NEUROCRINE BIOSCIENCES INC
Form DEF 14A
April 21, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Neurocrine Biosciences, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(6) Amount Previously Paid:

(7) Form, Schedule or Registration Statement No.:

(8) Filing Party:

(9) Date Filed:

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NEUROCRINE BIOSCIENCES, INC.
12780 El Camino Real
San Diego, CA 92130

Notice of Annual Meeting of Stockholders

To Be Held on May 29, 2009

TO THE STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2009 Annual Meeting of Stockholders of Neurocrine Biosciences, Inc., a Delaware corporation (the Company), will be held on May 29, 2009, at 8:30 a.m. local time, at the Company s corporate headquarters located at 12780 El Camino Real, San Diego, California 92130, for the following purposes as more fully described in the Proxy Statement accompanying this Notice:

1. To elect the three nominees for Class I Director named herein to the Board of Directors to serve for a term of three years;

2. To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2009;

3. To approve an amendment to the Company s 2003 Incentive Stock Plan, as amended, to increase the number of shares of common stock reserved for issuance thereunder from 5,300,000 to 5,800,000;

4. To consider a stockholder proposal to declassify the Board of Directors; and

5. To transact such other business as may properly come before the Annual Meeting or any continuation, adjournment or postponement thereof.

Only stockholders of record at the close of business on April 1, 2009 are entitled to receive notice of and to vote at the Annual Meeting.

All stockholders are cordially invited to attend the Annual Meeting in person. However, to assure your representation at the Annual Meeting, you are urged to mark, sign, date and return the enclosed proxy card as promptly as possible in the postage prepaid envelope, or vote by telephone or internet (instructions have been provided on your proxy card). Stockholders attending the Annual Meeting may vote in person even if they have returned a proxy.

By Order of the Board of Directors,

Margaret Valeur-Jensen, J.D., Ph.D.
Corporate Secretary

San Diego, California
April 21, 2009

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be Held on May 29, 2009 at 8:30 a.m. Local Time at 12780 El Camino Real, San Diego, California 92130.

The proxy statement and annual report to stockholders are available at www.proxyvote.com. Please have the control number on your proxy card available.

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Neurocrine Biosciences, Inc.

12780 El Camino Real
San Diego, California 92130

PROXY STATEMENT

The enclosed Proxy is solicited on behalf of Neurocrine Biosciences, Inc., a Delaware corporation (the Company), for use at its 2009 Annual Meeting of Stockholders to be held on May 29, 2009 beginning at 8:30 a.m., local time, or at any continuations, postponements or adjournments thereof for the purposes set forth in this Proxy Statement and the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the Company s corporate headquarters, located at 12780 El Camino Real, San Diego, California 92130. The Company s phone number is (858) 617-7600.

This proxy statement is being first mailed on or about April 21, 2009 to all stockholders entitled to vote at the Annual Meeting.

ABOUT THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

At our Annual Meeting, stockholders will act upon the matters outlined in the Notice of Annual Meeting of Stockholders on the cover page of this proxy statement, including the election of the three nominees for director named herein, ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2009, approval of an amendment increasing the number of shares of common stock reserved for issuance under the Company s 2003 Incentive Stock Plan, as amended (the 2003 Plan) from 5,300,000 to 5,800,000, and consideration of a stockholder proposal to declassify the Board of Directors. In addition, management will report on the performance of the Company and respond to questions from stockholders.

Who can attend the Annual Meeting?

All stockholders of record at the close of business on April 1, 2009 (the Record Date), or their duly appointed proxies, may attend the Annual Meeting. If you attend, please note that you may be asked to present valid picture identification, such as a driver s license or passport. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting.

Please also note that if you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date and check in at the registration desk at the Annual Meeting.

Who is entitled to vote at the Annual Meeting?

Stockholders of record at the close of business on the Record Date are entitled to receive notice of and to participate in the Annual Meeting. At the close of business on the Record Date, 38,677,454 shares of the Company s common stock, $0.001 par value per share, were issued and outstanding. If you were a stockholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the Annual Meeting, or any postponements or adjournments of the Annual Meeting.

Each outstanding share of the Company s common stock will be entitled to one vote on each proposal considered at the Annual Meeting.

What constitutes a quorum?

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the aggregate voting power of the common stock outstanding on the Record Date will constitute a quorum, permitting the

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Company to conduct its business at the Annual Meeting. As of the Record Date, 38,677,454 shares of common stock, representing the same number of votes, were outstanding. Thus, the presence of the holders of common stock representing at least 19,338,728 shares will be required to establish a quorum. The presence of a quorum will be determined by the Inspector of Elections (the Inspector).

Proxies received but marked as abstentions as well as broker non-votes will be included in the calculation of the number of shares considered to be present at the Annual Meeting. Broker non-votes occur when a holder of shares in street name does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed non-routine under applicable regulations.

How do I vote?

If you complete and properly sign the accompanying proxy card and return it to the Company, it will be voted as you direct. If you are a registered stockholder (that is, if you hold your stock in certificate form or are a Neurocrine employee who participated in the Employee Stock Purchase Program and attend the Annual Meeting), you may deliver your completed proxy card in person. Street name stockholders who wish to vote at the Annual Meeting will need to obtain a proxy form from the institution that holds their shares.

The cost of solicitation of proxies will be borne by the Company. The Company will reimburse expenses incurred by brokerage firms and other persons representing beneficial owners of shares in forwarding solicitation material to beneficial owners. To assist in soliciting proxies (votes), the Company may retain Innisfree, a professional proxy solicitation firm, at an approximate cost of $10,000, plus certain out-of-pocket expenses. Proxies also may be solicited by certain of the Company s directors, officers and regular employees, without additional compensation, personally, by telephone or by other appropriate means.

Can I vote by telephone or electronically?

If you are a registered stockholder you may vote by telephone, or electronically through the Internet, by following the instructions included with your proxy card. If your shares are held in street name, please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically. The deadline for voting by telephone or electronically is 11:59 p.m., Eastern Time, on May 28, 2009.

Can I change my vote after I return my proxy card?

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with the Corporate Secretary of the Company either a notice of revocation or a duly executed proxy bearing a later date. Your proxy will also be revoked if you attend the Annual Meeting and vote in person. Attendance at the Annual Meeting will not by itself revoke a previously granted proxy.

What are the Board s recommendations?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board of Directors. The Board s recommendation is set forth together with the description of each item in this proxy statement. In summary, the Board recommends a vote:

for election of the three nominees for director named herein (see Proposal One);

for ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for fiscal 2009 (see Proposal Two);

for approval of the amendment to the Company s 2003 Incentive Stock Plan, as amended, to increase the number of shares of common stock reserved for issuance thereunder from 5,300,000 to 5,800,000 (see Proposal Three); and

against the stockholder proposal to declassify the Board of Directors (see Proposal Four).

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With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion.

What vote is required to approve each item?

Election of Directors. The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of directors. A properly executed proxy marked WITHHOLD AUTHORITY with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

Other Items. For each other item, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval. A properly executed proxy marked ABSTAIN with respect to any such matter will not be voted, although it will be counted for purposes of determining the number of shares represented in person or by proxy at the Annual Meeting. Accordingly, an abstention will have the effect of a negative vote.

If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on and will not be counted in determining the number of shares represented in person or by proxy at the Annual Meeting. Shares represented by such broker non-votes will, however, be counted in determining whether there is a quorum.

Who counts the votes?

Votes cast by proxy or in person at the Annual Meeting will be tabulated by the Inspector.

What proxy materials are available on the Internet?

The proxy statement and annual report to stockholders are available on the Internet at www.proxyvote.com. Please have the control number on your proxy card available.

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STOCK OWNERSHIP

Who are the principal stockholders, and how much stock does management own?

The following table sets forth the beneficial ownership of the Company s common stock as of February 28, 2009 by (i) each of the current and former executive officers named in the table under the heading Summary Compensation Table, (ii) each current director, (iii) all current directors and executive officers as a group and (iv) all persons known to the Company to be the beneficial owners of more than 5% of the Company s common stock. A total of 38,689,508 shares of the Company s common stock were issued and outstanding as of February 28, 2009.

Name and Address of Beneficial Owner (1)	Number of Shares of Common Stock Owned (2)	Number of Shares of Common Stock Acquirable Within 60 Days (3)	Total Number of Shares of Common Stock Beneficially Owned (4)	Percent Ownership
Biotechnology Value Fund Group (5) 900 North Michigan Avenue, Suite 1100, Chicago, IL 60611	6,235,047		6,235,047	16.1%
Federated Investors, Inc. (6) Federated Investors Tower, Pittsburgh, PA 15222-3779	4,624,889		4,624,889	12.0%
Barclays Global Investors, NA (7) 400 Howard Street, San Francisco, CA 94105	2,509,380		2,509,380	6.5%
Dimensional Fund Advisors, LP (8) Palisades West, Building One, 6300 Bee Cave Road, Austin, TX 78746	2,435,859		2,435,859	6.3%
Kevin C. Gorman, Ph.D.	78,802	320,816	399,618	1.0%
Timothy P. Coughlin	22,574	130,988	153,562	*
Margaret Valeur- Jensen, J.D., Ph.D.	37,546	220,322	257,868	*
Christopher F. O Brien, M.D.	22,449	116,666	139,115	*
Dimitri E. Grigoriadis, Ph.D.	7,187	64,614	71,801	*
Haig P. Bozigian, Ph.D.	8,614	61,189	69,803	*
Gary A. Lyons	440,156	673,329	1,113,485	2.8%
Corinne H. Lyle		49,744	49,744	*
W. Thomas Mitchell	1,000	81,744	82,744	*
Joseph A. Mollica, Ph.D.		128,326	128,326	*
Richard F. Pops		97,744	97,744	*
Stephen A. Sherwin, M.D.		115,244	115,244	*
Wylie W. Vale, Ph.D.	231,372	100,173	331,545	*
All current executive officers and directors as a group (13 persons)	858,389	2,160,899	3,010,599	7.3%

* Represents beneficial ownership of less than one percent (1%) of the outstanding shares of the Company s common stock as of February 28, 2009.

(1) The address of each individual named is c/o Neurocrine Biosciences, Inc., 12780 El Camino Real, San Diego, CA 92130, unless otherwise indicated.

(2) Represents shares of common stock owned, excluding shares of common stock subject to stock options and restricted stock awards that are listed under the heading Number of Shares of Common Stock Acquirable Within 60 Days, by the named parties as of February 28, 2009.

(3) Shares of common stock subject to stock options currently exercisable or exercisable within 60 days of February 28, 2009, regardless of exercise price, and shares of common stock acquirable within such period pursuant to restricted stock awards, are deemed to be outstanding for computing the percentage ownership of the person holding such options and the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage of any other person.

(4) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

(5) Based on Amendment No. 3 to Schedule 13G filed by Biotechnology Value Fund, L.P. (BVF), Biotechnology Value Fund II, L.P. (BVF2), BVF Investments, L.L.C. (BVLLC), Investment 10, L.L.C. (ILL10), BVF Partners L.P. (Partners) and BVF Inc. (BVF Inc.) on February 13, 2009, reporting ownership as of December 31, 2008. According to such filing, BVF beneficially owned 1,425,047 shares of Common Stock, BVF2 beneficially owned 979,000 shares of Common Stock, BVLLC beneficially owned 3,419,000 shares of Common Stock and ILL10 beneficially owned 412,000 shares of Common Stock. Beneficial ownership by Partners and BVF Inc. includes 6,235,047 shares of Common Stock. Pursuant to the operating agreement of BVLLC, Partners is authorized, among other things, to invest the funds of Samana Capital, L.P., the majority member of BVLLC, in shares of the Common Stock beneficially owed by BVLLC and to vote and exercise dispositive power over those shares of the Common Stock. Partners and BVF Inc. share voting and dispositive power over shares of the Common Stock beneficially owned by BVF, BVF2, BVLLC and those owned by ILL10, on whose behalf Partners acts as an investment manager, and, accordingly, Partners and BVF Inc. have beneficial ownership of all of the shares of the Common Stock owned by such parties.

(6) Based on Amendment No. 3 to Schedule 13G filed by Federated Investors, Inc. (Federated) on February 17, 2009, reporting ownership as of December 31, 2008. According to such filing, Federated is the parent holding company of Federated Equity Management Company of Pennsylvania and Federated Global Investment Management Corp. (the Investment Advisers), which act as investment advisers to registered investment companies and separate accounts that own shares of common stock in the Company (the Reported Securities). The Investment Advisers are wholly owned subsidiaries of FII Holdings, Inc., which is a wholly owned subsidiary of Federated. All of Federated s outstanding voting stock is held in the Voting Shares Irrevocable Trust (the Trust) for which John F. Donahue, Rhodora J. Donahue and J. Christopher Donahue act as trustees (collectively, the Trustees). The Trustees have joined in filing the Schedule 13G because of the collective voting control that they exercise over Federated. Federated, the Trust, and each of the Trustees disclaim beneficial ownership of the Reported Securities.

(7) Based on Schedule 13G dated February 5, 2009 reporting ownership as of December 31, 2008, filed jointly by Barclays Global Investors, NA., Barclays Global Fund Advisors, Barclays Global Investors, LTD, Barclays Global Investors Japan Limited, Barclays Global Investors Canada Limited, Barclays Global Investors Australia Limited and Barclays Global Investors (Deutschland) AG. According to this Schedule 13G, Barclays Global Investors, NA. reported beneficial ownership of 1,349,596 shares, sole voting power as to 1,135,951 shares and sole dispositive power as to 1,349,596 shares; and Barclays Global Fund Advisors reported beneficial ownership of 1,159,784 shares, sole voting power as to 1,159,784 shares and sole dispositive power as to 1,159,784 shares.

(8) Based on Schedule 13G filed by Dimensional Fund Advisors LP (Dimensional) on February 9, 2009, reporting ownership as of December 31, 2008. According to such filing, Dimensional is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment

companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts. These investment companies, trusts and accounts are the Funds . In its role as investment advisor or manager, Dimensional possesses investment and/or voting power over the securities of the Company described in this schedule that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Company held by the Funds. However, all securities reported in this schedule are owned by the Funds. Dimensional disclaims beneficial ownership of such securities.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires the Company s officers and directors, and persons who beneficially own more than ten percent of a registered class of the Company s equity securities, to file reports of ownership on Form 3 and reports of changes in ownership on Form 4 or Form 5 with the SEC. Such officers, directors and 10% stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such forms received by it, and written representations from certain reporting persons, the Company believes that its officers, directors and 10% stockholders complied with all Section 16(a) filing requirements applicable to them during the fiscal year ended December 31, 2008.

PROPOSAL ONE: ELECTION OF DIRECTORS

General

The Company s Bylaws provide that the Board of Directors will be comprised of eight directors. The Company s Certificate of Incorporation provides that the Board of Directors is divided into three classes. There are currently three directors in Class I (Joseph A. Mollica, Ph.D., Wylie W. Vale, Ph.D. and W. Thomas Mitchell), three directors in Class II (Corinne H. Lyle, Richard F. Pops, and Stephen A. Sherwin, M.D.), and two directors in Class III (Gary A. Lyons and Kevin C. Gorman, Ph.D.). With the exception of Kevin C. Gorman, Ph.D., who is the President and Chief Executive Officer of Neurocrine Biosciences, Inc., and Gary A. Lyons, who is the former President and Chief Executive Officer of Neurocrine Biosciences, Inc. all current members of the Board of Directors meet the definition of independent director under the Nasdaq Stock Market qualification standards.

The directors in Class I hold office until the 2009 Annual Meeting of Stockholders, the directors in Class II hold office until the 2010 Annual Meeting of Stockholders and the directors in Class III hold office until the 2011 Annual Meeting of Stockholders (or, in each case, until their earlier resignation, removal from office, or death). After each such election, the directors in each such case will then serve in succeeding terms of three years and until a successor is duly elected and qualified. Officers of the Company serve at the discretion of the Board of Directors. There are no family relationships among the Company s directors and executive officers.

The term of office for directors Joseph A. Mollica, Ph.D., Wylie W. Vale, Ph.D. and W. Thomas Mitchell, will expire at the 2009 Annual Meeting. At the 2009 Annual Meeting, the stockholders will elect three Class I directors for a term of three years.

Vote Required

The nominees receiving the highest number of affirmative votes of the shares present in person or represented by proxy at the 2009 Annual Meeting and entitled to vote on the election of directors will be elected to the Board of Directors.

Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum, but have no other legal effect under Delaware law.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company s nominees named below. If any of the Company s nominees is unable or declines to serve as a director at the time of the Annual

Meeting, the proxies will be voted for any nominee who is designated by the present Board of Directors to fill the vacancy. It is not expected that any of the Company s nominees will be unable or will decline to serve as a director. **The Board of Directors unanimously recommends that stockholders vote FOR the nominees named below.**

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Nominees for Election at the Annual Meeting

All of the nominees (Joseph A. Mollica, Ph.D., Wylie W. Vale, Ph.D. and W. Thomas Mitchell) are currently Class I directors of the Company. All of the nominees were previously elected to the Board of Directors by the Company s stockholders. Information about the nominees is set forth below:

Name of Director	Age	Position in the Company	Director Since
Joseph A. Mollica, Ph.D. (1)	68	Chairman of the Board	1997
W. Thomas Mitchell (1)(2)	63	Director	2002
Wylie W. Vale, Ph.D. (3)	67	Director	1992

(1) Member of the Nominating/Corporate Governance Committee.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee.

Joseph A. Mollica, Ph.D. has served as a director of the Company since June 1997 and became Chairman of the Board in April 1998. From 2004 to 2008, Dr. Mollica served as the Chairman of the Board of Pharmacopeia Drug Discovery, Inc., a biopharmaceutical company focused on drug discovery and development. From 1994 to 2004, Dr. Mollica served as the Chairman of the Board of Directors, President and Chief Executive Officer of Accelrys, the former parent of Pharmacopeia Drug Discovery. From 1987 to December 1993, Dr. Mollica served as Vice President, Medical Products of DuPont Company and then as President and CEO of DuPont Merck Pharmaceutical Company from 1991 to 1993. At Ciba-Geigy, where he was employed from 1966 to 1986, he served in a variety of positions of increasing responsibility, rising to Senior Vice President of Ciba-Geigy s Pharmaceutical Division. He is currently on the board of directors of Redpoint Bio Corporation, a company focused on developing compounds to affect taste. He received his B.S. from the University of Rhode Island, his M.S. and Ph.D. from the University of Wisconsin and his Sc.D.h.c. from the University of Rhode Island.

W. Thomas Mitchell has served on Neurocrine s Board of Directors since November 2002. He is the former Chairman of the Board and Chief Executive Officer of Genencor International, a biotechnology company. Under his guidance, Genencor s revenues grew from under $30 million to over $325 million. In addition, he successfully managed the acquisition and integration of three major businesses to build the global enterprise that is now Genencor. An industry leader, Mr. Mitchell has participated in a number of important policy initiatives including the 1999 federal executive order that created the national bioenergy initiative. He also served as a member of the Governor s Council on Biotechnology in California, which was responsible for helping to improve the state s competitiveness in the mid-1990 s. Mr. Mitchell previously served on the Board of Directors of DJO, Inc. a medical device company, where he was a member of the audit committee. He also served on the Advisory Boards of the Chemical Engineering School at Cornell University and the University of Iowa s School of Engineering. Mr. Mitchell received his B.S. in chemical engineering from Drexel University. He also completed the Executive Development Program at the University of Michigan.

Wylie W. Vale, Ph.D. is one of the Company s academic co-founders, Chief Scientific Advisor, and a member of the Company s Founding Board of Scientific and Medical Advisors. Dr. Vale has served as a director of the Company since September 1992. He is The Helen McLoraine Professor of Molecular Neurobiology at The Salk Institute for Biological Studies and is the Senior Investigator and Head of The Clayton Foundation Laboratories for Peptide Biology at The Salk Institute, where he is a former member of the Board of Trustees and former Chairman of the Faculty. He is also an Adjunct Professor of Medicine at the University of California, San Diego. In addition, Dr. Vale is recognized for his work on the molecular, pharmacological and biomedical characterization of neuroendocrine peptides, growth factors and their receptors. In recognition of his discoveries, he has received numerous awards and he is a member of the American Academy of Arts and Sciences, the Institute of Medicine and the National Academy of Sciences. Dr. Vale is a co-founder and member of the Board of Directors of Acceleron Pharma, Inc., a biotechnology company focused on musculoskeletal and metabolic therapeutics. He is a past President of both the American

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Endocrine Society and the International Society of Endocrinology. Dr. Vale received a B.A. in biology from Rice University and a Ph.D. in physiology and biochemistry from the Baylor College of Medicine.

Who are the remaining directors that are not up for election this year?

The Class II and III directors will remain in office after the 2009 Annual Meeting. The names and certain other current information about the directors whose terms of office continue after the Annual Meeting are set forth below:

			Director		
Name of Director	**Age**	**Position in the Company**	**$**	0.46	$ 0.49
Diluted	$ 0.46	$	0.48		

	THREE MONTHS ENDED MARCH 31,	
	2008	**2007**
Net income	$ 2,122,662	$ 2,412,273
Weighted average number of outstanding shares		
Basic	15,247,780	15,170,608
Effect of dilutive securities		
Employee stock options	28,120	79,752
Diluted	15,275,900	15,250,360
Earnings per share		
Basic	$ 0.14	$ 0.16
Diluted	$ 0.14	$ 0.16

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The diluted EPS calculation excludes the effect of stock options when their exercise prices exceed the average market price for the period. For the quarter ended March 31, 2008, 43,000 options were excluded from diluted EPS. For the quarter ended March 31, 2007, no options were excluded from diluted EPS.

The Company may repurchase stock from employees. The Company made no repurchases of shares of its class A, class B, or class C common stock during the quarter ended March 31, 2008. Upon repurchase, these shares are classified as treasury shares and are deducted from outstanding shares in the earnings per share calculation.

Note 8. Income Taxes

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

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax amount will not be realized. No valuation allowance was included or deemed necessary at March 31, 2008, or June 30, 2007.

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Note 9. Financial Information by Business Segment

The Company operates principally in two business segments: providing investment management services to the funds it advises, and investing for its own account in an effort to add growth and value to its cash position. The following schedule details total revenues and income by business segment:

	Investment Management Services	Corporate Investments	Consolidated
Nine months ended March 31, 2008			
Revenues (loss)	$ 39,237,328	$ (157,456)	$ 39,079,872
Income (loss) before income taxes	$ 10,647,311	$ (176,308)	$ 10,471,003
Depreciation	$ 212,328	$	$ 212,328
Capital expenditures	$ 162,768	$	$ 162,768
Gross identifiable assets at March 31, 2008	$ 31,706,611	$ 7,779,872	$ 39,486,483
Deferred tax asset			$ 324,747
Consolidated total assets at March 31, 2008			$ 39,811,230
Nine months ended March 31, 2007			
Revenues (loss)	$ 36,230,637	$ 539,713	$ 36,770,350
Income (loss) before income taxes	$ 10,690,426	$ 526,957	$ 11,217,383
Depreciation	$ 178,695	$	$ 178,695
Capital expenditures	$ 284,089	$	$ 284,089
Three months ended March 31, 2008			
Revenues	$ 12,753,362	$ (487,954)	$ 12,265,408
Income before income taxes	$ 3,641,318	$ (506,443)	$ 3,134,875
Depreciation	$ 71,388	$	$ 71,388
Capital expenditures	$ 15,392	$	$ 15,392
Three months ended March 31, 2007			
Revenues	$ 11,990,853	$ 453,509	$ 12,444,362

Income before income taxes	$	3,293,946	$	443,780	$	3,737,726
Depreciation	$	62,002	$		$	62,002
Capital expenditures	$	69,778	$		$	69,778

Note 10. Contingencies and Commitments

The Company continuously reviews any investor, employee or vendor complaints, and any pending or threatened litigation. The likelihood that a loss contingency exists is evaluated under the criteria of SFAS No. 5, Accounting for Contingencies, through consultation with legal counsel, and a loss contingency is recorded if the contingency is probable and reasonably estimable at the date of the financial statements.

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.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

U.S. Global has made forward-looking statements concerning the Company s performance, financial condition, and operations in this report. The Company from time to time may also make forward-looking statements in its public filings and press releases. Such forward-looking statements are subject to various known and unknown risks and uncertainties and do not guarantee future performance. Actual results could differ materially from those anticipated in such forward-looking statements due to a number of factors, some of which are beyond the Company s control, including: (1) the volatile and competitive nature of the investment management industry, (2) changes in domestic and foreign economic conditions, (3) the effect of government regulation on the Company s business, and (4) market, credit, and liquidity risks associated with the Company s investment management activities. Due to such risks, uncertainties, and other factors, the Company cautions each person receiving such forward-looking information not to place undue reliance on such statements. All such forward-looking statements are current only as of the date on which such statements were made.

BUSINESS SEGMENTS

The Company, with principal operations located in San Antonio, Texas, manages two business segments: (1) the Company offers a broad range of investment management products and services to meet the needs of individual and institutional investors; and (2) the Company invests for its own account in an effort to add growth and value to its cash position. Although the Company generates the majority of its revenues from its investment advisory segment, the Company holds a significant amount of its total assets in investments. The following is a brief discussion of the Company s two business segments.

Investment Management Products and Services

The Company generates substantially all of its operating revenues from managing and servicing USGIF, USGAF and other advisory clients. These revenues are largely dependent on the total value and composition of assets under its management. Fluctuations in the markets and investor sentiment directly impact the funds asset levels, thereby affecting income and results of operations.

The Company provides advisory services to various offshore clients. The Company generally receives a monthly advisory fee and a quarterly or annual performance fee, if any, based on an agreed-upon performance measurement. The Company provided advisory services to the U.S. Global Investors Balanced Natural Resources Fund, Ltd., an offshore fund, through November 30, 2007, at which time the fund was liquidated and the assets were transferred to the Meridian Global Energy and Resources Fund Ltd. The contracts between the Company and the remaining offshore clients expire periodically, and management anticipates that its offshore clients will renew the contracts.

At March 31, 2008, total assets under management as of period end, including both SEC-registered funds and offshore clients, were $5.314 billion versus $4.860 billion at March 31, 2007. During the nine months ended March 31, 2008, average assets under management were $5.382 billion versus $4.790 billion for the same period ended March 31, 2007. This increase was primarily due to an increase in the natural resource and foreign equity funds under management.

Investment Activities

Management believes it can more effectively manage the Company s cash position by broadening the types of investments used in cash management and continues to believe that such activities are in the best interest of the Company. Company compliance personnel review and monitor these activities, and various reports are provided to investment advisory clients.

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 does not remain consistent and is dependent on market fluctuations, the Company s ability to participate in investment opportunities, and timing of transactions.

As of March 31, 2008, the Company held investments with a market value of approximately $7.7 million and a cost basis of approximately $7.9 million. The market value of these investments is approximately 19.3 percent of the Company s total assets. The Company currently has no investments in debt securities or mortgage-backed securities.

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

	NINE MONTHS ENDED MARCH 31,	
Investment Income (Loss)	**2008**	**2007**
Realized gains on sales of available-for-sale securities	$ 96,774	$ 454,388
Realized gains (losses) on sales of trading securities	(264,413)	229,727
Unrealized gains (losses) on trading securities	24,868	(147,032)
Realized foreign currency gains (losses)	(21,045)	1,900
Dividend and interest income	1,086,520	675,821
Total Investment Income	$ 922,704	$ 1,214,804

	THREE MONTHS ENDED MARCH 31,	
Investment Income (Loss)	**2008**	**2007**
Realized gains on sales of available-for-sale securities	$ 62,253	$ 454,388
Realized gains (losses) on sales of trading securities	(1,907)	234,232
Unrealized losses on trading securities	(530,534)	(237,036)
Realized foreign currency gains (losses)	(21,228)	1,568
Dividend and interest income	265,578	222,891
Total Investment Income (Loss)	$ (225,838)	$ 676,043

RESULTS OF OPERATIONS NINE MONTHS ENDED MARCH 31, 2008, AND 2007

The Company posted net after-tax income of $6,996,097 ($0.46 income per share) for the nine months ended March 31, 2008, compared with a net after-tax income $7,352,809 ($0.49 income per share) for the nine months ended March 31, 2007.

Revenues

Total consolidated revenues for the nine months ended March 31, 2008, increased $2,309,522, or 6.3 percent, compared with the nine months ended March 31, 2007. This increase was primarily attributable to the following:

- Investment advisory fees increased by approximately $1,910,000 primarily as a result of increased assets under management; and

- Transfer agent fees increased by approximately $787,000 primarily as a result of a new transfer agency agreement with USGIF and USGAF effective April 1, 2007.

Expenses

Total consolidated expenses for the nine months ended March 31, 2008, increased $3,055,902, or 12.0 percent, compared with the nine months ended March 31, 2007. This was largely attributable to the following:

- Compensation expense increased by approximately $1,783,000 primarily due to performance-based bonuses, as well as an increase in the number of employees;

Platform fees increased by approximately $972,000 due to increased asset flows through broker/dealer platforms; and

Consistent with continued growth in the Eastern European Fund, subadvisory fees increased by approximately $352,000.

RESULTS OF OPERATIONS THREE MONTHS ENDED MARCH 31, 2008, AND 2007

The Company posted net after-tax income of $2,122,662 ($0.14 income per share) for the three months ended March 31, 2008, compared with a net after-tax income $2,412,273 ($0.16 income per share) for the three months ended March 31, 2007.

Revenues

Total consolidated revenues for the quarter ended March 31, 2008, decreased $178,954, or 1.4 percent, compared with the quarter ended March 31, 2007. This decrease was primarily attributable to the following:

Investment income decreased by approximately $902,000 primarily as a result of higher unrealized gains and dividends on corporate investments in the comparative period;

Transfer agent fees increased by approximately $571,000 primarily due to the new transfer agency agreement which incorporates transition and activity-based fees; and

Investment advisory fees increased by approximately $142,000 primarily as a result of increased assets under management.

Expenses

Total consolidated expenses for the quarter ended March 31, 2008, increased $423,897, or 4.9 percent, compared with the quarter ended March 31, 2007. This was largely attributable to the following:

Platform fees increased approximately $518,000 due to increased asset flows through broker/dealer platforms.

Compensation expense increased by approximately $464,000 primarily due to an increase in the number of employees, as well as an increase in selective salaries to remain competitive with current market conditions.

These increases were offset by general and administrative expenses, which decreased by approximately $444,000 primarily due to lower consulting fees, travel expenses and legal fees.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2008, the Company had net working capital (current assets minus current liabilities) of approximately $32.3 million and a current ratio (current assets divided by current liabilities) of 9.2 to 1. With approximately $23.2 million in cash and cash equivalents and approximately $7.7 million in marketable securities, the Company has adequate liquidity to meet its current obligations. Total shareholders equity was approximately $35.9 million, with cash, cash equivalents, and marketable securities comprising 77.5% of total assets.

As of March 31, 2008, the Company has no long-term liabilities. The Company has access to a $1 million credit facility with a one-year maturity for working capital purposes. The credit agreement requires the Company to maintain certain quarterly financial covenants to access the line of credit. As of March 31, 2008, this credit facility remained unutilized by the Company.

Management believes current cash reserves, financing obtained and/or available, and potential cash flow from operations will be sufficient to meet foreseeable cash needs or capital necessary for the above-mentioned activities and allow the Company to take advantage of opportunities for growth whenever available.

The investment advisory and related contracts between the Company and USGIF and USGAF will expire on February 28, 2009, and May 31, 2008, respectively. Management anticipates the board of trustees of both USGIF and USGAF will renew the contracts. As previously stated, the Company provided advisory services to the U.S. Global Investors Balanced Natural Resources Fund, Ltd., an offshore fund, through November 30, 2007, at which time the fund was liquidated and the assets were transferred to the Meridian Global Energy and Resources Fund Ltd. The contracts between the Company and the remaining offshore clients expire periodically and management anticipates that its offshore clients will renew their contracts.

ACCOUNTING PRONOUNCEMENTS

The Company is subject to extensive and often complex, overlapping and frequently changing governmental regulation and accounting oversight. Moreover, financial reporting requirements, such as those listed below, and the processes, controls and procedures that have been put in place to address them, are comprehensive and complex. While management has focused considerable attention and resources on meeting these reporting requirements, interpretations by regulatory or accounting agencies that differ from those of the Company could negatively impact financial results.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 is an interpretation of SFAS No. 109,

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Accounting for Income Taxes, and it seeks to reduce the diversity in practice associated with certain aspects of measurement and accounting for income taxes and requires expanded disclosure with respect to uncertainty in income taxes. FIN 48 is effective for fiscal years beginning after December 15, 2006. Accordingly, the Company adopted FIN 48 on July 1, 2007. The adoption of FIN 48 did not have a material effect on the Company s financial position or results of operations for the quarter ended March 31, 2008. The Company s policy is to recognize interest and penalties related to uncertain tax positions in income tax expense. As of March 31, 2008, the Company did not have any accrued interest or penalties related to uncertain tax positions. The tax years from 2003 through 2006 remain open to examination by the tax jurisdictions to which the Company is subject.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. SFAS 157 applies only to fair value measurements that are already required or permitted by other accounting standards. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact that adopting SFAS 157 will have on its financial position and results of operation.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS 159 allows entities to voluntarily choose to measure many financial assets and liabilities at fair value. The election is made on an instrument-by-instrument basis and is irrevocable. Once the election is made for the instrument, all subsequent changes in fair value for that instrument must be reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating this standard and its impact on the financial statements, if any.

In June 2007, the Emerging Issues Task Force (EITF) issued EITF Issue No. 06-11, Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards, (EITF 06-11). Under the provisions of EITF 06-11, a realized income tax benefit from dividends or dividend equivalents that are charged to retained earnings and are paid to employees for equity classified nonvested equity shares, nonvested equity share units, and outstanding equity share options should be recognized as an increase to additional paid-in capital. The amount recognized in additional paid-in capital for the realized income tax benefit from dividends on those awards should be included in the pool of excess tax benefits available to absorb tax deficiencies on share-based payment awards. EITF 06-11 should be applied prospectively to the income tax benefits that result from dividends on equity-classified employee share-based payment awards that are declared in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Management is currently evaluating EITF No. 06-11 and its impact on the financial statements, if any.

CRITICAL ACCOUNTING POLICIES

For a discussion of critical accounting policies that the Company follows, please refer to the notes to the consolidated financial statements included in the Annual Report on Form 10-K for the year ended June 30, 2007.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

The table below summarizes the Company s equity price risks as of March 31, 2008, and shows the effects of a hypothetical 25 percent increase and a 25 percent decrease in market prices.

SENSITIVITY ANALYSIS

	Fair Value at March 31, 2008	Hypothetical Percentage Change	Estimated Fair Value after Hypothetical Percent Change	Increase (Decrease) in Shareholders Equity, Net of Tax
Trading Securities[1]	$6,681,328	25% increase	$8,351,660	$ 1,102,419
		25% decrease	$5,010,996	$ (1,102,419)
Available-for-Sale[2]	$1,017,914	25% increase	$1,272,392	$ 167,956
		25% decrease	$ 763,435	$ (167,956)

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

2 *Unrealized gains and losses on available-for-sale securities are excluded from earnings and recorded in other comprehensive*

income as a separate component of shareholders equity until realized.

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

ITEM 4. CONTROLS AND PROCEDURES

An evaluation of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of March 31, 2008, was conducted under the supervision and with the participation of management, including our chief executive officer and chief financial officer. Based on that evaluation, the chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2008.

There has been no change in the Company s internal control over financial reporting that occurred during the quarter ended March 31, 2008, that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1a. Risk Factors

For a discussion of risk factors which could affect the Company, please refer to Item 1A. Risk Factors in the Annual Report on Form 10-K for the year ended June 30, 2007. There has been no material changes since fiscal year end to the risk factors listed therein.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company may repurchase stock from employees. The Company made no repurchases of shares of its class A, class B, or class C common stock during the quarter ended March 31, 2008.

ITEM 6. Exhibits

1. Exhibits

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

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SIGNATURES

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

		U.S. GLOBAL INVESTORS, INC.
DATED: May 9, 2008	BY:	/s/ Frank E. Holmes
		Frank E. Holmes Chief Executive Officer
DATED: May 9, 2008	BY:	/s/ Catherine A. Rademacher
		Catherine A. Rademacher Chief Financial Officer