

GAMCO INVESTORS, INC. ET AL
Form 10-Q
August 05, 2015
SECURITIES & EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

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 No. 001-14761

GAMCO INVESTORS, INC.
(Exact name of Registrant as specified in its charter)

Delaware 13-4007862
(State of other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

One Corporate Center, Rye, NY 10580-1422
(Address of principle executive offices) (Zip Code)

(914) 921-3700
Registrant's telephone number, including area code

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

Yes No

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

Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

Yes No

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock, as of the latest practical date.

Class	Outstanding at July 31, 2015
Class A Common Stock, .001 par value (Including 705,050 restricted stock awards)	6,470,677
Class B Common Stock, .001 par value	19,218,814

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GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
UNAUDITED

(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues				
Investment advisory and incentive fees	\$87,344	\$90,156	\$175,381	\$177,953
Distribution fees and other income	13,358	15,767	27,101	30,640
Institutional research services	2,002	2,373	4,067	4,180
Total revenues	102,704	108,296	206,549	212,773
Expenses				
Compensation	43,402	44,045	87,896	87,942
Management fee	4,241	5,144	8,678	9,872
Distribution costs	13,120	15,023	27,403	28,986
Other operating expenses	6,992	6,547	13,678	11,937
Total expenses	67,755	70,759	137,655	138,737
Operating income	34,949	37,537	68,894	74,036
Other income (expense)				
Net gain/(loss) from investments	3,895	9,610	10,853	16,554
Interest and dividend income	1,289	1,332	2,343	2,473
Interest expense	(1,963)	(2,021)	(3,982)	(4,013)
Total other income (expense), net	3,221	8,921	9,214	15,014
Income before income taxes	38,170	46,458	78,108	89,050
Income tax provision	14,123	17,135	29,302	31,751
Net income	24,047	29,323	48,806	57,299
Net income/(loss) attributable to noncontrolling interests	(54)	373	(71)	395
Net income attributable to GAMCO Investors, Inc.'s shareholders	\$24,101	\$28,950	\$48,877	\$56,904
Net income attributable to GAMCO Investors, Inc.'s shareholders per share:				
Basic	\$0.96	\$1.14	\$1.95	\$2.24
Diluted	\$0.95	\$1.13	\$1.93	\$2.22
Weighted average shares outstanding:				
Basic	25,065	25,381	25,098	25,431
Diluted	25,358	25,586	25,386	25,635
Dividends declared:	\$0.07	\$0.06	\$0.14	\$0.12

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 UNAUDITED

(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$24,047	\$29,323	\$48,806	\$57,299
Other comprehensive income/(loss), net of tax:				
Foreign currency translation	55	22	13	30
Net unrealized losses on securities available for sale (a)	(255)	(1,728)	(722)	(4,425)
Other comprehensive loss	(200)	(1,706)	(709)	(4,395)
Comprehensive income	23,847	27,617	48,097	52,904
Less: Comprehensive loss/(income) attributable to noncontrolling interests	(54)	373	(71)	395
Comprehensive income attributable to GAMCO Investors, Inc.	\$23,901	\$27,244	\$48,168	\$52,509

(a) Net of income tax benefit of (\$150), (\$1,015), (\$424) and (\$2,599), respectively.

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
 UNAUDITED

(Dollars in thousands, except per share data)

	June 30, 2015	December 31, 2014	June 30, 2014
ASSETS			
Cash and cash equivalents	\$372,284	\$298,224	\$307,490
Investments in securities	144,008	259,537	225,596
Investments in sponsored registered investment companies	126,305	39,537	40,791
Investments in partnerships	108,950	107,637	107,896
Receivable from brokers	56,579	76,079	58,945
Investment advisory fees receivable	32,766	41,872	32,228
Income tax receivable	2,303	2,477	1,077
Other assets	22,791	41,067	30,779
Total assets	\$865,986	\$866,430	\$804,802
LIABILITIES AND EQUITY			
Payable to brokers	\$48,858	\$43,409	\$19,859
Income taxes payable and deferred tax liabilities	21,266	27,939	31,029
Capital lease obligation	5,213	5,253	5,290
Compensation payable	68,889	39,983	68,908
Securities sold, not yet purchased	9,825	10,595	14,329
Mandatorily redeemable noncontrolling interests	1,281	1,302	1,339
Accrued expenses and other liabilities	30,964	29,657	32,194
Sub-total	186,296	158,138	172,948
5.875% Senior notes (due June 1, 2021)	100,000	100,000	100,000
Zero coupon subordinated debentures, Face value: \$6.9 million at June 30, 2015, \$13.1 million at December 31, 2014 and \$13.2 million at June 30, 2014 (due December 31, 2015)	6,628	12,163	11,813
Total liabilities	292,924	270,301	284,761
Redeemable noncontrolling interests	5,943	68,334	22,806
Commitments and contingencies (Note J)			
Equity			
GAMCO Investors, Inc. stockholders' equity			
Preferred stock, \$.001 par value; 10,000,000 shares authorized; none issued and outstanding			
Class A Common Stock, \$.001 par value; 100,000,000 shares authorized; 15,381,179, 15,341,433 and 15,108,373 issued, respectively; 6,506,477, 6,616,212 and 6,572,864 outstanding, respectively	14	14	14
Class B Common Stock, \$.001 par value; 100,000,000 shares authorized; 24,000,000 shares issued; 19,218,814, 19,239,260 and 19,325,820 shares outstanding, respectively	19	19	19
Additional paid-in capital	297,494	291,681	287,879
Retained earnings	648,231	602,950	560,238

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Accumulated other comprehensive income	24,305	25,014	25,844
Treasury stock, at cost (8,874,702, 8,725,221 and 8,535,509 shares, respectively)	(405,633)	(394,617)	(379,576)
Total GAMCO Investors, Inc. stockholders' equity	564,430	525,061	494,418
Noncontrolling interests	2,689	2,734	2,817
Total equity	567,119	527,795	497,235
Total liabilities and equity	\$865,986	\$866,430	\$804,802

See accompanying notes.

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GAMCO INVESTORS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
 UNAUDITED
 (In thousands)

For the Three months ended June 30, 2015

	GAMCO Investors, Inc. stockholders						Total	Redeemable Noncontrolling Interests
	Noncontrolling Interests	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock		
Balance at December 31, 2014	\$ 2,734	\$33	\$291,681	\$602,950	\$ 25,014	\$(394,617)	\$527,795	\$ 68,334
Redemptions of noncontrolling interests	-	-	-	-	-	-	-	(441)
Contributions from noncontrolling interests	-	-	-	-	-	-	-	336
Consolidation of a consolidated feeder fund and a partnership	-	-	-	-	-	-	-	996
Deconsolidation of offshore fund	-	-	-	-	-	-	-	(63,256)
Net income (loss)	(45)	-	-	48,877	-	-	48,832	(26)
Net unrealized gains on securities available for sale, net of income tax benefit (\$400)	-	-	-	-	(681)	-	(681)	-
Amounts reclassified from accumulated other comprehensive income, net of income tax benefit (\$24)	-	-	-	-	(41)	-	(41)	-
Foreign currency translation	-	-	-	-	13	-	13	-
Dividends declared (\$0.14 per share)	-	-	-	(3,596)	-	-	(3,596)	-
Stock based compensation expense	-	-	4,544	-	-	-	4,544	-
Exercise of stock options	-	-	-	-	-	-	-	-

including tax benefit								
(\$102)	-	-	1,269	-	-	-	1,269	-
Purchase of treasury								
stock	-	-	-	-	-	(11,016)	(11,016)	-
Balance at June 30,								
2015	\$ 2,689	\$33	\$297,494	\$648,231	\$ 24,305	\$(405,633)	\$567,119	\$ 5,943

See accompanying notes.

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GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
UNAUDITED
(In thousands)

For the Three months ended June 30, 2014

	GAMCO Investors, Inc. stockholders							Redeemable Noncontrolling Interests
	Noncontrolling Interests	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total	
Balance at December 31, 2013	\$ 2,851	\$33	\$282,496	\$506,441	\$ 30,239	\$(361,878)	\$460,182	\$ 6,751
Redemptions of noncontrolling interests	-	-	-	-	-	-	-	(470)
Contributions from noncontrolling interests	-	-	-	-	-	-	-	16,096
Net income (loss)	(34)	-	-	56,904	-	-	56,870	429
Net unrealized gains on securities available for sale, net of income tax benefit (\$108)	-	-	-	-	(183)	-	(183)	-
Amount reclassified from accumulated other comprehensive income, net of income tax benefit (\$2,491)	-	-	-	-	(4,242)	-	(4,242)	-
Foreign currency translation	-	-	-	-	30	-	30	-
Dividends declared (\$0.12 per share)	-	-	-	(3,107)	-	-	(3,107)	-
Stock based compensation expense	-	-	3,397	-	-	-	3,397	-
Exercise of stock options including tax benefit (\$349)	-	-	1,986	-	-	-	1,986	-
Purchase of treasury stock	-	-	-	-	-	(17,698)	(17,698)	-
Balance at June 30, 2014	\$ 2,817	\$33	\$287,879	\$560,238	\$ 25,844	\$(379,576)	\$497,235	\$ 22,806

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
(In thousands)

	Six Months Ended June 30,	
	2015	2014
Operating activities		
Net income	\$48,806	\$57,299
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net gains from partnerships	(3,666)	(2,884)
Depreciation and amortization	318	336
Stock based compensation expense	4,544	3,397
Deferred income taxes	(1,902)	(1,512)
Tax benefit from exercise of stock options	102	349
Foreign currency translation gain/(loss)	13	30
Other-than-temporary loss on available for sale securities	-	69
Cost basis of donated securities	64	1,480
Gains on sales of available for sale securities	(30)	(3,163)
Accretion of zero coupon debentures	377	440
Loss on extinguishment of debt	310	74
(Increase) decrease in assets:		
Investments in trading securities	14,686	9,899
Investments in partnerships:		
Contributions to partnerships	(12,369)	(12,098)
Distributions from partnerships	15,060	3,077
Receivable from brokers	(28,406)	(9,484)
Investment advisory fees receivable	8,909	19,278
Income tax receivable and deferred tax assets	34	(632)
Other assets	17,899	(4,739)
Increase (decrease) in liabilities:		
Payable to brokers	42,714	9,094
Income taxes payable and deferred tax liabilities	(4,208)	(4,707)
Compensation payable	28,904	34,240
Mandatorily redeemable noncontrolling interests	(20)	(16)
Accrued expenses and other liabilities	1,876	(405)
Total adjustments	85,209	42,123
Net cash provided by operating activities	\$ 134,015	\$ 99,422

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED (continued)
(In thousands)

	Six Months Ended June 30,	
	2015	2014
Investing activities		
Purchases of available for sale securities	\$(41,603)	\$(5,354)
Proceeds from sales of available for sale securities	1,064	6,518
Return of capital on available for sale securities	252	561
Net cash provided by investing activities	(40,287)	1,725
Financing activities		
Contributions from redeemable noncontrolling interests	336	16,096
Redemptions of redeemable noncontrolling interests	(441)	(470)
Proceeds from exercise of stock options	-	1,637
Dividends paid	(3,510)	(3,050)
Repurchase of zero coupon subordinated debentures	(6,223)	(612)
Purchase of treasury stock	(11,016)	(17,698)
Net cash used in financing activities	(19,687)	(4,097)
Effect of exchange rates on cash and cash equivalents	(4)	(11)
Net increase in cash and cash equivalents	74,037	97,039
Cash and cash equivalents at beginning of period	298,224	210,451
Increase in cash from consolidation	10	-
Increase in cash from deconsolidation	13	-
Cash and cash equivalents at end of period	\$372,284	\$307,490
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$3,575	\$3,539
Cash paid for taxes	\$34,836	\$37,020

Non-cash activity:

- For the six months ended June 30, 2015 and June 30, 2014, the Company accrued dividends on restricted stock awards of \$86 and \$57, respectively.
- On January 1, 2015, GAMCO Investors, Inc. was no longer deemed to have control over a certain offshore fund and a certain consolidated feeder fund which resulted in the deconsolidation of that offshore fund and consolidated feeder fund and an increase of approximately \$13 of cash and cash equivalents, a decrease of approximately \$63,280 of net assets and a decrease of \$63,267 of noncontrolling interests.
- On April 1, 2015, GAMCO Investors, Inc. was deemed to have control over a certain offshore fund and a certain partnership which resulted in the consolidation of that one offshore fund and one partnership and an increase of approximately \$10 of cash and cash equivalents, an increase of approximately \$986 of net assets and an increase of approximately \$996 of redeemable noncontrolling interest.

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015
(Unaudited)

A. Significant Accounting Policies

Basis of Presentation

Unless we have indicated otherwise, or the context otherwise requires, references in this report to “GAMCO Investors, Inc.,” “GAMCO,” “the Company,” “GBL,” “we,” “us” and “our” or similar terms are to GAMCO Investors, Inc., its predecessors and its subsidiaries.

The unaudited interim condensed consolidated financial statements of GAMCO included herein have been prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by U.S. GAAP in the United States for complete financial statements. In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of financial position, results of operations and cash flows of GAMCO for the interim periods presented and are not necessarily indicative of a full year’s results.

The condensed consolidated financial statements include the accounts of GAMCO and its subsidiaries. Intercompany accounts and transactions are eliminated.

These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 from which the accompanying condensed consolidated financial statements were derived.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported on the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Recent Accounting Developments

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers,” which supersedes the revenue recognition requirements in the Accounting Standards Codification (“Codification”) Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the Codification. The core principle of the new ASU No. 2014-09 is for companies to recognize revenue from the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. The ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods and is to be retrospectively applied. Early adoption is not permitted. The Company is currently evaluating this guidance and the impact it will have on its consolidated financial statements.

In June 2014, the FASB issued an accounting update clarifying that entities should treat performance targets that could be met after the requisite service period of a share-based payment award as performance conditions that affect

vesting. Therefore, an entity would not record compensation expense (measured as of the grant date) for an award where transfer to the employee is contingent upon satisfaction of the performance target until it becomes probable that the performance target will be met. The guidance is effective for the Company beginning January 1, 2016. Early adoption is permitted. This guidance is not expected to have a material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued an accounting update amending the consolidation requirements under GAAP. This guidance is effective for the Company beginning January 1, 2016. Early adoption is permitted. The Company is continuing to analyze the impact, if any, that this update may have on its consolidated financial statements.

In May 2015, the FASB issued new guidance amending the current disclosure requirement for investments in certain entities that calculate net asset value per share. The guidance requires investments for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy. Instead, those investment amounts shall be provided as a separate item to permit reconciliation of the fair value of investments included in the fair value hierarchy to the line items presented in the statement of financial position. This new guidance will be effective for the Company's first quarter of 2016. The Company is currently evaluating the potential impact on its condensed consolidated financial statements and related disclosures.

B. Investment in Securities

Investments in securities at June 30, 2015, December 31, 2014 and June 30, 2014 consisted of the following:

	June 30, 2015		December 31, 2014		June 30, 2014	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
	(In thousands)					
Trading securities:						
Government obligations	\$6,998	\$7,000	\$18,994	\$18,996	\$23,996	\$23,998
Common stocks	75,995	93,874	170,977	195,029	124,502	156,522
Mutual funds	2,505	3,623	2,432	3,498	2,418	3,532
Other investments	505	789	743	1,704	532	694
Total trading securities	86,003	105,286	193,146	219,227	151,448	184,746
Available for sale securities:						
Common stocks	13,578	37,429	13,637	38,942	15,009	39,334
Mutual funds	627	1,293	681	1,368	700	1,516
Total available for sale securities	14,205	38,722	14,318	40,310	15,709	40,850
Total investments in securities	\$100,208	\$144,008	\$207,464	\$259,537	\$167,157	\$225,596

Securities sold, not yet purchased at June 30, 2015, December 31, 2014 and June 30, 2014 consisted of the following:

	June 30, 2015		December 31, 2014		June 30, 2014	
	Proceeds	Fair Value	Proceeds	Fair Value	Proceeds	Fair Value
	(In thousands)					
Trading securities:						
Common stocks	\$9,705	\$9,715	\$9,835	\$9,960	\$11,662	\$13,861
Other investments	3	110	1	635	170	468
Total securities sold, not yet purchased	\$9,708	\$9,825	\$9,836	\$10,595	\$11,832	\$14,329

Investments in sponsored registered investment companies at June 30, 2015, December 31, 2014 and June 30, 2014 consisted of the following:

	June 30, 2015		December 31, 2014		June 30, 2014	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
	(In thousands)					
Trading securities:						

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Mutual funds	\$42,416	\$45,406	\$1	\$1	\$19	\$14
Total trading securities	42,416	45,406	1	1	19	14
Available for sale securities:						
Closed-end funds	62,780	77,616	21,962	36,323	21,531	37,138
Mutual funds	1,887	3,283	1,898	3,213	1,931	3,639
Total available for sale securities	64,667	80,899	23,860	39,536	23,462	40,777
Total investments in sponsored						
registered investment companies	\$107,083	\$126,305	\$23,861	\$39,537	\$23,481	\$40,791

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Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates such designation as of the date of each consolidated statement of financial condition. Investments in United States Treasury Bills and Notes with maturities of greater than three months at the time of purchase are classified as investments in securities, and those with maturities of three months or less at the time of purchase are classified as cash equivalents. The portion of investments in securities held for resale in anticipation of short-term market movements are classified as trading securities. Trading securities are stated at fair value, with any unrealized gains or losses reported in current period earnings. Available for sale ("AFS") investments are stated at fair value, with any unrealized gains or losses, net of taxes, reported as a component of equity except for losses deemed to be other than temporary ("OTT") which are recorded as realized losses in the condensed consolidated statements of income.

The following table identifies all reclassifications out of accumulated other comprehensive income ("AOCI") into income for the three and six months ended June 30, 2015 and 2014 (in thousands):

Amount Reclassified from AOCI	Affected Line Items in the Statements Of Income	Reason for Reclassification from AOCI
Three months ended June 30, 2015		
2014		
\$5	\$1,551 Net gain/(loss) from investments	Realized gain on sale of AFS securities
35	498 Other operating expenses/net gain from investments	Realized gain on donation of AFS securities
-	(69) Net gain/(loss) from investments	OTT impairment of AFS securities
40	1,980 Income before income taxes	
(15)	(733) Income tax provision	
\$25	\$1,247 Net income	

Amount Reclassified from AOCI	Affected Line Items in the Statements Of Income	Reason for Reclassification from AOCI
Six months ended June 30, 2015		
2014		
\$30	\$3,163 Net gain/(loss) from investments	Realized gain on sale of AFS securities
35	3,639 Other operating expenses/net gain from investments	Realized gain on donation of AFS securities
-	(69) Net gain/(loss) from investments	OTT impairment of AFS securities
65	6,733 Income before income taxes	
(24)	(2,491) Income tax provision	
\$41	\$4,242 Net income	

The Company recognizes all derivatives as either assets or liabilities measured at fair value and includes them in either investments in securities or securities sold, not yet purchased on the condensed consolidated statements of financial condition. From time to time, the Company and/or the partnerships and offshore funds that the Company consolidates will enter into hedging transactions to manage their exposure to foreign currencies and equity prices related to their proprietary investments. At June 30, 2015, December 31, 2014 and June 30, 2014, we held derivative contracts on 288,000 equity shares, 3.8 million equity shares and 1.9 million equity shares, respectively, that are included in investments in securities or securities sold, not yet purchased on the condensed consolidated statements of financial condition. We had two, one and one foreign exchange contracts outstanding at June 30, 2015, December 31, 2014 and June 30, 2014, respectively, that are included in receivable from brokers or payable to brokers on the condensed consolidated statements of financial condition. Aside from one foreign exchange contract, these

transactions are not designated as hedges for accounting purposes, and therefore changes in fair values of these derivatives are included in net gain/(loss) from investments on the condensed consolidated statements of income. The one foreign exchange contract that is designated as a hedge was for a short of British Pounds to hedge the long investment that we have in our London Stock Exchange listed Gabelli Value Plus+ Trust Ltd. closed-end fund which is denominated in British Pounds. As the underlying investment that is being hedged is an available for sale security, the portion of the change in value of the closed-end fund that is currency related is recorded in net gain/(loss) from investments on the condensed consolidated statements of income and not in accumulated comprehensive income.

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The following tables identify the fair values and gains and losses of all derivatives held by the Company (in thousands):

	Asset Derivatives Fair Value			Liability Derivatives Fair Value				
	Balance Sheet Location	June 30, 2015	December 31, 2014	June 30, 2014	Balance Sheet Location	June 30, 2015	December 31, 2014	June 30, 2014
Derivatives designated as hedging instruments under FASB ASC 815-20								
Foreign exchange contracts	Receivable from brokers	\$ -	\$ -	\$ -	Payable to brokers	\$41,676	\$ -	\$ -
Sub total		\$ -	\$ -	\$ -		\$41,676	\$ -	\$ -
Derivatives Not Designated As Hedging Instruments Under FASB ASC 815-20								
Equity contracts	Investments in securities	\$ 174	\$ 896	\$ 156	Securities sold, not yet purchased	\$ 110	\$ 635	\$ 456
Foreign exchange contracts	Receivable from brokers	-	-	-	Payable to brokers	5,103	5,470	6,823
Sub total		\$ 174	\$ 896	\$ 156		\$ 5,213	\$ 6,105	\$ 7,279
Total derivatives		\$ 174	\$ 896	\$ 156		\$ 46,889	\$ 6,105	\$ 7,279

Type of Derivative	Income Statement Location	Three Months ended		Six Months ended	
		June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Foreign exchange contracts	Net gain/(loss) from investments	\$(697)	\$53	\$(100)	\$59
Equity contracts	Net gain/(loss) from investments	41	120	172	(167)
Total		\$(656)	\$173	\$72	\$(108)

The Company is a party to enforceable master netting arrangements for swaps entered into as part of the investment strategy of the Company's proprietary portfolio. They are typically not used as hedging instruments. These swaps, while settled on a net basis with the counterparties, major U.S. financial institutions, are shown gross in assets and liabilities on the condensed consolidated statements of financial condition. The swaps have a firm contract end date and are closed out and settled when each contract expires.

Gross Amounts Not Offset in the Statements of Financial Condition		Net Amounts of Assets Presented	Financial
Gross Amounts of the Recognized	Offset in the		

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	Statements of Financial Assets (in thousands)	in the Statements of Financial Condition	Cash Collateral Instruments Received	Net Amount
Swaps:				
June 30, 2015	\$174	\$ -	\$ 174	\$(107) \$ - \$ 67
December 31, 2014	896	-	896	(634) - 262
June 30, 2014	\$156	\$ -	\$ 156	\$(156) \$ - \$ -

Gross Amounts Not Offset in
the
Statements of Financial
Condition

	Gross Amounts Offset in of the Statements Recognized Financial Liabilities (in thousands)	Net Amounts of Liabilities Presented in the Statements of Financial Condition	Cash Collateral Financial Instruments Pledged	Net Amount
Swaps:				
June 30, 2015	\$107	\$ -	\$ 107	\$(107) \$ - \$ -
December 31, 2014	634	-	634	(634) - -
June 30, 2014	\$205	\$ -	\$ 205	\$(156) \$ - \$ 49

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The following is a summary of the cost, gross unrealized gains, gross unrealized losses and fair value of available for sale investments as of June 30, 2015, December 31, 2014 and June 30, 2014:

	June 30, 2015			
	Gross Unrealized		Gross Unrealized	Fair Value
	Cost	Gains	Losses	
	(In thousands)			
Common stocks	\$13,578	\$ 23,851	\$ -	\$37,429
Closed-end Funds	62,780	14,864	(28)	77,616
Mutual funds	2,514	2,096	(34)	4,576
Total available for sale securities	\$78,872	\$ 40,811	\$ (62)	\$119,621

	December 31, 2014			
	Gross Unrealized		Gross Unrealized	Fair Value
	Cost	Gains	Losses	
	(In thousands)			
Common stocks	\$13,637	\$ 25,305	\$ -	\$38,942
Closed-end Funds	21,962	14,398	(37)	36,323
Mutual funds	2,579	2,030	(28)	4,581
Total available for sale securities	\$38,178	\$ 41,733	\$ (65)	\$79,846

	June 30, 2014			
	Gross Unrealized		Gross Unrealized	Fair Value
	Cost	Gains	Losses	
	(In thousands)			
Common stocks	\$15,009	\$ 24,325	\$ -	\$39,334
Closed-end Funds	21,531	15,607	-	37,138
Mutual funds	2,631	2,524	-	5,155
Total available for sale securities	\$39,171	\$ 42,456	\$ -	\$81,627

Unrealized changes in fair value, net of taxes, for the three months ended June 30, 2015 and June 30, 2014 of (\$0.3) million in losses and (\$1.7) million in losses, respectively, have been included in other comprehensive income, a component of equity, at June 30, 2015 and June 30, 2014. Return of capital on available for sale securities was \$35,000 and \$0.2 million for the three months ended June 30, 2015 and June 30, 2014, respectively. Proceeds from sales of investments available for sale were approximately \$0.9 million and \$2.6 million for the three months ended June 30, 2015 and June 30, 2014, respectively. For the three months ended June 30, 2015 and June 30, 2014, gross gains on the sale of investments available for sale amounted to \$5,000 and \$1.6 million, respectively, and were reclassified from other comprehensive income into net gain from investments in the condensed consolidated statements of income. There were no losses on the sale of investments available for sale for the three months ended June 30, 2015 or June 30, 2014. Unrealized changes in fair value, net of taxes, for the six months ended June 30, 2015 and June 30, 2014 of \$(0.7) million in losses and \$(4.4) million in losses, respectively, have been included in other comprehensive income, a component of equity, at June 30, 2015 and June 30, 2014. Return of capital on available for sale securities was \$0.3 million and \$0.6 million for the six months ended June 30, 2015 and June 30, 2014, respectively. Proceeds from sales of investments available for sale were approximately \$1.1 million and \$6.5 million

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for the six months ended June 30, 2015 and June 30, 2014, respectively. For the six months ended June 30, 2015 and June 30, 2014, gross gains on the sale of investments available for sale amounted to \$30,000 and \$3.2 million, respectively, and were reclassified from other comprehensive income into net gain from investments in the condensed consolidated statements of income. There were no losses on the sale of investments available for sale for the six months ended June 30, 2015 or June 30, 2014. The basis on which the cost of a security sold is determined using specific identification.

Investments classified as available for sale that are in an unrealized loss position for which other-than-temporary impairment has not been recognized consisted of the following:

	June 30, 2015			December 31, 2014			June 30, 2014		
	Unrealized		Fair	Unrealized		Fair	Unrealized		Fair
	Cost	Losses		Cost	Losses		Cost	Losses	
(in thousands)									
Closed-end funds	\$146	\$ (28)	\$ 118	\$812	\$ (37)	\$775	\$-	\$ -	\$ -
Mutual Funds	303	(34)	269	303	(28)	275	-	-	-
Total	\$449	\$ (62)	\$ 387	\$1,115	\$ (65)	\$1,050	\$-	\$ -	\$ -

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At June 30, 2015, there were three holdings in loss positions which were not deemed to be other-than-temporarily impaired due to the length of time that they had been in a loss position and because they passed scrutiny in our evaluation of issuer-specific and industry-specific considerations. In these specific instances, the investments at June 30, 2015 were mutual funds and closed-end funds with diversified holdings across multiple companies and across multiple industries. One holding was impaired for one month, one holding was impaired for eight months and one holding was impaired for ten months at June 30, 2015. The value of these holdings at June 30, 2015 was \$0.4 million.

At December 31, 2014, there were four holdings in loss positions which were not deemed to be other-than-temporarily impaired due to the length of time that they had been in a loss position and because they passed scrutiny in our evaluation of issuer-specific and industry-specific considerations. In these specific instances, the investments at December 31, 2014 were mutual funds and closed-end funds with diversified holdings across multiple companies and across multiple industries. One holding was impaired for one month, one for three months and two for four months at December 31, 2014. The value of these holdings at December 31, 2014 was \$1.1 million.

At June 30, 2014, there were no holdings in loss positions which were not deemed to be other-than-temporarily impaired.

There were no losses recognized on AFS securities for the three or six months ended June 30, 2015. For the three and six months ended June 30, 2014, there were \$69,000 of losses on available for sale securities deemed to be other than temporary and a loss has been recorded in net gain from investments.

C. Fair Value

The following tables present information about the Company's assets and liabilities by major categories measured at fair value on a recurring basis as of June 30, 2015, December 31, 2014 and June 30, 2014 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of June 30, 2015 (in thousands)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2015
Assets				
Cash equivalents	\$372,079	\$ -	\$ -	\$372,079
Investments in partnerships	-	21,526	-	21,526
Investments in securities:				
AFS - Common stocks	37,429	-	-	37,429
AFS - Mutual funds	1,293	-	-	1,293
Trading - Gov't obligations	7,000	-	-	7,000
Trading - Common stocks	92,954	-	920	93,874
Trading - Mutual funds	3,623	-	-	3,623
Trading - Other	318	173	298	789
Total investments in securities	142,617	173	1,218	144,008
Investments in sponsored registered investment companies:				
AFS - Closed-end Funds	77,616	-	-	77,616

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AFS - Mutual Funds	3,283	-	-	3,283
Trading - Mutual funds	45,406	-	-	45,406
Total investments in sponsored registered investment companies	126,305	-	-	126,305
Total investments	268,922	21,699	1,218	291,839
Total assets at fair value	\$641,001	\$ 21,699	\$ 1,218	\$663,918
Liabilities				
Trading - Common stocks	\$9,715	\$ -	\$ -	\$9,715
Trading - Other	-	110	-	110
Securities sold, not yet purchased	\$9,715	\$ 110	\$ -	\$9,825

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Assets and Liabilities Measured at Fair Value on a Recurring Basis as of December 31, 2014 (in thousands)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2014
Assets				
Cash equivalents	\$297,971	\$ -	\$ -	\$297,971
Investments in partnerships	-	23,803	-	23,803
Investments in securities:				
AFS - Common stocks	38,942	-	-	38,942
AFS - Mutual funds	1,368	-	-	1,368
Trading - Gov't obligations	18,996	-	-	18,996
Trading - Common stocks	193,735	1	1,293	195,029
Trading - Mutual funds	3,498	-	-	3,498
Trading - Other	513	897	294	1,704
Total investments in securities	257,052	898	1,587	259,537
Investments in sponsored registered investment companies:				
AFS - Closed-end Funds	36,323	-	-	36,323
AFS - Mutual Funds	3,213	-	-	3,213
Trading - Mutual funds	1	-	-	1
Total investments in sponsored registered investment companies	39,537	-	-	39,537
Total investments	296,589	24,701	1,587	322,877
Total assets at fair value	\$594,560	\$ 24,701	\$ 1,587	\$620,848
Liabilities				
Trading - Common stocks	\$9,960	\$ -	\$ -	\$9,960
Trading - Other	-	635	-	635
Securities sold, not yet purchased	\$9,960	\$ 635	\$ -	\$10,595

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of June 30, 2014 (in thousands)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2014
Assets				
Cash equivalents	\$307,154	\$ -	\$ -	\$307,154
Investments in partnerships	-	24,855	-	24,855
Investments in securities:				
AFS - Common stocks	39,334	-	-	39,334
AFS - Mutual funds	1,516	-	-	1,516
Trading - Gov't obligations	23,998	-	-	23,998
Trading - Common stocks	155,805	1	716	156,522

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Trading - Mutual funds	3,532	-	-	3,532
Trading - Other	243	157	294	694
Total investments in securities	224,428	158	1,010	225,596
Investments in sponsored registered investment companies:				
AFS - Closed-end Funds	37,138	-	-	37,138
AFS - Mutual Funds	3,639	-	-	3,639
Trading - Mutual funds	14	-	-	14
Total investments in sponsored registered investment companies	40,791	-	-	40,791
Total investments	265,219	25,013	1,010	291,242
Total assets at fair value	\$572,373	\$ 25,013	\$ 1,010	\$598,396
Liabilities				
Trading - Common stocks	\$13,861	\$ -	\$ -	\$13,861
Trading - Other	-	468	-	468
Securities sold, not yet purchased	\$13,861	\$ 468	\$ -	\$14,329

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The following tables present additional information about assets by major categories measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended June 30, 2015 (in thousands)

Asset	March 31, 2015	Beginning Balance	Total Realized and Unrealized Gains or (Losses) in Income AFS Trading Investments	Total Unrealized Gains or (Losses) Included in Other Comprehensive Income	Total Realized and Unrealized Gains or (Losses)	Purchases	Sales	Transfers In and/or (Out) of Level 3	Ending Balance
Asset Financial instruments owned:									
Trading - Common stocks	\$ 939	\$ (22)	\$ -	\$ -	\$ (22)	\$ 3	\$ -	\$ -	\$ 920
Trading - Other	279	21	-	-	21	-	(2)	-	298
Total	\$ 1,218	\$ (1)	\$ -	\$ -	\$ (1)	3	\$ (2)	\$ -	\$ 1,218

There were no transfers between any Levels during the three months ended June 30, 2015.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended June 30, 2014 (in thousands)

Asset	March 31, 2014	Beginning Balance	Total Realized and Unrealized Gains or (Losses) in Income AFS Trading Investments	Total Unrealized Gains or (Losses) Included in Other Comprehensive Income	Total Realized and Unrealized Gains or (Losses)	Purchases	Sales	Transfers In and/or (Out) of Level 3	Ending Balance
Asset Financial instruments owned:									
Trading - Common stocks	\$ 700	\$ 16	\$ -	\$ -	\$ 16	\$ -	\$ -	\$ -	\$ 716
Trading - Other	284	-	-	-	-	10	-	-	294
Total	\$ 984	\$ 16	\$ -	\$ -	\$ 16	\$ 10	\$ -	\$ -	\$ 1,010

There were no transfers between any Levels during the three months ended June 30, 2014.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Six Months Ended June 30, 2015 (in thousands)

Asset	December 31, 2014	Total Realized and Unrealized Gains or (Losses) in Income	AFS Investments	Comprehensive Income	Total Unrealized Gains or (Losses) Included in Other	Gains or (Losses)	Purchases	Sales	Transfers In and/or (Out) of Level 3	Ending Balance
Financial instruments owned:										
Trading - Common stocks	\$ 1,293	\$ (21)	\$ -	\$ -	\$ (21)	\$ 6	\$ (358)	\$ -	\$ -	\$ 920
Trading - Other	294	83	-	-	83	5	(84)	-	-	298
Total	\$ 1,587	\$ 62	\$ -	\$ -	\$ 62	11	\$(442)	\$ -	\$ -	\$ 1,218

There were securities with a value of \$0.4 million that were transferred out of Level 3 as a result of the deconsolidation of an offshore fund during the first quarter of 2015 which are reflected in sales above. There were no transfers between Levels 1 or 2 during the six months ended June 30, 2015.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Six Months Ended June 30, 2014 (in thousands)

Asset	December 31, 2013	Total Realized and Unrealized Gains or (Losses) in Income	AFS Investments	Total Unrealized Gains or (Losses) Included in Other Comprehensive Income	Total Unrealized Gains or (Losses)	Purchases	Sales	Transfers In and/or (Out) of Level 3	Ending Balance
Financial instruments owned:									
Trading - Common stocks	\$ 700	\$ 16	\$ -	\$ -	\$ 16	\$ -	\$ -	\$ -	\$ 716
Trading - Other	284	-	-	-	-	10	-	-	294
Total	\$ 984	\$ 16	\$ -	\$ -	\$ 16	\$ 10	\$ -	\$ -	\$ 1,010

There were no transfers between any Levels during the six months ended June 30, 2014.

D. Investments in Partnerships, Offshore Funds and Variable Interest Entities (“VIEs”)

The Company is general partner or co-general partner of various affiliated entities in which the Company has investments totaling \$95.4 million, \$94.2 million and \$93.0 million at June 30, 2015, December 31, 2014 and June 30, 2014, respectively, and whose underlying assets consist primarily of marketable securities (the “affiliated entities”). We also have investments in unaffiliated entities of \$13.6 million, \$13.4 million and \$14.9 million at June 30, 2015, December 31, 2014 and June 30, 2014, respectively (the “unaffiliated entities”). On a quarterly basis, we evaluate each entity for the appropriate accounting treatment and disclosure. Certain of the affiliated entities, and none of the unaffiliated entities, are consolidated.

For those entities where consolidation is not deemed to be appropriate, we report them in our condensed consolidated statement of financial condition under the caption “Investments in partnerships”. This caption includes those investments, in both affiliated and unaffiliated entities, which the Company accounts for under the equity method of accounting, as well as certain investments that the feeder funds hold that are carried at fair value, as described in Note C. The Company reflects the equity in earnings of these equity method investees and the change in fair value of the consolidated feeder funds (“CFFs”) under the caption Net gain/(loss) from investments on the condensed consolidated statements of income.

The following table highlights the number of entities, including voting interest entities (“VOEs”), that we consolidate as well as under which accounting guidance they are consolidated, including CFFs, which retain their specialized investment company accounting in consolidation, partnerships and offshore funds.

Entities consolidated

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	CFFs		Partnerships		Offshore Funds		Total	
	VIEs	VOEs	VIEs	VOEs	VIEs	VOEs	VIEs	VOEs
Entities consolidated at December 31, 2013	1	2	-	1	-	1	1	4
Additional consolidated entities	-	-	-	-	-	-	-	-
Deconsolidated entities	-	-	-	-	-	-	-	-