

Note that quarterly per share amounts may not add to the annual total due to rounding.

	Quarters					
Fiscal 2014	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	
(dollars in thousands except per share data)						
Operating revenues	\$ 3,052	\$ 2,740	\$ 2,742	\$ 2,905	\$ 11,439	
Income (loss) from continuing operations before income taxes	(23)	(1,424)	(12)	222	(1,237)	
Tax expense (benefit)	(14)	(466)	14	(51)	(517)	
Income (loss) from continuing operations	(9)	(958)	(26)	273	(720)	
Loss on discontinued operations	(28)	(207)	(2)	(6)	(243)	
Net income (loss)	(37)	(1,165)	(28)	267	(963)	
Net income attributable to non-controlling interest	—	—	—	7	7	
Net income (loss) attributable to U.S. Global Investors, Inc.	(37)	(1,165)	(28)	260	(970)	
Comprehensive income (loss)	(236)	(1,052)	151	437	(700)	
Comprehensive income (loss) attributable to U.S. Global Investors, Inc.	(236)	(1,052)	151	421	(716)	
Earnings (loss) per share attributable to U.S. Global Investors, Inc.:						
Basic						
Income (loss) from continuing operations	\$ 0.00	\$ (0.06)	\$ 0.00	\$ 0.02	\$ (0.04)	
Loss from discontinued operations	0.00	(0.02)	0.00	0.00	(0.02)	
Net income (loss) attributable to U.S. Global Investors, Inc.	\$ 0.00	\$ (0.08)	\$ 0.00	\$ 0.02	\$ (0.06)	
Diluted						
Income (loss) from continuing operations	\$ 0.00	\$ (0.06)	\$ 0.00	\$ 0.02	\$ (0.04)	
Loss from discontinued operations	0.00	(0.02)	0.00	0.00	(0.02)	
Net income (loss) attributable to U.S. Global Investors, Inc.	\$ 0.00	\$ (0.08)	\$ 0.00	\$ 0.02	\$ (0.06)	
Fiscal 2013	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	
(dollars in thousands except per share data)						
Operating revenues	4,413	4,973	4,473	3,459	17,318	
Income (loss) from continuing operations before income taxes	157	323	199	(608)	71	
Tax expense (benefit)	64	145	84	(193)	100	
Income (loss) from continuing operations	93	178	115	(415)	(29)	
Loss on discontinued operations	(44)	(12)	(74)	(35)	(165)	
Net income (loss)	49	166	41	(450)	(194)	
Net income (loss) attributable to non-controlling interest	—	—	—	—	—	
Net income (loss) attributable to U.S. Global Investors, Inc.	49	166	41	(450)	(194)	
Comprehensive income (loss)	151	(31)	470	(598)	(8)	
Comprehensive income (loss) attributable to U.S. Global Investors, Inc.	151	(31)	470	(598)	(8)	

Earnings (loss) per share attributable to U.S. Global Investors, Inc.:
Basic

Income (loss) from continuing operations	\$	0.00	\$	0.01	\$	0.01	\$	(0.02)	\$	0.00
Loss from discontinued operations		0.00		0.00		(0.01)		0.00		(0.01)
Net income (loss) attributable to U.S. Global Investors, Inc.	\$	0.00	\$	0.01	\$	0.00	\$	(0.02)	\$	(0.01)

Diluted

Income (loss) from continuing operations	\$	0.00	\$	0.01	\$	0.01	\$	(0.02)	\$	0.00
Loss from discontinued operations		0.00		0.00		(0.01)		0.00		(0.01)
Net income (loss) attributable to U.S. Global Investors, Inc.	\$	0.00	\$	0.01	\$	0.00	\$	(0.02)	\$	(0.01)

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, 2014. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of June 30, 2014, 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, 2014. 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). The scope of management's assessment of the effectiveness of internal control over financial reporting excluded the acquisition of controlling interest in Galileo Global Equity Advisors, Inc. ("Galileo"), which was acquired effective June 1, 2014. Galileo's total assets as of June 30, 2014 constitutes approximately 5.5 percent of the Company's total assets. Galileo's net revenues and income from continuing operations before income taxes for the year ended June 30, 2014, which includes Galileo's operations after June 1, 2014, constitutes approximately 2.0 percent and (1.5) percent of the Company's net revenues and loss from continuing operations before income taxes, respectively. See a discussion of this acquisition in the Notes to the Consolidated Financial Statements at Note 3 Business Combination, of this Annual Report in Form 10-K. Based on the Company's assessment, management believes that, as of June 30, 2014, 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, 2014, 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, 2014, 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.

Item 9B. Other Information

In light of Frank Holmes' ownership of 99.78 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.



Part III of Annual Report on Form 10-K

Item 10. Directors, Executive Officers and Corporate Governance

The directors and executive officers of U.S. Global Investors, Inc. (“U.S. Global” or the “Company”) are as follows:

Name	Age	Position
Frank E. Holmes	59	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 from April 2011 to March 2014; 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	76	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. from April 2011 to July 2014. Director, Chief Executive Officer, and Chairman of the Board for ProElite, Inc. from June 2012 to July 2014. Director, Chairman of the Board and Chairman of the Audit Committee of RestorGenex Corporation during the period April 2011 to July 2014. Director and Chairman of the Audit Committee of SpendSmart Payments Co. since October 2013. 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	67	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.	54	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	55	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.
Lisa C. Callicotte	41	Chief Financial Officer of the Company since July 12, 2013. Controller of the Company from July 2009 until July 2013. Since July 2009, Ms. Callicotte has served and continues to serve in various positions with the Company, its subsidiaries, and the investment companies it sponsors. 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.

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 of Directors has determined that none of the members of the two standing

committees of the Board of Directors in existence during the 2014 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 five meetings over the past fiscal year. Each incumbent director attended at least 70 percent of the board meetings during the last fiscal year. Directors are encouraged to attend the Annual Meeting of Shareholders. Three of the four directors attended the 2013 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 of Directors. The Audit Committee met seven times during the past fiscal year. Each incumbent committee member attended at least 70 percent of the committee meetings 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, 2014, 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 PCAOB auditing standards which relates to the conduct of our audit, including our auditors’ judgment about the quality of the accounting principles applied in our fiscal year 2014 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 of Directors 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, 2014.

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. Each incumbent committee member attended at least 70 percent of the committee meetings during the last fiscal year.

Compensation Committee Interlocks and Insider Participation. During fiscal year 2014, 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 2014, 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 of Directors 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 members are 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 of Directors in evaluating a person's candidacy:

- Management and leadership experience;
- Skilled and diverse background; and
- Integrity and professionalism.

The board members are authorized to use any methods it deems appropriate for identifying candidates for board membership. In addition, candidates recommended by the Company's stockholders 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.

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, 2014, 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.

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 2014. 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 of Directors 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 2014.

Name	Title
Frank E. Holmes	Chief Executive Officer and Chief Investment Officer
Lisa C. Callicotte	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.

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 2014 to obtain market information. In addition, the Compensation Committee did not 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.

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, Ms. Lisa Callicotte. 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. Occasionally, Ms. Callicotte 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 retail assets in recognition of her strategic guidance of the sales personnel. 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, 2014, no stock options were granted. As of June 30, 2014, 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, 2014, no stock options were granted. As of June 30, 2014, 581,300 options had been granted, 257,000 shares had been exercised, 302,300 options had expired, 22,000 options remained outstanding and 121,000 options are available for grant.

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 2014, 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

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 2014. 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 of Directors 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. No profit sharing contributions were made in fiscal years 2014 and 2013. A profit sharing contribution of \$400,000 was made in fiscal year 2012.

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 Near-Term 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 2014, 2013, and 2012, employees purchased 52,191; 48,679; and 28,998 shares of treasury stock from us, respectively. The purchase price used is the closing stock price on the last business day of each month. All participants, including executive officers, in the Employee Stock Purchase Plan are subject to stock ownership and holding guidelines. 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 2014 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.

Compensation of Named Executive Officers

The following table sets forth for the fiscal year ended June 30, 2014, the compensation reportable for the NEOs, as determined by SEC rules. Columns were omitted if they were not applicable.

Summary Compensation Table							
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Non-Equity Incentive Plan Compensation (\$) ¹	All Other Compensation (\$)	Total (\$)
<i>(dollars in thousands)</i>							
Frank E. Holmes	2012	422	6	—	257	163	848
Chief Executive Officer	2013	412	6	—	230	123	771
Chief Investment Officer	2014	422	4	—	220	119 ²	765
Catherine A. Rademacher	2012	100	62	12	—	38	212
Chief Financial Officer ⁴	2013	101	49	—	—	18	168
Lisa C. Callicotte	2014	135	27	—	—	19 ³	181
Chief Financial Officer ⁴							
Susan B. McGee	2012	258	36	12	45	146	497
President	2013	258	29	—	48	133	468
General Counsel	2014	258	34	—	23	123 ⁵	438

^{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) \$58 in insurance, (ii) \$33 in matched contributions, (iii) \$14 in memberships, and (iv) \$14 in miscellaneous items.

^{3.} Represents amounts paid by us on behalf of Ms. Callicotte as follows: (i) \$16 in matched contributions and (ii) \$3 in miscellaneous items.

^{4.} Ms. Callicotte replaced Ms. Rademacher as Chief Financial Officer effective July 12, 2013.

^{5.} Represents amounts paid by us on behalf of Ms. McGee as follows: (i) \$73 in insurance, (ii) \$26 in matched contributions, (iii) \$18 in memberships, and (iv) \$6 in miscellaneous items.

No stock awards were granted to the named executive officer in fiscal year 2014.

During fiscal year 2014, there were no exercises of stock options or vesting of restricted stock. As of June 30, 2014, Ms. Callicotte held 2,000 fully vested stock options exercisable at a price of \$12.31. These options expire on October 7, 2019. No other options were 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.

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, 2014, is detailed in the table below. Columns that were not applicable were omitted.

Director Compensation			
Name	Fees Earned or Paid in Cash ¹	Stock Awards ²	Total
<i>(dollars in thousands)</i>			
Jerold H. Rubinstein	\$ 108	\$ 4	\$ 112
Roy D. Terracina	\$ 44	\$ 4	\$ 48
Thomas F. Lydon, Jr.	\$ 24	\$ 4	\$ 28

^{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 2014.

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 of Directors 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

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 18, 2014, there were 2,069,187 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	2,064,560	99.78%
7900 Callaghan Road		
San Antonio, TX 78229		

Class A Common Stock (Nonvoting Stock)

On August 18, 2014, there were 13,361,378 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 (%)
Financial & Investment Management Group, Ltd. - Traverse City, MI ¹	2,583,231 ¹	19.33%
Royce & Associates, LLC ²	2,118,654 ²	15.86%

¹ Information is from Schedule 13G as of July 31, 2014, filed with the SEC on August 11, 2014.

² Information is from Schedule 13F as of June 30, 2014, filed with the SEC on August 11, 2014.

Security Ownership of Management

The following table sets forth, as of August 18, 2014, 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	99.78%	334,594	2.50%
Lisa C. Callicotte, CFO	—	—	9,738	0.07%
Susan B. McGee, President, General Counsel	—	—	91,151	0.68%
Jerold H. Rubinstein, Director	—	—	8,100	0.06%
Roy D. Terracina, Director	—	—	42,100	0.32%
Thomas F. Lydon, Jr., Director	—	—	8,100	0.06%
All directors and executive officers as a group (six persons)	<u>2,064,560</u>	<u>99.78%</u>	<u>493,783</u>	<u>3.69%</u>

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	22,000	\$ 18.72	121,000
Employee Stock Purchase Plan ³	N/A	N/A	113,158
2010 Stock Incentive Plan ⁴	N/A	N/A	85,000
Total	22,000		1,036,158

- 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 has not been 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 18 Related Party Transactions to the Consolidated Financial Statements of this Annual Report in Form 10-K, which incorporates the information of the relationships and related transaction for this Item 13. Refer to Item 10 for information regarding director independence.

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, 2014, and 2013, respectively, rendered by BDO USA, LLP.

(dollars in thousands)	Fiscal year ended June 30,	
	2014	2013
Audit fees ¹	\$ 296	\$ 318
Audit-related fees ²	10	10
Tax fees ³	29	45
Total fees	\$ 335	\$ 373

- 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, 2014, and 2013, were pre-approved by the Audit Committee.



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

See Item 8 of Part II of this report.

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).
- 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).
- 10.3 Amended and Restated Administrative Services Agreement, dated December 9, 2013, by and between U.S. Global Investors Funds and U.S. Global Investors, Inc., incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2013 (EDGAR Accession No. 0000754811-14-000019).
- 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).
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 April 25, 2014, by and between the Company and JPMorgan Chase Bank, N.A., included herein.
10.17	Amended and Restated Administrative Services Agreement, dated August 14, 2014, and effective as of November 1, 2014, by and between U.S. Global Investors Funds and U.S. Global Investors, Inc., 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.

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 27, 2014

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
<u>/s/ Frank E. Holmes</u> FRANK E. HOLMES	Chief Executive Officer Chief Investment Officer Director	August 27, 2014
<u>* /s/ Thomas F. Lydon, Jr.</u> THOMAS F. LYDON, JR.	Director	August 27, 2014
<u>* /s/ Jerold H. Rubinstein</u> JEROLD H. RUBINSTEIN	Chairman, Board of Directors	August 27, 2014
<u>* /s/ Roy D. Terracina</u> ROY D. TERRACINA	Director	August 27, 2014
<u>/s/ Lisa C. Callicotte</u> LISA C. CALLICOTTE	Chief Financial Officer	August 27, 2014
<u>*BY: /s/ Susan B. McGee</u> Susan B. McGee Attorney-in-Fact under Power of Attorney dated September 26, 2001		August 27, 2014

Note Modification Agreement

This agreement is dated as of April 25, 2014 (the “**Agreement Date**”), by and between U.S. GLOBAL INVESTORS, INC. (the “**Borrower**”) and JP Morgan Chase Bank, N.A. (together with its successors and assigns, the “**Bank**”). The provisions of this agreement are effective on the date that this agreement has been executed by all of the signers and delivered to the Bank (the “**Effective Date**”).

WHEREAS, the Borrower executed a Line of Credit Note dated as of February 26, 2009 in the original principal amount of One Million and 00/100 Dollars (\$1,000,000.00), (as same may have been amended or modified from time to time, the “**Note**”) as evidence of an extension of credit from the Bank to the Borrower, which Note has at all times been, and is now, continuously and without interruption outstanding in favor of the Bank; and,

WHEREAS, the Borrower has requested and the Bank has agreed that the Note be modified to the limited extent as hereinafter set forth in this agreement;

NOW THEREFORE, in mutual consideration of the agreements contained herein and for other good and valuation consideration, the parties agree as follows:

1. **ACCURACY OF RECITALS.** The Borrower acknowledges the accuracy of the Recitals stated above.

2. **DEFINITIONS.** Capitalized terms used in this agreement shall have the same meanings as in the Note, unless otherwise defined in this agreement.

3. **MODIFICATION OF NOTE.**

3.1 The provision in the Note captioned “**Promise to Pay**” is hereby amended as follows: The date on which the entire balance of unpaid principal plus accrued interest shall be due and payable immediately is hereby changed from May 31, 2014 to May 31, 2015.

3.2 Each of the Related Documents is modified to provide that it shall be a default or an event of default hereunder if the Borrower shall fail to comply with any of the covenants of the Borrower herein or if any representation or warranty by the Borrower herein or by any guarantor in any Related Documents is materially incomplete, incorrect, or misleading as of the date hereof. As used in this agreement, the “**Related Documents**” shall include the Note and all applications for letters of credit, loan agreements, credit agreements, reimbursement agreements, security agreements, mortgages, deeds of trust, pledge agreements, assignments, guaranties, or any other instrument or document executed in connection with the Note or in connection with any other obligations of the Borrower to the Bank.

3.3 Each reference in the Related Documents to any of the Related Documents shall be a reference to such document as modified by this agreement.

4. **RATIFICATION OF RELATED DOCUMENTS AND COLLATERAL.** The Related Documents are ratified and reaffirmed by the Borrower and shall remain in full force and effect as they may be modified by this agreement. All property described as security in the Related Documents shall remain as security for the Note, as modified by this agreement, and the Liabilities under the other Related Documents.

5. **BORROW REPRESENTATIONS AND WARRANTIES.** The Borrower represents and warrants to the Bank that each of the representations and warranties made in the Note and the other Related Documents and each of the following representations and warranties are and will remain, true and correct until the later of maturity or the date on which all Liabilities evidenced by the Note are paid in full:

5.1 No default, event of default or event that would constitute a default or event of default but for the giving of notice, the lapse of time or both, has occurred and is continuing under any provision of the Note, as modified by this agreement, or any other Related Document.

5.2 No event has occurred which may in any one case or in the aggregate materially and adversely affect the financial condition, properties, business, affairs, prospects or operations of the Borrower or any guarantor or any subsidiary of the Borrower.

5.3 The Borrower has no defenses or counterclaims, offsets or adverse claims, demands or actions of any kind, personal or otherwise, that it could assert with respect to the Note or any other Liabilities.

5.4 The Note, as modified by this agreement, and the other Related Documents are the legal, valid, and binding obligations of the Borrower and the other parties, enforceable against the Borrower and other parties in accordance with their terms, except as may

Exhibit 10.16

be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by general principles of equity.

5.5 The Borrower, other than any Borrower who is a natural person, is validly existing under the laws of the State of its formation or organization. The Borrower has the requisite power and authority to execute and deliver this agreement and to perform the obligations described in the Related Documents as modified herein. The execution and delivery of this agreement and the performance of the obligations described in the Related Documents as modified herein have been duly authorized by all requisite action by or on behalf of the Borrower. This agreement has been duly executed and delivered by or on behalf of the Borrower.

6. **BORROWER COVENANTS.** The Borrower covenants with the Bank:

6.1 The Borrower shall execute, deliver, and provide to the Bank such additional agreements, documents, and instruments as reasonably required by the Bank to effectuate the intent of this agreement.

6.2 The Borrower fully, finally, and forever releases and discharges the Bank, its successors, and assigns and their respective directors, officers, employees, agents, and representatives (each a "**Bank Party**") from any and all causes of action, claims, debts, demands, and liabilities, of whatever kind or nature, in law or equity, of the Borrower, whether now known or unknown to the Borrower, (i) in respect of the loan evidenced by the Note and the Related Documents, or of the actions or omissions of any Bank Party in any manner related to the loan evidenced by the Note or the Related Documents and (ii) arising from events occurring prior to the date of this agreement ("**Claims**"); provided, however, that the foregoing **RELEASE SHALL INCLUDE ALL CLAIMS ARISING OUT OF THE NEGLIGENCE OF ANY BANK PARTY**, but not the gross negligence or willful misconduct of any Bank Party.

6.3 To the extent not prohibited by applicable law, the Borrower shall pay to the Bank:

6.3.1 All the internal and external costs and expenses incurred (or charged by internal allocation) by the Bank in connection with this agreement (including, without limitation, inside and outside attorneys, appraisal, appraisal review, processing, title, filing, and recording costs, expenses and fees.)

7. **EXECUTION AND DELIVERY OF AGREEMENT BY THE BANK.** The Bank shall not be bound by this agreement until (i) the Bank has executed this agreement and (ii) the Borrower has executed and delivered this agreement together with all other related documents requested by the Bank, and the Borrower has fully satisfied all other conditions precedent, as determined by the Bank in its sole discretion.

8. **STATEMENTS.** The Bank may from time to time provide the Borrower with account statements or invoices with respect to any of the Liabilities ("Statements"). The Bank is under no duty or obligation to provide Statements, which, if provided, will be solely for the Borrower's convenience. Statements may contain estimates of the amounts owed during the relevant billing period, whether of principal, interest, fees or other Liabilities. If the Borrower pays the full amount indicated on a Statement on or before the due date indicated on such Statement, the Borrower shall not be in default of payment with respect to the billing period indicated on such Statement; provided, that acceptance by the Bank of any payment that is less than the total amount actually due at that time (including but not limited to any past due amounts) shall not constitute a waiver of the Bank's right to receive payment in full at another time.

9. **INTEGRATION, ENTIRE AGREEMENT, CHANGE, DISCHARGE, TERMINATION, OR WAIVER.** The Note, as modified by this agreement, and the other Related Documents contain the complete understanding and agreement of the Borrower and the Bank in respect of any Liabilities evidenced by the Note and supersede all prior understandings, and negotiations. If any one or more of the obligations of the Borrower under this agreement or the Note, as modified by this Agreement, is invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining obligations of the Borrower shall not in any way be affected or impaired, and the invalidity, illegality or unenforceability in one jurisdiction shall not affect the validity, legality or enforceability of the obligations of the Borrower under this agreement, the Note as modified by this agreement and the other Related Documents in any other jurisdiction. No provision of the Note, as modified by this agreement, or any other Related Documents may be changed, discharged, supplemented, terminated, or waived except in a writing signed by the party against whom it is being enforced.

10. **GOVERNING LAW AND VENUE.** This agreement shall be governed by and construed in accordance with the laws of the State of Texas (without giving effect to its laws of conflicts). The Borrower agrees that any legal action or proceeding with respect to any of its obligations under the Note of this agreement may be brought by the Bank in any state or federal court located in the State of Texas, as the Bank in its sole discretion may elect. By the execution and delivery of this agreement, the Borrower submits to and accepts, for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of those courts. The Borrower waives any claim that the State of Texas is not a convenient forum or the proper venue for any such suit, action or proceeding. This agreement binds the Borrower and its successors, and benefits the Bank, its successors and assigns. The Borrower shall not, however, have the right to assign the Borrower's rights under this agreement or any interest therein, without the prior written consent of the Bank.

Exhibit 10.16

11. COUNTERPART EXECUTION. This agreement may be executed in multiple counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts, taken together, shall constitute one and the same agreement.

12. NOT A NOVATION. This agreement is a modification only and not a novation. In addition to all amounts hereafter due under the Note, as modified by this agreement, and the other Related Documents, all accrued interest evidenced by the Note being modified by this agreement and all accrued amounts due and payable under the Related Documents shall continue to be due and payable until paid. Except for the modification(s) set forth in this agreement, the Note, the other Related Documents and all the terms and conditions thereof, shall be and remain in full force and effect with the changes herein deemed to be incorporated therein. This agreement is to be considered attached to the Note and made a part thereof. This agreement shall not release or affect the liability of any guarantor, surety or endorser of the Note or release any owner of collateral securing the Note. The validity, priority and enforceability of the Note shall not be impaired hereby. References to the Related Documents and to other agreements shall not affect or impair the absolute and unconditional obligation of the Borrower to pay the principal and interest on the Note when due. The Bank reserves all rights against parties to the Note and the other Related Documents.

13. TIME IS OF THE ESSENCE. Time is of the essence under this agreement and in the performance of every term, covenant and obligation contained herein.

THIS AGREEMENT AND THE OTHER RELATED DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Address: 7900 Callaghan Road
San Antonio, TX 78229

Borrower:

U.S. GLOBAL INVESTORS, INC.

By: /s/ Frank E. Holmes

Frank E. Holmes

Printed Name

CEO

Title

Date Signed: 6/15/14

BANK'S ACCEPTANCE

The foregoing agreement is hereby agreed to and acknowledged.

Bank:

JPMorgan Chase Bank, N.A.

By: /s/ Natalie Hill

Natalie Hill

Printed Name

VP

Title

Date Signed: 5/20/14

**AMENDED AND RESTATED
ADMINISTRATIVE SERVICES AGREEMENT
AMENDED August 14, 2014**

AGREEMENT, dated as of August 14, 2014, and effective as of November 1, 2014, among U.S. Global Investors Funds, a Delaware statutory trust (the “Trust”), on its own behalf and on behalf of each of the Funds listed on Appendix A to this Agreement (each a “Fund” and together, the “Funds”), and U.S. Global Investors, Inc., a Texas corporation, and any successor thereto (the “Administrator”), with respect to each Fund named in Appendix A to this Agreement, as may be amended from time to time.

WHEREAS, the Trust is engaged in business as an open-end investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”); and

WHEREAS, the Trust desires to retain the Administrator and its permitted designees to provide certain administrative services (the “Services”) to the Funds and with respect to the share classes of those Funds (the “Classes”) on the terms set out in this Agreement, and the Administrator and its designees are willing to provide the Services to the Funds and Classes on the terms set out in this Agreement.

NOW, THEREFORE, in consideration of the premises and the covenants contained in this Agreement, the parties agree as follows:

1. Appointment. The Trust appoints the Administrator to provide the Services set out in Appendix B to this Agreement for the benefit of the Trust and the Funds. The Administrator accepts its appointment and agrees to provide the Services for the compensation set out in this Agreement. Each new series of the Trust and share class thereof established in the future by the Trust shall automatically become a “Fund” or “Class,” respectively, for all purposes hereunder as if it were listed in Appendix A, absent written notification to the contrary by either the Trust or the Administrator.

2. Duties of the Administrator. The Administrator shall, at its expense, provide the services set forth in Appendix B in connection with the operations of the Trust and the Funds.

The parties hereto hereby acknowledge and agree that, for single class Funds, all of the administration services listed in Appendix B are provided at the Fund level and that, for multi-class Funds, certain of the administration services listed in Appendix B are provided, to some degree, at the Fund level (“Fund-Level Duties”). Additionally, the parties hereto hereby acknowledge and agree that, for multi-class Funds, certain of the administration services listed in Appendix B are provided in their entirety or to a different degree at the Class level (“Class-Level Duties”).

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In performing all services under this Agreement, the Administrator shall: (a) act in conformity with the Trust's Agreement and Declaration of Trust and By-Laws, the 1940 Act, and any other applicable laws as may be amended from time to time, and all relevant rules thereunder, and with the Trust's registration statement under the Securities Act of 1933 and the 1940 Act, as may be amended from time to time; (b) consult and coordinate with legal counsel to the Trust as necessary and appropriate; and (c) advise and report to the Trust and its legal counsel, as necessary and appropriate, with respect to any compliance or other matters that come to its attention.

3. Fees.

(a) In consideration of the Fund-Level Duties and Class-Level Duties rendered by the Administrator under this Agreement for each multi-class Fund, the Trust shall pay the Administrator a Fund-Level Fee and Class-Level Fee, respectively, as shown on Appendix C. In consideration of the duties rendered by the Administrator under this Agreement for each single class Fund, the Trust shall pay the Administrator a fee, as shown on Appendix C. In addition, for each multi-class and single-class Fund, the Trust shall pay the Administrator a base fee, as shown on Appendix C. The fees payable pursuant to this Paragraph shall be calculated based on the average daily value (as determined on each business day at the time set forth in each Fund's prospectus for determining net asset value per share) of each Fund's or Class's net assets, as appropriate, during the preceding month.

(b) The Administrator may from time to time agree not to impose all or a portion of its fee otherwise payable under this Agreement and/or undertake to pay or reimburse the Trust for all or a portion of its expenses not otherwise required to be paid by or reimbursed by the Administrator. Unless otherwise agreed, any fee reduction or undertaking may be discontinued or modified by the Administrator at any time. The Administrator reserves the right to recoup any waived fees or expenses payable under this Agreement for a period of up to three years from the date of the waiver of such fees and expenses.

(c) For the month and year in which this Agreement becomes effective or terminates, there will be an appropriate pro ration of any fee based on the number of days that the Agreement is in effect during such month and year, respectively.

(d) The Administrator will not be required to pay expenses of any activity which is primarily intended to result in the sale of shares of a Fund if and to the extent that such expenses are required to be borne by a principal underwriter which acts as the distributor of a Fund's shares pursuant to an underwriting agreement which provides that the underwriter shall assume some or all of such expenses.

4. Expenses.

(a) Except as otherwise provided in this Agreement, the Administrator will pay all costs it incurs in connection with the performance of its duties under this Agreement. The Administrator will pay the compensation and expenses of all of its personnel and will make available, without expense to the Trust, the services of its officers and employees as may duly be elected officers or

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Trustees of the Trust, subject to their individual consent to serve and to any limitations imposed by law. Nothing in this Paragraph 3 shall preclude or prevent the Trust from paying expenses not enumerated in Subparagraph (b) below, including but not limited to expenses incurred in the course of the Administrator providing additional services to the Trust that are not currently contemplated by this Agreement.

(b) The Administrator will not be required to pay any expenses of the Trust other than those specifically allocated to the Administrator in this Agreement. In particular, but without limiting the generality of the previous sentence, the Administrator will not be required to pay the Trust expenses set forth below. The expenses of the Trust shall include, without limitation:

(i) the charges and expenses of any registrar, stock transfer or dividend disbursing agent, custodian, or depository appointed by the Trust for the safekeeping of its cash, portfolio securities and other property;

(i) the charges and expenses of the Trust's independent auditors;

(ii) brokerage commissions and other costs in connection with transactions in the portfolio securities of the Trust;

(iii) all taxes, including issuance and transfer taxes, and corporate fees payable by the Trust to Federal, state or other governmental agencies;

(iv) the cost of stock certificates (if any) representing shares of the Trust;

(v) expenses involved in registering and maintaining registrations of the Trust and of its shares with the U.S. Securities and Exchange Commission and various states and other jurisdictions;

(vi) all expenses of shareholders' and Trustees' meetings, including meetings of committees, and of preparing, printing and mailing proxy statements and solicitations of proxies, quarterly reports, semi-annual reports, annual reports and other communications to shareholders;

(vii) all expenses of preparing and setting in type, prospectuses, and expenses of printing and mailing the same to shareholders (but not expenses of printing and mailing of prospectuses and literature used for promotional purposes);

(viii) compensation and travel expenses of Trustees who are not "interested persons" within the meaning of the 1940 Act ("Independent Trustees");

(ix) the expenses of furnishing or causing to be furnished, to each shareholder an account statement, including the expense of mailing such statements;

(x) charges and expenses of legal counsel in connection with matters relating to the Trust, including, without limitation, legal services rendered by counsel to the Trust's

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Independent Trustees, or the services of other legal counsel retained by the Trust's Independent Trustees;

(xi) the expenses of attendance at professional meetings of organizations such as the Investment Company Institute, the Mutual Fund Director's Forum, or other similar organizations by officers and Trustees of the Trust, and the membership or association dues of such organizations;

(xiii) the cost and expenses of senior management with respect to transfer agent oversight and related operational issues, including the coordination of reporting to the Trust's Board of Trustees (the "Board");

(xiv) the cost and expenses of shareholder servicing personnel with respect to transfer agent oversight and related operational issues, including, without limitation, education and training of telephone representatives;

(xv) the cost and expenses of accounting personnel with respect to transfer agent oversight and related operational issues, including, without limitation, review of monthly invoicing and authorization for fund payments;

(xvi) the cost and expense of maintaining the books and records of the Trust, including general ledger accounting;

(xvii) the expense of obtaining and maintaining fidelity bond as required by Section 17(g) of the 1940 Act and the expense of maintaining director's and officer's insurance for the Trust and the Trustees and officers of the Trust;

(xviii) interest payable on Trust borrowings;

(xix) postage; and

(xx) such non-recurring or extraordinary expenses as they may arise, including those relating to actions, suits or proceedings to which the Trust is a party and the legal obligation which the Trust may have to indemnify the Trust's Trustees and officers with respect thereto.

5. Delegation.

(a) The Administrator, upon prior notice to the Trust and in compliance with applicable law, may delegate any of the Services, or adjust any prior delegation, to any other person or persons that the Administrator controls, is controlled by, or is under common control with, or to specified employees of any such persons, to the extent permitted by applicable law.

(b) Subject to prior approval of a majority of the members of the Board, including a majority of the Trustees who are not "interested persons," and, to the extent required by applicable law, by the shareholders of a Fund, the Administrator, upon prior consent of the Trust and in compliance with applicable law, may delegate or outsource any of the Services, or adjust any prior

delegation or outsourcing, to any other person or persons unaffiliated with the Administrator or to specified employees of any such persons, to the extent permitted by applicable law.

(c) Notwithstanding any delegation under clauses (a) or (b) of this Section 4, the Administrator will continue to supervise the Services provided by such persons or employees and any delegation will not relieve the Administrator of any of its obligations under this Agreement.

6. Compliance with Rule 38a-1. The Administrator shall maintain policies and procedures relating to the services it provides pursuant to this Agreement that are reasonably designed to prevent violations of the federal securities laws, and shall employ personnel to administer the policies and procedures who have the requisite level of skill and competence required to effectively discharge its responsibilities. The Administrator also shall provide the Trust's chief compliance officer with periodic reports regarding its compliance with the federal securities laws, and shall promptly provide special reports in the event of any material violation of the federal securities laws.

7. Books and Records. The Administrator will maintain the books and records with respect to each Fund relating to the Services it provides pursuant to this Agreement and as are required pursuant to the 1940 Act and the rules thereunder. In compliance with the requirements of Rule 31a-3 under the 1940 Act, the Administrator hereby agrees that all records which it maintains for each Fund are the property of such Fund and further agrees to surrender promptly to a Fund any of such records upon the Fund's request. The Administrator further agrees to preserve for the periods prescribed by Rule 31a-2 under the 1940 Act the foregoing records required to be maintained by Rule 31a-1 under the 1940 Act.

8. Reports to Administrator. Each Fund shall furnish or otherwise make available to the Administrator such copies of that Fund's prospectus, statement of additional information, financial statements, proxy statements, reports, and other information relating to its business and affairs as the Administrator may, at any time or from time to time, reasonably require in order to discharge its obligations under this Agreement.

9. Reports to Each Fund. The Administrator shall prepare and furnish to each Fund such reports, statistical data and other information in such form and at such intervals as such Fund may reasonably request.

10. Independent Contractor. In the performance of its duties hereunder, the Administrator is and shall be an independent contractor and, unless otherwise expressly provided herein or otherwise authorized in writing, shall have no authority to act for or represent the Trust or any Fund in any way or otherwise be deemed to be an agent of the Trust or any Fund.

11. Confidentiality. Subject to the duties of the Administrator and the Trust to comply with the applicable law, including any demand of any regulatory or taxing authority having jurisdiction, the parties hereto shall treat as confidential all information pertaining to a Fund and the Trust and the actions of the Adviser and the Funds in respect thereof.

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12. Non-Exclusive Services. The services of the Administrator to the Trust are not to be deemed exclusive, the Administrator being free to render services to others and engage in other activities, provided, however, that such other services and activities do not, during the term of this Agreement, interfere, in a material manner, with the Administrator's ability to meet all of its obligations with respect to rendering services to the Trust hereunder.

13. Effect of Agreement. Nothing herein contained shall be deemed to require the Trust or any Fund to take any action contrary to the Agreement and Declaration of Trust or By-laws of the Trust or any applicable law, regulation or order to which it is subject or by which it is bound, or to relieve or deprive the Trustees of their responsibility for and control of the conduct of the business and affairs of the Fund or Trust.

14. Limitation of Liability and Indemnification. The Administrator shall exercise its best judgment in rendering the services under this Agreement. The Administrator shall not be liable for any error of judgment or mistake of law or for any loss suffered by a Fund or a Fund's shareholders in connection with the matters to which this Agreement relates, provided that nothing herein shall be deemed to protect or purport to protect the Administrator against any liability to a Fund or to its shareholders to which the Administrator would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or by reason of the Administrator's reckless disregard of its obligations and duties under this Agreement. The Trust shall indemnify and hold harmless the Administrator and its affiliated and controlling persons (as those terms are defined in Section 2(a)(3) of the 1940 Act and Section 15 of the 1933 Act, respectively) against any and all losses, claims, damages, liabilities or litigation (including reasonable legal and other expenses) by reason of or arising out of any error of judgment or mistake of law or for any loss suffered by a Fund or a Fund's shareholders in connection with the matters to which this Agreement relates, provided that the Administrator's actions or omissions do not rise to the level of willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties under this Agreement. The Administrator shall indemnify and hold harmless the Trust, including its series, and its affiliated and controlling persons (as defined above) against any and all losses, claims, damages, liabilities or litigation (including reasonable legal and other expenses) by reason of or arising out of the Administrator's willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or by reason of the Administrator's reckless disregard of its obligations and duties under this Agreement. It is expressly agreed that the obligations of the Administrator hereunder shall not be binding upon any shareholders, nominees, officers, agents or employees of the Administrator personally, but bind only the assets and property of the Administrator, respectively.

15. Trust and Shareholder Liability. The Administrator is hereby expressly put on notice of the limitation of shareholder liability as set forth in the Agreement and Declaration of Trust of the Trust and agrees that obligations assumed by the Trust and/or a Fund pursuant to this Agreement shall be limited in all cases to that Trust and/or the Fund and its assets, and if the liability relates to one or more Funds, the obligations hereunder shall be limited to the respective assets of such Fund or Funds. The Administrator further agrees that they shall not seek satisfaction of any such obligation from the shareholders or any individual shareholder of a Fund, nor from the Trustees,

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any individual Trustee of the Trust or any of the Trust's officers, employees or agents, whether past, present or future shall be personally liable therefor.

16. Force Majeure. The Administrator shall not be liable for delays or errors occurring by reason of circumstances beyond its control, including but not limited to acts of civil or military authority, national emergencies, work stoppages, fire, flood, catastrophe, acts of God, insurrection, war, riot, or failure of communication or power supply. In the event of equipment breakdowns beyond its control, the Administrator shall take reasonable steps to minimize service interruptions but shall have no liability with respect thereto.

17. Duration and Termination. This Agreement shall become effective as of the date written above with respect to the Trust, and with respect to each Fund as indicated in Schedule A and shall remain in full force and effect until one year after the date written above. Thereafter, if not terminated, this Agreement shall continue automatically for successive terms of one year, subject to annual renewal as provided in Section 16(a) hereof and unless terminated as set forth in Sections 16(b) and (c) hereof:

(a) The Agreement shall be approved annually with respect to a Fund (1) by a vote of a majority of the Trust's Board who are not "interested persons" of the Trust or (2) by a vote of a "majority of the outstanding voting securities" of the Fund.

(b) Either party hereto may, at any time on sixty (60) days' prior written notice to the other, terminate this Agreement with respect to a Fund or the Trust as a whole, without payment of any penalty. With respect to a Fund, termination may be authorized by action of the Board of the Trust or by a vote of a majority of the outstanding voting securities of the Fund.

(c) Either party hereto may terminate this Agreement with respect to a Fund or the Trust as a whole, upon a material breach of the other party with respect to that party's obligations under this Agreement. The party in material breach of this Agreement will be permitted a period of no more than sixty (60) days' to remedy the breach. Failure to remedy such breach will result in termination of this Agreement without payment of any penalty by the non-breaching party.

In the event of termination of this Agreement for any reason, the Administrator shall, immediately upon notice of termination or on such later date as may be specified in such notice, cease all activity on behalf of the Trust and each Fund and, with respect to any of its assets, except as otherwise required by any fiduciary duties of the Administrator under applicable law. In addition, the Administrator shall deliver the all books and records to the Trust by such means and in accordance with such schedule as the Trust shall direct and shall otherwise cooperate, as reasonably directed by the Trust, in the transition of administrative duties to any successor of the Administrator.

18. Amendments. No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought, and no material amendment of this Agreement as to the Trust or a Fund shall be effective until approved by the Board.

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19. Definitions. As used in this Agreement, the terms “majority of the outstanding voting securities,” “interested person,” and “affiliated person” shall have the same meanings as such terms have in the 1940 Act.

20. Interpretation of Terms. Any question of interpretation of any term or provision of this Agreement having a counterpart in or otherwise derived from a term or provision of the 1940 Act shall be resolved by reference to such term or provision of the 1940 Act and to interpretation thereof, if any, by the United States courts or, in the absence of any controlling decision of any such court, by rules, regulations or orders of the SEC validly issued pursuant to the 1940 Act. Where the effect of a requirement of the 1940 Act reflected in any provision of this Agreement is altered by a rule, regulation or order of the SEC, whether of special or general application, such provision shall be deemed to incorporate the effect of such rule, regulation or order.

21. Entire Agreement. This Agreement embodies the entire agreement and understanding between the parties hereto, and supersedes all prior agreements and understandings relating to the subject matter hereof.

22. Notices. All notices required to be given pursuant to this Agreement shall be delivered or mailed to the last known business address of the Trust (attn: [Secretary]) or the Administrator (attn: [President]) (or to such other address or contact as shall be designated by the Trust or the Administrator in a written notice to the other party) in person or by registered or certified mail or a private mail or delivery service providing the sender with notice of receipt. Notice shall be deemed given on the date delivered or mailed in accordance with this Paragraph 22.

23. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Delaware without giving effect to the conflicts of laws principles thereof, and in accordance with the 1940 Act. To the extent that the applicable laws of the State of Delaware conflict with the applicable provisions of the 1940 Act, the latter shall control.

24. Severability. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors.

25. Paragraph Headings. The headings of paragraphs contained in this Agreement are provided for convenience only, form no part of this Agreement and shall not affect its construction.

26. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective officers thereunto duly authorized, as of the day and year first above written.

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U.S. GLOBAL INVESTORS FUNDS

By: /s/ Frank E. Holmes

Frank E. Holmes
President/Chief Executive Officer

U.S. GLOBAL INVESTORS, INC.

By: /s/ Susan B. McGee

Susan B. McGee
President/General Counsel

APPENDIX A

The following Funds of the Trust and the classes thereof are subject to this Agreement:

Name of Fund	Investor Class Shares	Institutional Class Shares
China Region Fund	X	
All American Equity Fund	X	
Gold and Precious Metals Fund	X	X
World Precious Minerals Fund	X	X
Global Resources Fund	X	X
Near-Term Tax Free Fund	X	
U.S. Government Securities Ultra-Short Bond Fund	X	
Emerging Europe Fund	X	X
Holmes Macro Trends Fund	X	

APPENDIX B

ADMINISTRATIVE SERVICES

Subject to the oversight and control of the Board, the Administrator will manage, supervise and conduct all business and affairs of the Trust in connection with its operation as an open-end investment company, other than those governed by the Investment Advisory Agreement or otherwise provided by other parties, including without limitation the Services set forth below as they may be amended from time to time. The table below identifies which Services are generally considered to be Fund-Level Duties and Class-Level Duties. Certain of the Services may be considered a Class-Level Duty in their entirety and others may have both Fund-Level Duty and Class-Level Duty components. The categorization of Services as Fund-Level Duties or Class-Level Duties may vary depending on the facts and circumstances involved in the provision of any particular Service.

	Services	Fund-Level Duty	Class-Level Duty
1	provide the Trust with personnel as are reasonably necessary to perform the Services	X	
2	prepare, distribute and utilize comprehensive compliance materials pursuant to Rule 38a-1 of the 1940 Act, including compliance manuals and checklists, develop and/or assist in developing compliance guidelines and procedures to improve overall compliance by the Trust and its various agents	X	
3	monitor overall compliance with Rule 38a-1 by the Trust and its various agents including coordination, preparation and submission of reports required by Rule 38-1 of the 1940 Act	X	
4	subject to supervision of the Board, propose and carry out policies directed at operational problem inquiry and resolution concerning actual or potential compliance violations, valuation of complex securities, securities trading in problematic markets or correction of pricing errors	X	
5	arrange for the preparation and filing for the Trust of all required tax returns	X	
6	prepare and submit reports and meeting materials (in addition to reports prepared by the third party transfer agent) to the Board and to existing shareholders	X	X
7	assist in the preparation and filing of periodic updates to the Trust's prospectus and statement of additional information		X

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	Services	Fund-Level Duty	Class-Level Duty
8	prepare and file, or oversee the preparation and filing of, any currently required or to be required reports filed with the Securities and Exchange Commission and other regulatory and self-regulatory authorities including, but not limited to, preliminary and definitive proxy materials, post-effective amendments to the Registration Statement, semi-annual reports on Form N-SAR, Form N-CSR, Form N-Q, Form N-PX, and notices pursuant to Rule 24f-2 under the 1940 Act		X
9	prepare and file any regulatory reports as required by any regulatory agency	X	
10	oversee the maintenance by the Funds' custodian of certain books and records of the Funds as required under Rule 31a-1(b) of the 1940 Act	X	
11	maintain a general corporate calendar for the Trust and, with respect to each Fund, create and maintain all records required by Section 31 of the 1940 Act and Rules 31a-1 and 31a-2 thereunder, except those records that are maintained by the Funds' investment adviser, sub-adviser (if applicable), transfer agent, distributor and custodian	X	
12	prepare, update and maintain copies of documents, such as charter documents, by-laws and foreign qualification filings	X	
13	prepare agenda and background materials for Board meetings, including reoccurring reports on Fund compliance; make presentations where appropriate, prepare minutes and follow-up on matters raised at Board meetings	X	X
14	organize, attend and prepare minutes of shareholder meetings		X
15	review and monitor the fidelity bond and errors and omissions insurance coverage and the submission of any related regulatory filings	X	
16	maintain continuing awareness of significant emerging regulatory and legislative developments that may affect the Funds, update the Board and the investment adviser on those developments and provide related planning assistance where requested or appropriate	X	
17	assist the Trust in the handling of routine regulatory examinations and work closely with the Trust's legal counsel in response to any non-routine regulatory matters	X	
18	the determination and publication of the net asset value of each Fund in accordance with the valuation procedures and policies adopted from time to time by the Board		X
19	accounting for dividends and interest received and distributions made by the Funds		X

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	Services	Fund-Level Duty	Class-Level Duty
20	calculate, submit for review by officers of the Trust, and arrange for the payment of fees to the Funds' investment adviser, sub-adviser, distributor and custodian		X
21	arrange for and monitor, if directed by the appropriate officers of the Trust, the payment each Fund's Rule 12b-1 expenses and prepare related reports		X
22	administer the implementation and required distribution of the Trust's privacy policy as required under regulation S-P	X	
23	monitor the Trust's compliance with its registration statement		X
24	monitor the Trust's compliance with the Internal Revenue Code, and the regulations promulgated thereunder	X	
25	provide the Trust with adequate office space and all necessary office equipment and services, including but not limited to telephone service, heat, utilities, stationary supplies and similar items	X	
26	supervise, negotiate contractual arrangements with (to the extent appropriate) and monitor the performance of, incumbent third party accounting agents, custodians, depositories, transfer agents, pricing agents, independent accountants and auditors, attorneys, printers, insurers and other persons in any capacity deemed to be necessary or desirable to Trust or Fund operations		X
27	oversee and provide operational assistance for the Funds' transfer agent, including: <ul style="list-style-type: none"> (a) oversight of the quality of service and processing of the transfer agent; (b) facilitate calls with VIP shareholders; (c) approve exceptions to policies; (d) assist in resolution of operational issues that may arise; (e) educate and train telephone representatives; (f) review monthly invoicing and authorize for fund payment; and (g) coordinate periodic reporting by the transfer agent to the Board, as requested by the Board. 	X	X
28	oversee the Funds' fund accounting and administrative services third party service provider and custodian	X	X
28	oversee the tabulation of proxies		X
29	monitor the valuation of portfolio securities and monitor compliance with Board-approved valuation procedures	X	
30	assist in establishing the accounting and tax policies of each Fund	X	

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	Services	Fund-Level Duty	Class-Level Duty
31	assist in the resolution of accounting issues that may arise with respect to each Fund's operations and consulting with each Fund's independent accountants, legal counsel and each Fund's other agents as necessary in connection therewith		X
32	establish and monitor each Fund's operating expense budgets		X
33	review each Fund's bills, as appropriate, and process the payment of bills that have been approved by an authorized person of the applicable Fund		X
34	assist each Fund in determining the amount of dividends and distributions available to be paid by each Fund to its shareholders, prepare and arrange for the printing of dividend notices to shareholders, and provide the transfer agent and the custodian with the information that is required for those parties to effect the payment of dividends and distributions		X
35	provide to the Board periodic and special reports as the Board may reasonably request, including but not limited to reports concerning the services of the administrator, custodian, and shareholder service agents		X
36	provide assistance with investor and public relations matters		X
37	<p>oversee required documentation and filings with the applicable state securities administrators at the specific direction of the Funds and in accordance with the securities laws of each jurisdiction in which Fund shares are to be offered or sold pursuant to instructions given to the Administrator by the Funds. Such filings include, but are not limited to:</p> <ul style="list-style-type: none"> (a) a Fund's initial notices, the prospectus(es) and statement(s) of additional information and any amendments or supplements thereto where required; (b) renewals and amendments to registration statements where required; (c) a Fund's sales reports where required; (d) payment at the expense of the Funds of all Fund notice filing fees; (e) annual reports and proxy statements where required; and (f) such additional services as the Administrator and the Funds may agree upon in writing 	X	X

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	Services	Fund-Level Duty	Class-Level Duty
38	otherwise assist the Trust as it may reasonably request in the conduct of each Fund's business. Any additional, non-reoccurring services will be negotiated separately. The Trust, subject to the Board approval, will pay the Administrator's fees and expenses for any non-reoccurring services	X	X

APPENDIX C**FEE SCHEDULE**

The Trust will pay to the Administrator as compensation for the Administrator's services rendered, a monthly fee composed of a Base Fee and a Fund-Level Fee and a Class-Level Fee, based on the Monthly Average Net Assets (defined below) of the respective Fund and Classes thereof in accordance with the following fee schedule:

Name of Fund	Class	Fund-Level Fee Rate	Class-Level Fee Rate	Total Annual Fee Rate (in addition to Base Fee)	Base Fee*
China Region Fund	Investor	0.05%	0.05%	0.10%	\$7,000
All American Equity Fund	Investor	0.05%	0.05%	0.10%	\$7,000
Gold and Precious Metals Fund	Investor	0.05%	0.05%	0.10%	\$7,000
	Institutional	0.04%	0.04%	0.08%	
World Precious Minerals Fund	Investor	0.05%	0.05%	0.10%	\$7,000
	Institutional	0.04%	0.04%	0.08%	
Emerging Europe Fund	Investor	0.05%	0.05%	0.10%	\$7,000
	Institutional	0.04%	0.04%	0.08%	
Holmes Macro Trends Fund	Investor	0.05%	0.05%	0.10%	\$7,000
Global Resources Fund	Investor	0.05%	0.05%	0.10%	\$7,000
	Institutional	0.04%	0.04%	0.08%	
Near-Term Tax Free Fund	Investor	0.05%	0.05%	0.10%	\$7,000
U.S. Government Securities Ultra-Short Bond Fund	Investor	0.05%	0.05%	0.10%	\$7,000

*The Base Fee is in addition to each Fund's Total Annual Fee Rate. For multi-class Funds, the Base Fee is considered a fund level fee and will be ratably allocated between each Class based on relative Net Assets of each respective Class.

The "Monthly Average Net Assets" of any Fund of the Trust for any calendar month shall be equal to the quotient produced by dividing (i) the sum of the net assets of such Fund for each calendar day of such month, by (ii) the number of such days.

The value of the net assets of each Fund will always be determined pursuant to the applicable provisions of the Trust's Declaration, as amended from time-to-time and the registration statement.

Fees and expenses for Non-Recurring Services will be negotiated and quoted separately.

Exhibit 10.17

The Administrator shall be reimbursed for certain out-of-pocket expenses, including but not limited to: (i) postage, stationery (including FedEx or other shipping fees); (ii) computer programming relating to services provided to the Trust that have been approved by the Board prior to implementation; (iii) EDGAR filing costs; (iv) record retention relating to the Trust; (v) federal and state regulatory filing fees; (vi) expenses incurred for Board meetings (e.g. catering services, entertainment, or off-site meeting rentals); (vii) transfer agent oversight-related expenses, including maintenance of toll-free telephone number and other communications, hardware and software costs for servicing of VIP shareholders, shareholder servicing-related travel expenses for education and training of telephone representatives, and other travel expenses relating to oversight and due diligence; (viii) such non-recurring or extraordinary expenses that have been approved by the Board of the Trust prior to implementation; and (ix) special reports prepared by the Administrator at the request of the Trust or Board.

Exhibit 21 – Subsidiaries of the Company, Jurisdiction of Incorporation, and Percentage of Ownership

1. United Shareholder Services, Inc. – incorporated in Texas and wholly owned by the Company
2. U.S. Global Investors (Bermuda) Ltd. – incorporated in Bermuda and wholly owned by the Company
3. U.S. Global Brokerage, Inc. – incorporated in Texas and wholly owned by the Company
4. U.S. Global Investors (Canada) Ltd. – incorporated in Canada and wholly owned by the Company
5. U.S. Global Indices, LLC – incorporated in Texas and wholly owned by the Company
6. Galileo Global Equity Advisors, Inc. – incorporated in Canada and 65 percent owned by U.S. Global Investors (Canada) Ltd.

Exhibit 23.1 – Consent of BDO USA, LLP

Consent of Independent Registered Public Accounting Firm

U.S. Global Investors, Inc.
San Antonio, Texas

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 of U.S. Global Investors, Inc. of our reports dated August 27, 2014, relating to the consolidated financial statements and the effectiveness of U.S. Global Investors, Inc.'s internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K.

/s/ BDO USA, LLP

BDO USA, LLP
Dallas, Texas
August 27, 2014

Exhibit 31.1 — Rule 13a – 14(a) Certifications (under Section 302 of the Sarbanes-Oxley Act of 2002)

I, Frank E. Holmes, the principal executive officer of U.S. Global Investors, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of U.S. Global Investors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d – 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 27, 2014

/s/ Frank E. Holmes

Frank E. Holmes

Chief Executive Officer

Rule 13a – 14(a) Certifications (under Section 302 of the Sarbanes-Oxley Act of 2002)

I, Lisa C. Callicotte, the principal financial officer of U.S. Global Investors, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of U.S. Global Investors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d – 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 27, 2014

/s/ Lisa C. Callicotte

Lisa C. Callicotte

Chief Financial Officer

Exhibit 32.1 — Section 1350 Certifications (under Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report of U.S. Global Investors, Inc. (the Company) on Form 10-K for the year ending June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Frank E. Holmes, Chief Executive Officer of the Company, hereby certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 27, 2014

/s/ Frank E. Holmes

Frank E. Holmes

Chief Executive Officer

A signed original of the written statement required by Section 906 has been provided to U.S. Global Investors, Inc. and will be retained by U.S. Global Investors, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Section 1350 Certifications

(under Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report of U.S. Global Investors, Inc. (the Company) on Form 10-K for the year ending June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Lisa C. Callicotte, Chief Financial Officer of the Company, hereby certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 27, 2014

/s/ Lisa C. Callicotte

Lisa C. Callicotte

Chief Financial Officer

A signed original of the written statement required by Section 906 has been provided to U.S. Global Investors, Inc. and will be retained by U.S. Global Investors, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.