

GAMCO INVESTORS, INC. ET AL  
Form 10-Q  
November 04, 2016  
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 September 30, 2016

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 October 31, 2016
Class A Common Stock, .001 par value (Including 424,840 restricted stock awards)	10,401,705
Class B Common Stock, .001 par value	19,093,311

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INDEX

GAMCO INVESTORS, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Income:

- Three Months Ended September 30, 2016 and 2015
- Nine Months Ended September 30, 2016 and 2015

Condensed Consolidated Statements of Comprehensive Income:

- Three Months Ended September 30, 2016 and 2015
- Nine Months Ended September 30, 2016 and 2015

Condensed Consolidated Statements of Financial Condition:

- September 30, 2016
- December 31, 2015
- September 30, 2015

Condensed Consolidated Statements of Equity:

- Nine Months Ended September 30, 2016 and 2015

Condensed Consolidated Statements of Cash Flows:

- Nine Months Ended September 30, 2016 and 2015

Notes to Unaudited Condensed Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk (Included in Item 2)

Item 4. Controls and Procedures

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 6. Exhibits

SIGNATURES

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

(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Investment advisory and incentive fees	\$75,952	\$79,900	\$219,594	\$251,269
Distribution fees and other income	11,769	12,260	33,456	39,390
Total revenues	87,721	92,160	253,050	290,659
Expenses				
Compensation	21,233	34,022	62,130	109,177
Management fee	1,163	4,056	3,376	12,385
Distribution costs	11,568	12,363	32,786	40,093
Other operating expenses	5,681	4,443	14,993	14,157
Total expenses	39,645	54,884	113,285	175,812
Operating income	48,076	37,276	139,765	114,847
Other income (expense)				
Net gain from investments	55	72	518	220
Interest and dividend income	371	553	1,104	1,584
Interest expense	(3,155 )	(1,815 )	(9,729 )	(5,575 )
Total other expense, net	(2,729 )	(1,190 )	(8,107 )	(3,771 )
Income before income taxes	45,347	36,086	131,658	111,076
Income tax provision	14,486	13,635	47,229	41,702
Income from continuing operations	30,861	22,451	84,429	69,374
Loss from discontinued operations, net of taxes	-	(7,482 )	-	(5,528 )
Net income attributable to GAMCO Investors, Inc.'s shareholders	\$30,861	\$14,969	\$84,429	\$63,846
Net income/(loss) attributable to GAMCO Investors, Inc.'s shareholders per share:				
Basic - Continuing operations	\$1.06	\$0.90	\$2.89	\$2.77
Basic - Discontinued operations	-	(0.30 )	-	(0.22 )
Basic - Total	\$1.06	\$0.60	\$2.89	\$2.55
Diluted - Continuing operations	\$1.03	\$0.89	\$2.85	\$2.74
Diluted - Discontinued operations	-	(0.30 )	-	(0.22 )
Diluted - Total	\$1.03	\$0.59	\$2.85	\$2.52
Weighted average shares outstanding:				
Basic	29,185	24,947	29,222	25,047
Diluted	30,406	25,241	29,811	25,337
Dividends declared:	\$0.02	\$0.07	\$0.06	\$0.21

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 September 30, 2016		Nine Months Ended September 30, 2015	
Net income	\$30,861	\$14,969	\$84,429	\$63,846
Other comprehensive gain/(loss), net of tax:				
Foreign currency translation	(28 )	(35 )	(121 )	(22 )
Net unrealized gain/(loss) on securities available for sale (a)	506	(6,696 )	323	(7,417 )
Other comprehensive gain/(loss)	478	(6,731 )	202	(7,439 )
Comprehensive income attributable to GAMCO Investors, Inc.	\$31,339	\$8,238	\$84,631	\$56,407

(a) Net of income tax expense/(benefit) of \$297, (\$3,932), \$190 and (\$4,356), respectively.

See accompanying notes.

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

(Dollars in thousands, except per share data)

	September 30, 2016	December 31, 2015	September 30, 2015
<b>ASSETS</b>			
Cash and cash equivalents	\$33,852	\$13,719	\$62,561
Investments in securities	32,889	32,975	34,095
Receivable from brokers	344	1,091	1,157
Investment advisory fees receivable	26,606	31,048	26,638
Receivable from affiliates	4,745	5,041	27,957
Income tax receivable and deferred tax asset	10,634	6,787	2,409
Other assets	12,198	13,238	10,776
Assets of discontinued operations	-	-	706,523
Total assets	\$121,268	\$103,899	\$872,116
<b>LIABILITIES AND EQUITY</b>			
Payable to brokers	\$10,203	\$12	\$533
Income taxes payable and deferred tax liabilities	164	4,823	5,963
Capital lease obligation	5,094	5,170	5,191
Compensation payable	31,469	24,426	83,700
Securities sold, not yet purchased	-	129	-
Payable to affiliates	7,679	7,687	153
Accrued expenses and other liabilities	31,801	28,882	32,467
Liabilities of discontinued operations	-	-	66,614
Sub-total	86,410	71,129	194,621
4.5% Convertible note (net of issuance costs of \$174) (due August 15, 2021) (Note F)	109,826	-	-
AC 4% PIK Note (due November 30, 2020) (Note F)	100,000	250,000	-
Loan from GGCP (due December 28, 2016) (Note F)	-	35,000	-
5.875% Senior notes (net of issuance costs of \$110, \$128 and \$553, respectively) (due June 1, 2021) (Note F)	24,115	24,097	99,447
Zero coupon subordinated debentures, Face value: \$0.0 million at September 30, 2016, \$0.0 million at December 31, 2015 and \$6.9 million at September 30, 2015, respectively (due December 31, 2015) (Note F)	-	-	6,750
Total liabilities	320,351	380,226	300,818
Redeemable noncontrolling interests from discontinued operations	-	-	6,018
Commitments and contingencies (Note I)	-	-	-
<b>Equity</b>			
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; 15,480,032, 15,422,901 and 15,387,701 issued, respectively; 10,454,392,	-	-	-

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10,664,107 and 6,340,992 outstanding, respectively	14	14	14
Class B Common Stock, \$0.001 par value; 100,000,000 shares authorized; 24,000,000 shares issued; 19,093,311, 19,156,792 and 19,196,792 shares outstanding, respectively	19	19	19
Additional paid-in capital	3,135	345	299,769
Retained earnings (deficit)	48,412	(34,224 )	661,415
Accumulated other comprehensive income	9,317	9,115	17,575
Treasury stock, at cost (5,025,640, 4,758,794 and 9,046,709 shares, respectively)	(259,980)	(251,596)	(416,147)
Total GAMCO Investors, Inc. stockholders' equity (deficit)	(199,083)	(276,327)	562,645
Noncontrolling interests from discontinued operations	-	-	2,635
Total equity (deficit)	(199,083)	(276,327)	565,280
 Total liabilities and equity (deficit)	 \$ 121,268	 \$ 103,899	 \$ 872,116

See accompanying notes.



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

For the Nine Months Ended September 30, 2015

	GAMCO Investors, Inc. stockholders							Redeemable Noncontrolling Interests
	Noncontrolling Interests	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total	
Balance at December 31, 2014	\$ 2,734	\$33	\$291,681	\$602,950	\$ 25,014	\$(394,617)	\$527,795	\$ 68,334
Redemptions of redeemable noncontrolling interests	-	-	-	-	-	-	-	(602 )
Contributions from redeemable noncontrolling interest	-	-	-	-	-	-	-	1,036
Consolidation of a consolidated feeder fund and a partnership	-	-	-	-	-	-	-	996
Deconsolidation of offshore fund	-	-	-	-	-	-	-	(63,256 )
Net income (loss)	(99 )	-	-	63,846	-	-	63,747	(490 )
Net unrealized losses on securities available for sale, net of income tax benefit (\$4,341)	-	-	-	-	(7,392 )	-	(7,392 )	-
Amount reclassified from accumulated other comprehensive income, net of income tax benefit (\$15)	-	-	-	-	(25 )	-	(25 )	-
Foreign currency translation	-	-	-	-	(22 )	-	(22 )	-
Dividends declared (\$0.21 per share)	-	-	-	(5,381 )	-	-	(5,381 )	-
Stock based compensation expense	-	-	6,819	-	-	-	6,819	-
Exercise of stock options including tax benefit (\$102)	-	-	1,269	-	-	-	1,269	-
	-	-	-	-	-	(21,530 )	(21,530 )	-

Purchase of treasury  
stock

Balance at September

30, 2015	\$ 2,635	\$33	\$299,769	\$661,415	\$ 17,575	\$(416,147)	\$565,280	\$ 6,018
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See accompanying notes.

6

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

For the Nine Months Ended September 30, 2016

	GAMCO Investors, Inc. stockholders					
	Additional		Retained	Accumulated	Treasury	Total
	Common	Paid-in	Earnings	Other	Stock	
	Stock	Capital	(Deficit)	Comprehensive		
				Income		
Balance at December 31, 2015	\$33	\$ 345	\$(34,224)	\$ 9,115	\$(251,596)	\$(276,327)
Net income	-	-	84,429	-	-	84,429
Net unrealized gains on securities available for sale, net of income tax expense (\$129)	-	-	-	221	-	221
Amounts reclassified from accumulated other comprehensive income, net of income tax expense (\$61)	-	-	-	102	-	102
Foreign currency translation	-	-	-	(121 )	-	(121 )
Dividends declared (\$0.06 per share)	-	-	(1,793 )	-	-	(1,793 )
Stock based compensation expense	-	3,258	-	-	-	3,258
Reduction of deferred tax asset for excess of recorded RSA tax benefit over actual tax benefit	-	(468 )	-	-	-	(468 )
Purchase of treasury stock	-	-	-	-	(8,384 )	(8,384 )
Balance at September 30, 2016	\$33	\$ 3,135	\$48,412	\$ 9,317	\$(259,980)	\$(199,083)

See accompanying notes.

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

	Nine Months Ended September 30,	
	2016	2015
Operating activities		
Net income	\$84,429	\$63,846
Add: Loss from discontinued operations, net of taxes	-	5,528
Income from continuing operations	84,429	69,374
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	470	466
Stock based compensation expense	3,258	4,923
Deferred income taxes	(3,930 )	(1,902 )
Tax benefit from exercise of stock options	-	102
Foreign currency translation loss	(121 )	(22 )
Cost basis of donated securities	68	31
Net gains on sales of available for sale securities	(4 )	(5 )
Accretion of zero coupon debentures	-	502
Loss on extinguishment of zero coupon debentures	-	310
(Increase) decrease in assets:		
Investments in trading securities	223	-
Receivable from affiliates	290	(1,517 )
Receivable from brokers	747	526
Investment advisory fees receivable	4,442	11,090
Income tax receivable and deferred tax assets	(3,847 )	24
Other assets	534	1,617
Increase (decrease) in liabilities:		
Payable to affiliates	(8 )	(202 )
Payable to brokers	10,190	522
Income taxes payable and deferred tax liabilities	(1,384 )	(8,349 )
Compensation payable	7,051	52,901
Accrued expenses and other liabilities	2,804	4,470
Total adjustments	20,783	65,487
Net cash provided by operating activities from continuing operations	\$105,212	\$134,861

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

	Nine Months Ended September 30,	
	2016	2015
Investing activities		
Purchases of available for sale securities	\$(223 )	\$-
Proceeds from sales of available for sale securities	408	51
Net cash provided by investing activities from continuing operations	185	51
Financing activities		
Net cash transferred from AC	-	77,533
Issuance of 4.5% Convertible note	109,826	-
Proceeds from exercise of stock options	-	1,167
Dividends paid	(1,752 )	(5,252 )
Repurchase of Zero coupon subordinated debentures	-	(6,224 )
Purchase of treasury stock	(8,384 )	(21,530 )
Repayment of AC 4% PIK Note	(150,000)	-
Repayment of loan from GGCP	(35,000 )	-
Amortization of debt issuance costs	18	73
Net cash (used in) provided by financing activities from continuing operations	(85,292 )	45,767
Cash flows of discontinued operations		
Net cash provided by operating activities	-	59,154
Net cash used in investing activities	-	(41,464 )
Net cash used in financing activities	-	(148,510)
Net cash used in discontinued operations	-	(130,820)
Effect of exchange rates on cash and cash equivalents	28	8
Net increase in cash and cash equivalents	20,133	49,867
Cash and cash equivalents at beginning of period	13,719	12,694
Cash and cash equivalents at end of period	\$33,852	\$62,561
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$4,561	\$3,531
Cash paid for taxes	\$55,216	\$49,587

Non-cash activity:

For the nine months ended September 30, 2016 and September 30, 2015, the Company accrued dividends on restricted stock awards of \$41 and \$129, respectively.

For the nine months ended September 30, 2016, the Company recorded \$468 as a reduction to its deferred tax asset and additional paid-in capital for the excess of the recorded restricted stock award tax benefit over the actual tax benefit.

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2016  
(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 interim condensed consolidated financial statements include the accounts of GAMCO and its subsidiaries. Intercompany accounts and transactions are eliminated.

These interim 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, 2015.

Reclassifications

Certain amounts reported for the prior period in the accompanying condensed consolidated financial statements have been reclassified in order to conform to the current period’s presentation. Assets and liabilities related to the spin-off (“Spin-off”) of Associated Capital Group, Inc. (“AC”) on November 30, 2015 on the Company’s condensed consolidated statement of financial condition as of September 30, 2015 have been reclassified as assets and liabilities of discontinued operations (See Note J. Discontinued Operations for further details). All assets and liabilities related to discontinued operations are excluded from the footnotes for all periods presented unless otherwise noted. In addition, the historical results of AC and certain investment partnerships and offshore funds have been reflected in the accompanying consolidated statements of income for the quarter and nine months ended September 30, 2015 as discontinued operations and financial information related to discontinued operations has been excluded from the notes to these interim condensed consolidated financial statements for all periods presented.

Use of Estimates

The preparation of the interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported on the interim 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, 2017, 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 April 2015, the FASB issued ASU 2015-03, which amends the presentation of debt issuance costs in financial statements. This amended guidance requires entities to present the cost of debt issuances as a reduction of the related debt rather than as an asset. This guidance is effective for the Company beginning January 1, 2016. The Company adopted this guidance retrospectively on January 1, 2016. As a result, the debt issuance costs related to the 5.875% Senior Notes are now shown net in the liability section on the consolidated statements of financial condition. At December 31, 2015 and September 30, 2015, the 5.875% Senior Notes are now disclosed net of issuance costs of \$128,000 and \$553,000, respectively. These amounts were previously disclosed in other assets on the consolidated statements of financial condition.

In January 2016, the FASB issued ASU 2016-01, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Although the ASU retains many current requirements, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. For public companies, the new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017. To adopt the amendments, entities will be required to make a cumulative-effect adjustment to beginning retained earnings as of the beginning of the fiscal year in which the guidance is effective. The Company is currently evaluating this guidance and the impact it will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, which amends the guidance in U.S. GAAP for the accounting for leases. ASU 2016-02 requires a lessee to recognize assets and liabilities arising from most operating leases in the condensed consolidated statement of financial position. ASU 2016-02 is effective beginning January 1, 2019. The Company is currently evaluating this guidance and the impact it will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. For public companies, the ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating this guidance and the impact it will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, which adds and clarifies guidance on the classification of certain cash receipts and payments in the consolidated statements of cash flows. For public companies, the ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating this guidance and the impact it will have on its consolidated financial statements.

## B. Investment in Securities

Investments in securities at September 30, 2016, December 31, 2015 and September 30, 2015 consisted of the following:

	September 30, 2016		December 31, 2015		September 30, 2015	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
	(In thousands)					
Trading securities:						
Common stocks	\$16	\$16	\$385	\$368	\$-	\$-
Total trading securities	16	16	385	368	-	-



Available for sale securities:

Common stocks	17,649	32,873	17,898	32,607	13,561	34,095
Total available for sale securities	17,649	32,873	17,898	32,607	13,561	34,095

Total investments in securities	\$17,665	\$32,889	\$18,283	\$32,975	\$13,561	\$34,095
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Securities sold, not yet purchased at September 30, 2016, December 31, 2015 and September 30, 2015 consisted of the following:

	September 30, 2016		December 31, 2015		September 30, 2015	
	Fair Value		Fair Value		Fair Value	
	Proceeds	Value	Proceeds	Value	Proceeds	Value
Trading securities:	(In thousands)					
Common stocks	\$-	\$ -	\$123	\$129	\$ -	\$ -
Total securities sold, not yet purchased	\$-	\$ -	\$123	\$129	\$ -	\$ -

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 condensed 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 nine months ended September 30, 2016 and 2015 (in thousands):

Amount	Affected Line Items	Reason for
Reclassified from AOCI	in the Statements Of Income	Reclassification from AOCI
Three Months Ended September 30, 2016		
2015		
\$-	Net gain from investments	Realized gain on sale of AFS securities
7	Other operating expenses/net gain from investments	Realized gain on donation of AFS securities
7	Income before income taxes	
(3)	Income tax provision	
\$4	Net income	

Amount	Affected Line Items	Reason for
Reclassified from AOCI	in the Statements Of Income	Reclassification from AOCI
Nine Months Ended September 30, 2016		
2015		
\$4	Net gain from investments	Realized gain on sale of AFS securities
159	Other operating expenses/net gain from investments	Realized gain on donation of AFS securities
163	Income before income taxes	

(61)	(32)	Income tax provision
\$102	\$53	Net income

12

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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 September 30, 2016, December 31, 2015 and September 30, 2015:

	September 30, 2016			
	Gross Unrealized		Gross Unrealized	Fair
	Cost	Gains	Losses	Value
	(In thousands)			
Common stocks	\$ 17,649	\$ 15,224	\$ -	\$ 32,873
Total available for sale securities	\$ 17,649	\$ 15,224	\$ -	\$ 32,873

	December 31, 2015			
	Gross Unrealized		Gross Unrealized	Fair
	Cost	Gains	Losses	Value
	(In thousands)			
Common stocks	\$ 17,898	\$ 14,709	\$ -	\$ 32,607
Total available for sale securities	\$ 17,898	\$ 14,709	\$ -	\$ 32,607

	September 30, 2015			
	Gross Unrealized		Gross Unrealized	Fair
	Cost	Gains	Losses	Value
	(In thousands)			
Common stocks	\$ 13,561	\$ 20,534	\$ -	\$ 34,095
Total available for sale securities	\$ 13,561	\$ 20,534	\$ -	\$ 34,095

Changes in net unrealized gain, net of taxes, for the three months ended September 30, 2016 of \$0.5 million and changes in net unrealized loss, net of taxes, for the three months ended September 30, 2015 of \$6.7 million have been included in other comprehensive income, a component of equity, at September 30, 2016 and September 30, 2015, respectively. There were no sales of investments available for sale for the three months ended September 30, 2016 and September 30, 2015. Changes in net unrealized gain, net of taxes, for the nine months ended September 30, 2016 of \$0.3 million and changes in net unrealized loss, net of taxes, for the nine months ended September 30, 2015 of \$7.4 million have been included in other comprehensive income, a component of equity, at September 30, 2016 and September 30, 2015, respectively. During the nine months ended September 30, 2016 and September 30, 2015, proceeds from the sales of investments available for sale were approximately \$408,000 and \$51,000, respectively. For the nine months ended September 30, 2016 and September 30, 2015, gross gains on the sale of investments available for sale amounted to \$4,000 and \$5,000, respectively, and were reclassified from other comprehensive income into net gain from investments in the condensed consolidated statements of income. There were no realized losses on the sale of investments available for sale for the nine months ended September 30, 2016 or September 30, 2015. The basis on which the cost of a security sold is determined using specific identification. Accumulated other comprehensive income on the consolidated statements of equity is primarily comprised of unrealized gains/losses, net of taxes, for AFS securities.

GBL has an established accounting policy and methodology to determine other-than-temporary impairment on available for sale securities. Under this policy, available for sale securities are evaluated for other than temporary impairments and any impairment charges are recorded in net gain/(loss) from investments on the condensed consolidated statements of income. Management reviews all available for sale securities whose cost exceeds their

market value to determine if the impairment is other than temporary. Management uses qualitative factors such as diversification of the investment, the amount of time that the investment has been impaired, the intent to sell and the severity of the decline in determining whether the impairment is other than temporary.

There were no investments classified as available for sale that were in an unrealized loss position at September 30, 2016, December 31, 2015 or September 30, 2015.

For the three and nine months ended September 30, 2016 and 2015 there were no losses on available for sale securities that were deemed to be other than temporary.

## 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 September 30, 2016, December 31, 2015 and September 30, 2015 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 September 30, 2016 (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 September 30, 2016
Assets				
Cash equivalents	\$ 33,576	\$ -	\$ -	\$ 33,576
Investments in securities:				
AFS - Common stocks	32,873	-	-	32,873
Trading - Common stocks	16	-	-	16
Total investments in securities	32,889	-	-	32,889
Total assets at fair value	\$ 66,465	\$ -	\$ -	\$ 66,465
Liabilities				
Securities sold, not yet purchased:				
Trading - Common stocks	\$ -	\$ -	\$ -	\$ -
Total securities sold, not yet purchased	\$ -	\$ -	\$ -	\$ -

## Assets and Liabilities Measured at Fair Value on a Recurring Basis as of December 31, 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 December 31, 2015
Assets				
Cash equivalents	\$ 13,538	\$ -	\$ -	\$ 13,538
Investments in securities:				
AFS - Common stocks	32,607	-	-	32,607
Trading - Common stocks	368	-	-	368
Total investments in securities	32,975	-	-	32,975
Total assets at fair value	\$ 46,513	\$ -	\$ -	\$ 46,513
Liabilities				
Securities sold, not yet purchased:				
Trading - Common stocks	\$ 129	\$ -	\$ -	\$ 129
Total securities sold, not yet purchased	\$ 129	\$ -	\$ -	\$ 129

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

Quoted  
Prices in Significant  
Active Other Significant Balance  
Markets as of  
for  
Identical Observable Unobservable