

GAMCO INVESTORS, INC. ET AL
Form 10-Q
November 07, 2014
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, 2014

or

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

For the transition period from ___ to ___

Commission File No. 001-14761

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

Delaware
(State of other jurisdiction of incorporation or organization)

13-4007862
(I.R.S. Employer Identification No.)

One Corporate Center, Rye, NY
(Address of principle executive offices)

10580-1422
(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, 2014 |
|--|---------------------------------|
| Class A Common Stock, .001 par value (Including 639,750 restricted stock awards) | 6,540,443 |
| Class B Common Stock, .001 par value | 19,279,260 |

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

(Dollars in thousands, except per share data)

| | Three Months | | Nine Months Ended | |
|--|--------------------------------|----------|-----------------------|-----------|
| | Ended September 30, 2014 | 2013 | September 30, 2014 | 2013 |
| Revenues | | | | |
| Investment advisory and incentive fees | \$92,591 | \$80,438 | \$270,544 | \$230,488 |
| Distribution fees and other income | 15,727 | 13,545 | 46,367 | 37,420 |
| Institutional research services | 2,540 | 2,394 | 6,720 | 6,940 |
| Total revenues | 110,858 | 96,377 | 323,631 | 274,848 |
| Expenses | | | | |
| Compensation | 43,316 | 39,803 | 131,258 | 113,214 |
| Management fee | 3,756 | 5,629 | 13,628 | 14,455 |
| Distribution costs | 15,101 | 12,769 | 44,087 | 35,650 |
| Other operating expenses | 5,099 | 5,448 | 17,036 | 16,290 |
| Total expenses | 67,272 | 63,649 | 206,009 | 179,609 |
| Operating income | 43,586 | 32,728 | 117,622 | 95,239 |
| Other income (expense) | | | | |
| Net gain/(loss) from investments | (9,086) | 19,334 | 7,602 | 43,766 |
| Interest and dividend income | 1,084 | 1,134 | 3,557 | 4,986 |
| Interest expense | (1,987) | (2,164) | (6,000) | (8,448) |
| Shareholder-designated contribution | - | (313) | (134) | (5,313) |
| Total other income (expense), net | (9,989) | 17,991 | 5,025 | 34,991 |
| Income before income taxes | 33,597 | 50,719 | 122,647 | 130,230 |
| Income tax provision | 13,045 | 17,515 | 44,796 | 46,434 |
| Net income | 20,552 | 33,204 | 77,851 | 83,796 |
| Net income/(loss) attributable to noncontrolling interests | (3,113) | 106 | (2,718) | 260 |
| Net income attributable to GAMCO Investors, Inc.'s shareholders | \$23,665 | \$33,098 | \$80,569 | \$83,536 |
| Net income attributable to GAMCO Investors, Inc.'s shareholders per share: | | | | |
| Basic | \$0.94 | \$1.29 | \$3.17 | \$3.25 |
| Diluted | \$0.93 | \$1.29 | \$3.15 | \$3.25 |
| Weighted average shares outstanding: | | | | |
| Basic | 25,296 | 25,625 | 25,385 | 25,682 |
| Diluted | 25,517 | 25,700 | 25,595 | 25,717 |
| Dividends declared: | \$0.06 | \$0.06 | \$0.18 | \$0.16 |

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, 2014 | | Nine Months Ended September 30, 2014 | |
|--|--|----------|---|----------|
| | 2013 | | 2013 | |
| Net income | \$20,552 | \$33,204 | \$77,851 | \$83,796 |
| Other comprehensive income/(loss), net of tax: | | | | |
| Foreign currency translation | (45) | 49 | (15) | 1 |
| Net unrealized gains/(losses) on securities available for sale (a) | (2,407) | (2,170) | (6,832) | (3,030) |
| Other comprehensive income/(loss) | (2,452) | (2,121) | (6,847) | (3,029) |
| Comprehensive income | 18,100 | 31,083 | 71,004 | 80,767 |
| Less: Comprehensive loss/(income) attributable to noncontrolling interests | 3,113 | (106) | 2,718 | (260) |
| Comprehensive income attributable to GAMCO Investors, Inc. | \$21,213 | \$30,977 | \$73,722 | \$80,507 |

(a) Net of income tax benefit of (\$1,414), (\$1,274), (\$4,013) and (\$1,780), respectively.

See accompanying notes.

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

(Dollars in thousands, except per share data)

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|--------------------------|-------------------------|--------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$358,421 | \$210,451 | \$245,411 |
| Investments in securities | 254,630 | 231,228 | 237,744 |
| Investments in sponsored registered investment companies | 39,520 | 44,042 | 43,688 |
| Investments in partnerships | 107,434 | 95,992 | 97,752 |
| Receivable from brokers | 79,885 | 49,461 | 43,854 |
| Investment advisory fees receivable | 31,155 | 51,506 | 31,151 |
| Income tax receivable | 2,433 | 445 | 433 |
| Other assets | 25,282 | 26,360 | 34,589 |
| Total assets | \$898,760 | \$709,485 | \$734,622 |
| LIABILITIES AND EQUITY | | | |
| Payable to brokers | \$46,790 | \$10,765 | \$14,675 |
| Income taxes payable and deferred tax liabilities | 27,412 | 39,846 | 28,726 |
| Capital lease obligation | 5,272 | 5,323 | 5,331 |
| Compensation payable | 93,535 | 34,663 | 86,174 |
| Securities sold, not yet purchased | 14,180 | 6,178 | 7,725 |
| Mandatorily redeemable noncontrolling interests | 1,304 | 1,355 | 1,327 |
| Accrued expenses and other liabilities | 31,007 | 32,511 | 28,906 |
| Sub-total | 219,500 | 130,641 | 172,864 |
| 5.5% Senior notes (repaid May 15, 2013) | - | 0 | 0 |
| 5.875% Senior notes (due June 1, 2021) | 100,000 | 100,000 | 100,000 |
| Zero coupon subordinated debentures, Face value: \$13.1 million at September 30, 2014, \$13.8 million at December 31, 2013 and \$20.5 million at September 30, 2013 (due December 31, 2015) | 11,941 | 11,911 | 17,347 |
| Total liabilities | 331,441 | 242,552 | 290,211 |
| Redeemable noncontrolling interests | 56,086 | 6,751 | 5,765 |
| 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; 15,230,433, 15,012,719 and 14,833,469 issued, respectively; 6,599,982, 6,701,930 and 6,592,649 outstanding, respectively | | | |
| | 14 | 14 | 14 |
| Class B Common Stock, \$.001 par value; 100,000,000 shares authorized; 24,000,000 shares issued; 19,279,260, 19,384,174 and 19,424,174 shares outstanding, respectively | | | |
| | 19 | 19 | 19 |
| Additional paid-in capital | 289,664 | 282,496 | 281,194 |

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| | | | |
|---|-----------|-----------|-----------|
| Retained earnings | 582,357 | 506,441 | 487,702 |
| Accumulated other comprehensive income | 23,392 | 30,239 | 23,271 |
| Treasury stock, at cost (8,630,451, 8,310,789 and 8,240,820 shares, respectively) | (386,952) | (361,878) | (356,343) |
| Total GAMCO Investors, Inc. stockholders' equity | 508,494 | 457,331 | 435,857 |
| Noncontrolling interests | 2,739 | 2,851 | 2,789 |
| Total equity | 511,233 | 460,182 | 438,646 |
| | | | |
| Total liabilities and equity | \$898,760 | \$709,485 | \$734,622 |

See accompanying notes.

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

For the Nine months ended September 30, 2014

| | 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, 2013 | \$ 2,851 | \$33 | \$282,496 | \$506,441 | \$ 30,239 | \$(361,878) | \$460,182 | \$ 6,751 |
| Redemptions of noncontrolling interests | - | - | - | - | - | - | - | (1,666) |
| Contributions from noncontrolling interests | - | - | - | - | - | - | - | 53,607 |
| Net income (loss) | (112) | - | - | 80,569 | - | - | 80,457 | (2,606) |
| Net unrealized gains on securities available for sale, net of income tax benefit (\$1,393) | - | - | - | - | (2,371) | - | (2,371) | - |
| Amounts reclassified from accumulated other comprehensive income, net of income tax benefit (\$2,620) | - | - | - | - | (4,461) | - | (4,461) | - |
| Foreign currency translation | - | - | - | - | (15) | - | (15) | - |
| Dividends declared (\$0.18 per share) | - | - | - | (4,653) | - | - | (4,653) | - |
| Stock based compensation expense | - | - | 5,182 | - | - | - | 5,182 | - |
| Exercise of stock options including tax benefit (\$349) | - | - | 1,986 | - | - | - | 1,986 | - |
| Purchase of treasury stock | - | - | - | - | - | (25,074) | (25,074) | - |
| Balance at September 30, 2014 | \$ 2,739 | \$33 | \$289,664 | \$582,357 | \$ 23,392 | \$(386,952) | \$511,233 | \$ 56,086 |

See accompanying notes.

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

For the Nine months ended September 30, 2013

| | 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, 2012 | \$ 3,326 | \$33 | \$280,089 | \$408,295 | \$ 26,300 | \$(347,109) | \$370,934 | \$ 17,362 |
| Redemptions of noncontrolling interests | (524) | - | - | - | - | - | (524) | (15,356) |
| Contributions from noncontrolling interests | - | - | - | - | - | - | - | 3,486 |
| Net income (loss) | (13) | - | - | 83,536 | - | - | 83,523 | 273 |
| Net unrealized gains on securities available for sale, net of income tax (\$5,479) | - | - | - | - | 9,331 | - | 9,331 | - |
| Amount reclassified from accumulated other comprehensive income, net of income tax benefit (\$7,259) | - | - | - | - | (12,361) | - | (12,361) | - |
| Income tax effect of transaction with shareholders | - | - | 243 | - | - | - | 243 | - |
| Foreign currency translation | - | - | - | - | 1 | - | 1 | - |
| Dividends declared (\$0.16 per share) | - | - | - | (4,129) | - | - | (4,129) | - |
| Stock based compensation expense | - | - | 770 | - | - | - | 770 | - |
| Exercise of stock options including tax benefit | - | - | 92 | - | - | - | 92 | - |
| Purchase of treasury stock | - | - | - | - | - | (9,234) | (9,234) | - |
| Balance at September 30, 2013 | \$ 2,789 | \$33 | \$281,194 | \$487,702 | \$ 23,271 | \$(356,343) | \$438,646 | \$ 5,765 |

See accompanying notes.

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

| | Nine Months Ended September 30, 2014 | 2013 |
|---|--|-----------|
| Operating activities | | |
| Net income | \$ 77,851 | \$ 83,796 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Equity in net gains from partnerships | (572) | (1,211) |
| Depreciation and amortization | 507 | 605 |
| Stock based compensation expense | 5,182 | 770 |
| Deferred income taxes | (3,472) | 1,495 |
| Tax benefit from exercise of stock options | 349 | 16 |
| Foreign currency translation gain/(loss) | (15) | 1 |
| Other-than-temporary loss on available for sale securities | 69 | 14 |
| Cost basis of donated securities | 1,502 | 1,880 |
| Gains on sales of available for sale securities | (3,511) | (16,191) |
| Accretion of zero coupon debentures | 661 | 964 |
| Loss on extinguishment of debt | 84 | 137 |
| (Increase) decrease in assets: | | |
| Investments in trading securities | (22,376) | (11,730) |
| Investments in partnerships: | | |
| Contributions to partnerships | (15,698) | (10,124) |
| Distributions from partnerships | 4,828 | 11,134 |
| Receivable from brokers | (30,424) | 6,801 |
| Investment advisory fees receivable | 20,351 | 11,278 |
| Income tax receivable and deferred tax assets | (1,988) | 584 |
| Other assets | 563 | (7,436) |

| | | | | |
|---|--------|---------|--------|---------|
| Increase (decrease) in liabilities: | | | | |
| Payable to brokers | 36,026 | | 329 | |
| Income taxes payable and deferred tax liabilities | (4,950 |) | 3,613 | |
| Compensation payable | 58,873 | | 75,639 | |
| Mandatorily redeemable noncontrolling interests | (51 |) | (15 |) |
| Accrued expenses and other liabilities | (1,639 |) | 3,144 | |
| Total adjustments | 44,299 | | 71,697 | |
| Net cash provided by operating activities | \$ | 122,150 | \$ | 155,493 |

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

| | Nine Months Ended September 30, | |
|--|------------------------------------|------------|
| | 2014 | 2013 |
| Investing activities | | |
| Purchases of available for sale securities | \$(6,252) | \$(8,427) |
| Proceeds from sales of available for sale securities | 8,018 | 32,422 |
| Return of capital on available for sale securities | 827 | 1,094 |
| Net cash provided by investing activities | 2,593 | 25,089 |
| Financing activities | | |
| Contributions from redeemable noncontrolling interests | 53,607 | 3,486 |
| Redemptions of redeemable noncontrolling interests | (1,666) | (15,356) |
| Redemption of 5.5% Senior Notes | - | (99,000) |
| Redemptions of noncontrolling interests | - | (524) |
| Proceeds from exercise of stock options | 1,637 | 76 |
| Dividends paid | (4,567) | (4,108) |
| Repurchase of zero coupon subordinated debentures | (715) | (1,119) |
| Purchase of treasury stock | (25,074) | (9,234) |
| Net cash provided by/(used in) financing activities | 23,222 | (125,779) |
| Effect of exchange rates on cash and cash equivalents | 5 | - |
| Net increase in cash and cash equivalents | 147,970 | 54,803 |
| Cash and cash equivalents at beginning of period | 210,451 | 190,608 |
| Cash and cash equivalents at end of period | \$358,421 | \$245,411 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$3,847 | \$6,607 |
| Cash paid for taxes | \$52,956 | \$40,500 |

Non-cash activity:

- For the nine months ended September 30, 2014 and September 30, 2013, the Company accrued dividends on restricted stock awards of \$86 and \$21, respectively.

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2014
(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, 2013 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 condensed 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 condensed consolidated financial statements.

B. Investment in Securities

Investments in securities at September 30, 2014, December 31, 2013 and September 30, 2013 consisted of the following:

| | September 30, 2014 | | December 31, 2013 | | September 30, 2013 | |
|-------------------------------------|--------------------|------------|-------------------|------------|--------------------|------------|
| | Cost | Fair Value | Cost | Fair Value | Cost | Fair Value |
| (In thousands) | | | | | | |
| Trading securities: | | | | | | |
| Government obligations | \$20,995 | \$20,999 | \$37,986 | \$37,994 | \$20,993 | \$21,000 |
| Common stocks | 167,714 | 190,939 | 96,225 | 124,634 | 143,731 | 166,443 |
| Mutual funds | 2,416 | 3,373 | 21,074 | 23,285 | 11,073 | 12,010 |
| Other investments | 753 | 1,550 | 287 | 582 | 406 | 419 |
| Total trading securities | 191,878 | 216,861 | 155,572 | 186,495 | 176,203 | 199,872 |
| Available for sale securities: | | | | | | |
| Common stocks | 14,228 | 36,380 | 13,389 | 43,046 | 16,372 | 36,297 |
| Mutual funds | 681 | 1,389 | 843 | 1,687 | 843 | 1,575 |
| Total available for sale securities | 14,909 | 37,769 | 14,232 | 44,733 | 17,215 | 37,872 |
| Total investments in securities | \$206,787 | \$254,630 | \$169,804 | \$231,228 | \$193,418 | \$237,744 |

Securities sold, not yet purchased at September 30, 2014, December 31, 2013 and September 30, 2013 consisted of the following:

| | September 30, 2014 | | December 31, 2013 | | September 30, 2013 | |
|--|--------------------|------------|-------------------|------------|--------------------|------------|
| | Proceeds | Fair Value | Proceeds | Fair Value | Proceeds | Fair Value |
| (In thousands) | | | | | | |
| Trading securities: | | | | | | |
| Common stocks | \$11,699 | \$13,514 | \$5,319 | \$6,023 | \$6,411 | \$7,003 |
| Other investments | 71 | 666 | - | 155 | 526 | 722 |
| Total securities sold, not yet purchased | \$11,770 | \$14,180 | \$5,319 | \$6,178 | \$6,937 | \$7,725 |

Investments in sponsored registered investment companies at September 30, 2014, December 31, 2013 and September 30, 2013 consisted of the following:

| | September 30, 2014 | | December 31, 2013 | | September 30, 2013 | |
|---|-----------------------|---------------|----------------------|---------------|-----------------------|---------------|
| | Cost | Fair Value | Cost | Fair Value | Cost | Fair Value |
| (In thousands) | | | | | | |
| Trading securities: | | | | | | |
| Mutual funds | \$1 | \$1 | \$19 | \$10 | \$19 | \$12 |
| Total trading securities | 1 | 1 | 19 | 10 | 19 | 12 |
| Available for sale securities: | | | | | | |
| Closed-end funds | 21,819 | 36,142 | 23,100 | 40,624 | 23,850 | 40,272 |
| Mutual funds | 1,922 | 3,377 | 1,951 | 3,408 | 2,031 | 3,404 |
| Total available for sale securities | 23,741 | 39,519 | 25,051 | 44,032 | 25,881 | 43,676 |
| Total investments in sponsored registered investment companies | \$23,742 | \$39,520 | \$25,070 | \$44,042 | \$25,900 | \$43,688 |

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 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, 2014 and 2013 (in thousands):

| Amount Reclassified from AOCI | Affected Line Items in the Statements Of Income | | Reason for Reclassification from AOCI |
|--|---|--|---|
| Three months ended September 30, 2014 | 2014 | 2013 | |
| \$348 | \$5,745 | Net gain/(loss) from investments | Realized gain on sale of AFS securities |
| - | 3,112 | Other operating expenses/net gain from investments | Realized gain on donation of AFS securities |
| 348 | 8,857 | Income before income taxes | |
| (129) | (3,277) | Income tax provision | |
| \$219 | \$5,580 | Net income | |
| Amount Reclassified from AOCI | Affected Line Items in the Statements Of Income | | Reason for Reclassification from AOCI |

Nine months ended

September 30,

| 2014 | 2013 | | |
|---------|----------|--|---|
| \$3,511 | \$16,191 | Net gain/(loss) from investments | Realized gain on sale of AFS securities |
| 3,639 | 3,443 | Other operating expenses/net gain from investments | Realized gain on donation of AFS securities |
| (69) | (14) | Net gain/(loss) from investments | OTT impairment of AFS securities |
| 7,081 | 19,620 | Income before income taxes | |
| (2,620) | (7,259) | Income tax provision | |
| \$4,461 | \$12,361 | 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. For the three months ended September 30, 2014 and 2013, the Company had transactions in equity derivatives which resulted in net gains of \$661,000 and \$191,000, respectively. For the nine months ended September 30, 2014 and 2013, the Company had transactions in equity derivatives which resulted in net gains of \$591,000 and \$471,000, respectively. At September 30, 2014, December 31, 2013 and September 30, 2013, we held derivative contracts on 2.3 million equity shares, 1.3 million equity shares and 1.6 million equity shares, respectively, and the fair value was \$134,000, \$120,000 and (\$143,000), respectively; these are included in investments in securities in the condensed consolidated statements of financial condition. 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 in the condensed consolidated statements of income.

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 in the Statements of Financial Condition | Gross Amounts Not Offset in the Statements of Financial Condition | | Net Amount |
|--------------------|---|---|--|---|-----------------|------------|
| | Recognized Assets | Offset in the Statements of Financial Condition | | Financial Instruments Received | Cash Collateral | |
| Swaps: | | | | | | |
| September 30, 2014 | \$800 | \$ - | \$ 800 | \$(657) | \$ - | \$ 143 |
| December 31, 2013 | 275 | - | 275 | (155) | - | 120 |
| September 30, 2013 | \$101 | \$ - | \$ 101 | \$(101) | \$ - | \$ - |

| | Gross Amounts Not Offset in the Statements of Financial Condition | | Net Amounts of Liabilities Presented in the Statements of Financial Condition | Gross Amounts Not Offset in the Statements of Financial Condition | | Net Amount |
|--------------------|---|---|---|---|-----------------|------------|
| | Recognized Liabilities | Offset in the Statements of Financial Condition | | Financial Instruments Pledged | Cash Collateral | |
| Swaps: | | | | | | |
| September 30, 2014 | \$657 | \$ - | \$ 657 | \$(657) | \$ - | \$ - |
| December 31, 2013 | 155 | - | 155 | (155) | - | - |
| September 30, 2013 | \$135 | \$ - | \$ 135 | \$(101) | \$ - | \$ 34 |

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, 2014, December 31, 2013 and September 30, 2013:

| | September 30, 2014 | | | |
|-------------------------------------|---------------------|-----------|---------------------|---------------|
| | Gross Unrealized | | Gross Unrealized | Fair Value |
| | Cost | Gains | Losses | |
| | (In thousands) | | | |
| Common stocks | \$14,228 | \$ 22,152 | \$ - | \$36,380 |
| Closed-end Funds | 21,819 | 14,325 | (2) | 36,142 |
| Mutual funds | 2,603 | 2,163 | - | 4,766 |
| Total available for sale securities | \$38,650 | \$ 38,640 | \$ (2) | \$77,288 |

| | December 31, 2013 | | | |
|-------------------------------------|---------------------|-----------|---------------------|---------------|
| | Gross Unrealized | | Gross Unrealized | Fair Value |
| | Cost | Gains | Losses | |
| | (In thousands) | | | |
| Common stocks | \$13,389 | \$ 29,657 | \$ - | \$43,046 |
| Closed-end Funds | 23,100 | 17,654 | (130) | 40,624 |
| Mutual funds | 2,794 | 2,325 | (24) | 5,095 |
| Total available for sale securities | \$39,283 | \$ 49,636 | \$ (154) | \$88,765 |

| | September 30, 2013 | | | |
|-------------------------------------|---------------------|-----------|---------------------|---------------|
| | Gross Unrealized | | Gross Unrealized | Fair Value |
| | Cost | Gains | Losses | |
| | (In thousands) | | | |
| Common stocks | \$16,372 | \$ 19,925 | \$ - | \$36,297 |
| Closed-end Funds | 23,850 | 16,545 | (123) | 40,272 |
| Mutual funds | 2,874 | 2,141 | (36) | 4,979 |
| Total available for sale securities | \$43,096 | \$ 38,611 | \$ (159) | \$81,548 |

Unrealized changes in fair value, net of taxes, for the three months ended September 30, 2014 and September 30, 2013 of \$2.4 million in losses and \$2.2 million in losses, respectively, have been included in other comprehensive income, a component of equity, at September 30, 2014 and September 30, 2013. Return of capital on available for sale securities was \$0.3 million and \$0.5 million for the three months ended September 30, 2014 and September 30, 2013, respectively. Proceeds from sales of investments available for sale were approximately \$1.5 million and \$10.4 million for the three months ended September 30, 2014 and September 30, 2013, respectively. For the three months ended September 30, 2014 and September 30, 2013, gross gains on the sale of investments available for sale amounted to \$0.3 million and \$5.7 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 September 30, 2014 or September 30, 2013. Unrealized changes in fair value, net of taxes, for the nine months ended September 30, 2014 and September 30, 2013 of \$6.8 million in losses and \$3.0 million in losses, respectively, have been included in other comprehensive income, a component of equity, at September 30, 2014 and September 30, 2013. Return of capital on available for sale securities was \$0.8 million and \$1.1 million for the nine months ended September 30, 2014 and September 30, 2013, respectively. Proceeds from

sales of investments available for sale were approximately \$8.0 million and \$32.4 million for the nine months ended September 30, 2014 and September 30, 2013, respectively. For the nine months ended September 30, 2014 and September 30, 2013, gross gains on the sale of investments available for sale amounted to \$3.5 million and \$16.2 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 nine months ended September 30, 2014 or September 30, 2013. 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:

| | September 30, 2014 | | | December 31, 2013 | | | September 30, 2013 | | |
|------------------|--------------------|---------|------------|-------------------|-----------|------------|--------------------|-----------|------------|
| | Unrealized | | Fair Value | Unrealized | | Fair Value | Unrealized | | Fair Value |
| | Cost | Losses | | Cost | Losses | | Cost | Losses | |
| (in thousands) | | | | | | | | | |
| Closed-end funds | \$79 | \$ (2) | \$ 77 | \$912 | \$ (130) | \$782 | \$941 | \$ (123) | \$818 |
| Mutual Funds | - | - | - | 303 | (24) | 279 | 365 | (36) | 329 |
| Total | \$79 | \$ (2) | \$ 77 | \$1,215 | \$ (154) | \$1,061 | \$1,306 | \$ (159) | \$1,147 |

At September 30, 2014, there was one holding in a loss position which was not deemed to be other-than-temporarily impaired due to the length of time that it had been in a loss position and because it passed scrutiny in our evaluation of issuer-specific and industry-specific considerations. In this specific instance, the investment at September 30, 2014 was a closed-end fund with diversified holdings across multiple companies and across multiple industries. The one holding was impaired for one month at September 30, 2014. The value of this holding at September 30, 2014 was \$0.1 million.

At December 31, 2013, 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, 2013 were open-end funds and closed-end funds with diversified holdings across multiple companies and across multiple industries. One holding was impaired for one month, one for two months, one for four months and one for seven months at December 31, 2013. The value of these holdings at December 31, 2013 was \$1.1 million.

At September 30, 2013, 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 September 30, 2013 were open- and closed-end funds with diversified holdings across multiple companies and across multiple industries. All holdings were impaired for four months at September 30, 2013. The value of these holdings at September 30, 2013 was \$1.1 million.

There were no losses on AFS securities for the three months ended September 30, 2014 or September 30, 2013. For the nine months ended September 30, 2014 and September 30, 2013, there were \$69,000 and \$14,000 of losses, respectively, 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 September 30, 2014, December 31, 2013 and September 30, 2013 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, 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 September 30, 2014 |
|---|---|---|--|--|
| Assets | | | | |
| Cash equivalents | \$358,210 | \$ - | \$ - | \$358,210 |
| Investments in partnerships | - | 24,094 | - | 24,094 |
| Investments in securities: | | | | |
| AFS - Common stocks | 36,380 | - | - | 36,380 |
| AFS - Mutual funds | 1,389 | - | - | 1,389 |
| Trading - Gov't obligations | 20,999 | - | - | 20,999 |
| Trading - Common stocks | 190,215 | - | 724 | 190,939 |
| Trading - Mutual funds | 3,373 | - | - | 3,373 |
| Trading - Other | 453 | 803 | 294 | 1,550 |
| Total investments in securities | 252,809 | 803 | 1,018 | 254,630 |
| Investments in sponsored registered investment companies: | | | | |
| AFS - Closed-end Funds | 36,142 | - | - | 36,142 |
| AFS - Mutual Funds | 3,377 | - | - | 3,377 |
| Trading - Mutual funds | 1 | - | - | 1 |
| Total investments in sponsored registered investment companies | 39,520 | - | - | 39,520 |
| Total investments | 292,329 | 24,897 | 1,018 | 318,244 |
| Total assets at fair value | \$650,539 | \$ 24,897 | \$ 1,018 | \$676,454 |
| Liabilities | | | | |
| Trading - Common stocks | \$13,514 | \$ - | \$ - | \$13,514 |
| Trading - Other | - | 666 | - | 666 |
| Securities sold, not yet purchased | \$13,514 | \$ 666 | \$ - | \$14,180 |

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Assets and Liabilities Measured at Fair Value on a Recurring Basis as of December 31, 2013 (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, 2013 |
|---|---|---|--|---|
| Assets | | | | |
| Cash equivalents | \$209,913 | \$ - | \$ - | \$209,913 |
| Investments in partnerships | - | 25,253 | - | 25,253 |
| Investments in securities: | | | | |
| AFS - Common stocks | 43,046 | - | - | 43,046 |
| AFS - Mutual funds | 1,687 | - | - | 1,687 |
| Trading - Gov't obligations | 37,994 | - | - | 37,994 |
| Trading - Common stocks | 123,927 | 7 | 700 | 124,634 |
| Trading - Mutual funds | 23,285 | - | - | 23,285 |
| Trading - Other | 23 | 275 | 284 | 582 |
| Total investments in securities | 229,962 | 282 | 984 | 231,228 |
| Investments in sponsored registered investment companies: | | | | |
| AFS - Closed-end Funds | 40,624 | - | - | 40,624 |
| AFS - Mutual Funds | 3,408 | - | - | 3,408 |
| Trading - Mutual funds | 10 | - | - | 10 |
| Total investments in sponsored registered investment companies | 44,042 | - | - | 44,042 |
| Total investments | 274,004 | 25,535 | 984 | 300,523 |
| Total assets at fair value | \$483,917 | \$ 25,535 | \$ 984 | \$510,436 |
| Liabilities | | | | |
| Trading - Common stocks | \$6,023 | \$ - | \$ - | \$6,023 |
| Trading - Other | - | 155 | - | 155 |
| Securities sold, not yet purchased | \$6,023 | \$ 155 | \$ - | \$6,178 |

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of September 30, 2013 (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, 2013 |
|-----------------------------|---|---|--|--|
| Assets | | | | |
| Cash equivalents | \$244,144 | \$ - | \$ - | \$244,144 |
| Investments in partnerships | - | 23,146 | - | 23,146 |
| Investments in securities: | | | | |
| AFS - Common stocks | 36,297 | - | - | 36,297 |
| AFS - Mutual funds | 1,575 | - | - | 1,575 |
| Trading - Gov't obligations | 21,000 | - | - | 21,000 |
| Trading - Common stocks | 165,776 | - | 667 | 166,443 |

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| | | | | |
|--|-----------|-----------|--------|------------|
| Trading - Mutual funds | 12,010 | - | - | 12,010 |
| Trading - Other | 32 | 104 | 283 | 419 |
| Total investments in securities | 236,690 | 104 | 950 | 237,744 |
| Investments in sponsored registered investment companies: | | | | |
| AFS - Closed-end Funds | 40,272 | - | - | 40,272 |
| AFS - Mutual Funds | 3,404 | - | - | 3,404 |
| Trading - Mutual funds | 12 | - | - | 12 |
| Total investments in sponsored registered investment companies | 43,688 | - | - | 43,688 |
| Total investments | 280,378 | 23,250 | 950 | 304,578 |
| Total assets at fair value | \$524,522 | \$ 23,250 | \$ 950 | \$ 548,722 |
| Liabilities | | | | |
| Trading - Common stocks | \$7,003 | \$ - | \$ - | \$7,003 |
| Trading - Other | - | 722 | - | 722 |
| Securities sold, not yet purchased | \$7,003 | \$ 722 | \$ - | \$ 7,725 |

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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 September 30, 2014 (in thousands)

| Asset | June 30, 2014 | Beginning Balance | Total Realized and Unrealized Gains or (Losses) in Income AFS | 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 | \$ 716 | \$ 8 | \$ - | \$ - | \$ 8 | \$ - | \$ - | \$ - | \$ 724 |
| Trading - Other | 294 | - | - | - | - | - | - | - | 294 |
| Total | \$ 1,010 | \$ 8 | \$ - | \$ - | \$ 8 | - | \$ - | \$ - | \$ 1,018 |

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

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2013 (in thousands)

| Asset | June 30, 2013 | Beginning Balance | Total Realized and Unrealized Gains or (Losses) in Income AFS | 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 | \$ 669 | \$ (2) | \$ - | \$ - | \$ (2) | \$ - | \$ - | \$ - | \$ 667 |
| Trading - Other | 284 | (1) | - | - | (1) | - | - | - | 283 |
| Total | \$ 953 | \$ (3) | \$ - | \$ - | \$ (3) | \$ - | \$ - | \$ - | \$ 950 |

There were no transfers between any Levels during the three months ended September 30, 2013.

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

| Asset | December 31, 2013 | Beginning Balance | 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) | Total Realized and Unrealized Gains or (Losses) | Purchases | Sales | Transfers In and/or (Out) of Level 3 | Ending Balance |
|------------------------------|-------------------|-------------------|---|-----------------|---|------------------------------------|---|-----------|-------|--------------------------------------|----------------|
| | | | | | | | | | | | |
| Financial instruments owned: | | | | | | | | | | | |
| Trading - Common stocks | \$ 700 | \$ 24 | \$ - | \$ - | \$ - | \$ 24 | \$ - | \$ - | \$ - | \$ - | \$ 724 |
| Trading - Other | 284 | - | - | - | - | - | 10 | - | - | - | 294 |
| Total | \$ 984 | \$ 24 | \$ - | \$ - | \$ - | \$ 24 | 10 | \$ - | \$ - | \$ - | \$ 1,018 |

There were no transfers between any Levels during the nine months ended September 30, 2014.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2013 (in thousands)

| Asset | December 31, 2012 | Beginning Balance | 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) | Total Realized and Unrealized Gains or (Losses) | Purchases | Sales | Transfers In and/or (Out) of Level 3 | Ending Balance |
|------------------------------|-------------------|-------------------|---|-----------------|---|------------------------------------|---|-----------|-------|--------------------------------------|----------------|
| | | | | | | | | | | | |
| Financial instruments owned: | | | | | | | | | | | |
| Trading - Common stocks | \$ 675 | \$ (8) | \$ - | \$ - | \$ - | \$ (8) | \$ - | \$ - | \$ - | \$ - | \$ 667 |
| Trading - Other | 362 | (3) | - | - | - | (3) | 3 | (79) | - | - | 283 |
| Total | \$ 1,037 | \$ (11) | \$ - | \$ - | \$ - | \$ (11) | \$ 3 | \$ (79) | \$ - | \$ - | \$ 950 |

There were no transfers between any Levels during the nine months ended September 30, 2013.

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 \$93.2 million, \$82.0 million and \$84.3 million at September 30, 2014, December 31, 2013 and September 30, 2013, respectively, and whose underlying assets consist primarily of marketable securities (the "affiliated entities"). We also have investments in unaffiliated entities of \$14.2 million, \$14.0 million and \$13.5 million at September 30, 2014, December 31, 2013 and September 30, 2013, 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

| | CFFs | | Partnerships | | Offshore | | Total | |
|---|-----------|------|--------------|------|----------|------|-----------|------|
| | VIEs/VOEs | | VIEs/VOEs | | Funds | | VIEs/VOEs | |
| | VIEs | VOEs | VIEs | VOEs | VIEs | VOEs | VIEs | VOEs |
| Entities consolidated at December 31, 2012 | 1 | 2 | - | 1 | - | 1 | 1 | 4 |
| Additional consolidated entities | - | - | - | - | - | - | - | - |
| Deconsolidated entities | - | - | - | - | - | - | - | - |
| Entities consolidated at September 30, 2013 | 1 | 2 | - | 1 | - | 1 | 1 | 4 |
| Additional consolidated entities | - | - | - | - | - | - | - | - |
| Deconsolidated entities | - | - | - | - | - | - | - | - |
| Entities consolidated at December 31, 2013 | 1 | 2 | - | 1 | - | 1 | 1 | 4 |
| Additional consolidated entities | - | - | - | - | - | - | - | - |
| Deconsolidated entities | - | - | - | - | - | - | - | - |
| Entities consolidated at September 30, 2014 | 1 | 2 | - | 1 | - | 1 | 1 | 4 |

At and for the nine months ended September 30, 2014 and 2013 and at December 31, 2013, the one CFF VIE is consolidated, as the Company has been determined to be the primary beneficiary because it has an equity interest and absorbs the majority of the expected losses and/or expected gains. At and for the nine months ended September 30, 2014 and 2013 and at December 31, 2013, the two CFF VOEs, the one Partnership VOE and the one Offshore Fund VOE are consolidated because the unaffiliated partners or shareholders lack substantive rights, and the Company, as either the general partner or investment manager, is deemed to have control.

The following table breaks down the investments in partnerships line by accounting method, either fair value or equity method, and investment type (in thousands):

| Accounting method | September 30, 2014 | | | | | |
|-------------------|--------------------|-----------|--------------|--------------|----------|-----------|
| | Investment Type | | Unaffiliated | | | |
| | Affiliated | | Offshore | | Offshore | |
| | Consolidated | Feeder | Funds | Partnerships | Funds | Total |
| Fair Value | \$24,094 | \$ - | \$- | \$- | \$ - | \$24,094 |
| Equity Method | - | 34,967 | 34,185 | 6,611 | 7,577 | 83,340 |
| Total | \$24,094 | \$ 34,967 | \$34,185 | \$6,611 | \$ 7,577 | \$107,434 |

| Accounting method | December 31, 2013 | | | | | |
|-------------------|-------------------|-----------|--------------|--------------|----------|----------|
| | Investment Type | | Unaffiliated | | | |
| | Affiliated | | Offshore | | Offshore | |
| | Consolidated | Feeder | Funds | Partnerships | Funds | Total |
| Fair Value | \$25,253 | \$ - | \$- | \$- | \$ - | \$25,253 |
| Equity Method | - | 21,669 | 35,030 | 6,509 | 7,531 | 70,739 |
| Total | \$25,253 | \$ 21,669 | \$35,030 | \$6,509 | \$ 7,531 | \$95,992 |

September 30, 2013

| Accounting method | Investment Type | | Unaffiliated | | | Total |
|-------------------|---------------------------------|--------------|--------------|--------------|----------|----------|
| | Affiliated | | Offshore | | | |
| | Consolidated Feeder Funds | Partnerships | Funds | Partnerships | Funds | |
| Fair Value | \$23,146 | \$ - | \$- | \$- | \$ - | \$23,146 |
| Equity Method | - | 26,717 | 34,460 | 6,080 | 7,349 | 74,606 |
| Total | \$23,146 | \$ 26,717 | \$34,460 | \$6,080 | \$ 7,349 | \$97,752 |

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The following table includes the net impact by line item on the condensed consolidated statements of financial condition for each category of entity consolidated (in thousands):

| | September 30, 2014 | | | | |
|---|--------------------|----------------|---------------|-----------------|------------------|
| | Prior to | | Offshore | | |
| | Consolidation | GFs | Partnerships | Funds | As Reported |
| Assets | | | | | |
| Cash and cash equivalents | \$358,316 | \$7 | \$ 98 | \$- | \$358,421 |
| Investments in securities | 203,280 | - | 8,836 | 42,514 | 254,630 |
| Investments in sponsored investment companies | 39,520 | - | - | - | 39,520 |
| Investments in partnerships | 110,679 | 4,684 | (7,929) | - | 107,434 |
| Receivable from brokers | 31,388 | - | 306 | 48,191 | 79,885 |
| Investment advisory fees receivable | 31,221 | 17 | (1) | (82) | 31,155 |
| Other assets | 28,528 | 24 | (1,000) | 163 | 27,715 |
| Total assets | \$802,932 | \$4,732 | \$ 310 | \$90,786 | \$898,760 |
| Liabilities and equity | | | | | |
| Securities sold, not yet purchased | \$13,549 | \$- | \$ - | \$631 | \$14,180 |
| Accrued expenses and other liabilities | 166,209 | 71 | 31 | 39,009 | 205,320 |
| Total debt | 111,941 | - | - | - | 111,941 |
| Redeemable noncontrolling interests | - | 4,661 | 279 | 51,146 | 56,086 |
| Total equity | 511,233 | - | - | - | 511,233 |
| Total liabilities and equity | \$802,932 | \$4,732 | \$ 310 | \$90,786 | \$898,760 |

| | December 31, 2013 | | | | |
|---|-------------------|----------------|---------------|----------------|------------------|
| | Prior to | | Offshore | | |
| | Consolidation | GFs | Partnerships | Funds | As Reported |
| Assets | | | | | |
| Cash and cash equivalents | \$209,667 | \$450 | \$ 334 | \$- | \$210,451 |
| Investments in securities | 232,211 | - | 7,464 | (8,447) | 231,228 |
| Investments in sponsored investment companies | 44,033 | - | 9 | - | 44,042 |
| Investments in partnerships | 98,494 | 6,517 | (9,019) | - | 95,992 |
| Receivable from brokers | 35,151 | - | - | 14,310 | 49,461 |
| Investment advisory fees receivable | 52,509 | (24) | (14) | (965) | 51,506 |
| Other assets | 27,433 | (2,339) | 1,592 | 119 | 26,805 |
| Total assets | \$699,498 | \$4,604 | \$ 366 | \$5,017 | \$709,485 |
| Liabilities and equity | | | | | |
| Securities sold, not yet purchased | \$6,049 | \$- | \$ - | \$129 | \$6,178 |
| Accrued expenses and other liabilities | 121,356 | 165 | 29 | 2,913 | 124,463 |
| Total debt | 111,911 | - | - | - | 111,911 |
| Redeemable noncontrolling interests | - | 4,439 | 337 | 1,975 | 6,751 |
| Total equity | 460,182 | - | - | - | 460,182 |
| Total liabilities and equity | \$699,498 | \$4,604 | \$ 366 | \$5,017 | \$709,485 |

| | September 30, 2013 | | | | |
|---------------|--------------------|-----|--------------|-------|-------------|
| | Prior to | | Offshore | | |
| | Consolidation | GFs | Partnerships | Funds | As Reported |
| Assets | | | | | |

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| | | | | | |
|---|-----------|---------|----------|----------|-----------|
| Cash and cash equivalents | \$243,995 | \$1,082 | \$ 334 | \$- | \$245,411 |
| Investments in securities | 240,113 | - | 7,400 | (9,769) | 237,744 |
| Investments in sponsored investment companies | 43,677 | - | 11 | - | 43,688 |
| Investments in partnerships | 104,010 | 3,253 | (9,511) | - | 97,752 |
| Receivable from brokers | 26,981 | - | 2,115 | 14,758 | 43,854 |
| Investment advisory fees receivable | 31,241 | (8) | (1) | (81) | 31,151 |
| Other assets | 34,947 | - | - | 75 | 35,022 |
| Total assets | \$724,964 | \$4,327 | \$ 348 | \$4,983 | \$734,622 |
| Liabilities and equity | | | | | |
| Securities sold, not yet purchased | \$7,577 | \$- | \$ - | \$ 148 | \$7,725 |
| Accrued expenses and other liabilities | 161,394 | 1,146 | 32 | 2,567 | 165,139 |
| Total debt | 117,347 | - | - | - | 117,347 |
| Redeemable noncontrolling interests | - | 3,181 | 316 | 2,268 | 5,765 |
| Total equity | 438,646 | - | - | - | 438,646 |
| Total liabilities and equity | \$724,964 | \$4,327 | \$ 348 | \$4,983 | \$734,622 |

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The following table includes the net impact by line item on the condensed consolidated statements of income for each category of entity consolidated (in thousands):

| | Three Months Ended September 30, 2014 | | | | As Reported |
|---|---------------------------------------|----------|--------------|----------|-------------|
| | Prior to | Offshore | | | |
| | Consolidated | GFFs | Partnerships | Funds | |
| Total revenues | \$111,073 | \$(7) | \$ - | \$(208) | \$110,858 |
| Total expenses | 66,980 | 20 | 12 | 260 | 67,272 |
| Operating income | 44,093 | (27) | (12) | (468) | 43,586 |
| Total other income/(expense), net | (7,462) | (186) | (18) | (2,323) | (9,989) |
| Income before income taxes | 36,631 | (213) | (30) | (2,791) | 33,597 |
| Income tax provision | 13,045 | - | - | - | 13,045 |
| Net income | 23,586 | (213) | (30) | (2,791) | 20,552 |
| Net loss attributable to noncontrolling interests | (79) | (213) | (30) | (2,791) | (3,113) |
| Net income attributable to GAMCO | \$23,665 | \$- | \$ - | \$- | \$23,665 |

| | Three Months Ended September 30, 2013 | | | | As Reported |
|---|---------------------------------------|----------|--------------|----------|-------------|
| | Prior to | Offshore | | | |
| | Consolidated | GFFs | Partnerships | Funds | |
| Total revenues | \$96,620 | \$(8) | \$(1) | \$(234) | \$96,377 |
| Total expenses | 63,400 | 46 | 11 | 192 | 63,649 |
| Operating income | 33,220 | (54) | (12) | (426) | 32,728 |
| Total other income, net | 17,404 | 94 | 31 | 462 | 17,991 |
| Income before income taxes | 50,624 | 40 | 19 | 36 | 50,719 |
| Income tax provision | 17,515 | - | - | - | 17,515 |
| Net income | 33,109 | 40 | 19 | 36 | 33,204 |
| Net income attributable to noncontrolling interests | 11 | 40 | 19 | 36 | 106 |
| Net income attributable to GAMCO | \$33,098 | \$- | \$ - | \$ - | \$33,098 |

| | Nine Months Ended September 30, 2014 | | | | As Reported |
|---|--------------------------------------|----------|--------------|----------|-------------|
| | Prior to | Offshore | | | |
| | Consolidated | GFFs | Partnerships | Funds | |
| Total revenues | \$324,287 | \$(21) | \$(2) | \$(633) | \$323,631 |
| Total expenses | 205,207 | 34 | 38 | 730 | 206,009 |
| Operating income | 119,080 | (55) | (40) | (1,363) | 117,622 |
| Total other income/(expense), net | 6,172 | 20 | 19 | (1,186) | 5,025 |
| Income before income taxes | 125,252 | (35) | (21) | (2,549) | 122,647 |
| Income tax provision | 44,796 | - | - | - | 44,796 |
| Net income | 80,456 | (35) | (21) | (2,549) | 77,851 |
| Net loss attributable to noncontrolling interests | (113) | (35) | (21) | (2,549) | (2,718) |
| Net income attributable to GAMCO | \$80,569 | \$- | \$ - | \$- | \$80,569 |

| | Nine Months Ended September 30, 2013 | | | | As Reported |
|--|--------------------------------------|----------|--------------|-------|-------------|
| | Prior to | Offshore | | | |
| | Consolidated | GFFs | Partnerships | Funds | |

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| | | | | | |
|--|-----------|---------|---------|----------|-----------|
| Total revenues | \$275,689 | \$(20) | \$ (2) | \$(819) | \$274,848 |
| Total expenses | 178,858 | 134 | 36 | 581 | 179,609 |
| Operating income | 96,831 | (154) | (38) | (1,400) | 95,239 |
| Total other income, net | 33,125 | 228 | 79 | 1,559 | 34,991 |
| Income before income taxes | 129,956 | 74 | 41 | 159 | 130,230 |
| Income tax provision | 46,434 | - | - | - | 46,434 |
| Net income | 83,522 | 74 | 41 | 159 | 83,796 |
| Net income/(loss) attributable to noncontrolling interests | (14) | 74 | 41 | 159 | 260 |
| Net income attributable to GAMCO | \$83,536 | \$- | \$ - | \$0 | \$83,536 |

Variable Interest Entities

We sponsor a number of investment vehicles where we are the general partner or investment manager. Certain of these vehicles are VIEs, but we are not the primary beneficiary, in all but one case, because we do not absorb a majority of the entities' expected losses and/or expected returns, and they are, therefore, not consolidated. We consolidate the one VIE where we are the primary beneficiary. The Company has not provided any financial or other support to those VIEs where we are not the primary beneficiary. The total net assets of these non-consolidated VIEs at September 30, 2014, December 31, 2013 and September 30, 2013 were \$59.8 million, \$72.7 million and \$77.7 million, respectively. Our maximum exposure to loss as a result of our involvement with the non-consolidated VIEs is limited to the investment in two VIEs and the deferred carried interest that we have in another. On September 30, 2014, we had an investment in two of the non-consolidated VIE offshore funds of approximately \$8.0 million. On December 31, 2013 and September 30, 2013, we had an investment in one of the non-consolidated VIE offshore funds of approximately \$10.0 million and \$9.9 million, respectively, which was included in investments in partnerships on the condensed consolidated statements of financial condition. On September 30, 2014, December 31, 2013 and September 30, 2013, we had a deferred carried interest in one of the non-consolidated VIE offshore funds of \$44,000, \$45,000 and \$45,000, respectively, which was included in investments in partnerships on the condensed consolidated statements of financial condition. Additionally, as the general partner or investment manager to these VIEs the Company earns fees in relation to these roles, which given a decline in AUMs of the VIEs would result in lower fee revenues earned by the Company which would be reflected on the condensed consolidated statement of income, condensed consolidated statement of financial condition and condensed consolidated statement of cash flows.

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The assets of these VIEs may only be used to satisfy obligations of the VIEs. The following table presents the balances related to the VIE that is consolidated and is included on the condensed consolidated statements of financial condition as well as GAMCO's net interest in this VIE. Only one VIE was consolidated at September 30, 2014, December 31, 2013 and September 30, 2013:

| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|--------------------------|-------------------------|--------------------------|
| (In thousands) | | | |
| Cash and cash equivalents | \$ 1 | \$ - | \$ 1,082 |
| Investments in partnerships | 13,618 | 15,540 | 13,782 |
| Accrued expenses and other liabilities | (15) | (2,022) | (1,088) |
| Redeemable noncontrolling interests | (962) | (1,120) | - |
| GAMCO's net interests in consolidated VIE | \$ 12,642 | \$ 12,398 | \$ 13,776 |

E. Income Taxes

The effective tax rate ("ETR") for the three months ended September 30, 2014 was 38.8% compared to 34.5% for the prior year three month period. Excluding net income (loss) attributable to noncontrolling interests the ETR was 35.5% and 34.6% for the third quarters of 2014 and 2013, respectively. The ETR for the nine months ended September 30, 2014 was 36.5% compared to 35.7% for the prior year nine month period. Excluding net income (loss) attributable to noncontrolling interests the ETR was 35.7% for both the nine months ended September 30, 2014 and 2013.

F. Earnings Per Share

The computations of basic and diluted net income per share are as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|--|----------|---------------------------------------|----------|
| (in thousands, except per share amounts) | 2014 | 2013 | 2014 | 2013 |
| Basic: | | | | |
| Net income attributable to GAMCO Investors, Inc.'s shareholders | \$23,665 | \$33,098 | \$80,569 | \$83,536 |
| Weighted average shares outstanding | 25,296 | 25,625 | 25,385 | 25,682 |
| Basic net income attributable to GAMCO Investors, Inc.'s shareholders per share | \$0.94 | \$1.29 | \$3.17 | \$3.25 |
| Diluted: | | | | |
| Net income attributable to GAMCO Investors, Inc.'s shareholders | \$23,665 | \$33,098 | \$80,569 | \$83,536 |
| Weighted average share outstanding | 25,296 | 25,625 | 25,385 | 25,682 |
| Dilutive stock options and restricted stock awards | 221 | 75 | 210 | 35 |
| Total | 25,517 | 25,700 | 25,595 | 25,717 |
| Diluted net income attributable to GAMCO Investors, Inc.'s shareholders per share | \$0.93 | \$1.29 | \$3.15 | \$3.25 |

G. Debt

Debt consists of the following:

| | September 30, 2014 | | December 31, 2013 | | September 30, 2013 | |
|----------------------------|--------------------|------------|-------------------|------------|--------------------|------------|
| | Carrying | Fair | Carrying | Fair | Carrying | Fair |
| | Value | Value | Value | Value | Value | Value |
| | Level 2 | Level 2 | Level 2 | Level 2 | Level 2 | Level 2 |
| (In thousands) | | | | | | |
| 5.875% Senior notes | \$ 100,000 | \$ 108,200 | \$ 100,000 | \$ 108,500 | \$ 100,000 | \$ 108,000 |
| 0% Subordinated debentures | 11,941 | 12,775 | 11,911 | 13,819 | 17,347 | 19,349 |
| Total | \$ 111,941 | \$ 120,975 | \$ 111,911 | \$ 122,319 | \$ 117,347 | \$ 127,349 |

5.5% Senior notes

On May 15, 2003, the Company issued 10-year, \$100 million senior notes. The senior notes, which matured and were fully repaid on May 15, 2013, paid interest semi-annually at 5.5%.

5.875% Senior notes

On May 31, 2011, the Company issued 10-year, \$100 million senior notes. The notes mature on June 1, 2021 and bear interest at 5.875% per annum, payable semi-annually on June 1 and December 1 of each year and commenced on December 1, 2011. Upon the occurrence of a change of control triggering event, as defined in the indenture, the Company would be required to offer to repurchase the notes at 101% of their principal amount.

Zero coupon Subordinated debentures due December 31, 2015

On December 31, 2010, the Company issued \$86.4 million in par value of five year zero coupon subordinated debentures due December 31, 2015 ("Debentures") to its shareholders of record on December 15, 2010 through the declaration of a special dividend of \$3.20 per share. The Debentures have a par value of \$100 and are callable at the option of the Company, in whole or in part, at any time or from time to time, at a redemption price equal to 100% of the principal amount of the Debentures to be redeemed. During the three month period ended September 30, 2014 the Company repurchased 1,032 Debentures having a face value of \$0.1 million. The redemptions were accounted for as extinguishments of debt and resulted in a loss of \$10,000, which was included in net gain from investments on the condensed consolidated statements of income. There were no repurchases during the three month period ended September 30, 2013. During the nine month periods ended September 30, 2014 and September 30, 2013, the Company repurchased 7,165 Debentures and 11,974 Debentures, respectively, having a face value of \$0.7 million and \$1.2 million, respectively. The redemptions were accounted for as extinguishments of debt and resulted in losses of \$84,000 and \$0.1 million, respectively. The debt is being accreted to its face value using the effective rate on the date of issuance of 7.45%. At September 30, 2014, December 31, 2013 and September 30, 2013, the debt was recorded at its accreted value of \$11.9 million, \$11.9 million and \$17.3 million, respectively.

The fair value of the Company's debt, which is a Level 2 valuation, is estimated based on either quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities or using market standard models. Inputs in these standard models include credit rating, maturity and interest rate.

On May 30, 2012, the Securities and Exchange Commission ("SEC") declared effective the "shelf" registration statement filed by the Company. The "shelf" provides the Company with the flexibility of issuing any combination of senior and subordinated debt securities, convertible securities and common and preferred securities up to a total amount of \$500 million and replaced the existing shelf registration which expired in July 2012. As of September 30,

2014, \$400 million is available on the shelf.

H. Stockholders' Equity

Shares outstanding were 25.9 million, 26.1 million and 26.0 million on September 30, 2014, December 31, 2013 and September 30, 2012, respectively.

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Dividends

| Payment Date | | Record Date | Amount |
|---------------------------------------|--------------------|--------------------|---------|
| Three months ended March 31, 2014 | March 25, 2014 | March 11, 2014 | \$ 0.06 |
| Three months ended June 30, 2014 | June 24, 2014 | June 10, 2014 | \$ 0.06 |
| Three months ended September 30, 2014 | September 30, 2014 | September 16, 2014 | 0.06 |
| Nine months ended September 30, 2014 | | | \$ 0.18 |
| Three months ended March 31, 2013 | March 26, 2013 | March 12, 2013 | \$ 0.05 |
| Three months ended June 30, 2013 | June 25, 2013 | June 11, 2013 | \$ 0.05 |
| Three months ended September 30, 2013 | September 24, 2013 | September 10, 2013 | \$ 0.06 |
| Nine months ended September 30, 2013 | | | \$ 0.16 |

Voting Rights

The holders of Class A Common stock ("Class A Stock") and Class B Common stock ("Class B Stock") have identical rights except that (i) holders of Class A Stock are entitled to one vote per share, while holders of Class B Stock are entitled to ten votes per share on all matters to be voted on by shareholders in general, and (ii) holders of Class A Stock are not eligible to vote on matters relating exclusively to Class B Stock and vice versa.

Stock Award and Incentive Plan

The Company maintains two plans approved by the shareholders, the 1999 Plan and the 2002 Plan, which are designed to provide incentives which will attract and retain individuals key to the success of GAMCO through direct or indirect ownership of our common stock. Benefits under both the 1999 and 2002 Plans may be granted in any one or a combination of stock options, stock appreciation rights, restricted stock, restricted stock units, stock awards, dividend equivalents and other stock or cash based awards. A maximum of 1.5 million shares of Class A Stock were originally reserved for issuance under each of the 1999 and 2002 Plans by a committee of the Board of Directors responsible for administering the Plans ("Compensation Committee"). In November 2013, the shareholders approved an amendment to the Company's 2002 Stock Award and Incentive Plan to increase the number of shares of Class A Stock authorized and reserved for issuance by 2 million. Under the Plans, the committee may grant restricted stock awards ("RSA") and either incentive or nonqualified stock options with a term not to exceed ten years from the grant date and at an exercise price that the Compensation committee may determine. Options granted under the plans typically vest 75% after three years and 100% after four years from the date of grant and expire after ten years. RSA shares granted under the Plans typically vest 30% after three years and 100% after five years.

On September 15, 2014 and January 9, 2014, the Company approved the granting of 83,500 RSA shares and 2,100 RSA shares, respectively, at a grant date fair value of 73.41 per share and 81.99 per share, respectively. As of September 30, 2014, December 31, 2013 and September 30, 2013, there were 639,750 RSA shares, 566,950 RSA shares and 427,700 RSA shares outstanding, respectively, that were previously issued at an average weighted grant price of \$65.12, \$63.93 and \$57.86, respectively. All grants of the RSA shares were recommended by the Company's Chairman, who did not receive a RSA, and approved by the Compensation Committee. This expense, net of estimated

forfeitures, is recognized over the vesting period for these awards which is 30% over three years from the date of grant and 70% over five years from the date of grant, except for the August 2013 and September 2014 grants which are 30% over three years from the date of grant and 10% each year over years four through ten from the date of grant. During the vesting period, dividends to RSA holders are held for them until the RSA vesting dates and are forfeited if the grantee is no longer employed by the Company on the vesting dates. Dividends declared on these RSAs, less estimated forfeitures, are charged to retained earnings on the declaration date.

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For the three months ended September 30, 2014 and September 30, 2013, we recognized stock-based compensation expense of \$1.8 million and \$0.7 million, respectively. For the nine months ended September 30, 2014 and September 30, 2013, we recognized stock-based compensation expense of \$5.2 million and \$0.8 million, respectively. Actual and projected stock-based compensation expense for RSA shares and options for the years ended December 31, 2014 through December 31, 2023 (based on awards currently issued or granted) is as follows (\$ in thousands):

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------|---------|---------|---------|---------|---------|---------|
| Q1 | \$15 | \$1,700 | \$1,962 | \$1,961 | \$1,171 | \$908 |
| Q2 | 15 | 1,697 | 1,961 | 1,961 | 1,171 | 908 |
| Q3 | 741 | 1,785 | 1,961 | 1,607 | 1,040 | 828 |
| Q4 | 1,301 | 1,965 | 1,961 | 1,346 | 910 | 659 |
| Full Year | \$2,072 | \$7,147 | \$7,845 | \$6,875 | \$4,292 | \$3,303 |

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------|---------|---------|-------|-------|-------|------|
| Q1 | \$429 | \$319 | \$227 | \$146 | \$76 | \$12 |
| Q2 | 429 | 319 | 227 | 146 | 76 | 12 |
| Q3 | 364 | 264 | 179 | 104 | 38 | 8 |
| Q4 | 319 | 227 | 146 | 76 | 12 | - |
| Full Year | \$1,541 | \$1,129 | \$779 | \$472 | \$202 | \$32 |

The total compensation cost related to non-vested options not yet recognized is approximately \$28.4 million as of September 30, 2014. There were no options exercised for the three months ended September 30, 2014 or September 30, 2013. For the nine months ended September 30, 2014 and 2013, proceeds from the exercise of 40,000 stock options and 2,623 stock options, respectively, were \$1.6 million and \$76,000, respectively, resulting in a tax benefit to GAMCO of \$0.3 million and \$16,000, respectively.

Stock Repurchase Program

In March 1999, GAMCO's Board of Directors established the Stock Repurchase Program to grant management the authority to repurchase shares of our Class A Common Stock. On February 5, 2013, our Board of Directors authorized an incremental 500,000 shares to be added to the current buyback authorization. For the three months ended September 30, 2014 and September 30, 2013, the Company repurchased 94,942 shares and 40,857 shares, respectively, at an average price per share of \$77.67 and \$72.40, respectively. For the nine months ended September 30, 2014 and September 30, 2013, the Company repurchased 319,662 shares and 159,259 shares, respectively, at an average price per share of \$78.43 and \$57.97, respectively. From the inception of the program through September 30, 2014, 9,031,255 shares have been repurchased at an average price of \$43.53 per share. At September 30, 2014, the total shares available under the program to be repurchased in the future were 603,553.

I. Goodwill and Identifiable Intangible Assets

At September 30, 2014, \$3.5 million of goodwill is reflected within other assets on the condensed consolidated statements of financial condition with \$3.3 million related to a 94%-owned subsidiary, Gabelli Securities, Inc. and \$0.2 million related to G.distributors, LLC. The Company assesses the recoverability of goodwill at least annually, or more often should events warrant, using a qualitative assessment of whether it is more likely than not that an impairment has occurred to determine if a quantitative analysis is required. There were no indicators of impairment for the three months ended September 30, 2014 or September 30, 2013, and as such there was no impairment analysis performed or charge recorded.

As a result of becoming the advisor to the Gabelli Enterprise Mergers and Acquisitions Fund and the associated consideration paid, the Company maintains an identifiable intangible asset of \$1.9 million within other assets on the condensed consolidated statements of financial condition at September 30, 2014, December 31, 2013 and September 30, 2013. The investment advisory agreement is subject to annual renewal by the fund's Board of Directors, which the Company expects to be renewed, and the Company does not expect to incur additional expense as a result, which is consistent with other investment advisory agreements entered into by the Company. The advisory contract is next up for renewal in February 2015. The Company assesses the recoverability of this intangible asset at least annually, or more often should events warrant. There were no indicators of impairment for the three months ended September 30, 2014 or September 30, 2013, and as such there was no impairment analysis performed or charge recorded.

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J. Commitments and Contingencies

From time to time, the Company may be named in legal actions and proceedings. These actions may seek substantial or indeterminate compensatory as well as punitive damages or injunctive relief. The Company is also subject to governmental or regulatory examinations or investigations. The examinations or investigations could result in adverse judgments, settlements, fines, injunctions, restitutions or other relief. For any such matters, the condensed consolidated financial statements include the necessary provisions for losses that the Company believes are probable and estimable. Furthermore, the Company evaluates whether there exist losses which may be reasonably possible and, if material, makes the necessary disclosures. Such amounts, both those that are probable and those that are reasonably possible, are not considered material to the Company's financial condition, operations or cash flows.

The Company indemnifies the clearing brokers of G.research, Inc., our broker-dealer subsidiary, for losses they may sustain from the customer accounts that trade on margin introduced by it. At September 30, 2014, the total amount of customer balances subject to indemnification (i.e. unsecured margin debits) was immaterial. The Company also has entered into arrangements with various other third parties many of which provide for indemnification of the third parties against losses, costs, claims and liabilities arising from the performance of obligations under the agreements. The Company has had no claims or payments pursuant to these or prior agreements and believes the likelihood of a claim being made is remote. The Company's estimate of the value of such agreements is de minimis, and therefore an accrual has not been made on the condensed consolidated financial statements.

K. Shareholder-Designated Contribution Plan

During 2013, the Company established a Shareholder Designated Charitable Contribution program. Under the program, each shareholder is eligible to designate a charity to which the Company would make a donation based upon the actual number of shares registered in the shareholder's name. Shares held in nominee or street name were not eligible to participate. The Board of Directors approved two contributions during 2013 of \$0.25 per registered share each. During the first nine months of 2013, the Company recorded a charge of \$5.3 million, or \$0.12 per diluted share, net of management fee and tax benefit, related to the contributions which was included in shareholder-designated contribution in the condensed consolidated statements of income.

During the fourth quarter of 2013, the Company recorded a charge of \$5.3 million, or \$0.12 per diluted share, net of management fee and tax benefit, as an estimate of the expected contribution to be made relating to the \$0.25 per share contribution approved by the Board in November 2013. Based upon the number of registered shares that participated in the program, the Company recorded an additional charge of \$134,000 during the first nine months of 2014.

L. Subsequent Events

From October 1, 2014 to November 7, 2014, the Company repurchased 59,539 shares at \$77.42 per share.

On November 6, 2014, the Board of Directors declared a special dividend of \$0.25 per share and a regular quarterly dividend of \$0.07 per share to all of its shareholders, both payable on December 30, 2014 to shareholders of record on December 16, 2014.

The Board of Directors has authorized management to explore a potential restructure that will enable the Company to further increase its market focus. While this may involve a split-up of certain facets of our business, there are numerous regulatory related and other issues that may preclude pursuit of any alternative. Management does not plan to give periodic updates on the Company's progress.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (INCLUDING QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK)

Overview

GAMCO, through the Gabelli brand, well known for its Private Market Value (PMV) with a Catalyst™ investment approach, is a widely-recognized provider of investment advisory services to open- and closed-end funds, institutional and high net worth investors, and investment partnerships, principally in the United States. Through G.research, Inc. ("G.research"), we provide institutional research and brokerage services to institutional clients and investment partnerships. Through G.distributors, LLC ("G.distributors"), we provide mutual fund distribution. We generally manage assets on a fully discretionary basis and invest in a variety of U.S. and international securities through various investment styles. Our revenues are based primarily on the Company's levels of assets under management and fees associated with our various investment products.

Our revenues are highly correlated to the level of assets under management and fees associated with our various investment products, rather than our own corporate assets. Assets under management, which are directly influenced by the level and changes of the overall equity markets, can also fluctuate through acquisitions, the creation of new products, the addition of new accounts or the loss of existing accounts. Since various equity products have different fees, changes in our business mix may also affect revenues. At times, the performance of our equity products may differ markedly from popular market indices, and this can also impact our revenues. General stock market trends will have the greatest impact on our level of assets under management and hence, on revenues.

We conduct our investment advisory business principally through the following subsidiaries: GAMCO Asset Management Inc. (Institutional and High Net Worth), Gabelli Funds, LLC (Funds) and Gabelli Securities, Inc. (Investment Partnerships). We also act as an underwriter and provide institutional research through G.research, one of our broker-dealer subsidiaries. The distribution of our open-end funds is conducted through G.distributors, our other broker-dealer subsidiary.

Assets under management ("AUM") were \$46.9 billion as of September 30, 2014, a decrease of 4.9% from AUM of \$49.4 billion at June 30, 2014 but up 7.9% from the September 30, 2013 AUM of \$43.5 billion. The third quarter 2014 AUM fell \$2.5 billion which consisted of \$2.2 billion of market depreciation, net cash outflows of \$36 million and recurring distributions, net of reinvestments, from open-end and closed-end funds of \$145 million. Average total AUM was \$48.4 billion in the 2014 quarter versus \$42.6 billion in the prior year period, an increase of 13.6%. Average AUM in our open-end equity funds, a key driver to our investment advisory fees, was \$18.1 billion in the third quarter of 2014, rising 19.9% from the 2013 quarter average AUM of \$15.1 billion.

In addition to management fees, we earn incentive fees for certain institutional client assets, certain assets attributable to preferred issues of our closed-end funds, to our GDL Fund (NYSE: GDL) and investment partnership assets. As of September 30, 2014, assets with incentive based fees were \$4.5 billion, a decrease of \$0.1 billion, or 2.2%, from the \$4.6 billion at June 30, 2014 but 9.8% higher than the \$4.1 billion on September 30, 2013.

The Company reported Assets Under Management as follows
(in millions):

Table I: Fund Flows - 3rd Quarter 2014

| | June 30, 2014 | Market appreciation/ (depreciation) | Net cash flows | Fund distributions, net of reinvestments | September 30, 2014 |
|------------------------------------|------------------|---|----------------------|---|--------------------------|
| Equities: | | | | | |
| Open-end Funds | \$18,508 | \$ (839) | \$(175) | \$ (36) | \$ 17,458 |
| Closed-end Funds | 7,224 | (326) | 174 | (109) | 6,963 |
| Institutional & PWM - direct | 16,941 | (772) | 54 | - | 16,223 |
| Institutional & PWM - sub-advisory | 3,883 | (296) | (62) | - | 3,525 |
| Investment Partnerships | 897 | (12) | 14 | - | 899 |
| SICAV (a) | 94 | (4) | 31 | - | 121 |
| Total Equities | 47,547 | (2,249) | 36 | (145) | 45,189 |
| Fixed Income: | | | | | |
| Money-Market Fund | 1,766 | - | (68) | - | 1,698 |
| Institutional & PWM | 64 | - | (4) | - | 60 |
| Total Fixed Income | 1,830 | - | (72) | - | 1,758 |
| Total Assets Under Management | \$49,377 | \$ (2,249) | \$(36) | \$ (145) | \$ 46,947 |

Table II: Fund Flows - Nine Months ended
September 30, 2014

| | December 31, 2013 | Market appreciation/ (depreciation) | Net cash flows | Fund distributions, net of reinvestments | September 30, 2014 |
|------------------------------------|-------------------------|---|----------------------|---|--------------------------|
| Equities: | | | | | |
| Open-end Funds | \$ 17,078 | \$ 158 | \$320 | \$ (98) | \$ 17,458 |
| Closed-end Funds | 6,945 | 180 | 178 | (340) | 6,963 |
| Institutional & PWM - direct | 16,486 | 157 | (420) | - | 16,223 |
| Institutional & PWM - sub-advisory | 3,797 | (112) | (160) | - | 3,525 |
| Investment Partnerships | 811 | 12 | 76 | - | 899 |
| SICAV (a) | 96 | (2) | 27 | - | 121 |
| Total Equities | 45,213 | 393 | 21 | (438) | 45,189 |
| Fixed Income: | | | | | |
| Money-Market Fund | 1,735 | - | (37) | - | 1,698 |
| Institutional & PWM | 62 | - | (2) | - | 60 |
| Total Fixed Income | 1,797 | - | (39) | - | 1,758 |
| Total Assets Under Management | \$ 47,010 | \$ 393 | \$(18) | \$ (438) | \$ 46,947 |

Table III: Assets Under Management

| | September 30, 2013 | September 30, 2014 | % Inc.(Dec.) | |
|------------------------------------|--------------------------|--------------------------|-----------------|---|
| Equities: | | | | |
| Open-end Funds | \$ 15,581 | \$ 17,458 | 12.0 | % |
| Closed-end Funds | 6,721 | 6,963 | 3.6 | |
| Institutional & PWM - direct | 15,026 | 16,223 | 8.0 | |
| Institutional & PWM - sub-advisory | 3,503 | 3,525 | 0.6 | |
| Investment Partnerships | 805 | 899 | 11.7 | |
| SICAV (a) | 94 | 121 | 28.7 | |
| Total Equities | 41,730 | 45,189 | 8.3 | |
| Fixed Income: | | | | |
| Money-Market Fund | 1,714 | 1,698 | (0.9 |) |
| Institutional & PWM | 63 | 60 | (4.8 |) |
| Total Fixed Income | 1,777 | 1,758 | (1.1 |) |
| Total Assets Under Management | \$ 43,507 | \$ 46,947 | 7.9 | % |

Table IV: Assets Under Management by Quarter

| | 9/13 | 12/13 | 3/14 | 6/14 | 9/14 | % Increase/ (decrease) from 9/13 6/14 | |
|------------------------------------|----------|----------|----------|----------|----------|--|---------|
| Equities: | | | | | | | |
| Open-end Funds | \$15,581 | \$17,078 | \$17,531 | \$18,508 | \$17,548 | 12.0 % | (5.7 %) |
| Closed-end Funds | 6,721 | 6,945 | 6,967 | 7,224 | 6,963 | 3.6 | (3.6) |
| Institutional & PWM - direct | 15,026 | 16,486 | 16,403 | 16,941 | 16,223 | 8.0 | (4.2) |
| Institutional & PWM - sub-advisory | 3,503 | 3,797 | 3,822 | 3,883 | 3,525 | 0.6 | (9.2) |
| Investment Partnerships | 805 | 811 | 865 | 897 | 899 | 11.7 | 0.2 |
| SICAV (a) | 94 | 96 | 91 | 94 | 121 | 28.7 | 28.7 |
| Total Equities | 41,730 | 45,213 | 45,679 | 47,547 | 45,189 | 8.3 | (5.0) |
| Fixed Income: | | | | | | | |
| Money-Market Fund | 1,714 | 1,735 | 1,812 | 1,766 | 1,698 | (0.9) | (3.9) |
| Institutional & PWM | 63 | 62 | 64 | 64 | 60 | (4.8) | (6.3) |
| Total Fixed Income | 1,777 | 1,797 | 1,876 | 1,830 | 1,758 | (1.1) | (3.9) |
| Total Assets Under Management | \$43,507 | \$47,010 | \$47,555 | \$49,377 | \$46,947 | 7.9 % | (4.9 %) |

(a) Includes \$92 million, \$94 million, \$88 million, \$77 million and \$70 million of proprietary seed capital at September 30, 2013, December 31, 2013, March 31, 2014, June 30, 2014 and September 30, 2014, respectively.

The following discussion should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and the notes thereto included in Item 1 to this report.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2014 Compared To Three Months Ended September 30, 2013

(Unaudited; in thousands, except per share data)

| | 2014 | 2013 |
|--|----------|----------|
| Revenues | | |
| Investment advisory and incentive fees | \$92,591 | \$80,438 |
| Distribution fees and other income | 15,727 | 13,545 |
| Institutional research services | 2,540 | 2,394 |
| Total revenues | 110,858 | 96,377 |
| Expenses | | |
| Compensation | 43,316 | 39,803 |
| Management fee | 3,756 | 5,629 |
| Distribution costs | 15,101 | 12,769 |
| Other operating expenses | 5,099 | 5,448 |
| Total expenses | 67,272 | 63,649 |
| Operating income | 43,586 | 32,728 |
| Other income (expense) | | |
| Net gain/(loss) from trading securities | (9,434) | 13,589 |
| Net gain from AFS securities | 348 | 5,745 |
| Interest and dividend income | 1,084 | 1,134 |
| Interest expense | (1,987) | (2,164) |
| Shareholder-designated contribution | - | (313) |
| Total other income/(expense), net | (9,989) | 17,991 |
| Income before income taxes | 33,597 | 50,719 |
| Income tax provision | 13,045 | 17,515 |
| Net income | 20,552 | 33,204 |
| Net income/(loss) attributable to noncontrolling interests | (3,113) | 106 |
| Net income attributable to GAMCO Investors, Inc.'s shareholders | \$23,665 | \$33,098 |
| Net income attributable to GAMCO Investors, Inc.'s shareholders per share: | | |
| Basic | \$0.94 | \$1.29 |
| Diluted | \$0.93 | \$1.29 |

Overview

Net income attributable to shareholders of GAMCO for the quarter was \$23.7 million, or \$0.93 per fully diluted share, versus \$33.1 million, or \$1.29 per fully diluted share, in the prior year's quarter. The quarter to quarter comparison was impacted by lower income from firm investments and increased stock compensation costs partially offset by higher revenues and lower interest expense.

Revenues

Investment advisory and incentive fees for the third quarter 2014 were \$92.6 million, 15.2% above the 2013 comparative figure of \$80.4 million. Open-end fund revenues increased by 18.5% to \$44.2 million from \$37.3 million in the third quarter of 2013 driven by a 19.9% increase in average open-end equity AUM. Our closed-end fund

revenues rose 9.8% to \$15.7 million in the third quarter 2014 from \$14.3 million in 2013 due to an 8.8% increase in non-performance fee based average AUM. Institutional and private wealth management account revenues, excluding incentive fees, which are generally based on beginning of quarter AUM, increased \$4.0 million, or 14.9%, to \$30.8 million from \$26.8 million in third quarter 2013. Incentive fees declined \$0.4 million, on a quarter to quarter basis, to \$0.1 million in the 2014 quarter from \$0.5 million in the prior year period. Investment partnership revenues were \$1.8 million, an increase of 20.0% from \$1.5 million in third quarter 2013 due to an increase in average AUM resulting from a combination of market performance and net inflows.

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Open-end fund distribution fees and other income were \$15.7 million for the third quarter 2014, an increase of \$2.2 million or 16.3% from \$13.5 million in the prior year period, primarily due to higher average AUM in open-end equity funds that generate distribution fees and increased level of sales of load shares of mutual funds.

Our institutional research revenues were \$2.5 million in the third quarter 2014 comparable to \$2.4 million reported in the prior year period.

Expenses

Compensation costs, which are largely variable, were \$43.3 million or 8.8% higher than prior year compensation costs of \$39.8 million. The quarter over quarter increase was comprised of variable compensation of \$2.3 million related to the increased levels of AUM, \$0.2 million in fixed compensation and a \$1.0 million increase in stock compensation expense for RSAs issued in the third and fourth quarters of 2013.

Management fee expense, which is wholly variable and based on pretax income, decreased to \$3.8 million in the third quarter of 2014 from \$5.6 million in the 2013 period.

Distribution costs were \$15.1 million, an increase of \$2.3 million or 18.0% from \$12.8 million in the prior year's period. The increase in distribution costs was driven by increased AUM, largely from the direct to intermediary channel, which resulted in an increase in payments to third-party distributors of \$2.0 million.

Other operating expenses were \$5.1 million in the third quarter of 2014, a decline of \$0.3 million, or 5.6%, from \$5.4 million in the third quarter of 2013. The current year quarter benefitted from additional insurance reimbursements of \$0.3 million for legal and regulatory costs previously incurred and expensed as compared to the prior year quarter. Excluding these reimbursements other operating expenses were down 1%.

Operating income for the third quarter of 2014 was \$43.6 million, an increase of \$10.9 million, or 33.3%, from the \$32.7 million in the third quarter of 2013. Operating income, as a percentage of revenues, was 39.3% in the 2014 quarter as compared to 34.0% in the 2013 quarter.

Other

Total other income/(expense), was a net expense of \$10.0 million for the third quarter 2014 versus income of \$18.0 million in the prior year's quarter. Realized and unrealized losses in our trading portfolio were \$9.1 million in the 2014 quarter; a swing of \$28.4 million from the \$19.3 million of gains reported in the 2013 quarter. Interest and dividend income was lower by \$0.1 million. Interest expense decreased by \$0.2 million to \$2.0 million in the third quarter of 2014 from \$2.2 million in third quarter of 2013 due to a decrease in total average debt outstanding.

The effective tax rates ("ETR") for the three months ended September 30, 2014 and September 30, 2013 were 38.8% and 34.5%, respectively. Excluding net income (loss) attributable to noncontrolling interests the ETR was 35.5% and 34.6% for the third quarters of 2014 and 2013, respectively.

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Nine Months Ended September 30, 2014 Compared To Nine Months Ended September 30, 2013

(Unaudited; in thousands, except per share data)

| | 2014 | 2013 |
|--|-----------|-----------|
| Revenues | | |
| Investment advisory and incentive fees | \$270,544 | \$230,488 |
| Distribution fees and other income | 46,367 | 37,420 |
| Institutional research services | 6,720 | 6,940 |
| Total revenues | 323,631 | 274,848 |
| Expenses | | |
| Compensation | 131,258 | 113,214 |
| Management fee | 13,628 | 14,455 |
| Distribution costs | 44,087 | 35,650 |
| Other operating expenses | 17,036 | 16,290 |
| Total expenses | 206,009 | 179,609 |
| Operating income | 117,622 | 95,239 |
| Other income (expense) | | |
| Net gain from trading securities | 4,091 | 27,575 |
| Net gain from AFS securities | 3,511 | 16,191 |
| Interest and dividend income | 3,557 | 4,986 |
| Interest expense | (6,000) | (8,448) |
| Shareholder-designated contribution | (134) | (5,313) |
| Total other income, net | 5,025 | 34,991 |
| Income before income taxes | 122,647 | 130,230 |
| Income tax provision | 44,796 | 46,434 |
| Net income | 77,851 | 83,796 |
| Net income/(loss) attributable to noncontrolling interests | (2,718) | 260 |
| Net income attributable to GAMCO Investors, Inc.'s shareholders | \$80,569 | \$83,536 |
| Net income attributable to GAMCO Investors, Inc.'s shareholders per share: | | |
| Basic | \$3.17 | \$3.25 |
| Diluted | \$3.15 | \$3.25 |

Overview

Net income attributable to shareholders of GAMCO for the first nine months of 2014 was \$80.6 million or \$3.15 per fully diluted share versus \$83.5 million or \$3.25 per fully diluted share in the prior year's first nine months. Included in the 2013 results is a \$5.3 million charge, or \$0.12 per diluted share, net of management fee and tax benefit, for the shareholder designated charitable contribution program. The period to period comparison, excluding this charge, was impacted by lower income from firm investments and increased stock compensation costs offset partially by higher revenues and lower interest expense.

Revenues

Investment advisory and incentive fees for the nine months ended September 30, 2014 were \$270.5 million, 17.4% above the comparable 2013 figure of \$230.5 million. Open-end mutual fund revenues increased by 23.4% to \$128.1 million from \$103.8 million in first nine months of 2013 driven by a 25.0% increase in average open-end equity AUM. Our closed-end fund revenues rose 8.4% to \$45.3 million in the first nine months of 2014 from \$41.8 million in 2013 due to an 8.5% increase in non-performance fee based average AUM. Institutional and private wealth

management account revenues, excluding incentive fees, which are generally based on beginning of quarter AUM, increased \$15.9 million, or 21.1%, to \$91.2 million from \$75.3 million in the first nine months of 2013. During the first nine months of 2014, we earned \$0.9 million in incentive fees, a decrease of \$4.3 million from \$5.2 million earned in the first nine months of 2013. Investment partnership revenues were \$5.0 million, an increase of 13.6% from \$4.4 million for the nine months ended September 30, 2013 due to an increase in average AUM resulting from net inflows.

Open-end fund distribution fees and other income were \$46.4 million for the first nine months of 2014, an increase of \$9.0 million or 24.1% from \$37.4 million in the prior year period, primarily due to higher average AUM in open-end equity mutual funds that generate distribution fees and an increased level of sales of load shares of mutual funds.

Our institutional research revenues were \$6.7 million in the first nine months of 2014 versus \$6.9 million in the prior year period. Although commission revenues were largely unchanged in most areas of that business, dealer manager fee revenues from underwriting closed-end fund offerings declined \$0.1 million from the prior year period.

Expenses

Compensation costs, which are largely variable, were \$131.3 million or 16.0% higher than prior year compensation costs of \$113.2 million. The period over period increase was comprised of variable compensation of \$10.6 million related to the increased levels of AUM, \$3.1 million in fixed compensation and a \$4.4 million increase in stock compensation expense for RSAs issued in the second half of 2013.

Management fee expense, which is wholly variable and based on pretax income, decreased to \$13.6 million for the nine months ended September 30, 2014 from \$14.5 million in the 2013 period.

Distribution costs were \$44.1 million, an increase of \$8.4 million or 23.5% from \$35.7 million in the prior year's period. The increase in distribution costs was driven by increased AUM, largely from the direct to intermediary channel, which resulted in an increase in payments to third-party distributors of \$6.4 million.

Other operating expenses were \$17.0 million in the first nine months of 2014, an increase of \$0.7 million, or 4.3%, from \$16.3 million in the first nine months of 2013. The period to period comparison was impacted by decreases in insurance reimbursements for legal and regulatory costs previously incurred and expensed for a legal matter which was successfully concluded in the first nine months of 2014. Excluding the effects of insurance reimbursements, other operating expenses were down 1%.

Operating income for the first nine months of 2014 was \$117.6 million, an increase of \$22.4 million, or 23.5%, from the \$95.2 million in the first nine months of 2013. Operating income, as a percentage of revenues, was 36.3% in the 2014 period as compared to 34.7% in the 2013 period.

Other

Other income/(expense), was \$5.0 million for the first nine months of 2014 versus \$35.0 million in the prior year's quarter. Realized and unrealized gains in our trading portfolio were \$7.6 million in the 2014 period, \$36.2 million lower than the \$43.8 million reported in the 2013 period. Interest and dividend income was lower by \$1.4 million. Interest expense decreased by \$2.4 million to \$6.0 million in the first nine months of 2014 from \$8.4 million in first nine months of 2013 due to a decrease in total average debt outstanding. On May 15, 2013, the \$99 million of 5.5% Senior notes matured, and were repaid. Expenses for the shareholder-designated charitable contribution program were \$0.1 million during the first nine months of 2014 and \$5.3 million for the first nine months of 2013.

The ETR for the nine months ended September 30, 2014 was 36.5% as compared to the prior year period's ETR of 35.7%. Excluding net income (loss) attributable to noncontrolling interests the ETR was 35.7% for both the nine months ended September 30, 2014 and 2013.

LIQUIDITY AND CAPITAL RESOURCES

Our principal assets are highly liquid in nature and consist of cash and cash equivalents, short-term investments, securities held for investment purposes, investments in funds, and investment partnerships. Cash and cash equivalents are comprised primarily of 100% U.S. Treasury money market funds managed by GAMCO. Although investments in partnerships and offshore funds are subject to restrictions as to the timing of distributions, the underlying investments of such partnerships or funds are, for the most part, liquid, and the valuations of these products reflect that underlying liquidity.

Summary cash flow data is as follows:

| | Nine months ended September 30, | |
|---|------------------------------------|------------|
| | 2014 | 2013 |
| Cash flows provided by (used in): | (in thousands) | |
| Operating activities | \$ 122,150 | \$ 155,493 |
| Investing activities | 2,593 | 25,089 |
| Financing activities | 23,222 | (125,779) |
| Effect of exchange rates on cash and cash equivalents | 5 | - |
| Net increase | 147,970 | 54,803 |
| Cash and cash equivalents at beginning of period | 210,451 | 190,608 |
| Cash and cash equivalents at end of period | \$ 358,421 | \$ 245,411 |

Cash and liquidity requirements have historically been met through cash generated by operating income and our borrowing capacity. We filed a registration statement with the SEC in 2012 which, among other things, provides us opportunistic flexibility to sell any combination of senior and subordinate debt securities, convertible debt securities, equity securities (including common and preferred stock), and other securities up to a total amount of \$400 million. The shelf is available through May 30, 2015, at which time it may be renewed.

At September 30, 2014, we had total cash and cash equivalents of \$358.4 million, an increase of \$148.0 million from December 31, 2013. Cash and cash equivalents of \$0.1 million and investments in securities of \$8.8 million held by consolidated investment partnerships and offshore funds may not be readily available for the Company to access. Total debt outstanding at September 30, 2014 was \$111.9 million, consisting of \$11.9 million in Debentures (face value of \$13.1 million) and \$100 million of 5.875% senior notes due 2021.

For the nine months ended September 30, 2014, cash provided by operating activities was \$122.2 million, a decrease of \$33.3 million from cash provided in the prior year period of \$155.5 million. Cash was provided through a \$35.7 million increase in payables to brokers, a decrease in investment advisory fees receivables collected of \$9.1 million, a \$4.4 million increase in stock compensation, a decrease of \$12.7 million in gains on available for sale securities and a decrease of \$8.0 million in other assets. Reducing cash was a decrease in net income of \$5.9 million, a decrease in compensation payable of \$16.8 million, a \$12.0 million decrease in net contributions and distributions to/from partnerships, an increase of \$10.6 million in trading securities, a \$11.9 million decrease in income taxes payable and deferred tax liabilities, an increase in receivable from brokers of \$37.2 million, a \$4.8 million reduction to accrued expenses and other liabilities and \$4.0 million from other sources. Cash provided by investing activities, related to purchases and proceeds from sales of available for sale securities, was \$2.6 million in the first nine months of 2014. Cash provided by financing activities in the first nine months of 2014 was \$23.2 million including \$52.0 million in net contributions from redeemable noncontrolling interests and \$1.6 million in proceeds from exercise of stock options less \$4.6 million paid in dividends, \$25.1 million paid for the purchase of treasury stock and \$0.7 million for the repurchase of zero coupon subordinated debentures.

For the nine months ended September 30, 2013, cash provided by operating activities was \$155.5 million. Cash provided by investing activities, related to purchases and proceeds from sales of available for sale securities, was \$25.1 million in the first nine months of 2013. Cash used in financing activities in the first nine months of 2013 was \$125.8 million.

Based upon our current level of operations and anticipated growth, we expect that our current cash balances plus cash flows from operating activities and our borrowing capacity will be sufficient to finance our working capital needs for the foreseeable future. We have no material commitments for capital expenditures.

We have two broker-dealers, G.research and G.distributors, which are subject to certain net capital requirements. Both broker-dealers compute their net capital under the alternative method permitted, which requires minimum net capital of the greater of \$250,000 or 2% of the aggregate debit items in the reserve formula for those broker-dealers subject to Rule 15c3-3 promulgated under the Securities Exchange Act of 1934. The requirement was \$250,000 for each broker-dealer at September 30, 2014. At September 30, 2014, G.research had net capital, as defined, of approximately \$4.0 million, exceeding the regulatory requirement by approximately \$3.7 million, and G.distributors had net capital, as defined, of approximately \$4.3 million, exceeding the regulatory requirement by approximately \$4.0 million. Net capital requirements for our affiliated broker-dealers may increase in accordance with rules and regulations to the extent they engage in other business activities.

Market Risk

Our primary market risk exposure is to changes in equity prices and interest rates. Since over 90% of our AUM are equities, our financial results are subject to equity-market risk as revenues from our investment management services are sensitive to stock market dynamics. In addition, returns from our proprietary investment portfolio are exposed to interest rate and equity market risk.

The Company's Chief Investment Officer oversees the proprietary investment portfolios and allocations of proprietary capital among the various strategies. The Chief Investment Officer and the Board of Directors review the proprietary investment portfolios throughout the year. Additionally, the Company monitors its proprietary investment portfolios to ensure that they are in compliance with the Company's guidelines.

Equity Price Risk

The Company earns substantially all of its revenue as advisory and distribution fees from our affiliated open-end and closed-end funds, Institutional and Private Wealth Management assets, and Investment Partnership assets. Such fees represent a percentage of AUM, and substantially all of these assets are in equity investments. Accordingly, since revenues are proportionate to the value of those investments, a substantial increase or decrease in equity markets overall will have a corresponding effect on the Company's revenues.

With respect to our proprietary investment activities, included in investments in securities of \$254.6 million and investments in sponsored registered investment companies of \$39.5 million at September 30, 2014 were investments in United States Treasury Bills and Notes of \$21.0 million, open-end funds and closed-end funds, largely invested in equity products, of \$44.3 million, a selection of common and preferred stocks totaling \$227.3 million, and other investments of approximately \$1.5 million. In addition, we may alter our investment holdings from time to time in response to changes in market risks and other factors considered appropriate by management. Of the approximately \$227.3 million invested in common and preferred stocks at September 30, 2014, \$36.4 million represented our investment in Westwood Holdings Group Inc., and \$91.1 million was invested by the Company in risk arbitrage opportunities in connection with mergers, consolidations, acquisitions, tender offers or other similar transactions. Risk arbitrage generally involves announced deals with agreed upon terms and conditions, including pricing, which typically involve less market risk than common stocks held in a trading portfolio. The principal risk associated with risk arbitrage transactions is the inability of the companies involved to complete the transaction. Securities sold, not yet purchased are stated at fair value and are subject to market risks resulting from changes in price and volatility. At September 30, 2014, the fair value of securities sold, not yet purchased was \$14.2 million. Investments in partnerships totaled \$107.4 million at September 30, 2014, \$57.4 million of which consisted of investment partnerships and offshore funds which invest in risk arbitrage opportunities.

The following table provides a sensitivity analysis for our investments in equity securities and partnerships and affiliates which invest primarily in equity securities, excluding arbitrage products for which the principal exposure is to deal closure and not overall market conditions, as of September 30, 2014 and December 31, 2013. The sensitivity analysis assumes a 10% increase or decrease in the value of these investments (in thousands):

| | Fair Value assuming 10% decrease in equity prices | Fair Value assuming 10% increase in equity prices |
|-------------|---|---|
| (unaudited) | | |

At September 30, 2014:

Equity price sensitive investments, at fair value \$253,097 \$227,787 \$278,407

At December 31, 2013:

Equity price sensitive investments, at fair value \$291,346 \$262,211 \$320,481

Interest Rate Risk

Our exposure to interest rate risk results, principally, from our investment of excess cash in a sponsored money market fund that holds U.S. Government securities. These investments are primarily short term in nature, and the carrying value of these investments generally approximates fair value. Based on September 30, 2014 cash and cash equivalent balance of \$358.4 million, a 1% increase in interest rates would increase our interest income by \$3.6 million annually. Given that our current return on these cash equivalent investments in this low interest rate environment is approximately 0.0% annually, an analysis of a 1% decrease is not meaningful.

Critical Accounting Policies and Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from those estimates. See Note A and the Company's Critical Accounting Policies in Management's Discussion and Analysis of Financial Condition and Results of Operations in GAMCO's 2013 Annual Report on Form 10-K filed with the SEC on March 6, 2014 for details on Critical Accounting Policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of its business, GAMCO is exposed to risk of loss due to fluctuations in the securities market and general economy. Management is responsible for identifying, assessing and managing market and other risks.

Our exposure to pricing risk in equity securities is directly related to our role as financial intermediary and advisor for AUM in our affiliated open-end and closed-end funds, institutional and private wealth management accounts, and investment partnerships as well as our proprietary investment and trading activities. At September 30, 2014, we had equity investments, including open-end funds largely invested in equity products, of \$294.1 million. Investments in open-end funds and closed-end funds, \$44.3 million, usually generate lower market risk through the diversification of financial instruments within their portfolios. In addition, we may alter our investment holdings from time to time in response to changes in market risks and other factors considered appropriate by management. We also hold investments in partnerships which invest primarily in equity securities and which are subject to changes in equity prices. Investments in partnerships totaled \$107.4 million, of which \$57.4 million were invested in partnerships which invest in risk arbitrage. Risk arbitrage is primarily dependent upon deal closure rather than the overall market environment. The equity investment portfolio is at fair value and will move in line with the equity markets. The trading portfolio changes are recorded as net gain from investments in the condensed consolidated statements of income while the available for sale portfolio changes are recorded in other comprehensive income in the condensed consolidated statements of financial condition.

Item 4. Controls and Procedures

We evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2014. Disclosure controls and procedures as defined under the Exchange Act Rule 13a-15(e), are designed to ensure that the information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in SEC rules and regulations. Disclosure controls and procedures include, without limitation, controls and procedures accumulated and communicated to our management, including our Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and Co-Chief Accounting Officers ("CAOs"), to allow timely decisions regarding required disclosure. Our CEO, CFO, and CAOs participated in this evaluation and concluded that, as of the date of September 30, 2014, our disclosure controls and procedures were effective.

There have been no changes in our internal control over financial reporting as defined by Rule 13a-15(f) that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Forward-Looking Information

Our disclosure and analysis in this report contain some forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements because they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "be

and other words and terms of similar meaning. They also appear in any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance of our products, expenses, the outcome of any legal proceedings, and financial results. Although we believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know about our business and operations, there can be no assurance that our actual results will not differ materially from what we expect or believe. Some of the factors that could cause our actual results to differ from our expectations or beliefs include, without limitation: the adverse effect from a decline in the securities markets; a decline in the performance of our products; a general downturn in the economy; changes in government policy or regulation; changes in our ability to attract or retain key employees; and unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations. We also direct your attention to any more specific discussions of risk contained in our Form 10-Q and other public filings. We are providing these statements as permitted by the Private Litigation Reform Act of 1995. We do not undertake to update publicly any forward-looking statements if we subsequently learn that we are unlikely to achieve our expectations or if we receive any additional information relating to the subject matters of our forward-looking statements.

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Part II: Other Information

Item 1. Legal Proceedings

From time to time, the Company may be named in legal actions and proceedings. These actions may seek substantial or indeterminate compensatory as well as punitive damages or injunctive relief. The Company is also subject to governmental or regulatory examinations or investigations. The examinations or investigations could result in adverse judgments, settlements, fines, injunctions, restitutions or other relief. For any such matters, the condensed consolidated financial statements include the necessary provisions for losses that the Company believes are probable and estimable. Furthermore, the Company evaluates whether there exist losses which may be reasonably possible and, if material, makes the necessary disclosures. Such amounts, both those that are probable and those that are reasonably possible, are not considered material to the Company's financial condition, operations or cash flows.

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

The following table provides information with respect to the repurchase of Class A Common Stock of GAMCO during the three months ended September 30, 2014:

| Period | (a) Total Number of Shares Repurchased | (b) Average Price Paid Per Share, net of Commissions or Programs | (c) Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs |
|-------------------|---|---|---|--|
| 7/01/14 - 7/31/14 | 25,912 | \$ 83.65 | 25,912 | 672,583 |
| 8/01/14 - 8/31/14 | 20,259 | 78.42 | 20,259 | 652,324 |
| 9/01/14 - 9/30/14 | 48,771 | 74.19 | 48,771 | 603,553 |
| Totals | 94,942 | \$ 77.67 | 94,942 | |

Item 6. (a) Exhibits

31.1 Certification of CEO pursuant to Rule 13a-14(a).

31.2 Certification of CFO pursuant to Rule 13a-14(a).

32.1 Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

| | |
|---------|--|
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

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 thereunto duly authorized.

GAMCO INVESTORS, INC.

(Registrant)

| | |
|-------------------------|---------------------------|
| By: /s/ Kieran Caterina | By: /s/ Diane M. LaPointe |
| Name: Kieran Caterina | Name: Diane M. LaPointe |
| Title: Co-Chief | Title: Co-Chief |
| Accounting Officer | Accounting Officer |

| | |
|---------------------------|------------------------|
| Date: November 7, 2014 | Date: November 7, 2014 |
|---------------------------|------------------------|

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