

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

Edgar Filing: GAMCO INVESTORS, INC. ET AL - Form 10-Q

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

INDEX

GAMCO INVESTORS, INC. AND
SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed
Consolidated Financial
Statements

Condensed Consolidated
Statements of Income:
- Three months ended
September 30, 2014 and 2013
- Nine months ended
September 30, 2014 and 2013

Condensed Consolidated
Statements of Comprehensive
Income:
- Three months ended
September 30, 2014 and 2013
- Nine months ended
September 30, 2014 and 2013

Condensed Consolidated
Statements of Financial
Condition:
- September 30, 2014
- December 31, 2013
- September 30, 2013

Condensed Consolidated
Statements of Equity:
- Nine months ended
September 30, 2014 and 2013

Condensed Consolidated
Statements of Cash Flows:
- Nine months ended
September 30, 2014 and 2013

Notes to Unaudited Condensed
Consolidated Financial
Statements

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

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

Item 4. Controls and Procedures

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 6. Exhibits

SIGNATURES

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

(Dollars in thousands, except per share data)

	Three Months		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,		Nine Months Ended September 30,	
	2014	2013	2014	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.

4

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

Edgar Filing: GAMCO INVESTORS, INC. ET AL - Form 10-Q

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.

5

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.

6

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.

7

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

8

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.

9

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	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	Gross Amounts Not Offset in the Statements of Financial Condition		
	Gross Amounts of the Recognized Financial Assets	Offset in the Statements of Financial Condition	Amounts of Assets Presented in the Statements of Financial Condition	Cash Collateral Received	Net Amount	
	(in thousands)					
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	Gross Amounts Not Offset in the Statements of Financial Condition		
	Gross Amounts of the Recognized Financial Liabilities	Offset in the Statements of Financial Condition	Amounts of Liabilities Presented in the Statements of Financial Condition	Cash Collateral Pledged	Net Amount	
	(in thousands)					
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

Edgar Filing: GAMCO INVESTORS, INC. ET AL - Form 10-Q

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

Edgar Filing: GAMCO INVESTORS, INC. ET AL - Form 10-Q

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

17

Edgar Filing: GAMCO INVESTORS, INC. ET AL - Form 10-Q

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)

	Total Realized and Unrealized Gains or (Losses) in Income	Total Unrealized Gains or (Losses) Included in Other	Total Realized and	Transfers
December 31, 2013				