GAMCO INVESTORS, INC. ET AL
Form 10-Q
November 06, 2018
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, 2018
or
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___ to ___

Commission File No. 001-14761

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

Delaware	13-4007862
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Corporate Center, Rye, NY	10580-1422
(Address of principle executive offices)	(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company o Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2018
Class A Common Stock, .001 par value	(Including 434,150 restricted stock awards)	10,040,776
Class B Common Stock, .001 par value		19,024,404

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GAMCO INVESTORS, INC. AND SUBSIDIARIES

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
UNAUDITED
(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues				
Investment advisory and incentive fees	$75,934	$77,328	$230,616	$228,942
Distribution fees and other income	9,854	11,013	29,862	32,916
Total revenues	85,788	88,341	260,478	261,858
Expenses				
Compensation	17,562	42,919	72,464	97,634
Management fee	1,449	4,935	7,565	9,455
Distribution costs	9,819	11,665	29,875	33,373
Other operating expenses	5,258	5,429	16,245	15,900
Total expenses	34,088	64,948	126,149	156,362
Operating income	51,700	23,393	134,329	105,496
Other income (expense)				
Net gain (loss) from investments	(4,328)	2,841	(8,090)	2,867
Interest and dividend income	531	745	1,549	1,765
Interest expense	(759)	(2,688)	(2,881)	(8,269)
Shareholder-designated contribution	$(708)	(3,857)	(884)	(3,857)
Total other expense, net	(5,264)	(2,959)	(10,306)	(7,494)
Income before income taxes	46,436	20,434	124,023	98,002
Income tax provision	11,420	3,834	30,164	33,688
Net income attributable to GAMCO Investors, Inc.'s shareholders	$35,016	$16,600	$93,859	$64,314
Net income attributable to GAMCO Investors, Inc.'s shareholders per share:				
Basic	$1.22	$0.57	$3.26	$2.22
Diluted	$1.22	$0.55	$3.26	$2.14
Weighted average shares outstanding:				
Basic	28,677	28,926	28,789	28,930
Diluted	28,739	31,173	28,824	31,144
Dividends declared:	$0.02	$0.02	$0.06	$0.06

See accompanying notes.

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GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
UNAUDITED
(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	$35,016	$16,600	$93,859	$64,314
Other comprehensive gain/(loss), net of tax:				
Foreign currency translation	(13)	28	16	75
Net unrealized gain on securities available for sale (a)	-	2,321	-	1,019
Other comprehensive gain/(loss)	(13)	2,349	16	1,094
Comprehensive income attributable to GAMCO Investors, Inc.	$35,003	$18,949	$93,875	$65,408

(a) Net of income tax expense of $0, $1,363, $0 and $599, respectively.
Effective January 1, 2018, upon the adoption of ASU 2016-01, the Company no longer recognizes unrealized gains or losses on equity securities through other comprehensive gain/(loss). See Note C.

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
UNAUDITED
(Dollars in thousands, except per share data)

	September 30, 2018	December 31, 2017	September 30, 2017
ASSETS			
Cash and cash equivalents, including restricted cash of $0, $0 and $95, respectively	$34,334	$17,821	$61,097
Investments in securties, including restricted investments in securities of $0, $0 and $59,954, respectively	29,704	36,790	101,425
Receivable from brokers	2,654	1,578	1,342
Investment advisory fees receivable	25,010	38,712	25,549
Receivable from affiliates	4,531	5,635	4,784
Deferred tax asset and income tax receivable	11,532	15,615	24,941
Other assets	10,692	12,135	11,888
Total assets	$118,457	$128,286	$231,026
LIABILITIES AND EQUITY			
Payable to brokers	$-	$14,926	$13,311
Income taxes payable and deferred tax liabilities	3,555	3,128	3,215
Capital lease obligation	4,834	4,943	4,976
Compensation payable	70,385	82,907	82,896
Payable to affiliates	140	855	2,981
Accrued expenses and other liabilities	27,571	28,656	24,134
Sub-total	106,485	135,415	131,513
4.5% Convertible note (net of issuance costs of $0, $0 and $138, respectively) (due August 15, 2021) (Note G)	-	-	109,862
AC 4% PIK Note (due November 30, 2020) (Note G)	-	50,000	70,000
AC 1.6% Note Payable (due February 28, 2018) (Note G)	-	15,000	-
5.875% Senior notes (net of issuance costs of $63, $81 and $87, respectively) (due June 1, 2021) (Note G)	24,162	24,144	24,138
Total liabilities	130,647	224,559	335,513
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, $0.001 par value; 100,000,000 shares authorized; 15,976,239, 15,541,489 and 15,473,725 issued, respectively;10,041,376, 9,949,482 and 10,075,944 outstanding, respectively	14	14	14
Class B Common Stock, $0.001 par value; 100,000,000 shares authorized; 24,000,000 shares issued; 19,024,404, 19,024,404 and 19,092,168 shares outstanding, respectively	19	19	19
Additional paid-in capital	13,614	12,572	11,084
Retained earnings	260,171	155,939	143,026

Accumulated other comprehensive income	(218)	11,876	12,365
Treasury stock, at cost (5,934,863, 5,592,007 and 5,397,781 shares, respectively)	(285,790)	(276,693)	(270,995)
Total GAMCO Investors, Inc. stockholders' equity (deficit)	(12,190)	(96,273)	(104,487)
Total liabilities and equity	$118,457	$128,286	$231,026

See accompanying notes.

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

For the Nine Months Ended September 30, 2018

	GAMCO Investors, Inc. stockholders					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at December 31, 2017	$33	$ 12,572	$155,939	$ 11,876	$(276,693)	$(96,273)
Net income	-	-	93,859	-	-	93,859
Reclassification pursuant to adoption of ASU 2016-01, net of tax ($7,095)	-	-	12,110	(12,110)	-	-
Foreign currency translation	-	-	-	16	-	16
Dividends declared ($0.06 per share)	-	-	(1,737)	-	-	(1,737)
Stock based compensation expense	-	1,042	-	-	-	1,042
Purchase of treasury stock	-	-	-	-	(9,097)	(9,097)
Balance at September 30, 2018	$33	$ 13,614	$260,171	$ (218)	$(285,790)	$(12,190)

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, 2017

	GAMCO Investors, Inc. stockholders					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at December 31, 2016	$33	$ 3,903	$80,515	$ 11,271	$(262,369)	$(166,647)
Net income	-	-	64,314	-	-	64,314
Net unrealized gains on securities available for sale, net of income tax benefit ($1,663)	-	-	-	2,830	-	2,830
Amounts reclassified from accumulated other comprehensive income, net of income tax expense ($1,064)	-	-	-	(1,811)	-	(1,811)
Foreign currency translation	-	-	-	75	-	75
Dividends declared ($0.06 per share)	-	-	(1,803)	-	-	(1,803)
Stock based compensation expense	-	7,181	-	-	-	7,181
Purchase of treasury stock	-	-	-	-	(8,626)	(8,626)
Balance at September 30, 2017	$33	$ 11,084	$143,026	$ 12,365	$(270,995)	$(104,487)

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,	
	2018	2017
Operating activities		
Net income	$93,859	$64,314
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	425	439
Stock based compensation expense	1,042	7,181
Deferred income taxes	1,660	(9,229)
Foreign currency translation loss	16	75
Cost basis of donated securities	304	1,051
Net gains on sales of available for sale securities	-	(20)
(Increase) decrease in assets:		
Investments in securities (trading securities for 2017)	6,783	(59,943)
Receivable from affiliates	1,196	1,179
Receivable from brokers	(1,076)	(889)
Investment advisory fees receivable	13,702	18,188
Income taxes receivable and deferred tax assets	4,083	(15,592)
Other assets	1,008	325
Increase (decrease) in liabilities:		
Payable to affiliates	(715)	1,569
Payable to brokers	(811)	13,245
Income taxes payable and deferred tax liabilities	(1,232)	8,029
Compensation payable	(12,520)	40,506
Accrued expenses and other liabilities	(601)	(5,199)
Total adjustments	13,264	915
Net cash provided by operating activities	$107,123	$65,229

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

	Nine Months Ended September 30, 2018	2017
Investing activities		
Purchases of available for sale securities	$-	$(3,932)
Proceeds from sales of available for sale securities	-	321
Net cash used in investing activities	-	(3,611)
Financing activities		
Dividends paid	(2,328)	(1,737)
Purchase of treasury stock	(9,097)	(8,626)
Repayment of AC 4% PIK Note	(50,000)	(30,000)
Repayment of AC 1.6% Note	(15,000)	-
Margin loan borrowings	11,000	-
Margin loan payments	(25,115)	-
Amortization of debt issuance costs	18	45
Net cash used in financing activities	(90,522)	(40,318)
Effect of exchange rates on cash and cash equivalents	(88)	(15)
Net increase in cash and cash equivalents	16,513	21,285
Cash and cash equivalents at beginning of period	17,821	39,812
Cash and cash equivalents at end of period	$34,334	$61,097
Supplemental disclosures of cash flow information:		
Cash paid for interest	$2,695	$6,621
Cash paid for taxes	$24,571	$52,628

Non-cash activity:

- For the nine months ended September 30, 2018 and September 30, 2017, the Company accrued dividends on restricted stock awards of $12 and $66, respectively.

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018
(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 predecess and its subsidiaries.

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

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

These interim condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017.

Use of Estimates

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

Recent Accounting Developments

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in the Accounting Standards Codification ("Codification") Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the Codification. The core principle of the new ASU No. 2014-09 is for companies to recognize revenue from the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled to receive 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. In March 2016, the FASB issued revised guidance which clarifies the guidance related to (a) determining the appropriate unit of account under the revenue standard’s principal versus agent guidance and (b) applying the indicators of whether an entity is a principal or an agent in accordance with the revenue standard’s control principle. In April 2016, the FASB issued an amendment to provide more detailed guidance including additional implementation guidance and examples related to (a) identifying performance obligations and (b) licenses of intellectual property. In May 2016, the FASB amended the standard to clarify the guidance on (a) assessing collectability, (b) presenting sales taxes, (c) measuring noncash consideration, and (d) certain transition matters. The Company adopted this guidance on January 1, 2018 and adopted the modified retrospective approach. The Company's implementation analysis has been completed, and we have identified similar performance obligations under this guidance as compared with deliverables and separate units of account previously identified under Topic 605. As a result, the timing of the recognition of our revenue remains the same as under Topic 605, and therefore the adoption does not have any effect on the timing of the recognition of revenue. See Note B. Revenue Recognition for the disclosures required by ASU 2014-09.

In January 2016, the FASB issued ASU 2016-01, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Although the ASU retains many current requirements, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. To adopt the amendments, entities are required to make a cumulative-effect adjustment to beginning retained earnings as of the beginning of the fiscal year in which the guidance is effective. The Company adopted this guidance on January 1, 2018 and reclassified $12.1 million out of Accumulated Other Comprehensive Income and into Retained Earnings. Effective January 1, 2018, changes in the fair value of the Company's investments in equity securities are reported through earnings in the net gain (loss) from investments line in the condensed consolidated statements of income rather than through other comprehensive income.

In February 2016, the FASB issued ASU 2016-02, which amends the guidance in U.S. GAAP for the accounting for leases. ASU 2016-02 requires a lessee to recognize assets and liabilities arising from most operating leases in the condensed consolidated statement of financial position. It requires these operating leases to be recorded on the balance sheet as right of use assets and offsetting lease liability obligations. This new guidance will be effective for the Company's first quarter of 2019. The Company is currently evaluating this guidance and the impact it will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, which adds and clarifies guidance on the classification of certain cash receipts and payments in the consolidated statements of cash flows. This guidance is intended to unify the currently diverse presentations and classifications, which address eight classification issues related to the statement of cash flows, including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The Company adopted this guidance on January 1, 2018 without a material impact to the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04 to simplify the process used to test for goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This new guidance will be effective for the Company's first quarter of 2020. The Company is currently evaluating the potential effect of this new guidance on its consolidated financial statements and related disclosures.

On May 10, 2017, the FASB issued ASU 2017-09, which amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. For all entities, the ASU is effective for annual reporting periods, including interim periods within those annual reporting periods, beginning after December 15, 2017. The Company adopted this guidance on January 1, 2018 without a material impact to the consolidated financial statements.

On August 17, 2018, the SEC issued a final rule that amends certain of its disclosure requirements. The final rule amends numerous SEC rules, items, and forms covering a diverse group of topics. Noteworthy changes in the final rule, which eliminate certain disclosure requirements but add or modify a few others, include requiring an analysis of changes in stockholders' equity for the current and comparative interim periods. The rule also eliminates the requirement to disclose the historical and pro forma ratio of earnings to fixed charges and the related exhibit and deletes the provisions in SEC Regulation S-X that require the presentation of dividends per share on the face of the income statement for interim periods, moving the required disclosure to the analysis of changes in stockholders' equity. This new guidance will be effective for the first 10Q for the quarter that begins after November 5, 2018. The Company is currently evaluating the potential effect of this new guidance on its consolidated financial statements and related disclosures.

B. Revenue Recognition

The revenue streams in the discussion below and in the table on page 13 include those that are within the scope of ASU 2014-09. Those revenues deemed out of scope and excluded are: investment gains and losses generated from the Company's proprietary trading activities, dividend income, and interest income. In all cases for all revenue streams discussed below, the revenue generated is from a single transaction price, and there is no need to allocate the amounts across more than a single revenue stream. The customer for all revenues derived from open-end and closed-end funds described in detail below has been determined to be the fund itself and not the ultimate underlying investor in the fund. The Company has identified similar performance obligations under ASU 2014-09 as compared with ASC Topic 605. As a result, the timing of the recognition of our revenue remains the same under this new guidance as it was under ASC Topic 605.

Significant Judgments that affect the amounts and timing of revenue recognition:

The Company's analysis of the timing of revenue recognition for each revenue stream is based upon an analysis of current contract terms. Performance obligations could, however, change from time to time if and when existing contracts are modified or new contracts are entered into. These changes could potentially affect the timing of satisfaction of performance obligations, the determination of the transaction price, and the allocation of the price to performance obligations. In the case of the revenue streams discussed below, the performance obligation is satisfied either at a point in time or over time. For performance correlated and conditional revenues, the performance obligation (advising a client portfolio) is satisfied over time, while recognition of revenues effectively occurs at the end of the measurement period as defined within the contract, as such amounts are subject to reduction to zero on the date where the measurement period ends even if the performance benchmarks were exceeded during the intervening period. The judgments outlined below, where the determination as to these factors is discussed in detail, are continually reviewed and monitored by the Company when new contracts or contract modifications occur. Transaction price is in all instances formulaic and not subject to significant (or any) judgment at the current time. The allowance for doubtful accounts is subject to judgment. There were no impairment losses (allowance for doubtful accounts) on any receivables from any revenue stream at the end of the three and nine months ended September 30, 2018.

Advisory Fee Revenues

Advisory fees for open-end funds, closed-end funds, sub-advisory accounts, SICAVs, and Exchange Traded Managed Funds ("ETMFs") are earned based on predetermined percentages of the average net assets of the individual funds and are recognized as revenues as the related services are performed. Fees for open-end funds, one non-U.S. closed-end fund, sub-advisory accounts, SICAVs, and ETMFs are computed on a daily basis on average net assets under management ("AUM"). Fees for U.S. closed-end funds are computed on average weekly net AUM, and fees for one non-U.S. closed-end fund is computed on a daily basis based on market value. These fees are received in cash after the end of each monthly period within 30 days. The revenue recognition occurs daily as the performance obligation (advising the fund) is met continuously. There is a risk of non-payment, and therefore an impairment loss on these receivables is possible at each reporting date. There were no such impairment losses for the current period.

Advisory fees for Institutional & Private Wealth Management accounts are earned based on predetermined percentages of the average AUM and are generally computed quarterly based on account values at the end of the preceding quarter. The revenue recognition occurs daily as the performance obligation (advising the client portfolio) is met continuously. These fees are received in cash, typically within 60 days of the client being billed. There is a risk of non-payment, and therefore an impairment loss on these receivables is possible at each reporting date. There were no such impairment losses for the current period.

Performance Correlated and Conditional Revenues

Investment advisory fees earned on a portion of the closed-end funds' preferred shares are earned at year-end if the total return to common shareholders of the closed-end fund for the calendar year exceeds the dividend rate of the preferred shares. These fees are recognized at the end of the measurement period which coincides with the calendar year. The fee would also be earned and the contract period ended at any interim point in time that the preferred shares are redeemed. These fees are received in cash after the end of the measurement period within 30 days.

Certain closed-end funds have performance fees that are earned at the end of the fund's fiscal year to the extent the total return of each fund exceeds a benchmark return. The fee would also be earned and the contract period ended at any interim point in time that the fund was to repurchase shares. These fees are received in cash after the end of the measurement period within 30 days.

We also receive incentive fees from certain institutional clients which are based upon exceeding a specific benchmark index. These fees are recognized at the end of the stipulated contract period, which is generally annually, for the respective account. The fee would also be earned and the contract period ended at any interim point in time that the client terminated its relationship with us. These fees are received in cash after the end of the measurement period typically within 60 days.

One fund within the SICAV structure charges a performance fee. That fee is recognized at the end of the measurement period which coincides with the calendar year or upon redemption. The fee would also be earned and the contract period ended at any interim point in time that the client terminated its relationship with us. That fee is received in cash after the end of the measurement period within 30 days.

We also receive conditional fees from certain institutional clients which are based upon exceeding a defined return for these accounts. These fees are recognized at the end of the stipulated contract period, which is generally annually, for the respective account. The fee would also be earned and the contract period ended at any interim point in time that the client terminated its relationship with us. These fees are received in cash after the end of the measurement period typically within 60 days.

In all cases of the performance correlated and conditional revenue, because of the variable nature of the consideration, revenue recognition is delayed until it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved (for example, the measurement period has concluded and the hurdle has been exceeded). There is a risk of non-payment, and therefore an impairment loss on these receivables is possible at each reporting date. There were no such impairment losses for the current period.

Distribution Fees and Other Income

Distribution fees and other income primarily includes distribution fee revenue earned in accordance with Rule 12b-1 of the Company Act, as amended, along with sales charges and underwriting fees associated with the sale of the mutual funds. Distribution plan fees are computed based on average daily net assets of each fund and are accrued for during the period in which they are earned. These fees are received in cash after the end of each monthly period within 30 days. In evaluating the appropriate timing of the recognition of these fees, we applied the guidance on up-front fees to determine whether such fees are related to the transfer of a promised service (a distinct performance obligation). Our conclusion is that the service being provided by G.distributors to the customer in exchange for the fee is for the initial distribution of the funds and is completed at the time of the sale. As such, there is no portion of this revenue that needs to be deferred because the performance obligation is complete, and revenue recognition coincides with the completion. The Company reached the same conclusion with regard to sales charges and underwriting fees associated with the sale of the mutual funds - neither of which is material in the aggregate to the Company's revenue streams. There is a risk of non-payment, and therefore an impairment loss on these receivables is possible at each reporting date. There were no such impairment losses for the current period.

Revenue Disaggregated

The following table presents our revenue disaggregated by account type:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Advisory Fees:				
Open-end Funds	$31,481	$32,738	$94,326	$97,390
Closed-end Funds	17,337	16,242	51,389	47,404
Sub-advisory accounts	1,189	1,024	3,430	2,321
Institutional & Private Wealth Management	24,276	26,049	75,391	78,603
SICAVs	1,471	1,265	4,223	3,200
Performance-based	180	10	207	24
Conditional	-	-	1,650	-
Distribution and other income	9,854	11,013	29,862	32,916
Total revenues	$85,788	$88,341	$260,478	$261,858

C. Investment in Securities

Effective with the Company's adoption of ASU 2016-01 on January 1, 2018, the Company carries all investments in equity securities at fair value through net income ("FVTNI") which approximates market value. The Company has no securities that qualify for the equity method or for consolidation of the investee for which the Company has elected the practicality exception to fair value measurement.

Investments in securities at September 30, 2018, December 31, 2017 and September 30, 2017 consisted of the following:

	September 30, 2018		December 31, 2017		September 30, 2017	
	Cost	Estimated Market Value	Cost	Estimated Market Value	Cost	Estimated Market Value
	(In thousands)					
Securities carried at FVTNI (trading securities for comparative periods):						
US Government Obligations	$-	$ -	$-	$ -	$59,905	$59,954
Common stocks	18,154	28,666	26	34	24	31
Mutual Funds	44	44	11	11	11	11
Closed-end funds	951	994	-	-	-	-
Total securities carried at FVTNI	19,149	29,704	37	45	59,940	59,996
Available for sale securities:						
Common stocks	-	-	17,441	36,637	21,319	41,315
Closed-end funds	-	-	99	108	99	114
Total available for sale securities	-	-	17,540	36,745	21,418	41,429
Total investments in securities	$19,149	$ 29,704	$17,577	$ 36,790	$81,358	$101,425

There were no securities sold, not yet purchased at September 30, 2018, December 31, 2017 and September 30, 2017.

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 were classified as trading securities for the periods ended December 31, 2017 and September 30, 2017. Securities carried at FVTNI for the September 30, 2018 period-end and trading securities in the periods ending December 31, 2017 and September 30, 2017 are stated at fair value, with any unrealized gains or losses reported in current period earnings. Available for sale ("AFS") investments for the periods ended December 31, 2017 and September 30, 2017 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 were recorded as realized losses in the condensed consolidated statements of income.

Effective January 1, 2018, the Company adopted ASU 2016-01, which eliminated available for sale accounting and resulted in the reclassification of $12.1 million, net of tax, out of accumulated comprehensive income and into retained earnings in the condensed consolidated statement of financial condition. As a result, for the three and nine months ended September 30, 2018, changes in the fair value of the Company's entire investment portfolio are now recorded in the net gain (loss) from investments line in the condensed consolidated statements of income rather than through other comprehensive 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, 2017 (in thousands). (No disclosure is needed for the three and nine months ended September 30, 2018 due to the adoption of ASU 2016-01.)

Amount Reclassified from AOCI	Affected Line Items in the Statements Of Income	Reason for Reclassification from AOCI

Three months ended September 30, 2017	Nine months ended September 30, 2017		
$20	$ 20	Net gain from investments	Realized gain on sale of AFS securities
2,821	2,855	Other operating expenses/net gain from investments	Realized gain on donation of AFS securities
$2,841	$ 2,875	Income before income taxes	
(1,051)	(1,064)	Income tax provision	
$1,790	$ 1,811	Net income	

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The following is a summary of the cost, gross unrealized gains, gross unrealized losses and fair value of available for sale investments as of December 31, 2017 and September 30, 2017. (No disclosures are required as of September 30, 2018 due to the adoption of ASU 2016-01.)

	December 31, 2017			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
	(In thousands)			
Common stocks	$ 17,441	$ 19,196	$ -	$ 36,637
Closed-end funds	99	9	-	108
Total available for sale securities	$ 17,540	$ 19,205	$ -	$ 36,745

	September 30, 2017			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
	(In thousands)			
Common stocks	$ 21,319	$ 19,996	$ -	$ 41,315
Closed-end funds	99	15	-	114
Total available for sale securities	$ 21,418	$ 20,011	$ -	$ 41,429

A net unrealized gain, net of taxes, for the three and nine months ended September 30, 2017 of $2.3 million and $1.0 million, respectively, has been included in other comprehensive income, a component of equity, at September 30, 2017. During the three and nine months ended September 30, 2017, proceeds from the sales of investments available for sale were approximately $321,000 and gross gains on the sale of investments available for sale amounted to $20,000 and were reclassified from other comprehensive income into net gain from investments in the condensed consolidated statements of income. There were no realized losses on the sale of investments available for sale for the three and nine months ended September 30, 2017. The Company determines the cost of a security sold by using specific identification. Accumulated other comprehensive income in the condensed consolidated statements of equity is primarily comprised of unrealized gains/losses, net of taxes, for AFS securities.

There were no investments classified as available for sale that were in an unrealized loss position at December 31, 2017 or September 30, 2017.

For the three and nine months ended September 30, 2017, there were no losses on available for sale securities that were deemed to be other than temporary.

D. 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, 2018, December 31, 2017 and September 30, 2017 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, 2018 (in thousands)

	Quoted Prices in Active Markets for	Significant Other Observable	Significant Unobservable	Balance as of September 30,

Assets	Identical Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	2018
Cash equivalents	$ 34,020	$ -	$ -	$ 34,020
Investments in securities:				
Common stocks	28,666	-	-	28,666
Mutual Funds	44	-	-	44
Closed-end Funds	994	-	-	994
Total investments in securities	29,704	-	-	29,704
Total assets at fair value	$ 63,724	$ -	$ -	$ 63,724

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Assets and Liabilities Measured at Fair Value on a Recurring Basis as of December 31, 2017 (in thousands)

Assets	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, 2017
Cash equivalents	$ 17,475	$ -	$ -	$ 17,475
Investments in securities:				
AFS - Common stocks	36,637	-	-	36,637
AFS - Closed-end Funds	108	-	-	