

GAMCO INVESTORS, INC. ET AL  
Form 10-Q  
May 06, 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 March 31, 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 April 30, 2014 |
|--------------------------------------|-------------------------------|
| Class A Common Stock, .001 par value | 6,610,015                     |
| Class B Common Stock, .001 par value | 19,345,820                    |

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

(Dollars in thousands, except per share data)

|  | Three Months<br>Ended<br>March 31, |          |
|--|------------------------------------|----------|
|  | 2014                               | 2013     |
| Revenues   |                                    |          |
| Investment advisory and incentive fees                                     | \$87,797                           | \$72,607 |
| Distribution fees and other income   | 14,873                             | 11,353   |
| Institutional research services  | 1,807                              | 2,221    |
| Total revenues   | 104,477                            | 86,181   |
| Expenses   |                                    |          |
| Compensation   | 43,897                             | 35,652   |
| Management fee   | 4,728                              | 3,980    |
| Distribution costs   | 13,963                             | 11,010   |
| Other operating expenses   | 5,390                              | 4,812    |
| Total expenses   | 67,978                             | 55,454   |
| Operating income   | 36,499                             | 30,727   |
| Other income (expense)   |                                    |          |
| Net gain from investments  | 6,944                              | 12,291   |
| Interest and dividend income   | 1,141                              | 1,345    |
| Interest expense   | (1,992 )                           | (3,488 ) |
| Shareholder-designated contribution  | -                                  | (5,000 ) |
| Total other income, net  | 6,093                              | 5,148    |
| Income before income taxes   | 42,592                             | 35,875   |
| Income tax provision   | 14,616                             | 13,195   |
| Net income   | 27,976                             | 22,680   |
| Net income attributable to noncontrolling interests                        | 22                                 | 135      |
| Net income attributable to GAMCO Investors, Inc.'s shareholders            | \$27,954                           | \$22,545 |
| Net income attributable to GAMCO Investors, Inc.'s shareholders per share: |                                    |          |
| Basic  | \$1.10                             | \$0.88   |
| Diluted  | \$1.09                             | \$0.88   |
| Weighted average shares outstanding:                                       |                                    |          |
| Basic  | 25,481                             | 25,742   |
| Diluted  | 25,684                             | 25,758   |
| Dividends declared:  | \$0.06                             | \$0.05   |

See accompanying notes.

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

(Dollars in thousands, except per share data)

|  | Three Months<br>Ended<br>March 31, |          |
|--|------------------------------------|----------|
|  | 2014                               | 2013     |
| Net income   | \$27,976                           | \$22,680 |
| Other comprehensive income, net of tax:                                    |                                    |          |
| Foreign currency translation   | 8                                  | (49 )    |
| Net unrealized gains/(losses) on securities available for sale (a)         | (2,697 )                           | 6,040    |
| Other comprehensive income / (loss)  | (2,689 )                           | 5,991    |
| Comprehensive income   | 25,287                             | 28,671   |
| Less: Comprehensive income/(loss) attributable to noncontrolling interests | (22 )                              | (135 )   |
| Comprehensive income attributable to GAMCO Investors, Inc.                 | \$25,265                           | \$28,536 |

(a) Net of income tax expense or (benefit) of (\$1,584) and \$3,547 for 2014 and 2013, 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)

|   | March 31,<br>2014 | December<br>31,<br>2013 | March 31,<br>2013 |
|---|-------------------|-------------------------|-------------------|
| <b>ASSETS</b>   |                   |                         |                   |
| Cash and cash equivalents   | \$243,142         | \$210,451               | \$273,353         |
| Investments in securities   | 234,414           | 231,228                 | 229,286           |
| Investments in sponsored registered investment companies  | 42,433            | 44,042                  | 64,294            |
| Investments in partnerships   | 105,849           | 95,992                  | 94,260            |
| Receivable from brokers   | 54,084            | 49,461                  | 44,583            |
| Investment advisory fees receivable   | 33,035            | 51,506                  | 29,624            |
| Income tax receivable   | 445               | 445                     | 917               |
| Other assets  | 26,418            | 26,360                  | 24,312            |
| Total assets  | \$739,820         | \$709,485               | \$760,629         |
| <b>LIABILITIES AND EQUITY</b>   |                   |                         |                   |
| Payable to brokers  | \$11,370          | \$10,765                | \$15,059          |
| Income taxes payable and deferred tax liabilities   | 41,427            | 39,846                  | 34,292            |
| Capital lease obligation  | 5,307             | 5,323                   | 4,914             |
| Compensation payable  | 41,447            | 34,663                  | 34,676            |
| Securities sold, not yet purchased  | 10,788            | 6,178                   | 6,377             |
| Mandatorily redeemable noncontrolling interests   | 1,337             | 1,355                   | 1,343             |
| Accrued expenses and other liabilities  | 30,658            | 32,511                  | 34,537            |
| Sub-total   | 142,334           | 130,641                 | 131,198           |
| 5.5% Senior notes (repaid May 15, 2013)   | -                 | 0                       | 99,000            |
| 5.875% Senior notes (due June 1, 2021)  | 100,000           | 100,000                 | 100,000           |
| Zero coupon subordinated debentures, Face value: \$13.8 million at March 31, 2014 and December 31, 2013 and \$21.7 million at March 31, 2013 (due December 31, 2015)                                  | 12,098            | 11,911                  | 17,688            |
| Total liabilities   | 254,432           | 242,552                 | 347,886           |
| Redeemable noncontrolling interests   | 8,464             | 6,751                   | 16,414            |
| Commitments and contingencies (Note J)  |                   |                         |                   |
| <b>Equity</b>   |                   |                         |                   |
| GAMCO Investors, Inc. stockholders' equity  |                   |                         |                   |
| Preferred stock, \$.001 par value; 10,000,000 shares authorized;<br>none issued and outstanding   |                   |                         |                   |
| Class A Common Stock, \$.001 par value; 100,000,000 shares authorized;<br>15,071,087, 15,012,719 and 14,265,769 issued, respectively; 6,639,106,<br>6,701,930 and 6,147,532 outstanding, respectively |                   |                         |                   |
|   | 14                | 14                      | 13                |
| Class B Common Stock, \$.001 par value; 100,000,000 shares authorized;<br>24,000,000 shares issued; 19,345,706, 19,384,174 and 19,564,174 shares<br>outstanding, respectively                         |                   |                         |                   |
|   | 19                | 19                      | 20                |
| Additional paid-in capital  | 285,215           | 282,496                 | 280,196           |

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|   |           |           |           |
|---|-----------|-----------|-----------|
| Retained earnings   | 532,839   | 506,441   | 429,553   |
| Accumulated other comprehensive income  | 27,550    | 30,239    | 32,291    |
| Treasury stock, at cost (8,431,981, 8,310,789 and 8,118,237 shares, respectively) | (371,525) | (361,878) | (349,074) |
| Total GAMCO Investors, Inc. stockholders' equity                                  | 474,112   | 457,331   | 392,999   |
| Noncontrolling interests  | 2,812     | 2,851     | 3,330     |
| Total equity  | 476,924   | 460,182   | 396,329   |
| <br>  |           |           |           |
| Total liabilities and equity  | \$739,820 | \$709,485 | \$760,629 |

See accompanying notes.

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

For the three months ended March 31, 2014

|  | GAMCO Investors, Inc. stockholders |                 |                                  |                      |   |                   |           | Redeemable<br>Noncontrolling<br>Interests |
|--|------------------------------------|-----------------|----------------------------------|----------------------|---|-------------------|-----------|---|
|  | Noncontrolling<br>Interests        | Common<br>Stock | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Treasury<br>Stock | Total     |   |
| Balance at December 31,<br>2013  | \$ 2,851                           | \$33            | \$282,496                        | \$506,441            | \$ 30,239                                       | \$(361,878)       | \$460,182 | \$ 6,751                                  |
| Redemptions of<br>noncontrolling interests   | -                                  | -               | -                                | -                    | -   | -                 | -         | -   |
| Contributions from<br>noncontrolling<br>interests  | -                                  | -               | -                                | -                    | -   | -                 | -         | 1,652                                     |
| Net income (loss)  | (39 )                              | -               | -                                | 27,954               | -   | -                 | 27,915    | 61  |
| Net unrealized gains on<br>securities available for<br>sale,<br>net of income tax<br>(\$175)                         | -                                  | -               | -                                | -                    | 297   | -                 | 297       | -   |
| Amounts reclassified<br>from<br>accumulated other<br>comprehensive income,<br>net of income tax<br>benefit (\$1,759) | -                                  | -               | -                                | -                    | (2,994 )  | -                 | (2,994 )  | -   |
| Foreign currency<br>translation  | -                                  | -               | -                                | -                    | 8   | -                 | 8         | -   |
| Dividends declared<br>(\$0.06 per<br>share)  | -                                  | -               | -                                | (1,556 )             | -   | -                 | (1,556 )  | -   |
| Stock based<br>compensation<br>expense   | -                                  | -               | 1,700                            | -                    | -   | -                 | 1,700     | -   |
| Exercise of stock options<br>including tax benefit<br>(\$173)  | -                                  | -               | 1,019                            | -                    | -   | -                 | 1,019     | -   |
| Purchase of treasury<br>stock  | -                                  | -               | -                                | -                    | -   | (9,647 )          | (9,647 )  | -   |
| Balance at March 31,<br>2014   | \$ 2,812                           | \$33            | \$285,215                        | \$532,839            | \$ 27,550                                       | \$(371,525)       | \$476,924 | \$ 8,464                                  |

See accompanying notes.

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

For the three months ended March 31, 2013

|   | GAMCO Investors, Inc. stockholders |                 |                                  |                      |   |                   |           | Redeemable<br>Noncontrolling<br>Interests |
|---|------------------------------------|-----------------|----------------------------------|----------------------|---|-------------------|-----------|---|
|   | Noncontrolling<br>Interests        | Common<br>Stock | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Treasury<br>Stock | Total     |   |
| Balance at December<br>31, 2012   | \$ 3,326                           | \$33            | \$280,089                        | \$408,295            | \$ 26,300                                       | \$(347,109)       | \$370,934 | \$ 17,362                                 |
| Redemptions of<br>noncontrolling<br>interests   | -                                  | -               | -                                | -                    | -   | -                 | -         | (2,298 )                                  |
| Contributions from<br>noncontrolling<br>interests   | -                                  | -               | -                                | -                    | -   | -                 | -         | 1,219                                     |
| Net income (loss)   | 4                                  | -               | -                                | 22,545               | -   | -                 | 22,549    | 131                                       |
| Net unrealized gains on<br>securities available for<br>sale,<br>net of income tax<br>(\$3,823)                    | -                                  | -               | -                                | -                    | 6,511   | -                 | 6,511     | -   |
| Amount reclassified from<br>accumulated other<br>comprehensive<br>income,<br>net of income tax<br>benefit (\$276) | -                                  | -               | -                                | -                    | (471 )  | -                 | (471 )    | -   |
| Foreign currency<br>translation   | -                                  | -               | -                                | -                    | (49 )   | -                 | (49 )     | -   |
| Dividends declared<br>(\$0.05 per<br>share)   | -                                  | -               | -                                | (1,287 )             | -   | -                 | (1,287 )  | -   |
| Stock based<br>compensation<br>expense  | -                                  | -               | 15                               | -                    | -   | -                 | 15        | -   |
| Exercise of stock<br>options<br>including tax benefit   | -                                  | -               | 92                               | -                    | -   | -                 | 92        | -   |
| Purchase of treasury<br>stock   | -                                  | -               | -                                | -                    | -   | (1,965 )          | (1,965 )  | -   |
| Balance at March 31,<br>2013  | \$ 3,330                           | \$33            | \$280,196                        | \$429,553            | \$ 32,291                                       | \$(349,074)       | \$396,329 | \$ 16,414                                 |

See accompanying notes.

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

|   | Three Months<br>Ended<br>March 31, |          |
|---|------------------------------------|----------|
|   | 2014                               | 2013     |
| Operating activities  |                                    |          |
| Net income  | \$27,976                           | \$22,680 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                    |          |
| Equity in net gains from partnerships   | (426 )                             | 795      |
| Depreciation and amortization   | 169                                | 202      |
| Stock based compensation expense  | 1,700                              | 15       |
| Deferred income taxes   | (1,318 )                           | 1,471    |
| Tax benefit from exercise of stock options  | 173                                | 16       |
| Foreign currency translation gain/(loss)  | 8                                  | (49 )    |
| Cost basis of donated securities  | 1,267                              | 148      |
| Gains on sales of available for sale securities                                   | (1,612 )                           | (597 )   |
| Accretion of zero coupon debentures   | 223                                | 323      |
| Loss on extinguishment of debt  | 5                                  | -        |
| (Increase) decrease in assets:  |                                    |          |
| Investments in trading securities   | (324 )                             | (5,538 ) |
| Investments in partnerships:  |                                    |          |
| Contributions to partnerships   | (9,448 )                           | (3,492 ) |
| Distributions from partnerships   | 17                                 | 5,987    |
| Receivable from brokers   | (4,623 )                           | 6,071    |
| Investment advisory fees receivable   | 18,471                             | 12,804   |
| Income tax receivable and deferred tax assets                                     | -                                  | 97       |
| Other assets  | (222 )                             | 3,227    |
| Increase (decrease) in liabilities:   |                                    |          |
| Payable to brokers  | 606                                | 713      |
| Income taxes payable and deferred tax liabilities                                 | 4,482                              | 3,881    |
| Compensation payable  | 6,783                              | 24,141   |
| Mandatorily redeemable noncontrolling interests                                   | (18 )                              | 1        |
| Accrued expenses and other liabilities  | (1,898 )                           | 8,136    |
| Total adjustments   | 14,015                             | 58,352   |
| Net cash provided by operating activities   | \$41,991                           | \$81,032 |

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

|  | Three Months Ended<br>March 31, |           |
|--|---------------------------------|-----------|
|  | 2014                            | 2013      |
| Investing activities                                   |                                 |           |
| Purchases of available for sale securities             | \$(4,782 )                      | \$(4 )    |
| Proceeds from sales of available for sale securities   | 3,880                           | 5,343     |
| Return of capital on available for sale securities     | 323                             | 611       |
| Net cash (used in) provided by investing activities    | (579 )                          | 5,950     |
| Financing activities                                   |                                 |           |
| Contributions from redeemable noncontrolling interests | 1,652                           | 1,219     |
| Redemptions of redeemable noncontrolling interests     | -                               | (2,298 )  |
| Proceeds from exercise of stock options                | 846                             | 76        |
| Repurchase of zero coupon subordinated debentures      | (41 )                           | -         |
| Dividends paid   | (1,528 )                        | (1,287 )  |
| Purchase of treasury stock                             | (9,647 )                        | (1,965 )  |
| Net cash used in financing activities                  | (8,718 )                        | (4,255 )  |
| Effect of exchange rates on cash and cash equivalents  | (3 )                            | 18        |
| Net increase in cash and cash equivalents              | 32,691                          | 82,745    |
| Cash and cash equivalents at beginning of period       | 210,451                         | 190,608   |
| Cash and cash equivalents at end of period             | \$243,142                       | \$273,353 |
| Supplemental disclosures of cash flow information:     |                                 |           |
| Cash paid for interest                                 | \$294                           | \$285     |
| Cash paid for taxes                                    | \$10,662                        | \$7,272   |

Non-cash activity:

- For the three months ended March 31, 2014 and March 31, 2013, the Company accrued dividends on restricted stock awards of \$28 and \$0, respectively.

See accompanying notes.

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GAMCO INVESTORS, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 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

We have considered all newly issued accounting guidance that is applicable to our operations and the preparation of our condensed consolidated statements, including that which we have not yet adopted. We do not believe that any such guidance has or will have a material effect on our financial position or results of operations.

## B. Investment in Securities

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

|                                     | March 31, 2014 |            | December 31, 2013 |            | March 31, 2013 |            |
|-------------------------------------|----------------|------------|-------------------|------------|----------------|------------|
|                                     | Cost           | Fair Value | Cost              | Fair Value | Cost           | Fair Value |
|                                     | (In thousands) |            |                   |            |                |            |
| Trading securities:                 |                |            |                   |            |                |            |
| Government obligations              | \$25,989       | \$25,999   | \$37,986          | \$37,994   | \$49,970       | \$49,990   |
| Common stocks                       | 113,508        | 141,276    | 96,225            | 124,634    | 119,918        | 139,503    |
| Mutual funds                        | 21,131         | 23,404     | 21,074            | 23,285     | 1,073          | 1,655      |
| Other investments                   | 544            | 749        | 287               | 582        | 315            | 1,179      |
| Total trading securities            | 161,172        | 191,428    | 155,572           | 186,495    | 171,276        | 192,327    |
| Available for sale securities:      |                |            |                   |            |                |            |
| Common stocks                       | 15,003         | 41,538     | 13,389            | 43,046     | 14,312         | 35,225     |
| Mutual funds                        | 700            | 1,448      | 843               | 1,687      | 1,014          | 1,734      |
| Total available for sale securities | 15,703         | 42,986     | 14,232            | 44,733     | 15,326         | 36,959     |
| Total investments in securities     | \$176,875      | \$234,414  | \$169,804         | \$231,228  | \$186,602      | \$229,286  |

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

|  | March 31, 2014 |            | December 31, 2013 |            | March 31, 2013 |            |
|--|----------------|------------|-------------------|------------|----------------|------------|
|  | Cost           | Fair Value | Cost              | Fair Value | Cost           | Fair Value |
|  | (In thousands) |            |                   |            |                |            |
| Trading securities:                      |                |            |                   |            |                |            |
| Common stocks                            | \$8,837        | \$10,469   | \$5,319           | \$6,023    | \$5,163        | \$5,650    |
| Other investments                        | 85             | 319        | -                 | 155        | 86             | 727        |
| Total securities sold, not yet purchased | \$8,922        | \$10,788   | \$5,319           | \$6,178    | \$5,249        | \$6,377    |

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

|  | March 31, 2014 |            | December 31, 2013 |            | March 31, 2013 |            |
|--|----------------|------------|-------------------|------------|----------------|------------|
|  | Cost           | Fair Value | Cost              | Fair Value | Cost           | Fair Value |
| (In thousands)   |                |            |                   |            |                |            |
| Trading securities:  |                |            |                   |            |                |            |
| Mutual funds   | \$19           | \$12       | \$19              | \$10       | \$19           | \$17       |
| Total trading securities                                       | 19             | 12         | 19                | 10         | 19             | 17         |
| Available for sale securities:                                 |                |            |                   |            |                |            |
| Closed-end funds   | 22,565         | 38,980     | 23,100            | 40,624     | 31,014         | 60,895     |
| Mutual funds   | 1,939          | 3,441      | 1,951             | 3,408      | 2,047          | 3,382      |
| Total available for sale securities                            | 24,504         | 42,421     | 25,051            | 44,032     | 33,061         | 64,277     |
| Total investments in sponsored registered investment companies | \$24,523       | \$42,433   | \$25,070          | \$44,042   | \$33,080       | \$64,294   |

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. A substantial portion of investments in securities is held for resale in anticipation of short-term market movements and therefore is 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 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 for the three months ended March 31, 2014 and 2013 (in thousands):

| Amount Reclassified from AOCI     | Affected Line Item in the Statements Of Income | Reason for Reclassification from AOCI                |
|-----------------------------------|--|--|
| Three months ended March 31, 2014 |  |  |
| \$1,612                           | Net gain from investments                      | Realized gain / (loss) on sale of AFS securities     |
| 3,141                             | Other operating expenses                       | Realized gain / (loss) on donation of AFS securities |
| 4,753                             | Income before income taxes                     |  |
| (1,759)                           | Income tax provision                           |  |
| \$2,994                           | Net income                                     |  |
| 2013                              |  |  |
| \$597                             | Net gain from investments                      | Realized gain / (loss) on sale of AFS securities     |
| 150                               | Other operating expenses                       | Realized gain / (loss) on donation of AFS securities |
| 747                               | Income before income taxes                     |  |
| (276)                             | Income tax provision                           |  |
| \$471                             | 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 March 31, 2014 and 2013, the Company had transactions in equity derivatives which resulted in net losses of \$190,000 and net gains of \$281,000, respectively. At March 31, 2014, December 31, 2013 and March 31, 2013, we held derivative contracts on 1.9 million equity shares, 1.3 million equity shares and 222,000 equity shares, respectively, and the fair value was (\$107,000), \$120,000 and \$61,000, 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.

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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 | Cash Collateral Received | Net Amount     |
|-------------------|---|----------------|--|--------------------------|----------------|
| Swaps:            | Gross Amount of   | Offset in the  | Recognized   | Financial Instruments    |                |
|                   | Assets  | Liabilities    | Financial  | Collateral               | Amount         |
|                   | Condition   | Condition      | Condition  | Received                 |                |
|                   | (in thousands)  | (in thousands) | (in thousands)   | (in thousands)           | (in thousands) |
| March 31, 2014    | \$ 198  | \$ -           | \$ 198   | \$(198)                  | \$ -           |
| December 31, 2013 | 275   | -              | 275  | (155)                    | 120            |
| March 31, 2013    | \$ 788  | \$ -           | \$ 788   | \$(703)                  | \$ 85          |

|                   | Gross Amounts Not Offset in the Statements of Financial Condition |                | Net Amounts of Liabilities Presented in the Statements of Financial Condition | Cash Collateral Pledged | Net Amount     |
|-------------------|---|----------------|---|-------------------------|----------------|
| Swaps:            | Gross Amount of   | Offset in the  | Recognized  | Financial Instruments   |                |
|                   | Assets  | Liabilities    | Financial   | Collateral              | Amount         |
|                   | Condition   | Condition      | Condition   | Pledged                 |                |
|                   | (in thousands)  | (in thousands) | (in thousands)  | (in thousands)          | (in thousands) |
| March 31, 2014    | \$ 277  | \$ -           | \$ 277  | \$(198)                 | \$ 79          |
| December 31, 2013 | 155   | -              | 155   | (155)                   | -              |
| March 31, 2013    | \$ 703  | \$ -           | \$ 703  | \$(703)                 | \$ -           |

The following is a summary of the cost, gross unrealized gains, gross unrealized losses and fair value of available for sale investments as of March 31, 2014, December 31, 2013 and March 31, 2013:

|                                     | March 31, 2014      |           |                     |               |
|-------------------------------------|---------------------|-----------|---------------------|---------------|
|                                     | Gross<br>Unrealized |           | Gross<br>Unrealized | Fair<br>Value |
|                                     | Cost                | Gains     | Losses              |               |
|                                     | (In thousands)      |           |                     |               |
| Common stocks                       | \$15,003            | \$ 26,535 | \$ -                | \$41,538      |
| Closed-end Funds                    | 22,565              | 16,477    | (62 )               | 38,980        |
| Mutual funds                        | 2,639               | 2,250     | -                   | 4,889         |
| Total available for sale securities | \$40,207            | \$ 45,262 | \$ (62 )            | \$85,407      |

|                                     | December 31, 2013   |           |                     |               |
|-------------------------------------|---------------------|-----------|---------------------|---------------|
|                                     | Gross<br>Unrealized |           | Gross<br>Unrealized | Fair<br>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      |

|                                     | March 31, 2013      |           |                     |               |
|-------------------------------------|---------------------|-----------|---------------------|---------------|
|                                     | Gross<br>Unrealized |           | Gross<br>Unrealized | Fair<br>Value |
|                                     | Cost                | Gains     | Losses              |               |
|                                     | (In thousands)      |           |                     |               |
| Common stocks                       | \$14,312            | \$ 20,913 | \$ -                | \$35,225      |
| Closed-end Funds                    | 31,014              | 29,884    | (3 )                | 60,895        |
| Mutual funds                        | 3,061               | 2,055     | -                   | 5,116         |
| Total available for sale securities | \$48,387            | \$ 52,852 | \$ (3 )             | \$101,236     |

Unrealized changes in fair value, net of taxes, for the three months ended March 31, 2014 and March 31, 2013 of (\$2.7) million in losses and \$6.0 million in gains, respectively, have been included in other comprehensive income, a component of equity, at March 31, 2014 and March 31, 2013. Return of capital on available for sale securities was \$0.3 million and \$0.6 million for the three months ended March 31, 2014 and March 31, 2013, respectively. Proceeds from sales of investments available for sale were approximately \$3.9 million and \$5.3 million for the three months ended March 31, 2014 and March 31, 2013, respectively. For the three months ended March 31, 2014 and March 31, 2013, gross gains on the sale of investments available for sale amounted to \$1.6 million and \$0.6 million, respectively, and were reclassified from other comprehensive income into net gain from investments in the condensed consolidated statements of income. There were no losses on the sale of investments available for sale for the three months ended March 31, 2014 or March 31, 2013. The basis on which the cost of a security sold is determined is 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:

|                  | March 31, 2014 |          |            | December 31, 2013 |           |            | March 31, 2013 |         |            |
|------------------|----------------|----------|------------|-------------------|-----------|------------|----------------|---------|------------|
|                  | Unrealized     |          |            | Unrealized        |           |            | Unrealized     |         |            |
|                  | Cost           | Losses   | Fair Value | Cost              | Losses    | Fair Value | Cost           | Losses  | Fair Value |
| (in thousands)   |                |          |            |                   |           |            |                |         |            |
| Closed-end funds | \$828          | \$ (62 ) | \$ 766     | \$912             | \$ (130 ) | \$ 782     | \$-            | \$ -    | \$ -       |
| Mutual Funds     | -              | -        | -          | 303               | (24 )     | 279        | 216            | (3 )    | 213        |
| Total            | \$828          | \$ (62 ) | \$ 766     | \$1,215           | \$ (154 ) | \$1,061    | \$216          | \$ (3 ) | \$ 213     |

At March 31, 2014, there were two 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 March 31, 2014 were closed-end funds with diversified holdings across multiple companies and across multiple industries. One holding was impaired for seven months and one holding was impaired for ten months at March 31, 2014. The value of these holdings at March 31, 2014 was \$0.8 million.

At December 31, 2013 there was four 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 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 month at December 31, 2013 . The value of these holdings at December 31, 2013 was \$1.1 million.

At March 31, 2013, there were two 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 this specific instance, the investments at March 31, 2013 were closed-end funds with diversified holdings across multiple companies and across multiple industries. Both holdings were impaired for two consecutive months at March 31, 2013. The value of these holdings at March 31, 2013 was \$0.2 million.

For the three months ended March 31, 2014 and 2013, there were no losses on available for sale securities deemed to be other than temporary.

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## 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 March 31, 2014, December 31, 2013 and March 31, 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 March 31, 2014 (in thousands)

|   | Quoted<br>Prices in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs (Level<br>3) | Balance<br>as of<br>March<br>31,<br>2014 |
|---|---|---|--|--|
| Assets  |   |   |  |  |
| Cash equivalents  | \$242,917   | \$ -  | \$ -   | \$242,917                                |
| Investments in partnerships                                       | -   | 24,080  | -  | 24,080                                   |
| Investments in securities:  |   |   |  |  |
| AFS - Common stocks   | 41,538  | -   | -  | 41,538                                   |
| AFS - Mutual funds  | 1,448   | -   | -  | 1,448                                    |
| Trading - Gov't obligations                                       | 25,999  | -   | -  | 25,999                                   |
| Trading - Common stocks   | 140,575   | 1   | 700  | 141,276                                  |
| Trading - Mutual funds  | 23,404  | -   | -  | 23,404                                   |
| Trading - Other   | 253   | 212   | 284  | 749                                      |
| Total investments in securities                                   | 233,217   | 213   | 984  | 234,414                                  |
| Investments in sponsored registered<br>investment companies:      |   |   |  |  |
| AFS - Closed-end Funds  | 38,980  | -   | -  | 38,980                                   |
| AFS - Mutual Funds  | 3,441   | -   | -  | 3,441                                    |
| Trading - Mutual funds  | 12  | -   | -  | 12                                       |
| Total investments in sponsored<br>registered investment companies | 42,433  | -   | -  | 42,433                                   |
| Total investments   | 275,650   | 24,293  | 984  | 300,927                                  |
| Total assets at fair value  | \$518,567   | \$ 24,293   | \$ 984   | \$543,844                                |
| Liabilities   |   |   |  |  |
| Trading - Common stocks   | \$10,469  | \$ -  | \$ -   | \$10,469                                 |
| Trading - Other   | -   | 319   | -  | 319                                      |
| Securities sold, not yet purchased                                | \$10,469  | \$ 319  | \$ -   | \$10,788                                 |

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Assets and Liabilities Measured at Fair Value on a Recurring Basis as of December 31, 2013 (in thousands)

|   | Quoted<br>Prices in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs (Level<br>3) | Balance<br>as of<br>December<br>31,<br>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<br>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<br>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 March 31, 2013 (in thousands)

|                             | Quoted<br>Prices in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs (Level<br>3) | Balance<br>as of<br>March<br>31,<br>2013 |
|-----------------------------|---|---|--|--|
| Assets                      |   |   |  |  |
| Cash equivalents            | \$272,653   | \$ -  | \$ -   | \$272,653                                |
| Investments in partnerships | -   | 23,772  | -  | 23,772                                   |
| Investments in securities:  |   |   |  |  |
| AFS - Common stocks         | 35,225  | -   | -  | 35,225                                   |
| AFS - Mutual funds          | 1,734   | -   | -  | 1,734                                    |
| Trading - Gov't obligations | 49,990  | -   | -  | 49,990                                   |
| Trading - Common stocks     | 138,829   | 7   | 667  | 139,503                                  |

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|  |           |           |        |           |
|--|-----------|-----------|--------|-----------|
| Trading - Mutual funds   | 1,655     | -         | -      | 1,655     |
| Trading - Other  | 92        | 788       | 299    | 1,179     |
| Total investments in securities                                | 227,525   | 795       | 966    | 229,286   |
| Investments in sponsored registered investment companies:      |           |           |        |           |
| AFS - Closed-end Funds   | 60,895    | -         | -      | 60,895    |
| AFS - Mutual Funds   | 3,382     | -         | -      | 3,382     |
| Trading - Mutual funds   | 17        | -         | -      | 17        |
| Total investments in sponsored registered investment companies | 64,294    | -         | -      | 64,294    |
| Total investments  | 291,819   | 24,567    | 966    | 317,352   |
| Total assets at fair value                                     | \$564,472 | \$ 24,567 | \$ 966 | \$590,005 |
| Liabilities  |           |           |        |           |
| Trading - Common stocks  | \$5,650   | \$ -      | \$ -   | \$5,650   |
| Trading - Other  | -         | 727       | -      | 727       |
| Securities sold, not yet purchased                             | \$5,650   | \$ 727    | \$ -   | \$6,377   |

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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 March 31, 2014 (in thousands)

| Asset                        | December 31, 2013 | Total Realized and Unrealized Gains (Losses) in Income or 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 |
|------------------------------|-------------------|---|-------------|---|------------------------------------|-----------|-------|--------------------------------------|----------------|
|                              |                   | Trading   | Investments |   |                                    |           |       |                                      |                |
| Financial instruments owned: |                   |   |             |   |                                    |           |       |                                      |                |
| Trading - Common stocks      | \$ 700            | \$ -  | \$ -        | \$ -  | \$ -                               | \$ -      | \$ -  | \$ -                                 | \$ 700         |
| Trading - Other              | 284               | -   | -           | -   | -                                  | -         | -     | -                                    | 284            |
| Total                        | \$ 984            | \$ -  | \$ -        | \$ -  | \$ -                               | -         | \$ -  | \$ -                                 | \$ 984         |

There were no transfers between any Levels during the three months ended March 31, 2014.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended March 31, 2013 (in thousands)

| Asset                        | December 31, 2012 | Total Realized and Unrealized Gains (Losses) in Income or 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 |
|------------------------------|-------------------|---|-------------|---|------------------------------------|-----------|----------|--------------------------------------|----------------|
|                              |                   | Trading   | Investments |   |                                    |           |          |                                      |                |
| Financial instruments owned: |                   |   |             |   |                                    |           |          |                                      |                |
| Trading - Common stocks      | \$ 675            | \$ (8 )   | \$ -        | \$ -  | \$ (8 )                            | \$ -      | \$ -     | \$ -                                 | \$ 667         |
| Trading - Other              | 362               | 1   | -           | -   | 1                                  | -         | (64 )    | -                                    | 299            |
| Total                        | \$ 1,037          | \$ (7 )   | \$ -        | \$ -  | \$ (7 )                            | \$ -      | \$ (64 ) | \$ -                                 | \$ 966         |

There were no transfers between any Levels during the three months ended March 31, 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 \$91.1 million, \$82.0 million and \$80.8 million at March 31, 2014, December 31, 2013 and March 31, 2013, respectively, and whose underlying assets consist primarily of marketable securities (the "affiliated entities"). We also have investments in unaffiliated entities of \$14.7 million, \$14.0 million and \$13.5 million at March 31, 2014, December 31, 2013 and March 31, 2013, respectively (the "unaffiliated entities"). 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 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 Funds |      | Total |      |
|--|------|------|--------------|------|----------------|------|-------|------|
|  | 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 March 31, 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 March 31, 2014    | 1    | 2    | -            | 1    | -              | 1    | 1     | 4    |

At and for the three months ended March 31, 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 three months ended March 31, 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 | March 31, 2014    |              |              |              |          |           |
|-------------------|-------------------|--------------|--------------|--------------|----------|-----------|
|                   | Investment Type   |              |              |              |          |           |
|                   | Affiliated        |              | Unaffiliated |              |          |           |
|                   | Consolidated      |              | Offshore     |              | Offshore |           |
|                   | Feeder            | Partnerships | Funds        | Partnerships | Funds    | Total     |
| Fair Value        | \$24,080          | \$ -         | \$-          | \$-          | \$ -     | \$24,080  |
| Equity Method     | -                 | 30,266       | 36,779       | 6,677        | 8,047    | 81,769    |
| Total             | \$24,080          | \$ 30,266    | \$36,779     | \$6,677      | \$ 8,047 | \$105,849 |
| Accounting method | December 31, 2013 |              |              |              |          |           |
|                   | Investment Type   |              |              |              |          |           |
|                   | Affiliated        |              | Unaffiliated |              |          |           |
|                   | Consolidated      |              | Offshore     |              | Offshore |           |
|                   | Feeder            | Partnerships | Funds        | Partnerships | Funds    | Total     |
| Fair Value        | \$25,253          | \$ -         | \$-          | \$-          | \$ -     | \$25,253  |
| Equity Method     | -                 | 21,669       | 35,030       | 6,509        | 7,531    | 70,739    |

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Total \$25,253 \$ 21,669 \$35,030 \$6,509 \$ 7,531 \$95,992

March 31, 2013

Investment Type

Affiliated

Unaffiliated

Consolidated

Feeder

Offshore

Offshore

Accounting method Funds Partnerships Funds Partnerships Funds Total

Fair Value \$23,772 \$ - \$- \$- \$ - \$23,772

Equity Method - 27,477 29,551 6,427 7,033 70,488

Total \$23,772 \$ 27,477 \$29,551 \$6,427 \$ 7,033 \$94,260

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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):

|   | March 31, 2014   |                |               |                |                  |
|---|------------------|----------------|---------------|----------------|------------------|
|   | Prior to         |                | Offshore      |                |                  |
|   | Consolidation    | GFFs           | Partnerships  | Funds          | As Reported      |
| <b>Assets</b>                                 |                  |                |               |                |                  |
| Cash and cash equivalents                     | \$242,826        | \$1            | \$ 315        | \$-            | \$243,142        |
| Investments in securities                     | 234,628          | -              | 7,708         | (7,922 )       | 234,414          |
| Investments in sponsored investment companies | 42,422           | -              | 11            | -              | 42,433           |
| Investments in partnerships                   | 110,330          | 4,636          | (9,117 )      | -              | 105,849          |
| Receivable from brokers                       | 39,163           | -              | 1,411         | 13,510         | 54,084           |
| Investment advisory fees receivable           | 33,112           | 2              | -             | (79 )          | 33,035           |
| Other assets                                  | 26,749           | 8              | -             | 106            | 26,863           |
| <b>Total assets</b>                           | <b>\$729,230</b> | <b>\$4,647</b> | <b>\$ 328</b> | <b>\$5,615</b> | <b>\$739,820</b> |
| <b>Liabilities and equity</b>                 |                  |                |               |                |                  |
| Securities sold, not yet purchased            | \$10,531         | \$-            | \$ -          | \$257          | \$10,788         |
| Accrued expenses and other liabilities        | 129,677          | 88             | 37            | 1,744          | 131,546          |
| <b>Total debt</b>                             | <b>112,098</b>   | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>112,098</b>   |
| Redeemable noncontrolling interests           | -                | 4,559          | 291           | 3,614          | 8,464            |
| <b>Total equity</b>                           | <b>476,924</b>   | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>476,924</b>   |
| <b>Total liabilities and equity</b>           | <b>\$729,230</b> | <b>\$4,647</b> | <b>\$ 328</b> | <b>\$5,615</b> | <b>\$739,820</b> |

|   | December 31, 2013 |                |               |                |                  |
|---|-------------------|----------------|---------------|----------------|------------------|
|   | Prior to          |                | Offshore      |                |                  |
|   | Consolidation     | GFFs           | Partnerships  | Funds          | As Reported      |
| <b>Assets</b>                                 |                   |                |               |                |                  |
| 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           |
| <b>Total assets</b>                           | <b>\$699,498</b>  | <b>\$4,604</b> | <b>\$ 366</b> | <b>\$5,017</b> | <b>\$709,485</b> |
| <b>Liabilities and equity</b>                 |                   |                |               |                |                  |
| Securities sold, not yet purchased            | \$6,049           | \$-            | \$ -          | \$129          | \$6,178          |
| Accrued expenses and other liabilities        | 121,356           | 165            | 29            | 2,913          | 124,463          |
| <b>Total debt</b>                             | <b>111,911</b>    | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>111,911</b>   |
| Redeemable noncontrolling interests           | -                 | 4,439          | 337           | 1,975          | 6,751            |
| <b>Total equity</b>                           | <b>460,182</b>    | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>460,182</b>   |
| <b>Total liabilities and equity</b>           | <b>\$699,498</b>  | <b>\$4,604</b> | <b>\$ 366</b> | <b>\$5,017</b> | <b>\$709,485</b> |

|               | March 31, 2013 |      |              |       |             |
|---------------|----------------|------|--------------|-------|-------------|
|               | Prior to       |      | Offshore     |       |             |
|               | Consolidation  | GFFs | Partnerships | Funds | As Reported |
| <b>Assets</b> |                |      |              |       |             |

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|   |           |         |         |          |           |
|---|-----------|---------|---------|----------|-----------|
| Cash and cash equivalents                     | \$272,454 | \$534   | \$ 365  | \$-      | \$273,353 |
| Investments in securities                     | 214,627   | -       | 7,733   | 6,926    | 229,286   |
| Investments in sponsored investment companies | 64,278    | -       | 16      | -        | 64,294    |
| Investments in partnerships                   | 99,500    | 3,423   | (8,663) | -        | 94,260    |
| Receivable from brokers                       | 30,569    | -       | 866     | 13,148   | 44,583    |
| Investment advisory fees receivable           | 29,717    | (6)     | (2)     | (85)     | 29,624    |
| Other assets                                  | 26,136    | (1,000) | -       | 93       | 25,229    |
| Total assets                                  | \$737,281 | \$2,951 | \$ 315  | \$20,082 | \$760,629 |
| Liabilities and equity                        |           |         |         |          |           |
| Securities sold, not yet purchased            | \$5,864   | \$-     | \$ -    | \$513    | \$6,377   |
| Accrued expenses and other liabilities        | 118,401   | 614     | 34      | 5,772    | 124,821   |
| Total debt                                    | 216,688   | -       | -       | -        | 216,688   |
| Redeemable noncontrolling interests           | (1)       | 2,337   | 281     | 13,797   | 16,414    |
| Total equity                                  | 396,329   | -       | -       | -        | 396,329   |
| Total liabilities and equity                  | \$737,281 | \$2,951 | \$ 315  | \$20,082 | \$760,629 |

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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 March 31, 2014 |          |              |          |           |
|---|-----------------------------------|----------|--------------|----------|-----------|
|   | Prior to                          | Offshore |              |          | As        |
|   | Consolidated                      | GIFs     | Partnerships | Funds    | Reported  |
| Total revenues                                      | \$104,701                         | \$(7 )   | \$(1 )       | \$(216 ) | \$104,477 |
| Total expenses                                      | 67,712                            | 34       | 12           | 220      | 67,978    |
| Operating income                                    | 36,989                            | (41 )    | (13 )        | (436 )   | 36,499    |
| Total other income, net                             | 5,541                             | 76       | 4            | 472      | 6,093     |
| Income before income taxes                          | 42,530                            | 35       | (9 )         | 36       | 42,592    |
| Income tax provision                                | 14,616                            | -        | -            | -        | 14,616    |
| Net income  | 27,914                            | 35       | (9 )         | 36       | 27,976    |
| Net income attributable to noncontrolling interests | (40 )                             | 35       | (9 )         | 36       | 22        |
| Net income attributable to GAMCO                    | \$27,954                          | \$-      | \$-          | \$-      | \$27,954  |

|   | Three Months Ended March 31, 2013 |          |              |          |          |
|---|-----------------------------------|----------|--------------|----------|----------|
|   | Prior to                          | Offshore |              |          | As       |
|   | Consolidated                      | GIFs     | Partnerships | Funds    | Reported |
| Total revenues                                      | \$86,456                          | \$(6 )   | \$(1 )       | \$(268 ) | \$86,181 |
| Total expenses                                      | 55,215                            | 53       | 10           | 176      | 55,454   |
| Operating income                                    | 31,241                            | (59 )    | (11 )        | (444 )   | 30,727   |
| Total other income, net                             | 4,502                             | 110      | 15           | 521      | 5,148    |
| Income before income taxes                          | 35,743                            | 51       | 4            | 77       | 35,875   |
| Income tax provision                                | 13,195                            | -        | -            | -        | 13,195   |
| Net income  | 22,548                            | 51       | 4            | 77       | 22,680   |
| Net income attributable to noncontrolling interests | 3                                 | 51       | 4            | 77       | 135      |
| Net income attributable to GAMCO                    | \$22,545                          | \$-      | \$-          | \$-      | \$22,545 |

#### 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 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 March 31, 2014, December 31, 2013 and March 31, 2013 were \$74.1 million, \$72.7 million and \$77.8 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 March 31, 2014, we had an investment in two of the non-consolidated VIE offshore funds of approximately \$10.9 million. On December 31, 2013 and March 31, 2013, we had an investment in one of the non-consolidated VIE offshore funds of approximately \$10.0 million and \$8.3 million, respectively, which was included in investments in partnerships on the condensed consolidated statements of financial condition. For each of the three month periods ended March 31, 2014, December 31, 2013 and March 31, 2013, we had a deferred carried interest in one of the non-consolidated VIE offshore funds of approximately \$45,000 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.

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 March 31, 2014, December 31, 2013 and March 31, 2013:

|   | March<br>31,<br>2014 | December<br>31, 2013 | March<br>31,<br>2013 |
|---|----------------------|----------------------|----------------------|
| (In thousands)                            |                      |                      |                      |
| Cash and cash equivalents                 | \$-                  | \$ -                 | \$21                 |
| Investments in partnerships               | 13,798               | 15,540               | 15,484               |
| Accrued expenses and other liabilities    | (16 )                | (2,022 )             | (1,041 )             |
| Redeemable noncontrolling interests       | (1,103 )             | (1,120 )             | -                    |
| GAMCO's net interests in consolidated VIE | \$12,679             | \$ 12,398            | \$14,464             |

## E. Income Taxes

The effective tax rate for the three months ended March 31, 2014 was 34.3% compared to 36.8% for the prior year three month period. During the quarter ended March 31, 2014 we benefitted from the donation of appreciated securities used to fund our shareholder designated charitable contribution program. We expect the effective tax rate for the remainder of 2014 to approximate the prior year.

## F. Earnings Per Share

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

| (in thousands, except per share amounts)  | Three Months<br>Ended March 31, |          |
|---|---------------------------------|----------|
|   | 2014                            | 2013     |
| Basic:  |                                 |          |
| Net income attributable to GAMCO Investors, Inc.'s shareholders                   | \$27,954                        | \$22,545 |
| Weighted average shares outstanding   | 25,481                          | 25,742   |
| Basic net income attributable to GAMCO Investors, Inc.'s shareholders per share   | \$1.10                          | \$0.88   |
| Diluted:  |                                 |          |
| Net income attributable to GAMCO Investors, Inc.'s shareholders                   | \$27,954                        | \$22,545 |
| Weighted average share outstanding  | 25,481                          | 25,742   |
| Dilutive stock options and restricted stock awards                                | 203                             | 16       |
| Total   | 25,684                          | 25,758   |
| Diluted net income attributable to GAMCO Investors, Inc.'s shareholders per share | \$1.09                          | \$0.88   |

## G. Debt

Debt consists of the following:

|                            | March 31, 2014    |                          | December 31, 2013 |                          | March 31, 2013    |                          |
|----------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|--------------------------|
|                            | Carrying<br>Value | Fair<br>Value<br>Level 2 | Carrying<br>Value | Fair<br>Value<br>Level 2 | Carrying<br>Value | Fair<br>Value<br>Level 2 |
| (In thousands)             |                   |                          |                   |                          |                   |                          |
| 5.5% Senior notes          | \$-               | \$-                      | \$-               | \$-                      | \$99,000          | \$99,581                 |
| 5.875% Senior notes        | 100,000           | 106,540                  | 100,000           | 108,500                  | 100,000           | 109,969                  |
| 0% Subordinated debentures | 12,098            | 13,777                   | 11,911            | 13,819                   | 17,688            | 19,635                   |
| Total                      | \$112,098         | \$120,317                | \$111,911         | \$122,319                | \$216,688         | \$229,185                |

## 5.5% Senior notes

On May 15, 2003, the Company issued 10-year, \$100 million senior notes, of which \$99 million was outstanding at March 31, 2013. 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 periods ended March 31, 2014 and March 31, 2013 the Company repurchased 416 Debentures and 32 Debentures, respectively, having a face value of \$41,600 and \$3,200. The redemptions were accounted for as extinguishments of debt and resulted in losses of \$5,000 and less than \$1,000, respectively, which were included in net gain from investments on the condensed consolidated statements of income. The debt is being accreted to its face value using the effective rate on the date of issuance of 7.45%. At March 31, 2014, December 31, 2013 and March 31, 2013, the debt was recorded at its accreted value of \$12.1 million, \$11.9 million and \$17.7 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 March 31, 2014, \$400 million is available on the shelf.

## H. Stockholders' Equity

Shares outstanding were 26.0 million, 26.1 million and 25.7 million on March 31, 2014, December 31, 2013 and March 31, 2013, respectively.

## Dividends

|                                   | Payment Date   | Record Date    | Amount  |
|-----------------------------------|----------------|----------------|---------|
| Three months ended March 31, 2014 | March 25, 2014 | March 11, 2014 | \$ 0.06 |
| Three months ended March 31, 2013 | March 26, 2013 | March 12, 2013 | \$ 0.05 |

## 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 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 January 9, 2014, the Company approved the granting of 2,100 RSA shares at a grant date fair value of \$81.99 per share. As of March 31, 2014 and December 31, 2013, there were 566,850 RSA shares and 566,950 RSA shares outstanding, respectively, that were previously issued at an average weighted grant price of \$63.97 and \$63.93, 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 grant which is 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. There were no RSAs outstanding at March 31, 2013.

For the three months ended March 31, 2014 and March 31, 2013, we recognized stock-based compensation expense of \$1.7 million and \$15,000, 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 | \$1,695 | \$1,694 | \$903   | \$771   |
| Q2   | 15      | 1,697   | 1,694   | 1,694   | 903     | 771     |
| Q3   | 741     | 1,697   | 1,694   | 1,339   | 816     | 702     |
| Q4   | 1,301   | 1,697   | 1,694   | 1,078   | 773     | 554     |
| Full |         |         |         |         |         |         |
| Year | \$2,072 | \$6,791 | \$6,777 | \$5,805 | \$3,395 | \$2,798 |

|      | 2019    | 2020  | 2021  | 2022  | 2023  |
|------|---------|-------|-------|-------|-------|
| Q1   | \$325   | \$240 | \$168 | \$105 | \$50  |
| Q2   | 325     | 240   | 168   | 105   | 50    |
| Q3   | 268     | 192   | 126   | 68    | 17    |
| Q4   | 240     | 168   | 105   | 50    | -     |
| Full |         |       |       |       |       |
| Year | \$1,158 | \$840 | \$567 | \$328 | \$117 |

The total compensation cost related to non-vested options not yet recognized is approximately \$26.9 million as of March 31, 2014. For the three months ended March 31, 2014 and 2013, proceeds from the exercise of 20,000 stock options and 2,623 stock options, respectively, were \$846,000 and \$76,000, respectively, resulting in a tax benefit to GAMCO of \$173,000 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 March 31, 2014 and March 31, 2013, the Company repurchased 121,192 shares and 36,676 shares, respectively, at an average price per share of \$79.59 and \$53.57, respectively. From the inception of the program through March 31, 2014, 8,832,785 shares have been repurchased at an average price of \$42.76 per share. At March 31, 2014, the total shares available under the program to be repurchased in the future were 802,023.

#### I. Goodwill and Identifiable Intangible Assets

At March 31, 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 March 31, 2014 or March 31, 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 March 31, 2014, December 31, 2013 and March 31, 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 March 31, 2014 or March 31, 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 March 31, 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 quarter of 2013, the Company recorded a charge of \$5.0 million, or \$0.11 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. If all registered shareholders at March 31, 2014, the record date for the November 2013 contribution, participate and respond on a timely basis, the Company would record an additional charge to earnings of \$149,000. The Company will not know the final amount until after May 31, 2014, the date to return completed forms.

#### L. Subsequent Events

From April 1, 2014 to May 6, 2014, the Company repurchased 38,895 shares at \$76.06 per share.

On May 6, 2014, the Board of Directors declared a regular quarterly dividend of \$0.06 per share to all of its shareholders, payable on June 24, 2014 to shareholders of record on June 10, 2014.

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. (formerly Gabelli & Company, 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 a record \$47.6 billion as of March 31, 2014, an increase of 1.2% from AUM of \$47.0 billion at December 31, 2013 and up 18.6% from the March 31, 2013 AUM of \$40.1 billion. The first quarter 2014 AUM rose \$545 million and consisted of market appreciation of \$625 million, net cash inflows of \$63 million and recurring distributions, net of reinvestments, from open-end and closed-end funds of \$143 million. Average total AUM was \$47.0 billion in the 2014 quarter versus \$38.4 billion in the prior year period, an increase of 22.4%. Average AUM in our open-end equity funds, a key driver to our investment advisory fees, was \$17.1 billion in the first quarter of 2014, rising 29.5% from the 2013 quarter average AUM of \$13.2 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 March 31, 2014, assets with incentive based fees were \$4.5 billion, an increase of \$0.2 billion, or 4.7%, from the \$4.3 billion at December 31, 2013 and 18.4% higher than the \$3.8 billion on March 31, 2013.

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

Table I: Fund Flows - 1st Quarter 2014

|                                    | December<br>31,<br>2013 | Market<br>appreciation/<br>(depreciation) | Net<br>cash<br>flows | Fund<br>distributions,<br>net of<br>reinvestments | March<br>31,<br>2014 |
|------------------------------------|-------------------------|---|----------------------|---|----------------------|
| Equities:                          |                         |   |                      |   |                      |
| Open-end Funds                     | \$ 17,078               | \$ 229                                    | \$254                | \$ (30 )  | \$17,531             |
| Closed-end Funds                   | 6,945                   | 140                                       | (5 )                 | (113 )  | 6,967                |
| Institutional & PWM - direct       | 16,486                  | 196                                       | (279)                | -   | 16,403               |
| Institutional & PWM - sub-advisory | 3,797                   | 52  | (27 )                | -   | 3,822                |
| Investment Partnerships            | 811                     | 7   | 47                   | -   | 865                  |
| SICAV (a)                          | 96                      | 1   | (6 )                 | -   | 91                   |
| Total Equities                     | 45,213                  | 625                                       | (16 )                | (143 )  | 45,679               |
| Fixed Income:                      |                         |   |                      |   |                      |
| Money-Market Fund                  | 1,735                   | -   | 77                   | -   | 1,812                |
| Institutional & PWM                | 62                      | -   | 2                    | -   | 64                   |
| Total Fixed Income                 | 1,797                   | -   | 79                   | -   | 1,876                |
| Total Assets Under Management      | \$47,010                | \$ 625                                    | \$63                 | \$ (143 )   | \$47,555             |

Table II: Assets Under Management

|                                    | March<br>31,<br>2013 | March<br>31,<br>2014 | %<br>Inc.(Dec.) |   |
|------------------------------------|----------------------|----------------------|-----------------|---|
| Equities:                          |                      |                      |                 |   |
| Open-end Funds                     | \$13,813             | \$17,531             | 26.9            | % |
| Closed-end Funds                   | 6,557                | 6,967                | 6.3             |   |
| Institutional & PWM - direct       | 13,690               | 16,403               | 19.8            |   |
| Institutional & PWM - sub-advisory | 3,299                | 3,822                | 15.9            |   |
| Investment Partnerships            | 796                  | 865                  | 8.7             |   |
| SICAV (a)                          | 113                  | 91                   | (19.5           | ) |
| Total Equities                     | 38,268               | 45,679               | 19.4            |   |
| Fixed Income:                      |                      |                      |                 |   |
| Money-Market Fund                  | 1,758                | 1,812                | 3.1             |   |
| Institutional & PWM                | 64                   | 64                   | -               |   |
| Total Fixed Income                 | 1,822                | 1,876                | 3.0             |   |
| Total Assets Under Management      | \$40,090             | \$47,555             | 18.6            | % |

Table III: Assets Under Management by Quarter

|                | 3/13     | 6/13     | 9/13     | 12/13    | 3/14     | % Increase/<br>(decrease) from |       |
|----------------|----------|----------|----------|----------|----------|--------------------------------|-------|
|                |          |          |          |          |          | 3/13                           | 12/13 |
| Equities:      |          |          |          |          |          |                                |       |
| Open-end Funds | \$13,813 | \$14,188 | \$15,581 | \$17,078 | \$17,531 | 26.9 %                         | 2.7 % |



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|                                    |          |          |          |          |          |        |        |
|------------------------------------|----------|----------|----------|----------|----------|--------|--------|
| Closed-end Funds                   | 6,557    | 6,409    | 6,721    | 6,945    | 6,967    | 6.3    | 0.3    |
| Institutional & PWM - direct       | 13,690   | 14,069   | 15,026   | 16,486   | 16,403   | 19.8   | (0.5 ) |
| Institutional & PWM - sub-advisory | 3,299    | 3,185    | 3,503    | 3,797    | 3,822    | 15.9   | 0.7    |
| Investment Partnerships            | 796      | 778      | 805      | 811      | 865      | 8.7    | 6.7    |
| SICAV (a)                          | 113      | 93       | 94       | 96       | 91       | (19.5) | (5.2 ) |
| Total Equities                     | 38,268   | 38,722   | 41,730   | 45,213   | 45,679   | 19.4   | 1.0    |
| Fixed Income:                      |          |          |          |          |          |        |        |
| Money-Market Fund                  | 1,758    | 1,689    | 1,714    | 1,735    | 1,812    | 3.1    | 4.4    |
| Institutional & PWM                | 64       | 67       | 63       | 62       | 64       | -      | 3.2    |
| Total Fixed Income                 | 1,822    | 1,756    | 1,777    | 1,797    | 1,876    | 3.0    | 4.4    |
| Total Assets Under Management      | \$40,090 | \$40,478 | \$43,507 | \$47,010 | \$47,555 | 18.6 % | 1.2 %  |

(a) Includes \$99 million, \$90 million, \$92 million, \$94 million and \$88 million of proprietary seed capital at March 31, 2013, June 30, 2013, September 30, 2013, December 31, 2013 and March 31, 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 March 31, 2014 Compared To Three Months Ended March 31, 2013

(Unaudited; in thousands, except per share data)

|  | 2014     | 2013     |
|--|----------|----------|
| Revenues   |          |          |
| Investment advisory and incentive fees                                     | \$87,797 | \$72,607 |
| Distribution fees and other income   | 14,873   | 11,353   |
| Institutional research services  | 1,807    | 2,221    |
| Total revenues   | 104,477  | 86,181   |
| Expenses   |          |          |
| Compensation   | 43,897   | 35,652   |
| Management fee   | 4,728    | 3,980    |
| Distribution costs   | 13,963   | 11,010   |
| Other operating expenses   | 5,390    | 4,812    |
| Total expenses   | 67,978   | 55,454   |
| Operating income   | 36,499   | 30,727   |
| Other income (expense)   |          |          |
| Net gain from investments  | 6,944    | 12,291   |
| Interest and dividend income   | 1,141    | 1,345    |
| Interest expense   | (1,992 ) | (3,488 ) |
| Shareholder-designated contribution  | -        | (5,000 ) |
| Total other income, net  | 6,093    | 5,148    |
| Income before income taxes   | 42,592   | 35,875   |
| Income tax provision   | 14,616   | 13,195   |
| Net income   | 27,976   | 22,680   |
| Net income attributable to noncontrolling interests                        | 22       | 135      |
| Net income attributable to GAMCO Investors, Inc.'s shareholders            | \$27,954 | \$22,545 |
| Net income attributable to GAMCO Investors, Inc.'s shareholders per share: |          |          |
| Basic  | \$1.10   | \$0.88   |
| Diluted  | \$1.09   | \$0.88   |

### Overview

Net income attributable to shareholders of GAMCO for the quarter was \$28.0 million, or \$1.09 per fully diluted share, versus \$22.5 million, or \$0.88 per fully diluted share, in the prior year's quarter. Included in the 2013 results is a \$5.0 million charge, or \$0.11 per diluted share, net of management fee and tax benefit, for the shareholder designated charitable contribution program. Excluding this charge, earnings for the quarter rose 10.2% from \$25.4 million or \$0.99 per diluted share in the 2013 quarter. The quarter to quarter comparison was positively impacted by higher revenues and lower interest expense offset by increased stock compensation costs and lower income from our proprietary investments.

### Revenues

Investment advisory and incentive fees for the first quarter 2014 were \$87.8 million, 20.9% above the 2013 comparative figure of \$72.6 million. Open-end fund revenues increased by 27.5% to \$40.8 million from \$32.0 million in first quarter 2013 driven by a 29.3% increase in average open-end equity AUM. Our closed-end fund revenues rose 7.4% to \$14.6 million in the first quarter 2014 from \$13.6 million in 2013 due to a 7.8% 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 \$7.4 million, or 32.2%, to \$30.4 million from \$23.0 million in first quarter 2013. Incentive fees declined \$1.9 million quarter to quarter at \$0.4 million in the 2014 quarter versus \$2.3 million in the prior year period. Investment partnership revenues were \$1.6 million, an increase of 6.7% from \$1.5 million in first quarter 2013 due to an increase in average AUM resulting from net inflows.

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Open-end fund distribution fees and other income were \$14.9 million for the first quarter 2014, an increase of \$3.5 million or 30.7% from \$11.4 million in the prior year period, primarily due to higher quarterly 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 \$1.8 million in the first quarter 2014 versus \$2.2 million in the prior year period. Although commission revenues were higher 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 \$43.9 million or 23.0% higher than prior year compensation costs of \$35.7 million. The quarter over quarter increase was comprised of variable compensation of \$4.7 million related to the increased levels of AUM, \$1.8 million in fixed compensation and a \$1.7 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, increased to \$4.7 million in the first quarter of 2014 from \$4.0 million in the 2013 period.

Distribution costs were \$14.0 million, an increase of \$3.0 million or 27.3% from \$11.0 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 \$2.2 million.

Other operating expenses were \$5.4 million in the first quarter of 2014, an increase of \$0.6 million, or 12.5%, from \$4.8 million in the first quarter of 2013. The quarter to quarter comparison was impacted by decreases in insurance reimbursements for legal and regulatory costs previously incurred and expensed.

Operating income for the first quarter of 2014 was \$36.5 million, an increase of \$5.8 million, or 18.9%, from the first quarter 2013's \$30.7 million. Operating income, as a percentage of revenues, was 34.9% in the 2014 quarter as compared to 35.7% in the 2013 quarter.

### Other

Total other income, net of interest expense, was \$6.1 million for the first quarter 2014 versus \$5.1 million in the prior year's quarter. Realized and unrealized gains in our trading portfolio were \$6.9 million in the 2014 quarter, \$5.4 million lower than the \$12.3 million reported in the 2013 quarter. Interest and dividend income was lower by \$0.2 million. Interest expense decreased by \$1.5 million to \$2.0 million in the first quarter of 2014 from \$3.5 million in first quarter of 2013 due to a decrease in total average debt outstanding. The 2013 quarter includes a \$5.0 million charge related to the Shareholder-designated charitable contribution program in which registered shareholders have the opportunity to participate in determining which charities will receive company contributions.

The effective tax rates ("ETR") for the three months ended March 31, 2014 and March 31, 2013 were 34.3% and 36.8%, respectively. During the 2014 quarter we benefitted from the donation of appreciated securities used to fund our shareholder designated charitable contribution program. We expect the effective tax rate for the remainder of 2014 to approximate the prior year.

## 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.

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Summary cash flow data is as follows:

|   | Three months ended<br>March 31, |           |
|---|---------------------------------|-----------|
|   | 2014                            | 2013      |
| Cash flows provided by (used in):                     | (in thousands)                  |           |
| Operating activities                                  | \$41,991                        | \$81,032  |
| Investing activities                                  | (579 )                          | 5,950     |
| Financing activities                                  | (8,718 )                        | (4,255 )  |
| Effect of exchange rates on cash and cash equivalents | (3 )                            | 18        |
| Net increase  | 32,691                          | 82,745    |
| Cash and cash equivalents at beginning of period      | 210,451                         | 190,608   |
| Cash and cash equivalents at end of period            | \$243,142                       | \$273,353 |

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 March 31, 2014, we had total cash and cash equivalents of \$243.1 million, an increase of \$32.7 million from December 31, 2013. Cash and cash equivalents of \$0.3 million and investments in securities of \$7.7 million held by consolidated investment partnerships and offshore funds may not be readily available for the Company to access. Total debt outstanding at March 31, 2014 was \$112.1 million, consisting of \$12.1 million in Debentures, with a face value of \$13.8 million and \$100 million of 5.875% senior notes due 2021.

For the three months ended March 31, 2014, cash provided by operating activities was \$42.0 million, a decrease of \$39.0 million from cash provided in the prior year period of \$81.0 million. Cash was provided through an increase in net income of \$5.3 million, an increase in investment advisory fees receivables collected of \$5.7 million, a \$5.2 million decrease in trading securities, a \$1.7 million increase in stock compensation and an increase of \$1.1 million in donated securities. Reducing cash was a decrease in compensation payable of \$17.4 million, an \$11.9 million increase in net contributions to partnerships, a decrease in receivable from brokers of \$10.7 million, a \$10.0 million reduction to accrued expenses and other liabilities, increase of \$3.4 million in other assets and \$4.6 million from other sources. Cash used in investing activities, related to purchases and proceeds from sales of available for sale securities, was \$0.6 million in the first three months of 2014. Cash used in financing activities in the first three months of 2014 was \$8.7 million, including \$1.5 million paid in dividends, and \$9.6 million paid for the purchase of treasury stock less \$1.6 million in contributions from redeemable noncontrolling interests and \$0.8 million in proceeds from exercise of stock options.

For the three months ended March 31, 2013, cash provided by operating activities was \$81.0 million. Cash provided by investing activities, related to purchases and proceeds from sales of available for sale securities, was \$6.0 million in the first three months of 2012. Cash used in financing activities in the first three months of 2012 was \$4.3 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 March 31, 2014. At March 31, 2014, G.research had net capital, as defined, of approximately \$3.6 million, exceeding the regulatory requirement by approximately \$3.4 million, and G.distributors had net capital, as defined, of approximately \$3.8 million, exceeding the regulatory requirement by approximately \$3.5 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 the majority 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 \$234.4 million and investments in sponsored registered investment companies of \$42.4 million at March 31, 2014 were investments in United States Treasury Bills and Notes of \$26.0 million, open-end funds and closed-end funds, largely invested in equity products, of \$67.3 million, a selection of common and preferred stocks totaling \$182.8 million, and other investments of approximately \$0.7 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 \$182.8 million invested in common and preferred stocks at March 31, 2014, \$41.5 million represented our investment in Westwood Holdings Group Inc., and \$49.0 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 March 31, 2014, the fair value of securities sold, not yet purchased was \$10.8 million. Investments in partnerships totaled \$105.8 million at March 31, 2014, \$54.9 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 March 31, 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 March 31, 2014:

Equity price sensitive investments, at fair value \$280,807 \$252,726 \$308,888

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 March 31, 2014 cash and cash equivalent balance of \$243.1 million, a 1% increase in interest rates would increase our interest income by \$2.4 million annually. Given that our current return on these cash equivalent investments is approximately 0.0% annually, an analysis of a 1% decrease is not meaningful.

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## 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 March 31, 2014, we had equity investments, including open-end funds largely invested in equity products, of \$276.8 million. Investments in open-end funds and closed-end funds, \$67.3 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 \$105.8 million, of which \$54.9 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 March 31, 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 March 31, 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," "believe," 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 March 31, 2014:

| Period            | (a) Total<br>Number of<br>Shares<br>Repurchased | (b) Average<br>Price Paid<br>Per<br>Share, net of<br>Commissions | (c) Total<br>Number of<br>Shares<br>Repurchased<br>as<br>Part of<br>Publicly<br>Announced<br>Plans<br>or Programs | (d)<br>Maximum<br>Number of<br>Shares<br>That May<br>Yet Be<br>Purchased<br>Under<br>the Plans<br>or<br>Programs |
|-------------------|---|--|---|--|
| 1/01/14 - 1/31/14 | 17,900  | \$ 85.33   | 17,900  | 905,315  |
| 2/01/14 - 2/28/14 | 51,088  | 75.80  | 51,088  | 854,227  |
| 3/01/14 - 3/31/14 | 52,204  | 81.33  | 52,204  | 802,023  |
| Totals            | 121,192   | \$ 79.59   | 121,192   |  |

## 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<br>Extension Schema<br>Document                |
| 101.CAL | XBRL Taxonomy<br>Extension Calculation<br>Linkbase Document  |
| 101.DEF | XBRL Taxonomy<br>Extension Definition<br>Linkbase Document   |
| 101.LAB | XBRL Taxonomy<br>Extension Label Linkbase<br>Document        |
| 101.PRE | XBRL Taxonomy<br>Extension Presentation<br>Linkbase Document |

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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: May 6, 2014        Date: May 6, 2014

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