

U.S. Global Investors family of funds Mutual Fund Forms 1099R and 1099Q Guide for Tax Year 2008

U.S. Global Investors family of funds is committed to providing accuracy in reporting tax information related to your mutual fund account(s) and help in understanding how it is used.

In this guide you will find:

- A general overview of tax reporting requirements.
- The way the IRS treats income on your investments.
- Descriptions and explanations of tax forms related to your investments.

If applicable to your U.S. Global Investors family of funds account, you may have received Form(s) 1099-R and/or 1099-Q.

The information provided here is not legal or tax advice. We recommend that you consult your legal and tax advisor if you need advice regarding your specific situation.

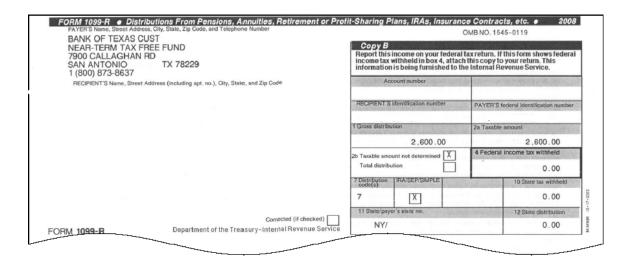
REMINDER FOR THIS YEAR

2009 Combined Traditional and Roth IRA Contribution Limits:

If you are under 50 years of age at the end of 2009: The maximum contribution that can be made to a traditional or Roth IRA is the smaller of \$5,000 or the amount of your taxable compensation for 2009. This limit can be split between a traditional IRA and a Roth IRA but the combined limit is \$5,000. The maximum deductible contribution to a traditional IRA and the maximum contribution to a Roth IRA may be reduced depending on your modified adjusted gross income.

If you are 50 years of age or older before 2010: The maximum contribution that can be made to a traditional or Roth IRA is the smaller of \$6,000 or the amount of your taxable compensation for 2009. This limit can be split between a traditional IRA and a Roth IRA but the combined limit is \$6,000. The maximum deductible contribution to a traditional IRA and the maximum contribution to a Roth IRA may be reduced depending on your modified adjusted gross income.

See Individual Retirement Arrangements (IRAs), Publication 590, for additional information.



Form 1099-R: What is it?

Form 1099-R provides information regarding distributions from:

- IRA Accounts (Traditional, Rollover, ROTH, SEP and SIMPLE)
- 403b7 Accounts

Who Receives it?

A Form 1099-R will be generated for all retirement accounts that had total or partial distributions in 2008. Conversions and recharacterizations are also shown on Form 1099-R.

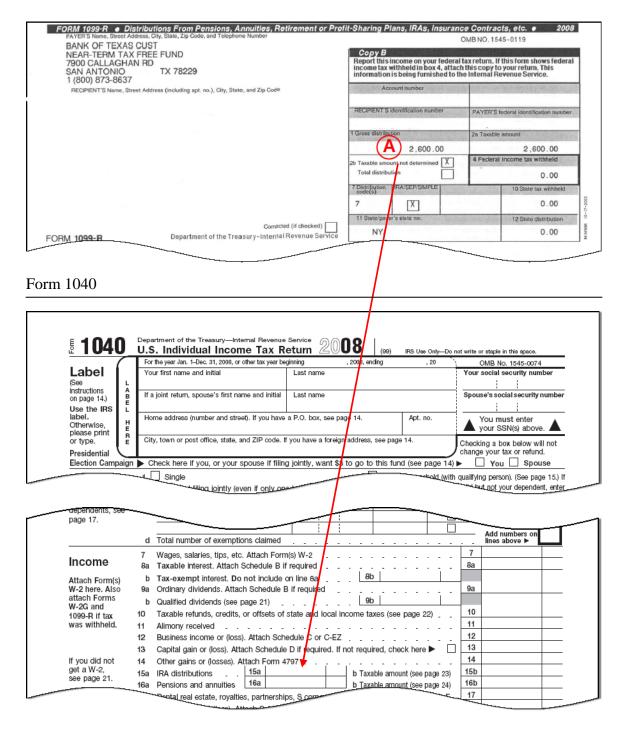
Conversion – is a distribution of money from a traditional, SEP, or SIMPLE IRA that is rolled over to a ROTH IRA

Recharacterization – refers to the treatment of a contribution to one type of IRA as having been made to a different type of IRA, or the treatment of a conversion to a ROTH IRA as though it had not occurred.

Where is it reported?

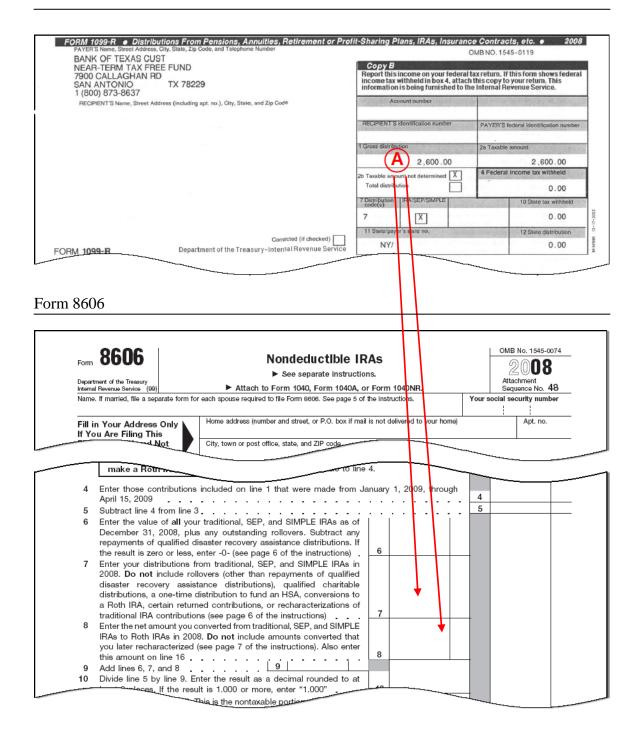
Shareholders will use this information from Form 1099-R when completing IRS Form 1040 or 1040A, and they also may need to report it on one or more of the following IRS Forms:

- Form 8606 (Nondeductible IRAs)
- Form 4972 (Tax on Lump Sum Distributions)
- Form 5329 (Additional taxes on Qualified Plans [Including IRAs] and Other Tax-Favored Accounts)



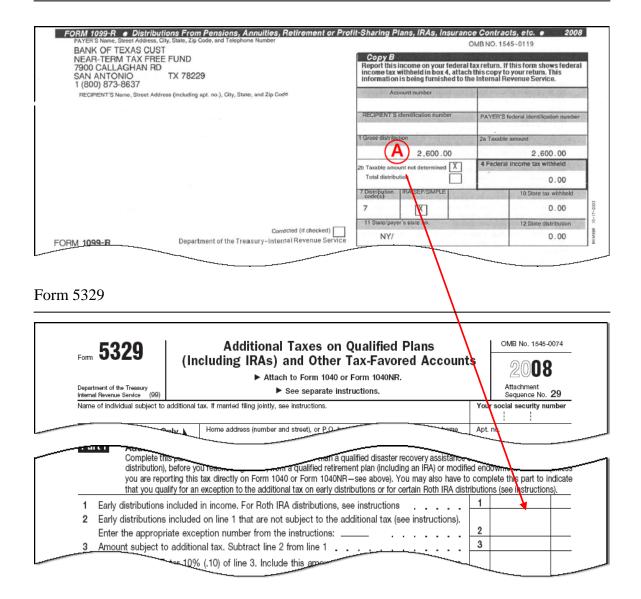
Account Distributions

The amount in box 1 of Form 1099-R should be reported on line 15a of IRS Form 1040 or line 11a of IRS Form 1040A. (Special reporting rules may apply for direct distributions to qualified charities made by taxpayers age over 70 ½ or over. See IRS instructions for Form 1040 or 1040A.)



Nondeductible IRA Contributions

If you made a nondeductible IRA contribution for 2008 or in previous years, report the amount of these contributions on IRS Form 8606 (Nondeductible IRAs) to determine the taxable portion of your distribution. Report the distribution amount from box 1 of Form 1099-R on line 7 or 8 of Form 8606.



Distribution Type

Box 7 of Form 1099-R identifies the distribution type. See the instructions on the back of the 1099-R for an explanation of the code(s).

For example, code 1 indicates distributions made before the age of 59½ and that they are, in general subject to a 10% additional tax. However, as explained in Form 1040 instructions, certain exceptions to the additional tax apply with respect to qualified withdrawals for first-time homebuyer's expense, higher education expense, medical insurance premiums and deductible medical expense.

Distribution Code 1

If your Form 1099-R has a distribution code 1 in box 7 and you qualify for an exception to the additional tax, you may be required to file Form 5329 (Additional Tax on Qualified Plans [Including IRAs] and Other Tax-Favored Accounts). The amount in box 1 of Form 1099-R is reported on line 1 on Form 5329.

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Form 1099-Q: What is it?

Form 1099-Q provides information to you and the IRS regarding distributions or Trustee-to-trustee transfers from Coverdell ESA's (Education Savings Accounts).

Who Receives it?

Form 1099-Q is delivered to shareholders who had total or partial distributions in 2008 from these types of accounts.

Where is it reported?

You will use this information from Form 1099-Q when completing IRS Form 1040 or 1040A, and they also may need to report it on Form 5329 (Additional taxes on Qualified Plans [Including IRAs] and Other Tax-Favored Accounts).

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Taxable Distributions

IRS Publication 970 (Tax Benefits for Education) provides information to recipients for figuring and reporting the taxable portion of a withdrawal, if any, reported on Form 1099-Q. Shareholders should consult their tax advisor regarding:

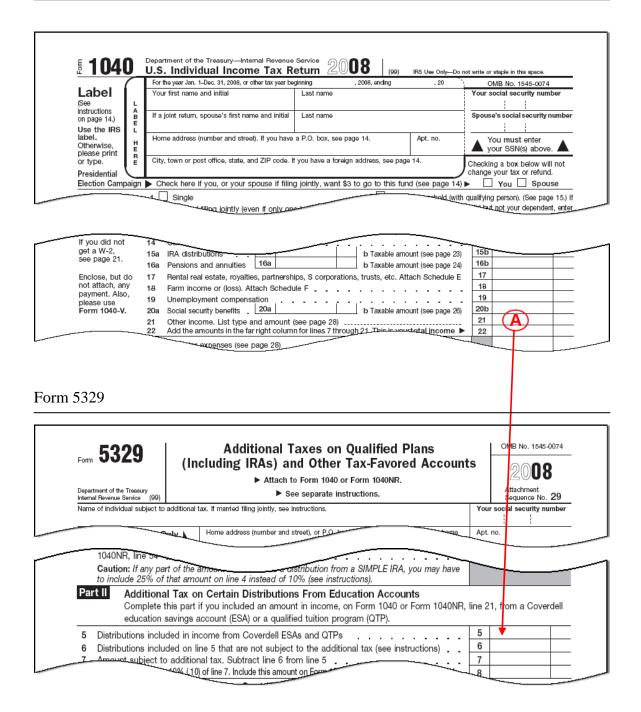
- The benefits and taxable events of ESAs and qualified tuition programs
- The restrictions that apply to designating a beneficiary
- The calculations of taxable amounts

In general, part or all of the amount shown in box 1 is taxable to the beneficiary, who should report the taxable amount on Form 1040, line 21 (Other Income). *U.S. Global Investors family of funds is not required to and does not compute the taxable amount of any ESA distribution.*

Non-Taxable Distributions

Distributions that meet certain criteria are not taxable and need not be reported on Form 1040. These distributions may include:

- One transfer or rollover per beneficiary in a 12-month period to another education program, completed within 60 days of the distribution.
- Qualified education expenses totaling at least as much as the amount withdrawn.



Additional Taxes

An additional 10% tax may apply to part or all of the amount included in income from an ESA. Publication 970 outlines in detail the exceptions to this tax. Generally, the amount of the taxable distribution is to be reported on line 5 of Form 5329 (Additional Taxes on Qualified Plans [Including IRAs] and Other Tax Favored Accounts).