UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019
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 number 001-37387

Associated Capital Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	47-3965991
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
191 Mason, Greenwich, CT	06830
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (203) 629-9595
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, par value $0.001 per share	AC	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☐ No ☒.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes ☐ No ☒.

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☒
	Emerging growth company ☒

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

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2) Yes ☐ No ☒.

The aggregate market value of the class A common stock held by non-affiliates of the registrant as of June 28, 2019 (the last business day of the registrant's most recently completed second fiscal quarter) was $120,948,122.

As of February 28, 2020, 3,421,000 shares of class A common stock and 19, 002,918 shares of class B common stock were outstanding. GGCP, Inc., a private company controlled by the Company's Executive Chairman, held 66,000 shares of class A common stock and indirectly held 18,423,741 shares of class B common stock. Other executive officers and directors of GGCP, Inc. held 46,946 and 462,580 shares of class A and class B common stock, respectively.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the registrant's definitive proxy statement relating to the 2020 Annual Meeting of Shareholders are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this report.

Associated Capital Group, Inc.

Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2019

PART I

Forward-Looking Statements

Our disclosure and analysis in this report and in documents that are incorporated by reference contain some forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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. You should not place undue reliance on these statements. 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 other public filings or in documents incorporated by reference here or in prior filings or reports.

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.

ITEM 1: BUSINESS

Unless we have indicated otherwise, or the context otherwise requires, references in this report to "Associated Capital Group, Inc.," "AC Group," "the Company," "AC," "we," "us" and "our" or similar terms are to Associated Capital Group, Inc., its predecessors and its subsidiaries.

Our offices are located at 191 Mason Street, Greenwich, CT 06830. Our website address is www.associated-capital-group.com. Information on our website is not incorporated by reference herein and is not part of this report. We provide a link on our website to the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission ("Commission" or "SEC"): our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All such filings on our website are available free of charge. In addition, these reports and the other documents we file with the SEC are available at www.sec.gov.

We are a Delaware corporation, incorporated in 2015, that provides alternative investment management services and we derive investment income/(loss) from proprietary investment of cash and other assets awaiting deployment in our operating business. In addition, our controlled subsidiary, G.research, LLC ("G.research") provides institutional research and underwriting services.

Proprietary Capital

The proprietary capital is earmarked for our direct investment business that invests in new and existing businesses, using a variety of techniques and structures. The direct investment business is developing along three core pillars; Gabelli Private Equity Partners, LLC (“GPEP”), formed in August 2017 with $150 million of authorized capital as a “fund-less” sponsor; the SPAC business (Gabelli special purpose acquisition vehicles), launched in April 2018 when the Company sponsored a €110 million initial public offering of its first special purpose acquisition corporation, the Gabelli Value for Italy S.p.a., an Italian company listed on the London Stock Exchange’s Borsa Italiana AIM segment under the symbol “VALU”. VALU was created to acquire a small- to medium-sized Italian franchise business with the potential for international expansion, particularly in the United States. Finally, Gabelli Principal Strategies Group, LLC (“GPS”) was created to pursue strategic operating initiatives.

A portion of our proprietary capital is in the form of GAMCO Class A common stock. On November 30, 2015, AC received 4,393,055 shares of GAMCO Class A common stock for $150 million as part of the spin-off transaction from GAMCO. As of December 31, 2019, the Company held 2,935,401shares of GAMCO Class A common stock.

Alternative Investment Management

We conduct our investment management activities through our wholly-owned subsidiary Gabelli & Company Investment Advisers, Inc. (“GCIA” f/k/a Gabelli Securities, Inc.). GCIA and its wholly-owned subsidiary, Gabelli & Partners, LLC (“Gabelli & Partners”). GCIA is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). GCIA and Gabelli & Partners together serve as general partners or investment managers to investment funds including limited partnerships and offshore companies (collectively, “Investment Partnerships”), and separate accounts. We primarily manage assets in equity event-driven value strategies and across a range of risk and event arbitrage portfolios. The business earns management and incentive fees from its advisory activities. Management fees are largely based on a percentage of assets under management (“AUM”). Incentive fees are based on the percentage of the investment returns of certain client portfolios.

We manage assets on a discretionary basis and invest in a variety of U.S. and foreign securities. We primarily employ absolute return strategies with the objective of generating positive returns regardless of market performance. We serve a wide variety of investors including private wealth management accounts, corporations, corporate pension and profit-sharing plans, foundations and endowments, as well as serving as sub-advisor to certain third-party investment funds.

In event merger arbitrage, the goal is to earn absolute positive. We introduced our first alternative fund, Gabelli Arbitrage (renamed Gabelli Associates), in February 1985. Our typical investment process involves buying shares of the target at a discount, earning the spread to the deal price when the deal closes, and reinvesting the profits in new deals in a similar manner. By owning a diversified portfolio of deals, we mitigate the adverse impact of deal-specific risks. Since inception in February 1985, we have compounded net annual returns of 7.37%. As a result, a $10 million investment by a tax free vehicle in this fund at its inception would be worth more than $120 million, as of December 31, 2019. In addition, the value of such an investment would have exhibited significantly less volatility than that of broad equity indices.

An offshore version of the event merger arbitrage strategy was added in 1989. Building on our strengths in global event-driven value investing, several new investment funds have been added to balance investors’ geographic, strategy and sector needs. Today, we manage Investment Partnerships in multiple categories, including event merger arbitrage, event-driven value and other strategies.

Assets Under Management

As of December 31, 2019, we managed approximately $1.7 billion in assets

The following table sets forth AC's total AUM, including investment funds and separately managed accounts, for the dates shown (in millions):

	December 31, 2019	December 31, 2018
Event Merger Arbitrage	$ 1,525	$ 1,342
Event-Driven Value (a)	132	118
Other (b)	59	60
Total (c)	$ 1,716	$ 1,520

(a) Excluding event merger arbitrage.
(b) Includes investment vehicles focused on private equity, merchant banking, non-investment-grade credit and capital structure arbitrage.
(c) Includes $259 and $214 of proprietary capital, respectively.

G.research Merger with Morgan Group Holding Co.

On October 31, 2019, the Company closed a transaction whereby Morgan Group Holding Co. ("Morgan Group"), a company under common control with us that trades in the over the counter market under the symbol "MGHL", acquired all of the Company's interest in G.research for 50,000,000 shares of Morgan Group common stock. In addition, immediately prior to the closing, 5.15 million Morgan Group shares were issued under a private placement for $515,000. After giving effect to these transactions, the Company has an 83.3% ownership interest in Morgan Group and consolidates the entity, which includes G.research. The Company continues to explore strategic options for its ownership of Morgan Group, including the potential spin-off of its ownership to AC shareholders. The Company can provide no assurances that any further transactions will result.

Institutional Research Services

G.research is a broker-dealer registered under the Exchange Act and is regulated by the Financial Industry Regulatory Authority ("FINRA"). G.research's revenues are derived primarily from institutional research services, underwriting fees (primarily for affiliates of the Company) and selling concessions. Our research analysts are industry-focused, following sectors based on our core competencies. Analysts publish their insights in the form of research reports and daily notes. In addition, G.research markets conferences which bring together industry leaders and institutional investors. The objective of institutional research services is to provide superior investment ideas to investment decision makers.

Analysts are generally assigned to industry sectors. Our research focus includes Basic Materials – Specialty Chemicals; Business Services; Financials – Community Banks; Healthcare – Animal Health, Biotech & Pharma; Biotech; Industrials – Diversified Industrials, Transports & Metals; Industrials & Internet; Media – Entertainment; and, Media.

G.research generates revenues via direct fees and commissions on securities transactions executed on an agency basis on behalf of clients. Clients include institutional investors (e.g., hedge funds and asset managers) as well as affiliated mutual funds and managed accounts. Institutional research services revenues totaled $8.9 million and $8.3 million for the years ended December 31, 2019 and 2018, respectively.

A significant portion of G.research institutional research services are provided to GAMCO and its affiliates. For the years ending December 31, 2019 and December 31, 2018, GAMCO Asset Management Inc. ("GAMCO Asset") paid $0.8 million and $1.0 million and Gabelli Funds, LLC paid $0.7 million and $1.0 million to G.research pursuant to a research service agreements. These agreements were terminated on January 1, 2020 and compensation from Gabelli Funds and GAMCO Asset and costs related to servicing these arrangements are expected to decrease.

For the years ended December 31, 2019 and 2018, respectively, G.research earned $4.9 million and $3.8 million, or approximately 76% and 62%, of its commission revenue from transactions executed on behalf of funds advised by Gabelli Funds and clients advised by GAMCO Asset. Gabelli Funds and GAMCO Asset are wholly-owned subsidiaries of GAMCO. We can provide no assurance that GAMCO and its affiliates will continue to use G.research's institutional research and brokerage services to the same extent in the future. G.research continues to pursue expansion of third party and affiliated activities.

Use of Proprietary Resources

We have a substantial portfolio of cash and investments. We expect to use this proprietary investment portfolio to provide seed capital for new products, expand our geographic presence, develop new markets and pursue strategic acquisitions and alliances, as well as for shareholder compensation in the form of share repurchases and dividends. Our proprietary portfolios are largely invested in products our affiliates or that are managed by GAMCO affiliates. In addition, we expect to make private equity acquisitions including through the use of special purpose acquisition vehicles ("SPACs").

Business Strategy

Our business strategy targets global growth of the business through continued leveraging of our proven asset management strengths including the long-term performance record of our alternative investment funds, diverse product offerings and experienced investment, research and client relationship professionals. In order to achieve performance and growth in AUM and profitability, we are pursuing a strategy which includes the following key elements:

Continuing an Active Fundamental Investment Approach

Since 1985, our results demonstrate our core competence in event driven investing through market cycles. Our "Private Market Value (PMV) with a Catalyst™" investing approach remains the principal management philosophy guiding our investment operations. This method is based on investing principles articulated by Graham & Dodd, and further refined by our Executive Chairman, Mario J. Gabelli.

Growing our Investment Partnerships Advisory Business

We intend to grow our Investment Partnerships advisory operations by gaining share with existing products and introducing new products within our core competencies, such as event and merger arbitrage. In addition, we intend to grow internationally.

Capitalizing on Acquisitions and Alliances - Direct Investments

We intend to leverage our research and investment capabilities by pursuing acquisitions and alliances that will broaden our product offerings and add new sources of distribution. In addition, we may make direct investments in operating businesses using a variety of techniques and structures. For example, in April 2018, the Company completed a €110 million initial public offering of its first special purpose acquisition corporation, the Gabelli Value for Italy S.p.a., an Italian company listed on the London Stock Exchange's Borsa Italiana AIM segment under the symbol "VALU". VALU was created to acquire a small- to medium-sized Italian franchise business with the potential for international expansion, particularly in the United States.

Pursuing Partnerships and Joint Ventures

We plan to pursue partnerships and joint ventures with firms that fit with AC's product quality and that can provide Asian/European distribution capabilities that would complement our U.S. equity product expertise. We expect to target opportunities for investors interested in non-market correlated returns.

Competition

The alternative asset management industry is intensely competitive. We face competition in all aspects of our business from other managers in the United States and around the globe. We compete with alternative investment management firms, insurance companies, banks, brokerage firms and financial institutions that offer products that have similar features and investment objectives. Many of these investment management firms are subsidiaries of large diversified financial companies and may have access to greater resources than us. Many are larger in terms of AUM and revenues and, accordingly, have larger investment and sales organizations and related budgets. Historically, we have competed primarily on the basis of the long-term investment performance of our investment products. We have recently taken steps to increase our distribution channels, brand awareness and marketing efforts.

The market for providing investment management services to institutional and private wealth management clients is also highly competitive. Selection of investment advisors by U.S. institutional investors is often subject to a screening process and to favorable recommendations by investment industry consultants. Many of these investors require their investment advisors to have a successful and sustained performance record, often five years or longer, and focus on one-year and three-year performance records. Currently, we believe that our investment performance record would be attractive to potential new institutional and private wealth management clients. While we have significantly increased our AUM from institutional investors since our entry into the institutional asset management business, no assurance can be given that our efforts to obtain new business will be successful.

Intellectual Property

Service marks and brand name recognition are important to our business. We have rights to the service marks under which our products are offered. We have rights to use the "Gabelli" name, and the "GAMCO" brand, pursuant to a non-exclusive, royalty-free license agreement we have entered into with GAMCO (the "Service Mark and Name License Agreement"). We can use these names with respect to our funds, collective investment vehicles, Investment Partnerships and other investment products pursuant to the Service Mark and Name License Agreement. The Service Mark and Name License Agreement has a perpetual term, subject to termination only in the event we are not in compliance with its quality control provisions. Pursuant to an assignment agreement signed in 1999, Mario J. Gabelli had assigned to GAMCO all of his rights, title and interests in and to the "Gabelli" name for use in connection with investment management services and institutional research services. In addition, the funds managed by Mario J. Gabelli outside GAMCO and AC have entered into a license agreement with GAMCO permitting them to continue limited use of the "Gabelli" name under specified circumstances.

Commitment to Community

AC seeks to be a good corporate citizen in our community through the way we conduct our business activities as well as by other measures such as serving our community, sponsoring local organizations and developing our teammates.

Since our spin-off in 2015, AC has supported over 160 qualified charities that address a broad range of local, national and international concerns. The recipients were identified by our shareholders through AC's Shareholder-Designated Contribution Program. The 2019 program, approved by our Board in November 2019, allows each shareholder of record at November 30, 2019 to designate a qualified charity to receive a $0.20 per share donation from AC. We expect that the Company's total contributions for the 2019 program will be approximately $4.5 million bringing cumulative donations to approximately $20 million.

Regulation

Virtually all aspects of our businesses are subject to federal, state and foreign laws and regulations. These laws and regulations are primarily intended to protect investment advisory clients and investors, the financial markets and the customers of broker-dealers. Under such laws and regulations, agencies that regulate investment advisors and broker-dealers have broad powers, including the power to limit, restrict or prohibit such an advisor or broker-dealer from carrying on its business in the event that it fails to comply with such laws and regulations. In such an event, the possible sanctions that may be imposed include civil and criminal liability, the suspension of individual employees, injunctions, limitations on engaging in certain lines of business for specified periods of time, revocation of the investment advisor and other registrations, censures and fines.

Existing U.S. Regulation Overview

AC and certain of its U.S. subsidiaries are currently subject to extensive regulation, primarily at the federal level, by the SEC, the Department of Labor, FINRA and other regulatory bodies. Certain of our U.S. subsidiaries are also subject to anti-terrorist financing, privacy, and anti-money laundering regulations as well as economic sanctions laws and regulations established by these agencies.

The Advisers Act

GCIA is registered with the SEC under the Advisers Act and is regulated by and subject to examination by the SEC. The Advisers Act imposes numerous obligations on registered investment advisors including fiduciary duties, disclosure obligations and record keeping, operational and marketing requirements. The SEC is authorized to institute proceedings and impose sanctions for violations of the Advisers Act, ranging from censure to termination of an investment advisor's registration. The failure of GCIA to comply with the requirements of the SEC could have a material adverse effect on us.

We derive a majority of our revenues from investment advisory services from investment management agreements. Under the Advisers Act, our investment management agreements may not be assigned without the client's consent.

Broker-Dealer and Trading and Investment Regulation

G.research is a registered as broker-dealer with the SEC and is subject to regulation by FINRA and various states' regulatory authorities. In its capacity as a broker-dealer, G.research is required to maintain certain minimum net capital amounts. These requirements also provide that equity capital may not be withdrawn, advances to affiliates may not be made or cash dividends paid if certain minimum net capital requirements are not met. G.research's net capital, as defined, met or exceeded all minimum requirements as of December 31, 2019. As a registered broker-dealer, G.research is also subject to periodic examination by FINRA, the SEC and the state regulatory authorities.

Our trading and investment activities for client accounts are regulated under the Exchange Act, as well as the rules of various U.S. and non-U.S. securities exchanges and self-regulatory organizations. These laws and regulations govern such items as trading on inside information, market manipulation, technical requirements (e.g., short sale limits, volume limitations and reporting obligations), and market regulation policies in the United States and globally. Violation of any of these laws and regulations could result in restrictions on our activities and damage our reputation.

Employee Retirement Income Security Act of 1974 ("ERISA")

Subsidiaries of AC are subject to ERISA and to regulations promulgated thereunder, insofar as they are "fiduciaries" under ERISA with respect to certain of their clients. ERISA and applicable provisions of the Internal Revenue Code of 1986, as amended, impose certain duties on persons who are fiduciaries under ERISA and prohibit certain transactions involving ERISA plan clients. Our failure to comply with these requirements could have a material adverse effect on us.

Anti-Tax Evasion Legislation

Our global business may be impacted by the Foreign Account Tax Compliance Act ("FATCA") which was enacted in 2010 and introduced expansive new investor onboarding, withholding and reporting rules aimed at ensuring U.S. persons with financial assets outside of the United States pay appropriate taxes. In many instances, however, the precise nature of what needs to be implemented will be governed by bilateral Intergovernmental Agreements ("IGAs") between the United States and the countries in which we do business or have accounts. While many of these IGAs have been put into place, others have yet to be concluded.

The Organization for Economic Cooperation and Development ("OECD") has developed the Common Reporting Standard ("CRS") to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of information regarding financial accounts. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with partner jurisdictions on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. As a result, the Investment Partnerships will be required to report information on the investors of the Partnerships to comply with the CRS due diligence and reporting requirements, as adopted by the countries in which the Investment Partnerships are organized.

The FATCA and CRS rules will impact both U.S. and non-U.S. Investment Partnerships and separately managed accounts and subject us to extensive additional administrative burdens. Our business could also be impacted to the extent there are other changes to tax laws such as the recent tax reform legislation. Such changes could adversely affect our financial results.

The Patriot Act

The USA Patriot Act of 2001 contains anti-money laundering and financial transparency laws and mandates the implementation of various new regulations applicable to broker-dealers and other financial services companies, including standards for verifying client identification at account opening, and obligations to monitor client transactions and report suspicious activities. Anti-money laundering laws outside of the United States contain some similar provisions. Our failure to comply with these requirements could have a material adverse effect on us.

Laws and Other Issues Relating to Taking Significant Equity Stakes in Companies

Investments by AC, its affiliates, and those made on behalf of their respective advisory clients and Investment Partnerships often represent a significant equity ownership position in an issuer's equity. This may be due to the fact that AC is deemed to be a member of a "group" that includes GAMCO and, therefore, may be deemed to beneficially own the securities owned by other members of the group under applicable securities regulations. As of December 31, 2019, by virtue of being a member of the group, AC was deemed to hold five percent or more beneficial ownership with respect to 98 equity securities. This activity raises frequent regulatory, legal and disclosure issues regarding our aggregate beneficial ownership level with respect to portfolio securities, including issues relating to issuers' stockholder rights plans or "poison pills;" various federal and state regulatory limitations, including (i) state gaming laws and regulations, (ii) federal communications laws and regulations; (iii) federal and state public utility laws and regulations, as well as federal proxy rules governing stockholder communications; and (iv) federal laws and regulations regarding the reporting of beneficial ownership positions. Our failure to comply with these requirements could have a material adverse effect on us.

Potential Legislation Relating to Private Pools of Capital

We manage a variety of private pools of capital, including hedge funds. Congress, regulators, tax authorities and others continue to explore increased regulation related to private pools of capital, including changes with respect to: investor eligibility; trading activities, record-keeping and reporting; the scope of anti-fraud protections; safekeeping of client assets; tax treatment; and a variety of other matters. AC may be materially and adversely affected by new legislation, rule-making or changes in the interpretation or enforcement of existing rules and regulations imposed by various regulators.

Existing European Regulation Overview

Alternative Investment Fund Managers Directive

Our European activities are impacted by the European Union's ("EU") Alternative Investment Fund Managers Directive ("AIFMD"). AIFMD regulates managers of, and service providers to, a broad range of alternative investment funds ("AIFs") domiciled within and, potentially, outside the EU. AIFMD also regulates the marketing of all AIFs inside the European Economic Area. AIFMD's requirements restrict AIF marketing and impose additional compliance and disclosure obligations on AC regarding items such as remuneration, capital requirements, leverage, valuation, stakes in EU companies, depositaries, domicile of custodians and liquidity management. These compliance and disclosure obligations and the associated risk management and reporting requirements will subject us to additional expenses.

Undertakings for Collective Investment in Transferable Securities

The EU has also adopted directives on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("UCITS") impacting depositary functions, remuneration policies and sanctions. The latest initiative in this area, UCITS V, seeks to align the depositary regime, remuneration rules and sanctioning powers of regulators under the UCITS Directive with the requirements of AIFMD.

Similarly, the European Securities and Markets Authority recently revised its guidelines for exchange-traded and other UCITS funds. These guidelines introduced new collateral management requirements for UCITS funds concerning collateral received in the context of derivatives using Efficient Portfolio Management ("EPM") techniques (including securities lending) and over-the-counter derivative transactions. These rules required us to make changes to our collateral management arrangements applicable to the EPM of the UCITS funds for which GCIA acts as a sub-advisor. Compliance with the UCITS directives will cause us to incur additional expenses associated with new risk management and reporting requirements.

Markets in Financial Instruments Directive

The EU's revised Markets in Financial Instruments Directive ("MiFID II"), which was fully implemented in 2018, created specific new rules regarding the use of "soft dollars" to pay for research. A MiFID licensed investment firm that provides portfolio management services or independent investment advisory services to clients may not pay for third-party research with soft dollars generated through client trading activity. Research must be paid for either (i) by the investment firm out of its own resources or (ii) through a separate research payment account for each client to pay for the research. While currently neither GCIA nor G.research is directly subject to MiFID II: (a) GCIA may be invoiced separately by any EU brokers from whom it purchases research in the future; (b) clients may begin to require that GCIA "unbundle" research payments from commission trading; and (c) EU-based clients of G.research may also demand that G. research separately invoice them for trading and research.

The Financial Conduct Authority ("FCA") currently regulates Gabelli Securities International (UK) Limited ("GSIL UK"), our MiFID licensed entity in the United Kingdom. Authorization by the FCA is required to conduct certain financial services-related business in the United Kingdom under the Financial Services and Markets Act 2000. The FCA's rules adopted under that Act provide requirements dealing with a firm's capital resources, senior management arrangements, conduct of business, interaction with clients and systems and controls. The FCA supervises GSIL UK through a combination of proactive engagement, event-driven and reactive supervision and thematic-based reviews in order to monitor our compliance with regulatory requirements. Breaches of the FCA's rules may result in a wide range of disciplinary actions against GSIL and/or its employees.

Our EU-regulated entities are additionally subject to EU regulations on OTC derivatives which require (i) the central clearing of standardized OTC derivatives, (ii) the application of risk-mitigation techniques to non-centrally cleared OTC derivatives and (iii) the reporting of all derivative contracts.

Brexit Impact

Until January 31, 2020, the date the United Kingdom terminated its membership in the European Union, GSIL UK was required to comply with MiFID II, which sets out detailed requirements governing the organization and conduct of business of investment firms and regulated markets. MiFID II also includes pre- and post-trade transparency requirements for equity markets and extensive transaction reporting requirements. In addition, relevant entities must comply with revised obligations on capital resources for banks and certain investment firms set out in the Capital Requirements Directive. This directive includes requirements not only on capital, but also governance and remuneration as well. The obligations introduced through these directives have a direct effect on some of our European operations.

For the time being, under the transition agreement negotiated between the EU and the UK, GSIL UK will continue to comply with MiFID II to the same extent that all FCA regulated firms are required to comply. The transition period under the transition agreement expires on December 31, 2020. The Company cannot assure you the extent to which the substance of MiFID II or other EU regulations will continue to apply to GSIL UK after the end of the transition period.

Regulatory Matters Generally

The investment management industry is likely to continue to face a high level of regulatory scrutiny and to become subject to additional rules designed to increase disclosure, tighten controls and reduce potential conflicts of interest. In addition, the SEC has substantially increased its use of focused inquiries which request information from investment advisors regarding particular practices or provisions of the securities laws. We participate in some of these inquiries in the normal course of our business. Changes in laws, regulations and administrative practices by regulatory authorities, and the associated compliance costs, have increased our cost structure and could in the future have a material adverse impact. Although we have installed procedures and utilize the services of experienced administrators, accountants and lawyers to assist us in adhering to regulatory guidelines and satisfying these requirements, and maintain insurance to protect ourselves in the case of client losses, there can be no assurance that the precautions and procedures that we have instituted and installed, or the insurance that we maintain to protect ourselves in case of client losses, will protect us from all potential liabilities.

Employees

On March 1, 2020, we had a full-time staff of 39 teammates, of whom 18 served in the portfolio management, research and trading areas, 14 served in the marketing and shareholder servicing areas and 7 served in the finance, legal, operations and administrative areas. We also avail ourselves of services provided by GAMCO in accordance with a transitional services agreement that was entered into with GAMCO as part of the Spin-off.

Status as a Smaller Reporting Company and an Emerging Growth Company

We are a “smaller reporting company” as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K. As a result, we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “smaller reporting companies.” We will, in general, remain a smaller reporting company unless the market value of AC common stock that is held by non-affiliates exceeds $250 million as of the last business day of our most recently completed second fiscal quarter.

In addition, we are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act (“JOBS Act”). As a result, we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies.” These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We will, in general, remain as an emerging growth company for up to five full fiscal years following the Spin-off. We would cease to be an emerging growth company and, therefore, become ineligible to rely on the above exemptions, if (1) we have more than $1 billion in annual revenue in a fiscal year; (2) we issue more than $1 billion of non-convertible debt during the preceding three-year period; or (3) the market value of AC common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter.

We may take advantage of some or all of the reduced regulatory and reporting requirements that will be available to us as long as we qualify as a smaller reporting company or an emerging growth company, except that we have irrevocably elected not to take advantage of the extension of time to comply with new or revised financial accounting standards available under Section 107(b) of the JOBS Act.

ITEM 1A: RISK FACTORS

Smaller reporting companies are not required to provide the information required by this item.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

On May 31,2019, AC acquired a building at 191 Mason Street, Greenwich, CT which serves as our headquarters. AC paid rent to GAMCO pursuant to a sublease based on the percentage of square footage occupied by its employees (including pro rata allocation of common space) at GAMCO's offices at One Corporate Center, in Rye, NY prior to the relocation to the new headquarters.

ITEM 3: LEGAL PROCEEDINGS

Currently, we are not subject to any legal proceedings that individually or in the aggregate involved a claim for damages in excess of 10% of our consolidated assets. From time to time, we may be named in legal actions and proceedings. These actions may seek substantial or indeterminate compensatory as well as punitive damages or injunctive relief. We are also subject to governmental or regulatory examinations or investigations. Examinations or investigations can result in adverse judgments, settlements, fines, injunctions, restitutions or other relief. For any such matters, the consolidated financial statements include the necessary provisions for losses that we believe are probable and estimable. Furthermore, we evaluate whether there exist losses which may be reasonably possible and, if material, make the necessary disclosures.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5: MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for our Stock, Dividends and Stock Repurchase Program

Our shares of Class A Stock are traded on the New York Stock Exchange under the symbol AC.

As of February 1, 2020, there were 121 and 21 holders of record of the Company's Class A and Class B common stock, respectively. These figures do not include approximately 2,184 beneficial holders of Class A shares held in "street" name at various brokerage firms.

In December 2015, the Board of Directors established a stock repurchase program authorizing the Company to repurchase up to 500,000 shares. On February 7, 2017, the Board of Directors reset the available number of shares to be purchased under the stock repurchase program to 500,000 shares. On August 3, 2017 and May 8, 2018, the Board of Directors authorized the repurchase of an additional 1 million and 500,000 shares, respectively. Our stock repurchase program is not subject to an expiration date.

The following table provides information with respect to the shares of our Class A Stock we repurchased during the quarter ended December 31, 2019:

Period	Total Number of Shares Repurchased	Average Price Paid Per Share, net of Commissions	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
10/01/19 - 10/31/19	7,110	$ 36.39	7,110	1,108,220
11/01/19 - 11/30/19	4,365	36.01	4,365	1,103,855
12/01/19 - 12/31/19	9,499	37.50	9,499	1,094,356
Totals	20,974	$ 36.80	20,974	

In addition to our on-going stock repurchase program, in March and October 2018, the Company completed exchange offers with respect to its Class A shares which resulted in the repurchase of 493,954 and 373,581 Class A shares in exchange for 666,805 and 709,749 shares of GBL valued at approximately $17.7 million and $14.6 million, respectively.

We have adopted the 2015 Stock Award and Incentive Plan (the "Equity Compensation Plan"). A maximum of 2.0 million shares of Class A Stock have been reserved for issuance as approved by the Company's stockholders at the annual meeting of stockholders held on May 3, 2016. The Company withdrew the registration statement covering the issuance of those shares as of December 29, 2017.

During 2018, the Company awarded 172,800 Phantom Restricted Stock Awards ("Phantom RSAs") under the Equity Compensation Plan. As of December 31, 2019, 119,650 awarded but unvested Phantom RSAs are outstanding. On February 4, 2020, an additional 23,000 Phantom RSA's were forfeited by teammates who transferred to Morgan Group Holdings Co., resulting in 96,650 Phantom RSA's remaining outstanding.

The number of shares remaining available for future issuance under equity compensation plans is 1,289,100.

ITEM 6: SELECTED FINANCIAL DATA

Smaller reporting companies are not required to provide the information required by this item.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

This MD&A is provided as a supplement to, and should be read in conjunction with, the Consolidated Financial Statements and the notes thereto included in Item 8 to this report. Unless the context otherwise requires, all references to "we," "us," "our," "AC Group" or the "Company" refer collectively to Associated Capital Group, Inc. and its subsidiaries through which our operations are actually conducted.

Factors Affecting Financial Condition and Results of Operations

The Company, through its subsidiaries, provides alternative investment management services and institutional research services, as well as management of the Company's proprietary investment portfolio.

In its alternative asset management operations, subsidiaries of the Company serve as general partner or investment manager to investment funds including limited partnerships, offshore companies and separate accounts. The Company primarily manages assets in equity event-driven value strategies, across a range of risk and event arbitrage portfolios, earning management and incentive fees from its advisory activities. The institutional research operations offer domain knowledge-driven research and a sales and execution platform for institutional investors, earning fees from its institutional clients via trading commissions or direct payment.

Overview

Consolidated Statements of Income

Investment advisory and incentive fees, which are based on the amount and composition of AUM in our funds and accounts, represent our largest source of revenues. Growth in revenues depends on good investment performance, which influences the value of existing AUM as well as contributes to higher investment and lower redemption rates and facilitates the ability to attract additional investors while maintaining current fee levels. Growth in AUM is also dependent on being able to access various distribution channels, which is usually based on several factors, including performance and service. In light of the dynamics created by COVID-19 and its impact on the global supply chain and banks, oil, travel and leisure, we could experience higher volatility in short term returns of our funds.

Incentive fees generally consist of an incentive allocation on the absolute gain in a portfolio or a fee of 20% of the economic profit, as defined in the agreements governing the investment vehicle or account. We recognize such revenue only when the measurement period has been completed or at the time of an investor redemption.

Institutional research services revenues consist of brokerage commissions derived from securities transactions executed on an agency basis or direct payments from institutional clients. Commission revenues vary directly with the perceived value of the research provided, as well as account execution activity and new account generation.

Compensation includes variable and fixed compensation and related expenses paid to officers, portfolio managers, sales, trading, research and all other professional staff. Variable compensation paid to sales personnel and portfolio management and may represent up to 55% of revenues.

Management fee expense is incentive-based and entirely variable compensation in the amount of 10% of adjusted aggregate pre-tax profits which is paid to the Executive Chairman or his designees for his services as Executive Chairman pursuant to an employment agreement.

Other operating expenses include general and administrative operating costs and clearing charges and fees incurred by our brokerage operations.

Other income and expense includes net gains and losses from investments (which include both realized and unrealized gains and losses from securities and equity in earnings of investments in partnerships), interest and dividend income, and interest expense. Net gains and losses from investments are derived from our proprietary investment portfolio consisting of various public and private investments and from consolidated investment funds.

Net income/(loss) attributable to noncontrolling interests represents the share of net income attributable to third-party limited partners of certain partnerships and offshore funds we consolidate. Please refer to Notes A and E in our consolidated financial statements included elsewhere in this report.

Consolidated Statements of Financial Condition

We ended 2019 with approximately $938 million in cash and investments, net of securities sold, not yet purchased of $16 million. This includes $349 million of cash and cash equivalents; $29 million of short-term U.S. Treasury obligations; $255 million of securities, net of securities sold, not yet purchased, including shares of GAMCO and VALU with market values of $57 million and $9 million, respectively; and $305 million invested in affiliated and third-party funds and partnerships, including investments in affiliated closed end funds which have a value of $100 million and more limited liquidity. Our financial resources provide flexibility to pursue strategic objectives that may include acquisitions, lift-outs, seeding new investment strategies, and co-investing, as well as shareholder compensation in the form of share repurchases and dividends.

Total shareholders' equity was $897 million or $39.93 per share as of December 31, 2019, compared to $866 million or $38.36 per share as of the prior year-end. These shareholders' equity per share calculations are a non-GAAP measurement calculated by dividing the total equity by the number of common shares outstanding. The increase in equity from the end of 2018 was largely attributable to investment income for the year.

Our primary goal is to use our liquid resources to opportunistically and strategically grow book value and net income. While this goal is a priority, if opportunities are not present with what we consider a margin of safety, we will consider alternatives to return capital to our shareholders, including stock repurchases and dividends.

Assets Under Management Highlights

We reported assets under management as follows (dollars in millions):

	Year Ended December 31, 2019	Year Ended December 31, 2018	% Change
Event Merger Arbitrage	$ 1,525	$ 1,342	14.2
Event-Driven Value	132	118	11.6
Other	59	60	(1.7)
Total (a)	$ 1,716	$ 1,520	13.4

(a) Includes $259 million and $214 million of proprietary capital, respectively.

Changes in our AUM during 2019 were as follows (dollars in millions):

	Beginning	Inflows	Outflows	Investment Return	Ending
Event Merger Arbitrage	$ 1,342	$ 368	$ (262)	$ 77	$ 1,525
Event-Driven Value	118	8	(4)	10	132
Other	60	-	(8)	7	59
Total AUM	$ 1,520	$ 376	$ (274)	$ 94	$ 1,716

The majority of our AUM has calendar year-end measurement periods, and our incentive fees are primarily recognized in the fourth quarter.

Operating Results for the Year Ended December 31, 2019 as Compared to the Year Ended December 31, 2018

Revenues

Total revenues were $31.3 million for the year ended December 31, 2019, $8.5 million higher than total revenues of $22.8 million for the year ended December 31, 2018. Total revenues by type were as follows (dollars in thousands):

	Year Ended December 31, 2019	**Year Ended December 31, 2018**	**Change $**	**Change %**
Investment advisory and incentive fees	$ 22,148	$ 14,409	$ 7,739	53.7
Institutional research services	8,947	8,284	663	8.0
Other revenues	170	86	84	97.7
Total revenues	$ 31,265	$ 22,779	$ 8,486	37.3

Investment advisory and incentive fees: We earn advisory fees based on our AUM. Investment advisory fees are directly influenced by the amount of average AUM and the fee rates applicable to various accounts.

Advisory fees were $10.9 million for 2019 compared to $10.2 million for 2018, an increase of $0.7 million. This increase is a result of the increase in average AUM over the period.

Incentive fees are directly related to the gains generated for our clients' accounts. We earn a percentage, usually 20%, of such gains. Incentive fees were $11.2 million in 2019, up $7.0 million from $4.2 million in 2018, due to higher investment performance.

Institutional research services: Institutional research services revenues in 2019 were $8.9 million, a $0.6 million increase from $8.3 million in 2018 primarily resulting from higher brokerage commissions derived from securities transactions executed on an agency basis of $0.6 million and higher selling concessions and sales manager fees of $1.0 million offset by decreased revenue from research services agreements with affiliates of $0.9 million.

Other revenues: Other revenues were $0.2 million for 2019 compared to $0.1 million for 2018, an increase of $0.1 million.

Expenses

Compensation: Compensation, which includes variable compensation, salaries, bonuses and benefits, was $32.2 million for the year ended December 31, 2019, an increase of $5.6 million from $26.6 million for the year ended December 31, 2018. Fixed compensation expense, which includes salaries, bonuses and benefits, decreased to $15.6 million in 2019 from $16.8 million in 2018. The remainder of compensation expense represents variable compensation that fluctuates with management and incentive fee revenues as well as the investment results of certain proprietary accounts. Variable payouts are also impacted by the mix of products upon which performance fees are earned and the extent to which they may exceed their allocated costs. For 2019, these variable payouts (based on the investment performance of the products with incentive fees) were $16.6 million, an increase of $7.5 million from $9.1 million in 2018.

Stock-based compensation was $1.4 million in 2019, an increase of $0.7 million from $0.7 million recorded in 2018. The increase was primarily due to the expense attributable to Phantom RSAs awarded in 2018.

Management fees: Management fee expense is incentive-based and entirely variable compensation equal to 10% of the aggregate adjusted pre-tax profits, which is paid to the Executive Chairman or his designees pursuant to his employment agreement with AC. In 2019, AC recorded management fee expense of $5.7 million. No management fee expense was recorded in 2018 due to pre-tax losses incurred.

Other operating expenses: Our other operating expenses were $9.1 million in 2019 compared to $9.7 million in 2018, a decrease of $0.6 million due to lower overall costs.

Investment and other non-operating income/(expense), net

Net gain/(loss) from investments: Net gain/(loss) from investments is directly related to the performance of our proprietary capital. For the year ended December 31, 2019, net gains from investments were $60.8 million compared to a net loss of $65.2 million in the prior year primarily due to mark-to-market changes in the value of the GAMCO stock and other investments.

Interest and dividend income: Interest and dividend income remained unchanged at $13.4 million for 2019 and 2018.

Interest expense: Interest expense decreased to $0.2 million in 2019 from $0.3 million in 2018.

Income Taxes

In 2019, we recorded an income tax expense of $12.1 million resulting in an effective tax rate ("ETR") of 21.7%. In 2018, we recorded an income tax benefit of $11.5 million resulting in a negative ETR of -16.7% (i.e., a tax benefit on positive income). The 2019 ETR is above the standard corporate tax rate of 21% primarily due state income taxes and a valuation allowance on carryforward of charitable contributions. The 2018 ETR is below the standard rate of 21% due to inability of the Company to deduct certain capital losses incurred during the year offset in part by tax benefits from the dividends received deduction. In addition, the Company recorded a valuation allowance of $1.4 million and $0.7 million against deferred tax assets attributable to charitable contribution carryovers as of December 31, 2019 and 2018, respectfully.

Noncontrolling Interests

Net income attributable to noncontrolling interests was $3.6 million in 2019 compared to income of $0.7 million in 2018. The increase of $2.9 million was driven primarily by increased earnings at Gabelli Merger Plus+ Trust.

Net Income/(Loss)

Net income for the year ended December 31, 2019 was $39.2 million compared to net loss of $58.1 million for the prior year. The change was driven primarily by mark-to-market increases on our investment portfolio.

Liquidity and Capital Resources

Our principal assets consist of cash and cash equivalents; short-term treasury securities; marketable securities, primarily equities, including 2.9 million shares of GAMCO stock; and interests in affiliated and third-party funds and partnerships. Although Investment Partnerships may be subject to restrictions as to the timing of distributions, the underlying investments of such Investment Partnerships are generally liquid, and the valuations of these products reflect that underlying liquidity.

Summary cash flow data is as follows (in thousands):

	Year Ended December 31,	
	2019	2018
Cash flows provided by (used in):		
Operating activities	$ (44,334)	$ 76,980
Investing activities	(5,058)	4,736
Financing activities	(11,584)	34,689
Net increase (decrease) in cash and cash equivalents	(60,976)	116,405
Cash and cash equivalents at beginning of year	409,564	293,112
Increase in cash from consolidation		47
Cash and cash equivalents at end of year	$ 348,588	$ 409,564

We require relatively low levels of capital expenditures and have a highly variable cost structure where costs increase and decrease based on the level of revenues we receive. Our revenues, in turn, are highly correlated to the level of AUM and to its investment performance. We anticipate that our available liquid assets should be sufficient to meet our cash requirements as we build out our operating business. At December 31, 2019, we had cash and cash equivalents of $348.6 million and $588.6 million of investments net of securities sold, not yet purchased of $16.4 million. Of these amounts, $13.1 million and $31.8 million, respectively, were held by consolidated investment funds and may not be readily available for the Company to access.

Net cash used by operating activities was $44.3 million in 2019. The net income adjusted for noncash items, primarily unrealized gains on securities, deferred income taxes and exchange offers, was $21.2 million along with a decrease in net receivables/payables of $12.9 million. This was more than offset, however, by increases in investments in securities and net contributions to investment partnerships of $78.4 million.

Net cash provided by operations was $77.0 million in 2018. The net loss adjusted for noncash items, primarily unrealized losses on securities, deferred income taxes and exchange offers, was $9.0 million. This was more than offset, however, by an increase in net receivables/payables of $8.7 million and reductions in investments in securities and net withdrawals from investment partnerships of $77.3 million.

Net cash used in investing activities was $5.1 million in 2019 due to the purchase of a building for $6.5 million and purchases of securities of $5.0 million partially offset by proceeds from sales of securities of $4.9 million, return of capital on securities of $0.9 million and cash received in acquisition of Morgan Group of $0.6 million. Net cash generated from investing activities was $4.7 million in 2018. A short-term note due from GBL ("GBL Short-term Note") with a principal amount of $15 million was repaid during the year. Offsetting this principal repayment was net purchases of securities in the amount of $10.4 million and $0.1 million from return of capital on securities.

Net cash used in financing activities was $11.6 million largely resulting from dividends paid of $4.5 million, share repurchases of $4.1 million and redemptions to consolidated funds of $2.9 million. Net cash provided by financing activities was $34.7 million for 2018, largely resulting from $50.0 million principal payments on the GAMCO Note partially offset by $7.0 million of treasury stock purchases, dividend payments of $4.7 million, and net redemptions of redeemable noncontrolling interests of $3.6 million

G.research is registered with the SEC as a broker-dealer and is regulated by FINRA. As such, G.research is subject to minimum net capital requirements promulgated by the SEC. G.research computes its net capital under the alternative method permitted by the SEC, which requires minimum net capital of $250,000. As of December 31, 2019 and 2018, G.research had net capital, as defined, of approximately $4.6 million and $9.1 million, respectively, exceeding the regulatory requirement by approximately $4.3 million and $8.8 million, respectively. Net capital requirements for G.research may increase in accordance with SEC rules and regulations to the extent it engages in other business activities.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). We base our estimates on historical experience, when available, and on other various assumptions that are believed to be reasonable under the circumstances. Actual results could differ significantly from those estimates under different assumptions and conditions.

We believe that the following critical accounting policies require management to exercise significant judgment:

Major Revenue-Generating Services and Revenue Recognition

The Company's revenues are derived primarily from investment advisory and incentive fees and institutional research services.

Investment advisory and incentive fees are directly influenced by the level and mix of AUM as fees are derived from a contractually-determined percentage of the balance of each account as well as a percentage of the investment performance of certain accounts. Management fees from investment partnerships and offshore funds are computed either monthly or quarterly, and amounts receivable are included in investment advisory fees receivable on the consolidated statements of financial condition. These revenues vary depending upon the level of capital flows, financial market conditions, investment performance and the fee rates applicable to each account.

Incentive allocations or fees are generally recognized at the end of an annual measurement period and amounts receivable are included in investment advisory fees receivable on the consolidated statements of financial condition.

G.research, LLC provides institutional research services and earns brokerage commissions and sales manager fees from securities transactions executed on an agency basis on behalf of institutional clients and mutual funds, private wealth management clients and retail customers of affiliated companies. Commission revenue and related clearing charges are recorded on a trade-date basis and are included in institutional research services and other operating expenses, respectively, on the consolidated statements of income.

G.research has also been involved in syndicated underwriting activities that included public equity and debt offerings managed by major investment banks. Underwriting fees include gains, losses, selling concessions and fees, net of syndicate expenses, arising from securities offerings in which G.research acts as underwriter or agent and are accrued as earned.

See Note C, Revenue, in the consolidated financial statements for additional information.

Investments in Securities

Investments in securities are a recorded at fair value in the statements of financial condition in accordance with U.S. GAAP. Securities transactions and any related gains and losses are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the specific identified cost basis and are included in gain/(loss) from investments, net on the consolidated statements of income.

Management determines the appropriate classification of securities at the time of purchase. Government debt with maturities of greater than three months at the time of purchase are considered investments in debt securities. Investments in debt securities are accounted for as trading, available for sale ("AFS"), or held-to-maturity securities. The Company does not hold any investments in debt securities accounted for as AFS or held to maturity.

Securities sold, but not yet purchased are recorded on the trade date, and are stated at fair value and represent obligations of AC to purchase the securities at prevailing market prices. Therefore, the future satisfaction of such obligations may be for an amount greater or less than the amounts recorded on the consolidated statements of financial condition. The ultimate gains or losses recognized are dependent upon the prices at which these securities are purchased to settle the obligations under the sales commitments. Unrealized gains and losses and realized gains and losses from covers of securities sold, not yet purchased transactions are included in net gain/(loss) from investments on the consolidated statements of income.

Consolidation

The Company assesses all entities with which it is involved for consolidation on a case by case basis depending on the specific facts and circumstances surrounding each entity. Pursuant to accounting guidance, the Company first evaluates whether it holds a variable interest in an entity. The Company considers all economic interests, including proportionate interests through related parties, to determine if such interests are to be considered a variable interest. Fees paid to the Company that are customary and commensurate with the level of services provided from entities in which the Company does not hold other economic interests in the entity are not considered as a variable interest.

For any entity where the Company has determined that it does hold a variable interest, the Company performs an assessment to determine whether it qualifies as a variable interest entity ("VIE").

The granting of substantive kick-out rights is a key consideration in determining whether a limited partnership or similar entity is a VIE and whether or not that entity should be consolidated. The Company evaluates consolidation on a case by case basis those VIEs in which substantive kick-out rights have been granted to the unaffiliated investors to either dissolve the fund or remove the general partner.

Under the variable interest entity model, the Company consolidates those entities where it is determined that the Company is the primary beneficiary of the entity. The Company is determined to be the primary beneficiary when it has a controlling financial interest in the VIE, which is defined as possessing both (a) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. If the Company alone is not considered to have a controlling financial interest in the VIE but the Company and its related parties under common control in the aggregate have a controlling financial interest in the VIE, the Company will be deemed to be the primary beneficiary if it is the party that is most closely associated with the VIE. When the Company and its related parties not under common control in the aggregate have a controlling financial interest in a VIE, the Company would be deemed to be the primary beneficiary if substantially all the activities of the entity are performed on behalf of the Company.

The Company determines whether it is the primary beneficiary of a VIE at the time it becomes initially involved with the VIE and reconsiders that conclusion as required. Investments and redemptions (either by the Company, related parties of the Company or third parties) or amendments to the governing documents of the respective entity may affect an entity's status as a VIE or the determination of the primary beneficiary.

Entities that do not qualify as VIEs are assessed for consolidation as voting interest entities ("VOEs") under the voting interest model. The Company evaluates whether the entity should be evaluated under the guidance for partnerships and similar entities, or corporations, and consolidates those entities it controls through a majority voting interest or other means. If the Company is the general partner or managing member it generally will not be required to consolidate a VOE.

The Company records noncontrolling interests in consolidated Investment Partnerships for which the Company's ownership is less than 100%.

See Note E, Investment Partnerships and Variable Interest Entities in the consolidated financial statements for additional information.

Investments in Partnerships and Affiliates

The Company is general partner or co-general partner of various affiliated entities. We also have investments in unaffiliated partnerships, offshore funds and other entities (collectively, "investments in partnerships and affiliates"). The Company accounts for its investments in partnerships and affiliates under the equity method. Substantially all the Company's equity method investees are entities that record their underlying investments at fair value and included in investments in partnerships. Therefore, under the equity method of accounting, the Company's share of the investee's underlying net income predominantly represents fair value adjustments in the investments held by the equity method investees. The Company's share of the investee's underlying net income or loss is based upon the most currently available information and is recorded as net gain/(loss) from investments on the consolidated statements of income. Capital contributions are recorded as an increase in investments when paid, and withdrawals and distributions are recorded as reductions of the investments when received. Depending on the terms of the investment, the Company may be restricted as to the timing and amounts of withdrawals.

Income Taxes

For purposes of the preparation of the consolidated financial statements, the provision for income taxes is computed using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and the reported amounts on the consolidated financial statements using the statutory tax rates in effect for the year when the reported amount of the asset or liability is expected to be recovered or settled, respectively. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying values of deferred tax assets to the amount that is more likely than not to be realized. For each tax position taken or expected to be taken in a tax return, the Company determines whether it is more likely than not that the position will be sustained upon examination based on the technical merits of the position, including resolution of any related appeals or litigation. A tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to recognize. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The Company recognizes the accrual of interest on uncertain tax positions and penalties in the income tax provision on the consolidated statements of income.

Recent Accounting Developments

See Footnote B, Significant Accounting Policies – Recent Accounting Developments, in the consolidated financial statements.

Seasonality and Inflation

We do not believe that our operations are subject to significant seasonal fluctuations. We do not believe inflation will significantly affect our compensation costs, as they are substantially variable in nature. The rate of inflation may affect certain other expenses, however, such as information technology and occupancy costs. To the extent inflation results in rising interest rates and has other effects upon the securities markets, it may adversely affect our financial position and results of operations by reducing our AUM, revenues or otherwise.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Smaller reporting companies are not required to provide the information required by this item.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission that are not required under the related instructions or are inapplicable have been omitted.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Associated Capital Group, Inc.
Greenwich, CT

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Associated Capital Group, Inc. and subsidiaries (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, equity and cash flows, for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/S/ Deloitte & Touche, LLP

Stamford, Connecticut
March 16, 2020
We have served as the Company’s auditor since 2015.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Year Ended December 31, 2019	Year Ended December 31, 2018
Revenues		
Investment advisory and incentive fees	$ 22,148	$ 14,409
Institutional research services	8,947	8,284
Other revenues	170	86
Total revenues	31,265	22,779
Expenses		
Compensation	32,184	26,607
Management fee	5,713	-
Other operating expenses	9,126	9,652
Total expenses	47,023	36,259
Operating loss	(15,758)	(13,480)
Other income/(expense)		
Net gain/(loss) from investments	60,757	(65,203)
Interest and dividend income	13,407	13,384
Interest expense	(217)	(262)
Shareholder-designated contribution	(3,281)	(3,300)
Total other income/(expense), net	70,666	(55,381)
Income/(loss) before income taxes	54,908	(68,861)
Income tax provision/(benefit)	12,126	(11,478)
Net income/(loss)	42,782	(57,383)
Net income/(loss) attributable to noncontrolling interests	3,594	716
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 39,188	$ (58,099)
Net income/(loss) per share attributable to Associated Capital Group, Inc.'s shareholders:		
Basic	$ 1.74	$ (2.52)
Diluted	$ 1.74	$ (2.52)
Weighted average shares outstanding:		
Basic	22,534	23,070
Diluted	22,534	23,070
Actual shares outstanding	22,475	22,585

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

	Year Ended December 31,	
	2019	2018
Net income/(loss)	$ 42,782	$ (57,383)
Less: Comprehensive income/(loss) attributable to noncontrolling interests	3,594	716
Comprehensive income/(loss) attributable to Associated Capital Group, Inc.	$ 39,188	$ (58,099)

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands, except per share data)

	December 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents (a)	$ 348,588	$ 409,564
Investments in securities (Including GBL stock with a value of $57.2 million and $50.9 million, respectively) (a)	300,357	229,960
Investments in affiliated registered investment companies	159,311	142,135
Investments in partnerships (a)	145,372	118,729
Receivable from brokers (a)	24,150	24,629
Investment advisory fees receivable	9,582	4,394
Receivable from affiliates	4,369	1,309
Deferred tax assets, net	2,004	9,422
Goodwill	3,519	3,519
Other assets (a)	13,654	10,772
Total assets	$ 1,010,906	$ 954,433
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Payable to brokers	$ 14,889	$ 5,511
Income taxes payable, net	3,676	3,577
Compensation payable	20,246	11,388
Securities sold, not yet purchased	16,419	9,574
Payable to affiliates	483	515
Accrued expenses and other liabilities (a)	7,373	7,820
Total liabilities	63,086	38,385
Redeemable noncontrolling interests (a)	50,385	49,800
Commitments and contingencies (Note L)		
Equity:		
Preferred stock, $.001 par value; 10,000,000 shares authorized; none issued and outstanding Class A Common Stock, $0.001 par value; 100,000,000 shares authorized; 6,569,254 and 6,537,768 shares issued, respectively; 3,452,381 and 3,530,752 shares outstanding, respectively	6	6
Class B Common Stock, $0.001 par value; 100,000,000 shares authorized; 19,196,792 shares issued; 19,022,918 and 19,054,404 shares outstanding, respectively	19	19
Additional paid-in capital	1,003,450	1,008,319
Retained earnings/(Accumulated Deficit)	(701)	(39,889)
Treasury stock, at cost (3,116,873 and 3,007,016 shares, respectively)	(106,342)	(102,207)
Total Associated Capital Group, Inc. equity	896,432	866,248
Noncontrolling interests	1,003	-
Total equity	897,435	866,248
Total liabilities and equity	$ 1,010,906	$ 954,433

(a) As of December 31, 2019, cash and cash equivalents, investments in securities, investment in partnerships, receivable from broker, other assets, accrued expenses and other liabilities, and redeemable noncontrolling interests include amounts related to consolidated variable interest entities (“VIEs”). See Footnote E.

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(Dollars in thousands, except per share data)
For the three months ended March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018

	Associated Capital Group, Inc. shareholders							
	Common Stock	Retained Earnings	Additional Paid-in Capital	GBL 4% PIK Note	Accumulated Comprehensive Income	Treasury Stock	Total	Redeemable Noncontrolling Interests
Balance at December 31, 2017	$ 25	$ 13,800	$ 1,010,505	$ (50,000)	$ 6,712	$ (62,895)	$ 918,147	$ 46,230
Reclassifications pursuant to adoption of new accounting guidance		-	6,712	-	-	(6,712)	-	-
Redemptions of noncontrolling interests	-	-	-	-	-	-	-	(1,971)
Consolidation of certain investment funds	-	-	-	-	-	-	-	6,488
Net income/(loss)	-	(22,229)	-	-	-	-	(22,229)	(143)
Stock-based compensation expense	-	-	72	-	-	-	72	-
Proceeds from payment of GBL 4% PIK Note	-	-	-	10,000	-	-	10,000	-
Exchange of GBL stock for AC stock	-	-	-	-	-	(17,737)	(17,737)	-
Purchase of treasury stock	-	-	-	-	-	(459)	(459)	-
Balance at March 31, 2018	$ 25	$ (1,717)	$ 1,010,577	$ (40,000)	$ -	$ (81,091)	$ 887,794	$ 50,604
Redemptions of noncontrolling interests	-	-	-	-	-	-	-	(336)
Net income/(loss)	-	11,824	-	-	-	-	11,824	1,039
Proceeds from payment of GBL 4% PIK Note	-	-	-	20,000	-	-	20,000	-
Dividends declared ($0.10 per share)		(2,302)					(2,302)	-
Purchase of treasury stock	-	-	-	-	-	(5,380)	(5,380)	-
Balance at June 30, 2018	$ 25	$ 7,805	$ 1,010,577	$ (20,000)	$ -	$ (86,471)	$ 911,936	$ 51,307
Redemptions of noncontrolling interests	-	-	-	-	-	-	-	(345)
Net income/(loss)	-	(7,379)	-	-	-	-	(7,379)	157
Proceeds from payment of GBL 4% PIK Note	-	-	-	20,000	-	-	20,000	-
Purchase of treasury stock	-	-	-	-	-	(732)	(732)	-
Balance at September 30, 2018	$ 25	$ 426	$ 1,010,577	$ -	$ -	$ (87,203)	$ 923,825	$ 51,119
Redemptions of noncontrolling interests	-	-	-	-	-	-	-	(982)
Net income/(loss)	-	(40,315)	-	-	-	-	(40,315)	(337)
Dividends declared ($0.10 per share)			(2,258)				(2,258)	-
Exchange of GBL stock for AC stock	-	-	-	-	-	(14,564)	(14,564)	-
Purchase of treasury stock	-	-	-	-	-	(440)	(440)	-
Balance at December 31, 2018	$ 25	$ (39,889)	$ 1,008,319	$ -	$ -	$ (102,207)	$ 866,248	$ 49,800

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(Dollars in thousands, except per share data)
For the three months ended March 31, 2019, June 30, 2019, September 30, 2019 and December 31, 2019

	Associated Capital Group, Inc. shareholders						
	Common Stock	Accumulated Deficit	Additional Paid-in Capital	Treasury Stock	Noncontrolling Interest	Total	Redeemable Noncontrolling Interests
Balance at December 31, 2018	$ 25	$ (39,889)	$ 1,008,319	$ (102,207)	$ -	$ 866,248	$ 49,800
Redemptions of noncontrolling interests	-	-	-	-	-	-	(526)
Net income/(loss)	-	23,147	-	-	-	23,147	1,507
Purchase of treasury stock	-	-	-	(391)	-	(391)	-
Balance at March 31, 2019	$ 25	$ (16,742)	$ 1,008,319	$ (102,598)	$ -	$ 889,004	$ 50,781
Redemptions of noncontrolling interests	-	-	-	-	-	-	(2,197)
Net income/(loss)	-	(932)	-	-	-	(932)	1,084
Dividends declared ($0.10 per share)	-	-	(2,254)	-	-	(2,254)	-
Purchase of treasury stock	-	-	-	(1,630)	-	(1,630)	-
Balance at June 30, 2019	$ 25	$ (17,674)	$ 1,006,065	$ (104,228)	$ -	$ 884,188	$ 49,668
Contributions to noncontrolling interests	-	-	-	-	-	-	390
Net income/(loss)	-	5,951	-	-	-	5,951	(359)
Purchase of treasury stock	-	-	-	(1,342)	-	(1,342)	-
Balance at September 30, 2019	$ 25	$ (11,723)	$ 1,006,065	$ (105,570)	$ -	$ 888,797	$ 49,699
Redemptions of noncontrolling interests	-	-	-	-	-	-	(676)
Net income/(loss)	-	11,022	-	-	-	11,022	1,362
Morgan merger	-	-	(367)	-	1,003	636	
Dividends declared ($0.10 per share)	-	-	(2,248)	-	-	(2,248)	-
Purchase of treasury stock	-	-	-	(772)	-	(772)	-
Balance at December 31, 2019	$ 25	$ (701)	$ 1,003,450	$ (106,342)	$ 1,003	$ 897,435	$ 50,385

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year Ended December 31, 2019	Year Ended December 31, 2018
Operating activities		
Net income/(loss)	$ 42,782	$ (57,383)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Equity in net gains from partnerships	(10,173)	(2,078)
Depreciation and amortization	30	21
Stock based compensation expense	-	72
Deferred income taxes	7,360	(12,825)
Donated securities	2,152	-
Losses on exchange offers	-	8,706
Unrealized (gains)/losses on securities	(21,883)	54,397
Realized losses on sales of securities	56	37
(Increase)/decrease in assets:		
Investments in securities	(61,923)	53,924
Investments in partnerships:		
Contributions to partnerships	(28,071)	(8,577)
Distributions from partnerships	11,603	31,948
Receivable from affiliates	(3,060)	(443)
Receivable from brokers	479	13,430
Investment advisory fees receivable	(5,188)	1,345
Goodwill and intangible assets	-	(97)
Other assets	3,611	(757)
Increase/(decrease) in liabilities:		
Payable to affiliates	(32)	73
Payable to brokers	9,378	(7,770)
Income taxes payable and deferred tax liabilities, net	156	1,496
Compensation payable	8,859	(1,397)
Accrued expenses and other liabilities	(470)	2,858
Total adjustments	(87,116)	134,363
Net cash provided by/(used in) operating activities	(44,334)	76,980
Investing activities		
Purchases of securities	(4,989)	(12,350)
Proceeds from sales of securities	4,928	1,958
Return of capital on securities	932	128
Purchase of building	(6,518)	-
Cash received in acquisition of Morgan Group	589	-
Proceeds from note receivable	-	15,000
Net cash provided by/(used in) investing activities	$ (5,058)	$ 4,736

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued) (Dollars in thousands)

	Year Ended December 31, 2019	2018
Financing activities		
Redemptions of redeemable noncontrolling interests	$ (2,934)	$ (3,634)
Dividends paid	(4,513)	(4,666)
Purchase of treasury stock	(4,135)	(7,011)
Proceeds from payment of GAMCO Note	-	50,000
Proceeds from promissory note from Executive Chairman	2,124	-
Repayment of promissory note to Executive Chairman	(2,126)	-
Net cash provided by financing activities	(11,584)	34,689
Net increase/(decrease) in cash and cash equivalents	(60,976)	116,405
Cash, cash equivalents and restricted cash at beginning of period	409,764	293,312
Increase in cash from consolidation	-	47
Cash, cash equivalents and restricted cash at end of period	$ 348,788	$ 409,764
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 197	$ 261
Cash paid/(received) for taxes	$ 4,700	$ (140)
Reconciliation to cash, cash equivalents and restricted cash		
Cash and cash equivalents	348,588	409,564
Restricted cash included in receivable from brokers	200	200
Cash, cash equivalents and restricted cash	$ 348,788	$ 409,764

Non-cash activity:

- On January 1, 2018, AC determined it had control over certain investment funds which resulted in their consolidation and an increase of approximately $47 of cash and cash equivalents, $6,441 of net assets and an increase of approximately $6,488 of redeemable noncontrolling interests.
- During 2018, AC completed two exchange offers with respect to its Class A shares. The Company exchanged 1,376,554 GBL Class A shares valued at $32,301 for 867,535 Class A shares.
- On October 31, 2019, the Company closed on a transaction whereby Morgan Group Holding Co., (Morgan Group) under common control of AC's majority shareholder, acquired all of the Company's interest in G.research for 50,000,000 shares of Morgan Group common stock. In connection with the transaction the company received $589,000 in cash held by Morgan Group which has been classified in cash provided by investing activities.

See accompanying notes.

A. Organization

Unless we have indicated otherwise, or the context otherwise requires, references in this report to "Associated Capital Group, Inc.," "AC Group," "the Company," "AC," "we," "us" and "our" or similar terms are to Associated Capital Group, Inc., its predecessors and its subsidiaries.

We are a Delaware corporation that provides alternative investment management, institutional research and we derive investment income/(loss) from proprietary investment of cash and other assets awaiting deployment in our operating business.

Our institutional research and underwriting services are provided through G.research, LLC ("G.research"). G.research is a broker-dealer registered under the Exchange Act of 1934, as amended (the "Exchange Act"). G.research acts as an underwriter primarily for affiliates of the Company. G.research is regulated by the Financial Industry Regulatory Authority ("FINRA").

GCIA and its wholly-owned subsidiary, Gabelli & Partners, LLC ("Gabelli & Partners"), collectively serve as general partners or investment managers to investment funds including limited partnerships and offshore companies (collectively, "Investment Partnerships"), and separate accounts. We primarily manage assets in equity event-driven value strategies, across a range of risk and event arbitrage portfolios. The business earns management and incentive fees from its advisory activities. Management fees are largely based on a percentage of assets under management. Incentive fees are based on the percentage of the investment returns of certain clients' portfolios. GCIA is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

We may make direct investments in operating business using a variety of techniques and structures. For example, in April 2018, the Company sponsored a €110 million initial public offering of its first special purpose acquisition corporation, the Gabelli Value of Italy S.p.a., an Italian company listed on the London Stock Exchange's Borsa Italiana AIM segment under the symbol "VALU". VALU was created to acquire a small-to medium-sized Italian franchise business with the potential for international expansion, particularly in the United States.

The Spin-off

On November 30, 2015, GAMCO Investors, Inc. ("GAMCO" or "GBL") distributed all the outstanding shares of each class of AC common stock on a pro rata one-for-one basis to the holders of each class of GAMCO's common stock (the "Spin-off").

As part of the Spin-off, AC received 4,393,055 shares of GAMCO Class A common stock for $150 million. The Company currently holds 2,935,401shares as of December 31, 2019.

In connection with the Spin-off, GAMCO issued a promissory note (the "GAMCO Note") to AC Group in the original principal amount of $250 million used to partially capitalize the Company. During the year ended December 31, 2018, AC received principal repayments totaling $50 million on the GAMCO Note which fully satisfied the outstanding principal balance. The GAMCO Note bore interest at 4% per annum and had an original maturity date of November 30, 2020.We conduct our investment management activities through Gabelli & Company Investment Advisers, Inc. ("GCIA" f/k/a Gabelli Securities, Inc.).

On October 31, 2019, the Company closed on a transaction whereby Morgan Group Holding Co., ("Morgan Group") a company that trades in the over the counter market under the symbol "MGHL" and under common control of AC's majority shareholder, acquired all of the Company's interest in G.research for 50,000,000 shares of Morgan Group common stock. Subsequent to the transaction and private placement, the Company has an 83.3% ownership interest in Morgan Group and consolidates the entity, which includes G.research. The transaction has been accounted for pursuant to ASC 805-50, Transactions Between Entities Under Common Control. A common-control transaction is similar to a business combination because there is no change in control over the entity by the parent. Therefore, the accounting and reporting for a transaction between entities under common control is outside the scope of the business combinations guidance in ASC 805-10, ASC 805-20, and ASC 805-30 and is addressed in ASC 805-50. For transactions between entities under common control, there is no change in basis in the net assets received and therefore they are recorded at their historical cost.

Morgan Group is a shell company with minimal assets and income and is consolidated after the transaction. The Company's consolidated statement of financial condition and statement of operations is not materially different with the consolidation.

B. Significant Accounting Policies

Consolidated Financial Statements

All material intercompany transactions and balances have been eliminated. Subsidiaries are fully consolidated from the date the Company obtains control and continue to be consolidated until the date that such control ceases. The Company's principal market is in the United States.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported on the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents primarily consist of an affiliated money market mutual fund which is highly liquid. U.S. Treasury Bills and Notes with maturities of three months or less at the time of purchase are also considered cash equivalents.

Investments in Securities

Securities owned are recorded at fair value in the statements of financial condition in accordance with U.S. GAAP. Securities transactions and any related gains and losses are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the specific identified cost basis and are included in gain/(loss) from investments, net on the consolidated statements of income.

Equity securities, effective January 1, 2018 with the adoption of Accounting Standards Update ("ASU") 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, are stated at fair value with any unrealized gains or losses reported in current period earnings in gain/(loss) from investments, net on the consolidated statements of income.

Management determines the appropriate classification of securities at the time of purchase. Government debt with maturities of greater than three months at the time of purchase are considered investments in debt securities. Investments in debt securities are accounted for as trading, available for sale ("AFS"), or held-to-maturity securities. The Company does not hold any investments in debt securities accounted for AFS or held to maturity.

Securities sold, but not yet purchased are recorded on the trade date, and are stated at fair value and represent obligations of AC to purchase the securities at prevailing market prices. Therefore, the future satisfaction of such obligations may be for an amount greater or less than the amounts recorded on the consolidated statements of financial condition. The ultimate gains or losses recognized are dependent upon the prices at which these securities are purchased to settle the obligations under the sales commitments. Unrealized gains and losses and realized gains and losses from covers of securities sold, not yet purchased transactions are included in net gain/(loss) from investments on the consolidated statements of income.

Fair Value of Financial Instruments

The Company's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the Financial Accounting Standards Board's ("FASB") guidance on fair value measurement. The levels of the fair value hierarchy and their applicability to the Company are described below:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date. Level 1 assets include cash equivalents, government obligations, open-end mutual funds, closed-end funds and equities.

- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities that are not active and inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves that are observable at commonly-quoted intervals. Assets included in this category are over-the-counter derivatives that have valuation inputs that can generally be corroborated by observable market data.

- Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. Assets in this category generally include equities that trade infrequently and direct private equity investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy in which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized as Level 3.

In the absence of a closing price, an average of the bid and ask price is used. Bid prices reflect the highest price that market participants are willing to pay for an asset. Ask prices represent the lowest price that market participants are willing to accept for an asset.

Cash equivalents—Cash equivalents primarily consist of an affiliated money market mutual fund which is invested solely in U.S. Treasury securities and valued based on the net asset value of the fund. Other cash equivalents are valued using unadjusted quoted market prices. Accordingly, cash equivalents are categorized in Level 1 of the fair value hierarchy.

Investments in securities—Investments in securities and securities sold not yet purchased are generally valued based on quoted prices from an exchange. To the extent these securities are actively traded, valuation adjustments are not applied, and they are categorized in Level 1 of the fair value hierarchy. Securities categorized as Level 2 investments are valued using other observable inputs. Nonpublic and infrequently traded investments are included in Level 3 of the fair value hierarchy because significant inputs to measure fair value are unobservable.

Receivables from Affiliates and Payables to Affiliates

Receivables from affiliates consist primarily of sub-advisory fees due from Gabelli Funds, LLC. Payables to affiliates primarily consist of expenses paid by affiliates on behalf of the Company pursuant to a transitional services agreement with GAMCO entered into in connection with the Spin-off.

Receivables from and Payables to Brokers

Receivables from and payables to brokers consist of amounts related to purchases and sales of securities as well as cash amounts held in anticipation of investment.

Consolidation

The Company assesses all entities with which it is involved for consolidation on a case by case basis depending on the specific facts and circumstances surrounding each entity. Pursuant to applicable guidance, the Company first evaluates whether it holds a variable interest in an entity. The Company considers all economic interests including proportionate interests through related parties, to determine if such interests are considered a variable interest. Fees paid to the Company that are customary and commensurate with the level of services provided from entities in which the Company does not hold other more than insignificant economic interests in the entity are not considered as a variable interest.

For any entity where the Company has determined that it holds a variable interest, the Company performs an assessment to determine whether it qualifies as a variable interest entity ("VIE"). The granting of substantive kick-out or participating rights is a key consideration in determining whether a limited partnership or similar entity is a VIE and whether or not that entity should be consolidated. The Company evaluates for consolidation on a case by case basis those VIEs in which substantive kick-out or participating rights have been granted to the unaffiliated investors to either dissolve the fund or remove the general partner.

Under the variable interest entity model, the Company consolidates those entities where it is determined that the Company is the primary beneficiary of the entity. The Company is determined to be the primary beneficiary when it has a controlling financial interest in the VIE, which is defined as possessing both (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. When the Company alone is not considered to have a controlling financial interest in the VIE but the Company and its related parties under common control in the aggregate have a controlling financial interest in the VIE, the Company will be deemed the primary beneficiary if it is the party that is most closely associated with the VIE. When the Company and its related parties not under common control in the aggregate have a controlling financial interest in the VIE, the Company would be deemed to be the primary beneficiary if substantially all the activities of the entity are performed on behalf of the Company.

The Company determines whether it is the primary beneficiary of a VIE at the time it becomes initially involved with the VIE and reconsiders that conclusion as required. Investments and redemptions (either by the Company, related parties or third parties) or amendments to the governing documents of the respective entity may affect an entity's status as a VIE or the determination of the primary beneficiary.

Entities that do not qualify as VIEs are assessed for consolidation as voting interest entities ("VOEs") under the voting interest model. The Company evaluates whether the entity should be evaluated under the guidance for partnerships and similar entities, or corporations, and consolidates those entities it controls through a majority voting interest or other means. If the Company is the general partner or managing member it generally will not be required to consolidate a VOE.

The Company records noncontrolling interests in consolidated entities for which the Company's ownership is less than 100%. Refer to Noncontrolling Interests below for additional information.

Investments in Partnerships and Affiliates

The Company is general partner or co-general partner of various affiliated entities. We also have investments in unaffiliated partnerships, offshore funds and other entities (collectively, "unaffiliated entities"). Given that we are not a general partner or investment manager in any unaffiliated entity, we neither earn any management or incentive fees nor have a controlling financial interest in such entity. We do not consolidate any unaffiliated entity.

The balance sheet caption investments in partnerships includes investments in both affiliated and unaffiliated entities.

The Company accounts for its investments in partnerships and affiliates under the equity method. Substantially all of the Company's equity method investees are entities that record their underlying investments at fair value and included in investments in partnerships. Therefore, under the equity method of accounting, the Company's share of the investee's underlying net income predominantly represents fair value adjustments in the investments held by the equity method investees. The Company's share of the investee's underlying net income or loss is based upon the most currently available information and is recorded as net gain/(loss) from investments on the consolidated statements of income. Capital contributions are recorded as an increase in investments when paid, and withdrawals and distributions are recorded as reductions of the investments when received. Depending on the terms of the investment, the Company may be restricted as to the timing and amounts of withdrawals.

Derivative Financial Instruments

The Company recognizes all derivatives as either assets or liabilities measured at fair value and includes such derivatives in either investment in securities or securities sold, not yet purchased on the consolidated statements of financial condition. From time to time, the Company will enter into hedging transactions to manage its exposure to foreign currencies or equity prices related to its proprietary investments. Except for a foreign exchange contract entered into by the Company, these transactions are not designated as hedges for accounting purposes, and changes in fair values of these derivatives are included in net gain/(loss) from investments on the consolidated statements of income. See Note D, Investments in Securities, for additional information.

Major Revenue-Generating Services and Revenue Recognition

The Company's revenues are derived primarily from investment advisory and incentive fees and institutional research services.

Investment advisory and incentive fees are directly influenced by the level and mix of AUM as fees are derived from a contractually-determined percentage of the balance of each account as well as a percentage of the investment performance of certain accounts. Management fees from investment partnerships and offshore funds are computed either monthly or quarterly, and amounts receivable are included in investment advisory fees receivable on the consolidated statements of financial condition. These revenues vary depending upon the level of capital flows, financial market conditions, investment performance and the fee rates applicable to each account.

Incentive allocations or fees are generally recognized at the end of an annual measurement period and amounts receivable are included in investment advisory fees receivable on the consolidated statements of financial condition.

G.research, LLC provides institutional research services and earns brokerage commissions and sales manager fees from securities transactions executed on an agency basis on behalf of institutional clients and mutual funds, private wealth management clients and retail customers of affiliated companies. Commission revenue and related clearing charges are recorded on a trade-date basis and are included in institutional research services and other operating expenses, respectively, on the consolidated statements of income.

It has also been involved in syndicated underwriting activities that included public equity and debt offerings managed by major investment banks. Underwriting fees include gains, losses, selling concessions and fees, net of syndicate expenses, arising from securities offerings in which G.research acts as underwriter or agent and are accrued as earned.

See Note C, Revenue, for additional information.

Depreciation

Fixed assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives of four to thirty-nine years. As of December 31, 2019 and 2018, fixed assets with a net book value of $6.6 million and $84,000, respectively, are included in other assets on the consolidated statements of financial condition.

Allocated Expenses

The Company is charged or incurs certain overhead expenses that are paid by, or paid on our behalf by, other affiliates and are included in other operating expenses on the consolidated statements of income. These overhead expenses primarily relate to centralized functions including finance and accounting, legal, compliance, treasury, tax, internal audit, information technology, human resources and risk management. These overhead expenses are allocated to the Company by other affiliates or allocated by the Company to other affiliates as the expenses are incurred, based upon direct usage when identifiable, or by revenue, headcount, space or other allocation methodologies periodically reviewed by the management of the Company and the affiliates.

In addition, GCIA and GAMCO serve as paymasters under compensation payment sharing agreements. The compensation expense and related payroll taxes and benefits of certain dual employees that provide services to both AC and affiliates that are paid for by GCIA or GAMCO are allocated between the companies based upon the relative time each employee devotes to each affiliate. These allocated compensation expenses are included in compensation on the consolidated statements of income.

All of the allocations and estimates in the financial statements are based on assumptions that management of AC believes are reasonable. However, these allocations may not be indicative of the actual expenses we would have incurred or may incur in the future.

Management Fee

Management fee expense in the amount of 10% of the aggregate pre-tax profits, before consideration of this fee and before consideration of the income attributable to consolidated funds and partnerships, is paid to the Executive Chairman or his designees in accordance with his employment agreement.

Stock-Based Compensation

During 2018, the Company's Board of Directors approved the grant of Phantom Restricted Stock awards ("Phantom RSAs"). The Phantom RSAs will be settled by a cash payment, net of applicable withholding tax, on the vesting dates. In addition, an amount equivalent to the cumulative dividends declared on shares of the Company's Class A common stock during the vesting period will be paid to participants on vesting.

The Phantom RSAs are accounted for as a liability because cash settlement is required and compensation will be recognized over the vesting period. In determining the compensation expense to be recognized each period, the Company will remeasure the fair value of the liability at each reporting date taking into account the remaining vesting period attributable to each award and the current market value of the Company's Class A stock. In making these determinations, the Company will consider the impact of Phantom RSAs that have been forfeited prior to vesting (e.g., due to an employee termination). The Company has elected to consider forfeitures as they occur.

The expense attributable to the Phantom RSAs is allocated solely to AC.

Goodwill

Goodwill is initially measured as the excess of the cost of an acquired business over the sum of the fair value assigned to assets acquired less the liabilities assumed. Goodwill is tested for impairment at least annually on November 30th and whenever certain triggering events are met. In assessing the recoverability of goodwill as of November 30, 2019 and 2018, we performed a qualitative assessment of whether it was more likely than not that an impairment had occurred and concluded that a quantitative analysis was not required. As such, no impairment was recorded during 2019 or 2018.

Income Taxes

For purposes of the preparation of the consolidated financial statements, the provision for income taxes is computed using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income tax expense/benefit in the period that includes the enactment date of the change in tax rate.

The Company records net deferred tax assets to the extent the Company believes these assets will more likely than not be realized. A valuation allowance would be recorded to reduce the carrying value of deferred tax assets to the amount that is more likely than not to be realized. In making such a determination of whether a valuation allowance is necessary, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. In the event the Company were to determine that the Company would be able to realize the Company's deferred income tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

For uncertain tax positions the Company first determines whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position. For those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with the related tax authority. The Company recognizes the accrual of interest on uncertain tax positions and penalties in income tax provision on the consolidated statements of income. Accrued interest and penalties on uncertain tax positions are included within accrued expenses and other liabilities on the consolidated statements of financial condition.

Noncontrolling Interests

Noncontrolling interests in investment partnerships that are redeemable at the option of the holder are classified as redeemable noncontrolling interests in the mezzanine section of the consolidated statements of financial condition between liabilities and equity. Noncontrolling interests in other entities that are not redeemable at the option of the holder are classified as such as a separate component of shareholder's equity.

For the years ended December 31, 2019 and 2018, net income/(loss) attributable to noncontrolling interests on the consolidated statements of income represents the share of net income/(loss) attributable to third-party investors in consolidated funds.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and receivable from brokers. The Company maintains cash and cash equivalents primarily in the Gabelli U.S. Treasury Money Market Fund, which invests fully in instruments issued by the U.S. government. Receivables from brokers and financial institutions can exceed the federally insured limit. The concentration of credit risk with respect to advisory fees and incentive fees/allocation, which are included in investment advisory fees receivable and receivables from affiliates on the consolidated statements of financial condition, is generally limited due to the short payment terms extended to clients by the Company. All investments in securities are held at third party brokers or custodians.

Business Segment

The Company operates in one business segment. The Company's chief operating decision maker reviews the Company's financial performance at an aggregate level.

Recent Accounting Developments

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which amends the guidance in GAAP for the accounting for leases. ASU 2016-02 requires a lessee to recognize assets and liabilities arising from most operating leases in the consolidated statement of financial position. The Company adopted this ASU effective January 1, 2019 with no material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Accounting for Financial Instruments - Credit Losses (Topic 326)* ("ASU 2016-13"), which requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Currently, U.S. GAAP requires an "incurred loss" methodology that delays recognition until it is probable a loss has been incurred. Under ASU 2016-13, the allowance for credit losses must be deducted from the amortized cost of the financial asset to present the net amount expected to be collected. The Statement of Income will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. In November 2019, the FASB issued ASU 2019-10, which deferred the effective date of this guidance for smaller reporting companies for three years. This guidance is effective for the Company on January 1, 2023 and requires a modified retrospective transition method, which will result in cumulative-effect adjustment in retained earnings upon adoption. Early adoption is permitted. The Company is currently assessing the potential impact of this new guidance on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other*, to simplify the process used to test for impairment of goodwill. Under the new standard, an impairment loss must be recognized in an amount equal to the excess of the carrying amount of a reporting unit over its fair value, limited to the total amount of goodwill allocated to that reporting unit. As a smaller reporting company pursuant to ASU 2019-10, the ASU is effective for the Company on January 1, 2023. This guidance will be effective for the Company on January 1, 2023 using a prospective transition method and early adoption is permitted. The Company is currently evaluating the potential effect of this new guidance on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU adds certain disclosure requirements and modifies or eliminates requirements under current GAAP. This ASU is effective for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Company has early adopted the eliminated and modified disclosure requirements effective January 1, 2019.

C. Revenue

The Company's revenue is accounted for as contracts with customers, and the timing of revenue recognition is based on the Company's analysis of the provisions of each respective contract. Depending upon the specific terms, revenue may be recognized over time or at a point in time. Modifications to contracts may affect the timing of the satisfaction of performance obligations, the determination of the transaction price, and the allocation of the price to performance obligations, any of which may impact the timing of the recognition of the related revenue.

The Company's major revenue sources are as follows:

Investment advisory and incentive fees. The Company and its subsidiaries act as general partner, investment manager or sub-advisor to investment funds and/or separately managed accounts of institutional investors (e.g., corporate pension plans). The fees that are paid to the Company are set forth in the offering documents for the investment fund or the separately managed account agreement. Investment advisory and incentive fee revenue consists of:

a) Asset-based advisory fees – The Company receives a management fee, payable monthly in advance based on value of the net assets of the client. It is generally set at a rate of 1%-1.5% per annum. Asset-based management fee revenue is recognized only as the services are performed over the period.

b) Performance-based advisory fees – Certain client contracts call for additional fees and or allocations of income tied to a certain percentage, generally 20%, of the investment performance of the account over a measurement period, typically the calendar year. In addition, the contracts provide that performance-based fees or allocations become fixed in the event of an investor redemption prior to the end of the measurement period. In the event that an account suffers a loss in one period, it must be recovered before incentive fees are earned by the Company; this is commonly referred to as a "high water mark" provision. While the Company's performance obligation is satisfied over time, the Company does not recognize performance-based fees until the end of the measurement period or the time of the investor redemption when the uncertainty surrounding the amount of the variable consideration is resolved.

c) Sub-advisory fees – Pursuant to agreements with other investment advisors, the Company receives a percentage of advisory fees received by such advisors from certain of their investment fund clients. These fees may be either asset- or performance-based. In addition, they may be subject to reduction by certain expenses as set forth in the respective agreements. Sub-advisory fee revenue which is asset-based is recognized ratably as the services are performed over the relevant contractual performance period. Sub-advisory fee revenue which is performance-based is recognized only when it becomes fixed and not subject to adjustment.

The Company reserves the right to waive or reduce asset-based and performance-based fees with respect to certain investors in the investment funds which may include investments by employees and other related parties. Advisory and incentive fees payable by investment funds are typically approved by third-party administrators and paid directly from the accounts' assets. Such fees attributable to separate accounts may be subject to review and approval by the client and may be paid either from the accounts' assets or directly by the client.

Our advisory fee revenues are influenced by both the amount of AUM and the investment performance of our products. An overall decline in the prices of securities may cause our advisory fees to decline by either causing the value of our AUM to decrease or causing our clients to withdraw funds in favor of investments they perceive to offer greater opportunity or lower risk. Similarly, success in the investment management business is dependent on investment performance as well as distribution and client servicing. Good performance can stimulate sales of our investment products and tends to keep withdrawals and redemptions low, which generates higher asset-based management fees. Conversely, poor performance, both in absolute terms and/or relative to peers and industry benchmarks, tends to result in decreased sales, increased withdrawals and redemptions and in the loss of clients, with corresponding decreases in revenues to us.

Institutional Research Services. The Company, through G.research, generates institutional research services revenues via hard dollar payments or through commissions on securities transactions executed on an agency basis on behalf of clients. Clients include institutional investors (e.g., hedge funds and asset managers) as well as affiliated mutual funds and managed accounts. These revenues consist of:

a) Brokerage Commissions – Acting as agent, G.research buys and sells securities on behalf of its customers. Commissions are charged on the execution of securities transactions made on behalf of client accounts on an agency basis and are based on a rate schedule. G.research recognizes commission revenue when the related securities transactions are executed on trade date. G.research believes that the performance obligation is satisfied on trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to or from the customer. Commissions earned are typically collected from the clearing brokers utilized by G.research on a daily or weekly basis.

b) Hard dollar payments – G.research provides research services to unrelated parties, for which direct payment is received. G.research may, or may not have contracts for such services. Where a contract for such services is in place, the contractual fee for the period is recognized ratably over the contract period, which is considered the period over which G.research satisfies its performance obligation. For payments where no research contract exists, revenue is not recognized until agreement is reached with the client at which time the performance obligation is considered to have been met and revenue is recognized.

c) Selling concessions – The Company participates as a member of the selling group of underwritten equity offerings and receives compensation based on the difference between what its clients pay for the securities sold to its institutional clients and what the issuer receives. The terms of the selling concessions are set forth in contracts between the Company and the underwriter. Revenue is recognized on the trade date (the date on which the Company purchases the securities from the issuer) for the portion the Company is contracted to buy. The Company believes that the trade date is the appropriate point in time to recognize revenue for securities underwriting transactions as there are no significant actions the Company needs to take subsequent to this date, and the issuer obtains the control and benefit of the capital markets offering at this point. Selling concessions earned are typically collected from the clearing brokers utilized by the Company on a daily or weekly basis.

d) Sales manager fees – The Company participates as sales manager of at-the-market offerings of certain affiliated closed-end funds and receives a tiered percentage of proceeds as stipulated in agreements between the Company, the funds and the funds' investment adviser. The Company recognizes sales manager fees upon sale of the related closed-end funds. Sales manager fees earned are fixed and typically collected from the clearing brokers utilized by G.research on a daily or weekly basis.

Institutional research revenues are impacted by the perceived value of the research product provided to clients, the volume of securities transactions and the acquisition or loss of new client relationships.

Other. Other revenues include (a) underwriting fees representing gains, losses, and fees, net of syndicate expenses, arising from public equity and debt offerings in which G.research acts as underwriter or agent and are accrued as earned, and (b) other miscellaneous revenues.

Total revenues by type were as follows for the years ended December 31, 2019 and 2018 (in thousands):

	Year Ended December 31, 2019	2018
Revenues		
Investment advisory and incentive fees		
Asset-based advisory fees	$ 7,022	$ 7,384
Performance-based advisory fees	7,501	3,115
Sub-advisory fees	7,625	3,910
	22,148	14,409
Institutional research services		
Hard dollar payments	1,975	2,835
Commissions	5,904	5,349
Selling concessions	335	84
Sales manager fees	733	16
	8,947	8,284
Other		
Underwriting fees	96	19
Miscellaneous	74	67
	170	86
Total	$ 31,265	$ 22,779

D. Investments in Securities

Investments in securities at December 31, 2019 and 2018 consisted of the following (in thousands):

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Debt - Trading Securities:				
Government obligations	$ 28,428	$ 29,037	$ 11,694	$ 11,707
Equity Securities:				
Common stocks	271,627	262,562	244,557	213,151
Mutual funds	1,207	2,196	761	1,161
Other investments	7,847	6,562	5,285	3,941
Total investments in securities	309,109	300,357	262,297	229,960

Securities sold, not yet purchased at December 31, 2019 and 2018 consisted of the following (in thousands):

	2019		2018	
	Proceeds	Fair Value	Proceeds	Fair Value
Equity securities:				
Common stocks	$ 13,863	$ 16,300	$ 10,150	$ 9,485
Other investments	13	119	-	89
Total securities sold, not yet purchased	$ 13,876	$ 16,419	$ 10,150	$ 9,574

Investments in affiliated registered investment companies at December 31, 2019 and 2018 consisted of the following (in thousands):

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Equity securities:				
Closed-end funds	$ 75,646	$ 99,834	$ 73,950	$ 85,090
Mutual funds	48,348	59,477	49,714	57,045
Total investments in affiliated registered investment companies	$ 123,994	$ 159,311	$ 123,664	$ 142,135

The Company recognizes all equity derivatives as either assets or liabilities measured at fair value and includes them in either investment in securities or securities sold, not yet purchased on the consolidated statements of financial condition. From time to time, the Company and/or consolidated funds will enter into hedging transactions to manage their exposure to foreign currencies and equity prices related to their proprietary investments. At December 31, 2019 and December 31, 2018 we held derivative contracts on 3.4 million and 1.0 million equity shares, respectively, that are included in investments in securities or securities sold, not yet purchased on the consolidated statements of financial condition as shown in the table below. We had two foreign exchange contracts outstanding at December 31, 2019 and one at December 31, 2018. Except for the foreign exchange contracts entered into by the Company, these transactions are not designated as hedges for accounting purposes, and changes in fair values of these derivatives are included in net gain/(loss) from investments on the consolidated statements of income and included in investments in securities, securities sold, not yet purchased, or receivable from or payable to brokers on the consolidated statements of financial condition.

The following table identifies the fair values of all derivatives and foreign currency positions held by the Company (in thousands):

	Asset Derivatives			Liability Derivatives		
	Statement of Financial Condition Location	Fair Value December 31, 2019	Fair Value December 31, 2018	Statement of Financial Condition Location	Fair Value December 31, 2019	Fair Value December 31, 2018
Derivatives designated as hedging instruments under FASB ASC 815-20						
Foreign exchange contracts	Receivable from brokers	$ 23	$ 204	Payable to brokers	$ -	$ -
Derivatives not designated as hedging instruments under FASB ASC 815-20						
Equity contracts	Investments in securities	$ 291	$ 464	Securities sold, not yet purchased	$ 119	$ 89
Total		$ 314	$ 668		$ 119	$ 89

The following table identifies gains and losses of all derivatives and foreign currency positions held by the Company (in thousands):

Type of Derivative	Income Statement Location	Year ended December 31, 2019	Year ended December 31, 2018
Foreign exchange contracts	Net gain/(loss) from investments	$ 128	$ 204
Equity contracts	Net gain/(loss) from investments	(1,951)	4,774
Total		$ (1,823)	$ 4,978

The Company is a party to enforceable master netting arrangements for swaps entered into with major U.S. financial institutions as part of its investment strategy. They are typically not used as hedging instruments. These swaps, while settled on a net basis with the counterparties, are shown gross in assets and liabilities on the 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 of Recognized Assets	Gross Amounts Offset in the Statements of Financial Condition	Net Amounts of Assets Presented in the Statements of Financial Condition	Gross Amounts Not Offset in the Statements of Financial Condition: Financial Instruments	Cash Collateral Received	Net Amount
Swaps:			(In thousands)			
December 31, 2019	$ 291	$ -	$ 291	$ (119)	$ -	$ 172
December 31, 2018	$ 416	$ -	$ 416	$ (89)	$ -	$ 327

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statements of Financial Condition	Net Amounts of Liabilities Presented in the Statements of Financial Condition	Gross Amounts Not Offset in the Statements of Financial Condition: Financial Instruments	Cash Collateral Pledged	Net Amount
Swaps:			(In thousands)			
December 31, 2019	$ 119	$ -	$ 119	$ (119)	$ -	$ -
December 31, 2018	$ 89	$ -	$ 89	$ (89)	$ -	$ -

E. Investment Partnerships and Variable Interest Entities

The Company is general partner or co-general partner of various affiliated entities in which the Company had investments totaling $124.8 million and $100.1 million at December 31, 2019 and 2018, respectively, and whose underlying assets consist primarily of marketable securities (“Affiliated Entities”). We also had investments in unaffiliated partnerships, offshore funds and other entities of $20.5 million and $18.6 million at December 31, 2019 and 2018, respectively (“Unaffiliated Entities”). We evaluate each entity to determine its appropriate accounting treatment and disclosure. Certain of the Affiliated Entities, and none of the Unaffiliated Entities, are consolidated.

The value of entities where consolidation is not deemed appropriate consist of equity method investments which are included in investments in partnerships on consolidated statements of financial condition. This caption includes investments in Affiliated Entities and Unaffiliated Entities which the Company accounts for under the equity method of accounting. The Company reflects the equity in earnings of these Affiliated Entities and Unaffiliated Entities as net gain/(loss) from investments on the consolidated statements of income.

The following table reflects the net impact of the consolidated entities on the consolidated statements of financial condition in thousands):

	December 31, 2019		
	Prior to Consolidation	Consolidated Entities	As Reported
Assets			
Cash and cash equivalents	$ 335,421	$ 13,167	$ 348,588
Investments in securities (including GBL stock)	182,673	117,684	300,357
Investments in affiliated investment companies	211,024	(51,713)	159,311
Investments in partnerships	167,781	(22,409)	145,372
Receivable from brokers	7,759	16,391	24,150
Investment advisory fees receivable	9,604	(22)	9,582
Other assets	23,517	29	23,546
Total assets	$ 937,779	$ 73,127	$ 1,010,906
Liabilities and equity			
Securities sold, not yet purchased	$ 4,625	$ 11,794	$ 16,419
Accrued expenses and other liabilities	35,718	10,949	46,667
Redeemable noncontrolling interests	1	50,384	50,385
Total equity	897,435	-	897,435
Total liabilities and equity	$ 937,779	$ 73,127	$ 1,010,906

	December 31, 2018		
	Prior to Consolidation	Consolidated Entities	As Reported
Assets			
Cash and cash equivalents	$ 396,074	$ 13,490	$ 409,564
Investments in securities (including GBL stock)	131,764	98,196	229,960
Investments in affiliated investment companies	193,006	(50,871)	142,135
Investments in partnerships	138,119	(19,390)	118,729
Receivable from brokers	7,998	16,631	24,629
Investment advisory fees receivable	4,427	(33)	4,394
Other assets	24,551	471	25,022
Total assets	$ 895,939	$ 58,494	$ 954,433
Liabilities and equity			
Securities sold, not yet purchased	$ 4,631	$ 4,943	$ 9,574
Accrued expenses and other liabilities	25,060	3,751	28,811
Redeemable noncontrolling interests	-	49,800	49,800
Total equity	866,248	-	866,248
Total liabilities and equity	$ 895,939	$ 58,494	$ 954,433

The following table reflects the net impact of the consolidated entities on the consolidated statements of income (in thousands):

	Year Ended December 31, 2019		
	Prior to Consolidation	Consolidated Entities	As Reported
Total revenues	$ 32,821	$ (1,556)	$ 31,265
Total expenses	45,698	1,325	47,023
Operating loss	(12,877)	(2,881)	(15,758)
Total other income/(expense), net	64,267	6,399	70,666
Income/(loss) before income taxes	51,390	3,518	54,908
Income tax benefit	12,126	-	12,126
Net income/(loss) before NCI	39,264	3,518	42,782
Net income attributable to noncontrolling interests	76	3,518	3,594
Net loss	$ 39,188	$ -	$ 39,188

	Year Ended December 31, 2018		
	Prior to Consolidation	Consolidated Entities	As Reported
Total revenues	$ 22,855	$ (76)	$ 22,779
Total expenses	34,413	1,846	36,259
Operating loss	(11,558)	(1,922)	(13,480)
Total other income, net	(58,019)	2,638	(55,381)
Income/(loss) before income taxes	(69,577)	716	(68,861)
Income tax benefit	(11,478)	-	(11,478)
Net income/(loss) before NCI	(58,099)	716	(57,383)
Net loss attributable to noncontrolling interests	-	716	716
Net income	$ (58,099)	$ -	$ (58,099)

Variable Interest Entities

With respect to each consolidated VIE, its assets may only be used to satisfy its obligations. The investors and creditors of any consolidated VIE have no recourse to the Company's general assets. In addition, the Company neither benefits from such VIE's assets nor bears the related risk beyond its beneficial interest in the VIE.

The following table presents the balances related to VIEs that are consolidated and included on the consolidated statements of financial condition as well as the Company's net interest in these VIEs (in thousands):

	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 2,224	$ 2,560
Investments in securities	18,454	7,253
Receivable from broker	2,601	553
Investments in partnerships and affiliates	8,363	-
Accrued expenses and other liabilities	(329)	(42)
Redeemable noncontrolling interests	(9,592)	(419)
AC's net interests in consolidated VIEs	$ 21,721	$ 9,905

Equity Method Investments

The Company's equity method investments include investments in partnerships and offshore funds. These equity method investments are not consolidated but on an aggregate basis exceed 10% of the Company's consolidated total assets or income.

The summarized financial information of the Company's equity method investments as of and for the years ended December 31, 2019 and 2018 are as follows (in millions):

	December 31, 2019	December 31, 2018
Total assets	$ 1,607	$ 1,549
Total liabilities	246	260
Total equity	1,361	1,289

	For the year	
	2019	2018
Net income/(loss)	43	(12)

Capital may generally be redeemed from Affiliated Entities on a monthly basis upon adequate notice as determined in the sole discretion of each entity's investment manager. Capital invested in Unaffiliated Entities may generally be redeemed at various intervals ranging from monthly to annually upon notice of 30 to 95 days. Certain Unaffiliated Entities may require a minimum investment period before capital can be voluntarily redeemed (a "Lockup Period"). No investment in an Unaffiliated Entity has an unexpired Lockup Period. The Company has no outstanding capital commitments to any Affiliated or Unaffiliated Entity.

F. Fair Value

The following tables present information about the Company's assets and liabilities by major category measured at fair value on a recurring basis as of December 31, 2019 and 2018 and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

The following tables present assets and liabilities measured at fair value on a recurring basis as of the dates specified (in thousands):

	December 31, 2019			
Assets	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Cash equivalents	$ 343,428	$ -	$ -	$ 343,428
Investments in securities (including GBL stock):				
Trading - Gov't obligations	29,037	-	-	29,037
Common stocks	257,520	4,444	89	262,562
Mutual funds	2,196	-	-	2,196
Other	2,428	509	4,134	6,562
Total investments in securities	291,181	4,953	4,223	300,357
Investments in affiliated registered investment companies:				
Closed-end funds	99,834	-	-	99,834
Mutual funds	59,477	-	-	59,477
Total investments in affiliated registered investment companies	159,311	-	-	159,311
Total investments held at fair value	450,492	4,953	4,223	459,668
Total assets at fair value	$ 793,920	$ 4,953	$ 4,223	$ 803,096
Liabilities				
Common stocks	$ 16,300	$ -	$ -	$ 16,300
Other	-	119	-	119
Securities sold, not yet purchased	$ 16,300	$ 119	$ -	$ 16,419

	December 31, 2018			
Assets	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Cash equivalents	$ 407,239	$ -	$ -	$ 407,239
Investments in securities (including GBL stock):				
Gov't obligations	11,707	-	-	11,707
Common stocks	205,978	7,161	12	213,151
Mutual funds	1,161	-	-	1,161
Other	19	464	3,458	3,941
Total investments in securities	218,865	7,625	3,470	229,960
Investments in affiliated registered investment companies:				
Closed-end funds	85,090	-	-	85,090
Mutual funds	57,045	-	-	57,045
Total investments in affiliated registered investment companies	142,135	-	-	142,135
Total investments held at fair value	361,000	7,625	3,470	372,095
Total assets at fair value	$ 768,239	$ 7,625	$ 3,470	$ 779,334
Liabilities				
Common stocks	$ 9,485	$ -	$ -	$ 9,485
Other	-	89	-	89
Securities sold, not yet purchased	$ 9,485	$ 89	$ -	$ 9,574

The following table presents additional information about assets by major category measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	Year ended December 31, 2019			Year ended December 31, 2018		
	Common Stocks	Other	Total	Common Stocks	Other	Total
Beginning balance	$ 12	$ 3,458	$ 3,470	$ 618	$ 1,169	$ 1,787
Consolidated funds	-	-	-	-	984	984
Total gains/(losses)	14	673	687	(1)	(3,489)	(3,490)
Purchases	-	3	3	-	4,773	4,773
Sales	-	-	-	-	(32)	(32)
Transfers	63	-	63	(605)	53	(552)
Ending balance	$ 89	$ 4,134	$ 4,223	$ 12	$ 3,458	$ 3,470
Changes in net unrealized gain/(loss) included in Net gain/(loss) from investments related to Level 3 assets still held as of the reporting date	$ (8)	$ 673	$ 665	$ (1)	$ (3,504)	$ (3,505)

Total realized and unrealized gains and losses for level 3 assets are reported in net gain/(loss) from investments in the consolidated statements of income.

During the years ended December 31, 2019 and 2018, the Company transferred investments with a value of approximately $63,000 and $53,000, respectively, from Level 1 to Level 3 due to the unavailability of observable inputs. For the year ended December 31, 2018, the Company transferred an investment with a value of approximately $605,000 from Level 3 to Level 1 due to increased availability of market price quotations.

G. Income Taxes

The provision for income taxes for the years ended December 31, 2019 and 2018 consisted of the following (in thousands):

	2019	2018
Federal:		
Current	$ 4,294	$ 1,223
Deferred	6,680	(11,631)
State and local:		
Current	472	124
Deferred	680	(1,194)
Total	$ 12,126	$ (11,478)

A reconciliation of the federal statutory rate to the effective tax rate for the years ended December 31, 2019 and 2018 is set forth below:

	2019	2018
Statutory Federal income tax rate	21.0%	21.0%
State income tax, net of Federal benefit	1.7	1.3
Dividends received deduction	(0.5)	0.4
Donation of appreciated securities	-	-
Deferred tax asset valuation allowance	1.0	(1.0)
Nondeductible capital losses	-	(4.5)
Accelerated vesting of restricted stock awards	-	-
Noncontrolling interests	(1.7)	-
Other	0.2	(0.5)
Effective income tax rate	21.7%	16.7%

Significant components of our deferred tax assets and liabilities as of December 31, 2019 and 2018 are as follows (in thousands):

	2019	2018
Deferred tax assets:		
Stock-based compensation expense	$ 470	$ 139
Investments in securities and partnerships	-	5,100
Deferred compensation	499	2,392
Shareholder-designated contribution carryover (a)	1,446	1,898
Other	-	90
	2,415	9,619
Deferred tax liabilities:		
Investments in securities and partnerships	(27)	-
Other liabilities	(384)	(197)
	(411)	(197)
Net deferred tax assets/(liabilities)	$ 2,004	$ 9,422

(a) Net of valuation allowance of $1,385 and $719 for 2019 and 2018, respectively

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits related to uncertain tax positions is as follows (in thousands):

Balance at January 1, 2018	$ 11
Reductions for tax positions of prior years	(5)
Balance at December 31, 2018	$ 6
Reductions for tax positions of prior years	(6)
Balance at December 31, 2019	$ -

The Company records penalties and interest related to tax uncertainties in income taxes. As of December 31, 2018 the Company had gross unrecognized tax benefits of $5,688 of which $4,494 if recognized, would impact the Company’s effective tax rate. The Company has accrued liabilities of $3,071 as of December 31, 2018 for interest and penalties. These amounts are included in accrued expenses and other liabilities on the consolidated statements of financial condition.

The Company remains subject to income tax examination by the IRS for the years 2017 and 2018 and state examinations for years after 2011.

H. Earnings per Share

Basic earnings per share is computed by dividing net income/(loss) attributable to our shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share is computed by dividing net income/(loss) attributable to our shareholders by the weighted average number of shares outstanding during the period.

The computations of basic and diluted net income/(loss) per share are as follows (in thousands, except per share data):

	For the Years Ending December 31,	
	2019	2018
Basic:		
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 39,188	$ (58,099)
Weighted average shares outstanding	22,534	23,070
Basic net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share	$ 1.74	$ (2.52)
Diluted:		
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 39,188	$ (58,099)
Weighted average share outstanding	22,534	23,070
Dilutive restricted stock awards	-	-
Total	22,534	23,070
Diluted net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share	$ 1.74	$ (2.52)

I. Related Party Transactions

The following is a summary of certain related party transactions.

GGCP, Inc., a private company controlled by the Executive Chairman, indirectly owns a majority of our Class B stock, representing approximately 95% of the combined voting power and 82% of the outstanding shares of our common stock at December 31, 2019.

Loans with related parties

On April 23, 2019, the Company issued a promissory note for $2.1 million to our Executive Chairman. The promissory note was re-paid with interest at 1% per annum on May 28, 2019.

AC received principal repayments on the GAMCO Note totaling $50 million in each of the years ended December 31, 2018 and 2017. The GAMCO Note was fully paid in 2018. Interest income of $0.8 million paid on the GAMCO Note is included in interest and dividend income on the consolidated statements of income for the years ended December 31, 2018. See Note A, Organization.

On December 26, 2017, GAMCO issued a promissory note to the Company for $15 million. The note principal and related interest of $40,000 were paid on February 28, 2018.

Investments in Securities

In August 2006, a son of the Executive Chairman was given responsibility for managing one proprietary investment account. The balance in the proprietary investment account at December 31, 2019 and 2018 was $26.3 million and $18.2 million, respectively, of which $1.0 million and $0.1 million, respectively, is owed to the portfolio manager representing earnings that have been re-invested in the account.

At December 31, 2019 and 2018, the value of the Company's investment in GAMCO common stock was $57.2 million and $50.9 million, respectively. The Company recorded dividend income of $0.3 million and $0.3 million in 2019 and 2018, respectively from GAMCO which is included in interest and dividend income on the consolidated statements of income. For the year, GBL stock price increased 15.4% to $19.49 per share, resulting in a $7.6 million mark-to-market gain for the Company versus a mark-to-market loss of $38 million in 2018.

At December 31, 2019 and 2018, the Company invested $336.7 million and $398.3 million, respectively, in the Gabelli U.S. Treasury Money Market Fund, which is recorded in cash and cash equivalents on the consolidated statements of financial condition. For the years ending December 31, 2019 and 2018, the Company earned interest of $7.8 million and $5.5 million from their investments in this fund, respectively.

Investments in affiliated equity mutual funds advised by Gabelli Funds and Teton Advisors, Inc., an investment advisor under common control with the Company, totaled $159.3 million and $142.4 million at December 31, 2019 and 2018, respectively and are included in investments in affiliated registered investment companies on the consolidated statements of financial condition. Included in other income/(expense) are $38.7 million and $21.4 million of gains from investments and dividends with respect to funds advised by Gabelli Funds and Teton Advisors, Inc. for the years ending December 31, 2019 and 2018, respectively.

Investments in Partnerships

We had an aggregate investment in affiliated Investment Partnerships of approximately $124.8 million and $100.1 million at December 31, 2019 and 2018, respectively. Affiliates of the Company, including its consolidated subsidiaries, receive management fees and incentive fees and allocations of up to 20% with respect to certain of these investments.

Investment Advisory Services

Pursuant to a sub-advisory agreement with the Company, Gabelli Funds pays GCIA 90% of the net revenues it receives related to investment advisory services provided to GAMCO International SICAV – GAMCO Merger Arbitrage, an investment company incorporated under the laws of Luxembourg (the "SICAV"). For this purpose, net revenues are defined as gross advisory fees less expenses related to payouts and expenses of the SICAV paid by Gabelli Funds. GCIA received $4.1 million and $3.9 million during 2019 and 2018, respectively under this sub-advisory agreement. These payments are included in investment advisory and incentive fees on the consolidated statements of income.

Institutional Research Services

In 2019 and 2018, G.research earned $4.9 million and $3.8 million, respectively, or 76% and 62%, respectively, of its commission revenue from transactions executed on behalf of Gabelli Funds and GAMCO Asset. These commissions are included in institutional research services on the consolidated statements of income.

Pursuant to research services agreements, GAMCO Asset paid $0.8 million and $1.0 million and Gabelli Funds paid $0.7 million and $1.0 million to G.research for the years ended December 31, 2019 and 2018, respectively. On October 11, 2019, the parties agreed to terminate the research services agreement effective January 1, 2020. As required by the Company's Code of Ethics, staff members are required to maintain their brokerage accounts at G.research unless they receive authorization to maintain an outside account. G.research offers our staff and the staffs of other affiliated entities the opportunity to engage in brokerage transactions at discounted commission rates. Accordingly, many of our staff members, including the executive officers or entities controlled by them, have brokerage accounts at G.research and have engaged in securities transactions at discounted rates.

Compensation

In accordance with an employment agreement, the Company pays the Executive Chairman, or his designated assignees, a management fee equal to 10% of the Company's pretax profits before consideration of this fee and before consolidation of Investment Partnerships. In 2019, the Company recorded management fee expense of $5.7 million; there was no management fee expense in 2018. These fees are recorded as management fee on the consolidated statements of income.

Affiliated Receivables/Payables

At December 31, 2019 and 2018, the receivable from affiliates consists primarily of sub-advisory fees due from Gabelli Funds.

At December 31, 2019 and 2018, the payable to affiliates primarily consisted of expenses paid by affiliates on behalf of the Company.

GAMCO Sublease

In June 2016, AC entered into a sublease agreement with GBL which is subject to annual renewal. Pursuant to the sublease, AC and its subsidiaries pay a monthly fixed lease amount based on the percentage of square footage occupied by its employees (including pro rata allocation of common space) at GBL's corporate offices. For the years ended December 31, 2019 and 2018, the Company paid $501,327 and $463,286 respectively, under the sublease agreement. These amounts are included in other operating expenses on the consolidated statements of income.

J. Equity

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 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. Holders of each share class, however, are not eligible to vote on matters relating exclusively to the other share class.

Stock Award and Incentive Plan

The Company maintains one stock award and incentive plan (the "Plan") approved by the shareholders on May 3, 2016, which is designed to provide incentives to attract and retain individuals key to the success of AC through direct or indirect ownership of our common stock. Benefits under the Plan 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 2 million shares of Class A Stock have been reserved for issuance under the Plan by the Compensation Committee of the Board of Directors (the "Compensation Committee") which is responsible for administering the Plan. Under the Plan, the Compensation Committee may grant RSAs 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 it may determine. Through December 31, 2019, approximately 700,000 shares have been awarded under the Plan leaving approximately 1.3 million shares for future grants.

On November 30, 2015, in connection with the Spin-off, the Company issued 554,100 AC RSA shares to GAMCO employees (including GAMCO employees who became AC employees) who held 554,100 GAMCO RSA shares at that date. The purpose of the issuance was to ensure that any employee who had GAMCO RSAs were granted an equal number of AC RSAs so that the total value of the RSAs post-spin-off was equivalent to the total value pre-spin-off. In accordance with GAAP, we have allocated the stock compensation costs of both the AC RSAs and the GAMCO RSAs between GAMCO and AC based upon the allocation of each employee's responsibilities between the companies. During 2017, the vesting of all of the outstanding AC RSAs and all but 19,400 GAMCO RSAs was accelerated, and they are no longer outstanding. Similarly, the vesting of the GAMCO RSAs outstanding as of December 31, 2017 was accelerated in the first quarter of 2018.

There were no RSAs outstanding as of December 31, 2019 or 2018.

In August and December 2018, the Company's Board of Directors approved the grant of 172,800 shares of Phantom Restricted Stock awards ("Phantom RSAs"). Under the terms of the grants, which were effective August 8 and December 31 of 2018, the Phantom RSAs vest 30% and 70% after three and five years, respectively. The Phantom RSAs will be settled by a cash payment, net of applicable withholding tax, on the vesting dates. In addition, an amount equivalent to the cumulative dividends declared on shares of the Company's Class A common stock during the vesting period will be paid to participants on vesting.

Pursuant to ASC 718, the Phantom RSAs are treated as a liability because cash settlement is required and compensation will be recognized over the vesting period. In determining the compensation expense to be recognized each period, the Company will re-measure the fair value of the liability at each reporting date taking into account the remaining vesting period attributable to each award and the current market value of the Company's Class A stock. In making these determinations, the Company will consider the impact of Phantom RSAs that have been forfeited prior to vesting (e.g., due to an employee termination). The Company has elected to consider forfeitures as they occur. Based on the closing price of the Company's Class A Common Stock on December 31, 2019 and 2018, the total liability recorded by the Company in compensation payable as of December 31, 2019 and 2018, with respect to the Phantom RSAs was $2.0 million and $0.6 million, respectively.

For the years ended December 31, 2019 and 2018, the Company recorded approximately $1.4 million and $0.7 million in stock-based compensation expense, respectively. This expense is included in compensation expense in the consolidated statements of income.

As of December 31, 2019, there were 119,650 Phantom RSAs outstanding. The unrecognized compensation expense related to these was $3.9 million which is expected to be recognized over a weighted-average period of 2 years. As of December 31, 2018, there were 170,300 Phantom RSAs outstanding and $5.4 million unrecognized compensation expense.

Stock Repurchase Program

In 2019, the Company repurchased 0.1 million shares at an average price of $37.62 per share for a total investment of $4.1 million. In 2018, the Company repurchased 0.2 million shares at an average price of $37.52 per share for a total investment of $7.0 million.

Exchange Offers

In February 2018, AC completed an exchange offer with respect to its Class A shares. Tendering shareholders received 1.35 GAMCO Class A shares for each AC Class A share, together with cash in lieu of any fractional share. Upon completion of the offer, shareholders tendered 493,954 Class A shares in exchange for 666,805 GAMCO Class A shares with a value of $17.7 million.

In October 2018, the Company completed an exchange offer with respect to its Class A shares. Tendering shareholders received 1.9 GAMCO Class A shares for each AC Class A share, together with cash in lieu of any fractional share. Upon completion of the offer, shareholders tendered 373,581 shares in exchange for 709,749 GAMCO shares with a value of approximately $14.6 million.

Dividends

During 2019, the Company declared dividends of $0.20 per share to class A and class B shareholders totaling $4.5 million, of which $2.3 million is payable on January 9, 2020 and is included in accrued expenses and other liabilities on the consolidated statement of financial condition as of December 31, 2019.

During 2018, the Company declared dividends of $0.20 per share to class A and class B shareholders totaling $4.6 million, of which $2.3 million was paid on January 9, 2019 and is included in accrued expenses and other liabilities on the consolidated statements of financial condition as of December 31, 2018.

K. Retirement Plan

The Company participates in an incentive savings plan (the "Savings Plan") covering substantially all employees. Company contributions to the Savings Plan are determined annually by management of the Company but may not exceed the amount permitted as a deductible expense under the Internal Revenue Code of 1986, as amended. The expense for contributions to the Savings Plan was approximately $29,000 and $11,000 in 2019 and 2018, respectively, and is included in compensation on the consolidated statements of income.

L. Guarantees, Contingencies, and Commitments

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. We are 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, if any, that the Company believes are probable and estimable. Furthermore, the Company evaluates whether losses exist which may be reasonably possible and will, if material, make the necessary disclosures. Management believes, however, that such amounts, both those that are probable and those that are reasonably possible, are not material to the Company's financial condition, results of operations or cash flows at December 31, 2019.

G.research has agreed to indemnify clearing brokers for losses they may sustain from customer accounts introduced by G.research that trade on margin. At each of December 31, 2019 and 2018, the total amount of customer balances subject to indemnification (i.e., unsecured margin debits) was immaterial.

The Company has also 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, and, therefore, no accrual has been made on the consolidated financial statements.

M. Net Capital Requirements

G.research is registered with the SEC as a broker-dealer and is regulated by FINRA. As such, G.research is subject to the minimum net capital requirements promulgated by the SEC. G.research computes its net capital under the alternative method permitted by the SEC, which results in required minimum net capital of $250,000. As of December 31, 2019, and 2018, G.research had net capital, as defined, of approximately $4.6 million and $9.1 million, respectively, exceeding the regulatory requirement by approximately $4.3 million and $8.8 million, respectively. Net capital requirements for G.research may increase in accordance with rules and regulations to the extent it engages in other business activities.

N. Shareholder-Designated Contribution Plan

The Company has established a Shareholder Designated Charitable Contribution program. Under the program, from time to time each shareholder is eligible to designate a charity to which the Company would make a donation at a rate of twenty-five cents per share based upon the actual number of shares registered in the shareholder's name. The Company recorded an expense of $3.3 million and $3.3 million related to this program for the years ended December 31, 2019 and 2018, respectively, which is included in shareholder-designated contribution in the consolidated statements of income. As of December 31, 2019 and 2018, the Company has reflected a liability in the amount of $2.0 million and $3.3 million in connection with this program which is included in accrued expenses and other liabilities on the consolidated statement of financial condition, respectively.

O. Subsequent Events

A significant portion of G.research institutional research services have been provided to GAMCO and its affiliates. These agreements were terminated on January 1, 2020 and compensation from Gabelli Funds and GAMCO Asset and costs related to servicing these arrangements are expected to decrease.

As of December 31, 2019, 119,650 awarded but unvested Phantom RSAs are outstanding. On February 4, 2020, an additional 23,000 Phantom RSA's were forfeited by teammates who transferred to Morgan Group Holding Co. resulting in 96,650 Phantom RSA's remaining outstanding.

On March 14, 2020, the Associated Capital Group Board of Directors approved the spin-off of Morgan Group to Associated Capital shareholders. Associated Capital will distribute to its shareholders on a pro rata basis the 50,000,000 shares of Morgan that Associated Capital owns.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our current management, including our CEO and CAO, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2019. Based on this evaluation of our disclosure controls and procedures management has concluded that our disclosure controls and procedures were not effective as of December 31, 2019 because of a material weakness in our internal control over financial reporting, as further described below.

Notwithstanding that our disclosure controls and procedures as of December 31, 2019 were not effective, and the material weakness in our internal control over financial reporting as described below, management believes that the consolidated financial statements and related financial information included in this Annual Report on Form 10-K fairly present in all material respects our financial condition, results of operations and cash flows as of the dates presented, and for the periods ended on such dates, in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act and based upon the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO framework")). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with GAAP.

An effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error or overriding of controls, and therefore can provide only reasonable assurance with respect to reliable financial reporting. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect all misstatements, including the possibility of human error, the circumvention or overriding of controls, or fraud. Effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that a reasonable possibility exists that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis.

Under the supervision and with the participation of our management we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the COSO framework. Based on evaluation under these criteria, management determined, based upon the existence of the material weakness described below, that we did not maintain effective internal control over financial reporting as of the Evaluation Date.

The material weakness in internal control over financial reporting was caused by the Company not having sufficient personnel with technical accounting and reporting skills, which resulted in the lack of segregation of duties to separate financial statement preparation from senior management review and misstatements related to nonroutine transactions that were corrected before issuance. This material weakness resulted in an increased risk of a material misstatement in the financial statements.

Changes in Internal Control Over Financial Reporting

Except for the identification of the material weakness described above, there were no changes during the quarter ended December 31, 2019 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Remediation Plan and Status

In light of the material weakness in our internal controls over financial reporting, management has taken steps to enhance and improve the design and operating effectiveness of our internal controls over financial reporting, including the following implemented steps: (i) appointed additional qualified personnel to address inadequate segregation of duties; (ii) assigned preparation and review responsibilities to additional personnel for the financial reporting process; (iii) documented the completion and review of assigned responsibilities through checklists (iv) appointed a senior accounting consulting professional to review work performed by current financial reporting personnel and commenced a search to add additional finance staff to augment accounting personnel.

We are working to remediate the material weakness as quickly and efficiently as possible. However, the material weakness will not be considered remediated until the remediated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

ITEM 9B: OTHER INFORMATION

None.

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding the Directors and Executive Officers of AC and compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference from the Company's Proxy Statement for the 2020 Annual Meeting of Stockholders (the "Proxy Statement").

AC has adopted a Code of Business Conduct that applies to all of our officers, directors, full-time and part-time employees and a Code of Conduct that sets forth additional requirements for our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions (together, the "Codes of Conduct"). The Codes of Conduct are posted on our website (www.associated-capital-group.com) and are available in print free of charge to anyone who requests a copy. Interested parties may address a written request for a printed copy of the Codes of Conduct to: Secretary, Associated Capital Group, Inc. 191 Mason Street, Greenwich, Connecticut 06830. We intend to satisfy the disclosure requirement regarding any amendment to, or a waiver of, a provision of the Codes of Conduct by posting such information on our website.

In addition to the certifications attached as Exhibits to this Form 10-K, following its 2020 Annual Meeting, AC will also submit to the New York Stock Exchange ("NYSE") a certification by our Chief Executive Officer that he is not aware of any violations by AC of the NYSE corporate governance listing standards as of the date of the certification.

ITEM 11: EXECUTIVE COMPENSATION

Information required by Item 11 is included in our Proxy Statement and is incorporated herein by reference.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by Item 12 is included in our Proxy Statement and is incorporated herein by reference.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by Item 13 is included in our Proxy Statement and is incorporated herein by reference.

ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by Item 14 is included in our Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) List of documents filed as part of this Report:

(1) Consolidated Financial Statements and Independent Registered Public Accounting Firm's Reports included herein:

See Index on page 23.

(2) Financial Statement Schedules

Financial statement schedules are omitted as not required or not applicable or because the information is included in the Financial Statements or notes thereto.

(3) List of Exhibits:

The agreements included or incorporated by reference as exhibits to this Annual Report on Form 10-K contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may have been qualified in such agreement by disclosures that were made to the other party in connection with the negotiation of the applicable agreement; (iii) may apply contract standards of "materiality" that are different from "materiality" under the applicable securities laws; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

The Company acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this report not misleading.

Exhibit Number	Description of Exhibit
2.1	Separation and Distribution Agreement, dated November 30, 2015, between GAMCO Investors, Inc., a Delaware corporation ("GAMCO"), and Associated Capital Group, Inc., a Delaware corporation (the "Company"). (Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K dated November 30, 2015 filed with the Securities and Exchange Commission on December 4, 2015).
3.1	Amended and Restated Certificate of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K dated November 19, 2015 filed with the Securities and Exchange Commission on November 25, 2015).
3.2	Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit 3.2 to the Company's Report on Form 8-K dated November 19, 2015 filed with the Securities and Exchange Commission on November 25, 2015).
4.1	Form of Common Stock Certificate. (Incorporated by reference to Exhibit 4.1 to Amendment No. 4 to the Company's Registration Statement on Form 10 filed with the Securities and Exchange Commission on October 21, 2015).
4.2	Description of The Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
10.1	Service Mark and Name License Agreement, dated November 30, 2015, by and between the Company and GAMCO. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015
10.2	Transitional Administrative and Management Services Agreement, dated November 30, 2015, by and between the Company and GAMCO. (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015).
10.3	Employment Agreement between the Company and Mario J. Gabelli dated November 30, 2015 (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015).
10.4	Promissory Note in aggregate principal amount of $250,000,000, dated November 30, 2015, issued by GAMCO in favor of the Company (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015).
10.5	Tax Indemnity and Sharing Agreement, dated November 30, 2015, by and between the Company and GAMCO. (Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015).

Exhibit Number	Description of Exhibit
10.6	2015 Stock Award Incentive Plan (Incorporated by reference to Exhibit 10.11 to Amendment No. 4 to the Company's Registration Statement on Form 10 filed with the Securities and Exchange Commission on October 21, 2015).
10.7	Form of Indemnification Agreement by and between the Company and the Indemnitee defined therein (Incorporated by reference to Exhibit 10.7 to Amendment No. 4 to the Company's Registration Statement on Form 10 filed with the Securities and Exchange Commission on October 21, 2015).
10.8	Agreement and Plan of Merger, dated as of October 31, 2019, by and among Morgan Group Holding Co., G.R. acquisition, LLC, G.research, LLC, Institutional Services Holdings, LLC and Associated Capital Group, Inc. (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Morgan Group Holding Co. filed with the Securities and Exchange Commission on November 6, 2019).
21.1	Subsidiaries of the Company.
24.1	Powers of Attorney (included on page 60 of this Report).
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.
100.INS	XBRL Instance Document
100.SCH	XBRL Taxonomy Extension Schema Document
100.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
100.DEF	XBRL Taxonomy Extension Definition Linkbase Document
100.LAB	XBRL Taxonomy Extension Label Linkbase Document
100.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

ITEM 16: FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Rye, State of New York, on March 16, 2020.

ASSOCIATED CAPITAL GROUP, INC.

By: /s/ Kenneth D. Masiello
Name: Kenneth D. Masiello
Title: Chief Accounting Officer

Date: March 16, 2020

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Kevin Handwerker and Kenneth D. Masiello and each of them, their true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for them in their name, place and stead, in any and all capacities, to sign any and all amendments to this report and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Douglas R. Jamieson Douglas R. Jamieson	President and Chief Executive Officer (Principal Executive Officer)	March 16, 2020
/s/ Kenneth D. Masiello Kenneth D. Masiello	Chief Accounting Officer (Principal Financial Officer)	March 16, 2020
/s/ Mario J. Gabelli Mario J. Gabelli	Executive Chairman of the Board and Director	March 16, 2020
/s/ Marc Gabelli Marc Gabelli	Director	March 16, 2020
/s/ Daniel R. Lee Daniel R. Lee	Director	March 16, 2020
/s/ Bruce M. Lisman Bruce M. Lisman	Director	March 16, 2020
/s/ Frederic V. Salerno Frederic V. Salerno	Director	March 16, 2020
/s/ Salvatore F. Sodano Salvatore F. Sodano	Director	March 16, 2020
/s/ Elisa M. Wilson Elisa M. Wilson	Director	March 16, 2020

Exhibit 4.2

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Unless otherwise stated or the context otherwise requires, references in this summary to "AC," "we," "our," or "us" refer to Associated Capital Group, Inc. and its direct and indirect subsidiaries, while references to "Associated Capital Group, Inc." refer only to the holding company on an unconsolidated basis.

Associated Capital Group, Inc. has Class A common stock registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The authorized capital stock of Associated Capital Group, Inc. consists of 210,000,000 shares of authorized capital stock, consisting of: (i) 100,000,000 shares of AC Class A Common Stock; (ii) 100,000,000 shares of AC Class B Common Stock; and (iii) 10,000,000 shares of preferred stock. The following Is a summary of the material terms of AC's Class A Common Stock. This summary is qualified in its entirety by reference to Associated Capital Group, Inc.'s Amended and Restated Certificate of Incorporation (the "certificate of incorporation") and Amended and Restated By-laws (the "bylaws"), which are incorporated herein by reference as Exhibit 3.1 and Exhibit 3.2, respectively, to Associated Capital Group, Inc.'s Annual Report on Form 10-K of which this Exhibit 4.2 is a part. We encourage you to read the certificate of incorporation, bylaws and applicable provisions of the Delaware General Corporation Law (the "DGCL") for additional information.

DESCRIPTION OF CLASS A COMMON STOCK

Voting Rights

The holders of AC Class A Common Stock and the AC Class B Common Stock have identical voting rights except that:

- holders of AC Class A Common Stock are entitled to one vote per share while holders of AC Class B Common Stock are entitled to ten votes per share on all matters to be voted on by stockholders; and
- holders of AC Class A Common Stock are not eligible to vote on matters relating exclusively to AC Class B Common Stock and vice versa.

Holders of shares of AC Class A Common Stock and AC Class B Common Stock are not entitled to cumulate their votes in the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes that are entitled to be cast by the holders of all shares of AC Class A Common Stock and AC Class B Common Stock present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any preferred stock. Except as otherwise provided by law, and subject to any voting rights granted to holders of any outstanding preferred stock, amendments to the certificate of incorporation generally must be approved by a majority of the combined voting power of all AC Class A Common Stock and AC Class B Common Stock voting together as a single class. Amendments to the certificate of incorporation that would alter or change the powers, preferences or special rights of the AC Class A Common Stock or the AC Class B Common Stock so as to affect them adversely also must be approved by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class.

Dividends

Holders of AC Class A Common Stock and AC Class B Common Stock will receive an equal amount per share in any dividend declared by our Board, subject to any preferential rights of any outstanding preferred stock. Dividends consisting of shares of AC Class A Common Stock and AC Class B Common Stock may be paid only as follows:

- shares of AC Class A Common Stock may be paid only to holders of AC Class A Common Stock and shares of AC Class B Common Stock may be paid only to holders of AC Class B Common Stock; and

- shares will be paid proportionally with respect to each outstanding share of AC Class A Common Stock and AC Class B Common Stock.

Other Rights

On liquidation, dissolution or winding up of AC, after payment in full of the amounts required to be paid to holders of preferred stock, if any, all holders of AC common stock, regardless of class, are entitled to share ratably in any assets available for distribution to holders of shares of common stock. No shares of AC common stock are subject to redemption or have preemptive rights to purchase additional shares of AC common stock.

In the event of any corporate merger, consolidation, purchase or acquisition of property or stock, or other reorganization in which any consideration is to be received by the holders of AC Class A Stock or the holders of AC Class B Common Stock as a class, the holders of AC Class A Common Stock and the holders of AC Class B Common Stock will receive the same consideration on a per share basis; except that, if such consideration shall consist in any part of voting securities (or of options or warrants to purchase, or of securities convertible into or exchangeable for, voting securities), the holders of AC Class B Common Stock may receive, on a per share basis, voting securities with up to ten times the number of votes per share as those voting securities to be received by the holders of AC Class A Common Stock (or options or warrants to purchase, or securities convertible into or exchangeable for, voting securities with up to ten times the number of votes per share as those voting securities issuable upon exercise of the options or warrants, or into which the convertible or exchangeable securities may be converted or exchanged, received by the holders of AC Class A Common Stock). Accordingly, except with respect to voting rights, the holders of AC Class B Common Stock will not receive greater value than the holders of AC Class A Common Stock in an extraordinary corporate transaction involving AC.

Listing

The Class A Common Stock is listed on the NYSE under the symbol “AC.”

Transfer Agent and Registrar

The transfer agent and registrar for the AC common stock is Computershare Trust Company, N.A.

Exhibit 21.1

Subsidiaries of Associated Capital Group, Inc.

The following table lists the direct and indirect subsidiaries of Associated Capital Group, Inc. (the "Company"), except those entities which are consolidated. In accordance with Item 601 (21) of Regulation S-K, the omitted subsidiaries considered in the aggregate as a single subsidiary would not constitute a "significant subsidiary" as defined under Rule 1-02(w) of Regulation S-X.

Name	Jurisdiction of Incorporation or Organization
Gabelli & Company Investment Advisers, Inc.	Delaware
(100%-owned by the Company)	
Gabelli & Partners LLC	Delaware
(100%-owned by Gabelli & Company Investment Advisers, Inc.)	
Gabelli Arbitrage Holdings LLC	Delaware
(100%-owned by the Company)	
Gabelli Trading Holdings LLC	Delaware
(100%-owned by the Company)	
Institutional Services Holdings, LLC	Delaware
(100%-owned by the Company)	
Morgan Group Holding Co.	Delaware
(83.3% -owned by the Company)	
G.research, LLC	Delaware
(100%-owned by Morgan Group Holding Co.)	

Exhibit 31.1

Certifications

I, Douglas R. Jamieson, certify that:

1. I have reviewed this annual report on Form 10-K of Associated Capital Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of income and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of the end of the period covered by this report; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Douglas R. Jamieson
Name: Douglas R. Jamieson
Title: Chief Executive Officer

Date: March 16, 2020

Exhibit 31.2

Certifications

I, Kenneth D. Masiello, certify that:

1. I have reviewed this annual report on Form 10-K of Associated Capital Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of income and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of the end of the period covered by this report; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Kenneth D. Masiello
Name: Kenneth D. Masiello
Title: Chief Accounting Officer

Date: March 16, 2020

Exhibit 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

In connection with the Annual Report on Form 10-K of Associated Capital Group, Inc. (the "Company") for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Douglas R. Jamieson, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of income of the Company.

By: /s/ Douglas R. Jamieson
Name: Douglas R. Jamieson
Title: Chief Executive Officer

Date: March 16, 2020

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

Exhibit 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

In connection with the Annual Report on Form 10-K of Associated Capital Group, Inc. (the “Company”) for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Kenneth D. Masiello, as Chief Accounting Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of income of the Company.

By: /s/ Kenneth D. Masiello
Name: Kenneth D. Masiello
Title: Chief Accounting Officer

Date: March 16, 2020

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.