SECURITIES & EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 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 No. 001-37387

ASSOCIATED CAPITAL GROUP, INC.
(Exact name of Registrant as specified in its charter)

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

(203) 629-9595
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files) Yes☒ No☐

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

Large accelerated filer ☐ Accelerated filer ☒

Non-accelerated filer ☐ Smaller reporting company ☒ 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 Section13(a) of the Exchange Act. ☒

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

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock, as of the latest practical date.

Class	Outstanding at October 31, 2019
Class A Common Stock, .001 par value	3,466,245
Class B Common Stock, .001 par value	19,022,918

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES

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* Items other than those listed above have been omitted because they are not applicable.

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

	September 30, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 350,934	$ 409,564
Investments in securities	245,063	179,011
Investment in GBL stock (3,016,501 shares)	58,973	50,949
Investments in affiliated registered investment companies	152,453	142,135
Investments in partnerships	143,658	118,729
Receivable from brokers	23,702	24,629
Investment advisory fees receivable	1,287	4,394
Receivable from affiliates	738	1,309
Deferred tax assets, net	4,403	9,422
Goodwill and intangible assets	3,519	3,519
Other assets	8,395	10,772
Total assets	$ 993,125	$ 954,433
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Payable to brokers	$ 10,557	$ 5,511
Income taxes payable	3,888	3,577
Compensation payable	11,594	11,388
Securities sold, not yet purchased	25,475	9,574
Payable to affiliates	472	515
Accrued expenses and other liabilities	2,643	7,820
Total liabilities	54,629	38,385
Redeemable noncontrolling interests	49,699	49,800
Equity:		
Preferred stock, $0.001 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; 3,473,355 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	1,006,065	1,008,319
Accumulated deficit	(11,723)	(39,889)
Treasury stock, at cost (3,095,899 and 3,007,016 shares, respectively)	(105,570)	(102,207)
Total Associated Capital Group, Inc. stockholders' equity	888,797	866,248
Total liabilities and equity	$ 993,125	$ 954,433

See accompanying notes.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues				
Investment advisory and incentive fees	$ 2,753	$ 2,805	$ 8,199	$ 7,949
Institutional research services	2,354	1,855	6,343	6,179
Other	11	6	49	37
Total revenues	5,118	4,666	14,591	14,165
Expenses				
Compensation	4,808	5,618	16,288	17,812
Stock-based compensation	256	289	955	361
Other operating expenses	3,063	2,258	11,384	7,187
Total expenses	8,127	8,165	28,627	25,360
Operating loss	(3,009)	(3,499)	(14,036)	(11,195)
Other income (expense)				
Net gain/(loss) from investments	7,606	(7,977)	42,351	(18,936)
Interest and dividend income	2,618	3,466	9,699	9,338
Interest expense	(69)	(70)	(148)	(142)
Total other income (expense), net	10,155	(4,581)	51,902	(9,740)
Income/(loss) before income taxes	7,146	(8,080)	37,866	(20,935)
Income tax expense/(benefit)	1,554	(858)	7,468	(4,204)
Net income/(loss)	5,592	(7,222)	30,398	(16,731)
Net income/(loss) attributable to noncontrolling interests	(359)	157	2,232	1,053
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 5,951	$ (7,379)	$ 28,166	$ (17,784)
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share:				
Basic	$ 0.26	$ (0.32)	$ 1.25	$ (0.77)
Diluted	$ 0.26	$ (0.32)	$ 1.25	$ (0.77)
Weighted average shares outstanding:				
Basic	22,514	22,979	22,550	23,187
Diluted	22,514	22,979	22,550	23,187

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

UNAUDITED

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income/(loss)	$ 5,592	$ (7,222)	$ 30,398	$ (16,731)
Less: Comprehensive income/(loss) attributable to noncontrolling interests	(359)	157	2,232	1,053
Comprehensive income/(loss) attributable to Associated Capital Group, Inc.	$ 5,951	$ (7,379)	$ 28,166	$ (17,784)

See accompanying notes.

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

	Associated Capital Group, Inc. shareholders					
	Common Stock	Accumulated Deficit	Additional Paid-in Capital	Treasury Stock	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	-	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	-	(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
Redemptions of noncontrolling interests	-	-	-	-	-	390
Net income	-	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

See accompanying notes.

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

See accompanying notes.

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

	Nine Months Ended September 30,	
	2019	**2018**
Operating activities		
Net income/(loss)	$ 30,398	$ (16,731)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Equity in net gains from partnerships	(5,029)	(3,697)
Deferred income taxes	5,019	-
Depreciation and amortization	18	15
Stock-based compensation expense	-	72
Loss on exchange offer	-	2,127
Donated securities	1,875	-
Unrealized gains on securities	(18,450)	-
Realized gains on sales of securities	(220)	-
(Increase) decrease in assets:		
Investments in trading securities	(54,357)	1,983
Investments in partnerships:		
Contributions to partnerships	(22,671)	(8,077)
Distributions from partnerships	2,772	9,512
Receivable from affiliates	571	451
Goodwill and intangible assets	-	(97)
Receivable from brokers	927	19,706
Investment advisory fees receivable	3,107	4,372
Other assets	8,609	5,983
Increase (decrease) in liabilities:		
Payable to brokers	5,046	44
Income taxes payable and deferred tax liabilities	311	(4,656)
Payable to affiliates	(43)	161
Compensation payable	206	(5,994)
Accrued expenses and other liabilities	(2,917)	(557)
Total adjustments	(75,226)	21,348
Net cash provided by (used in) operating activities	$ (44,828)	$ 4,617

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Investing activities		
Purchases of securities	$ (1,366)	$ -
Proceeds from sale of securities	2,699	-
Return of capital on securities	1,326	-
Purchase of building	(6,250)	-
Proceeds from note receivable	-	15,000
Net cash provided by (used in) investing activities	(3,591)	15,000
Financing activities		
Redemptions of redeemable noncontrolling interests	(2,333)	(2,652)
Dividends paid	(4,513)	(4,666)
Purchase of treasury stock	(3,363)	(6,571)
Proceeds from payment of GBL 4% PIK 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 (used in) financing activities	(10,211)	36,111
Net increase (decrease) in cash and cash equivalents	(58,630)	55,728
Cash, restricted cash and cash equivalents at beginning of period	409,764	293,112
Increase in cash from consolidation	-	47
Cash, restricted cash and cash equivalents at end of period	$ 351,134	$ 348,887
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 136	$ 141
Cash paid for taxes	$ 2,200	$ 304
Reconciliation to cash, restricted cash and cash equivalents		
Cash and cash equivalents	350,934	348,887
Restricted cash included in receivable from brokers	200	200
Cash, restricted cash and cash equivalents	$ 351,134	$ 349,087

Non-cash activity:

- On January 1, 2018, AC was deemed to have 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 the first quarter of 2018, AC completed an exchange offer with respect to its Class A shares. The Company exchanged 666,805 GBL Class A shares valued at $17,737 for 493,954 Class A shares.

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019
(Unaudited)

A. Basis of Presentation and Significant Accounting Policies

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.

The Spin-off and Related Transactions

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

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").

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"), 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.

We provide our institutional research and underwriting services through G.research, LLC ("G.research"), an indirect wholly-owned subsidiary of the Company. G.research is a broker-dealer registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is regulated by the Financial Industry Regulatory Authority ("FINRA"). G.research's revenues are derived primarily from institutional research services.

We may make direct investments in operating businesses 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 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.

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. In addition, GCIA acquired 4,393,055 shares of GAMCO Class A common stock for $150 million in connection with the Spin-off.

Basis of Presentation

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

The interim condensed consolidated financial statements include the accounts of AC Group and its subsidiaries. All material intercompany transactions and balances have been eliminated.

These interim condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Use of Estimates

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

Recent Accounting Developments

In 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 condensed consolidated statement of financial position. The new standard was effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. The Company adopted this ASU effective January 1, 2019 with no material impact on its condensed 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. For public companies, the ASU is effective for annual and any interim impairment tests for periods beginning after December 15, 2019. The Company is currently evaluating this guidance and the impact it will have on its condensed 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 and is currently evaluating this guidance as it relates to the new disclosure requirements.

B. 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:

<u>*Investment advisory and incentive fees.*</u> 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 assets under management ("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. Hard dollar payments – The Company receives direct payments for research services provided to related and unrelated parties. The Company 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, typically a calendar year, which is considered the period over which the Company satisfies its performance obligation. Payments for contracts with affiliated parties are collected monthly. For other payments where no research contract exists, revenue is not recognized until agreement is reached with the client that the Company has satisfied its performance obligation. At that time, a value is assigned to those services and an invoice is presented to the client for payment.

b. Commissions – 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. The Company meets its performance obligations and recognizes commission revenue when the related securities transactions are executed and the security is 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.

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. The Company meets its performance obligations and recognizes selling commissions upon the sale of the related securities to its clients.

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 and as approved by the funds' board of directors. The Company meets its performance obligations and recognizes sales manager fees upon sale of the related closed-end funds. Sales manager fees earned are 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 three and nine ended September 30, 2019 and 2018, respectively (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Investment advisory and incentive fees				
Asset-based advisory fees	$ 1,723	$ 1,879	$ 5,208	$ 5,561
Performance-based advisory fees	35	27	61	34
Sub-advisory fees	995	899	2,930	2,354
	2,753	2,805	8,199	7,949
Institutional research services				
Hard dollar payments	520	541	1,470	2,236
Commissions	1,365	1,284	4,207	3,844
Selling concessions	-	15	75	84
Sales manager fees	469	15	591	15
	2,354	1,855	6,343	6,179
Other				
Underwriting fees	5	-	24	19
Miscellaneous	6	6	25	18
	11	6	49	37
Total	$ 5,118	$ 4,666	$ 14,591	$ 14,165

C. Investment in Securities

Investments in United States Treasury Bills and Notes with maturities of greater than three months at the time of purchase are classified as investments in securities, and those with maturities of three months or less at the time of purchase are classified as cash equivalents.

Investments in securities are stated at fair value, with any unrealized gains or losses reported in current period earnings.

Investments in securities, including GBL stock, at September 30, 2019 and December 31, 2018 consisted of the following (in thousands):

	September 30, 2019		December 31, 2018	
	Cost	Fair Value	Cost	Fair Value
Government obligations	$ 28,842	$ 29,335	$ 11,694	$ 11,707
Common stocks	289,127	268,951	244,557	213,151
Mutual funds	659	1,137	761	1,161
Other investments	5,776	4,613	5,285	3,941
Total investments in securities	$ 324,404	$ 304,036	$ 262,297	$ 229,960

Securities sold, not yet purchased at September 30, 2019 and December 31, 2018 consisted of the following (in thousands):

	September 30, 2019		December 31, 2018	
	Proceeds	Fair Value	Proceeds	Fair Value
Common stocks	$ 24,894	$ 25,402	$ 10,150	$ 9,485
Other investments	-	73	-	89
Total securities sold, not yet purchased	$ 24,894	$ 25,475	$ 10,150	$ 9,574

Investments in affiliated registered investment companies at September 30, 2019 and December 31, 2018 consisted of the following (in thousands):

	September 30, 2019		December 31, 2018	
	Cost	Fair Value	Cost	Fair Value
Closed-end funds	$ 73,938	$ 95,017	$ 73,950	$ 85,090
Mutual funds	47,390	57,436	49,714	57,045
Total investments in affiliated registered investment companies	$ 121,328	$ 152,453	$ 123,664	$ 142,135

The Company recognizes all equity derivatives as either assets or liabilities measured at fair value and includes them in either investments in securities or securities sold, not yet purchased on the condensed consolidated statements of financial condition. From time to time, the Company and/or the partnerships and offshore funds that the Company consolidates will enter into hedging transactions to manage their exposure to foreign currencies and equity prices related to their investments.

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

	Asset Derivatives			Liability Derivatives		
	Statement of Financial Condition Location	Fair Value September 30, 2019	Fair Value December 31, 2018	Statement of Financial Condition Location	Fair Value September 30, 2019	Fair Value December 31, 2018
Derivatives designated as hedging instruments under FASB ASC 815-20						
Foreign exchange contracts	Receivable from brokers	$ 79	$ 204	Payable to brokers	$ -	$ -
Sub total		$ 79	$ 204		$ -	$ -
Derivatives not designated as hedging instruments under FASB ASC 815-20						
Equity contracts	Investments in securities	$ 77	$ 464	Securities sold, not yet purchased	$ 73	$ 89
Sub total		$ 77	$ 464		$ 73	$ 89
Total derivatives		$ 156	$ 668		$ 73	$ 89

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

Type of Derivative	Income Statement Location	Three Months ended September 30, 2019	Three Months ended September 30, 2018	Nine Months ended September 30, 2019	Nine Months ended September 30, 2018
Foreign exchange contracts	Net gain/(loss) from investments	$ 124	$ 36	$ 177	$ 138
Equity contracts	Net gain/(loss) from investments	1,143	652	(324)	3,304
Total		$ 1,267	$ 688	$ (147)	$ 3,442

At September 30, 2019 and December 31, 2018, we held derivative contracts on 2.5 million and 1.0 million equity shares, respectively, that are included in investments in securities or securities sold, not yet purchased on the condensed consolidated statements of financial condition. Except for the 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 condensed consolidated statements of income.

The Company is a party to enforceable master netting arrangements for equity swaps entered into with major U.S. financial institutions as part of the investment strategy of the Company's proprietary portfolio. They are typically not used as hedging instruments. These swaps, while settled on a net basis with the counterparties, are shown gross in assets and liabilities on the condensed consolidated statements of financial condition. The swaps have a firm contract end date and are closed out and settled when each contract expires.

	Gross Amounts 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	Gross Amounts Not Offset in the Statements of Financial Condition: Cash Collateral Received	Net Amount
Swaps:			(In thousands)			
September 30, 2019	$ 77	$ -	$ 77	$ (73)	$ -	$ 4
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	Gross Amounts Not Offset in the Statements of Financial Condition: Cash Collateral Pledged	Net Amount
Swaps:			(In thousands)			
September 30, 2019	$ 73	$ -	$ 73	$ (73)	$ -	$ -
December 31, 2018	89	-	89	(89)	-	-

D. Investment Partnerships and Variable Interest Entities

The Company is general partner or co-general partner of various affiliated entities ("Affiliated Entities") in which the Company had investments totaling $124.7 million and $100.1 million at September 30, 2019 and December 31, 2018, respectively, and whose underlying assets consist primarily of marketable securities. We also had investments in unaffiliated partnerships, offshore funds and other entities ("Unaffiliated Entities") of $19.0 million and $18.6 million at September 30, 2019 and December 31, 2018, respectively. We evaluate each entity to determine its appropriate accounting treatment and disclosure. 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"). Entities that do not qualify as VIEs are assessed for consolidation as voting interest entities ("VOEs") under the voting interest model. Certain of the Affiliated Entities, and none of the Unaffiliated Entities, are consolidated.

The value of entities where consolidation is not deemed appropriate is included in investments in partnerships on condensed 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 condensed consolidated statements of income.

The following table highlights the number of entities that we consolidate as well as the basis under which they are consolidated:

	VIEs	VOEs
Entities consolidated at December 31, 2017	1	3
Additional consolidated entities	-	2
Deconsolidated entities	-	-
Entities consolidated at September 30, 2018	1	5
Additional consolidated entities	-	-
Deconsolidated entities	-	-
Entities consolidated at December 31, 2018	1	5
Additional consolidated entities	-	-
Deconsolidated entities	-	-
Entities consolidated at September 30, 2019	1	5

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

	September 30, 2019					
	Prior to Consolidation		Consolidated Entities		As Reported	
Assets						
Cash and cash equivalents		346,501	$	4,433	$	350,934
Investments in securities (including GBL stock)		167,129		136,907		304,036
Investments in affiliated investment companies		212,576		(60,123)		152,453
Investments in partnerships		165,088		(21,430)		143,658
Receivable from brokers		8,364		15,338		23,702
Investment advisory fees receivable		1,308		(21)		1,287
Other assets		17,017		38		17,055
Total assets	$	917,983	$	75,142	$	993,125
Liabilities and equity						
Securities sold, not yet purchased	$	7,538	$	17,937	$	25,475
Accrued expenses and other liabilities		21,648		7,506		29,154
Redeemable noncontrolling interests		-		49,699		49,699
Total equity		888,797		-		888,797
Total liabilities and equity	$	917,983	$	75,142	$	993,125

	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 includes the net impact by line item on the condensed consolidated statements of income for the consolidated entities (in thousands):

	Three Months Ended September 30, 2019		
	Prior to Consolidation	Consolidated Entities	As Reported
Total revenues	$ 5,299	$ (181)	$ 5,118
Total expenses	8,251	(124)	8,127
Operating loss	(2,952)	(57)	(3,009)
Total other income/(expense), net	10,457	(302)	10,155
Income/(loss) before income taxes	7,505	(359)	7,146
Income tax expense	1,554	-	1,554
Net income/(loss) before NCI	5,951	(359)	5,592
Net loss attributable to noncontrolling interests	-	(359)	(359)
Net income	$ 5,951	$ -	$ 5,951

	Three Months Ended September 30, 2018		
	Prior to Consolidation	Consolidated Entities	As Reported
Total revenues	$ 4,683	$ (17)	$ 4,666
Total expenses	7,698	467	8,165
Operating loss	(3,015)	(484)	(3,499)
Total other income/(expense), net	(5,222)	641	(4,581)
Income/(loss) before income taxes	(8,237)	157	(8,080)
Income tax benefit	(858)	-	(858)
Net income/(loss) before NCI	(7,379)	157	(7,222)
Net income attributable to noncontrolling interests	-	157	157
Net loss	$ (7,379)	$ -	$ (7,379)

	Nine Months Ended September 30, 2019		
	Prior to Consolidation	Consolidated Entities	As Reported
Total revenues	$ 15,117	$ (526)	$ 14,591
Total expenses	27,370	1,257	28,627
Operating loss	(12,253)	(1,783)	(14,036)
Total other income, net	47,887	4,015	51,902
Income before income taxes	35,634	2,232	37,866
Income tax expense	7,468	-	7,468
Net income before NCI	28,166	2,232	30,398
Net income attributable to noncontrolling interests	-	2,232	2,232
Net income	$ 28,166	$ -	$ 28,166

	Nine Months Ended September 30, 2018		
	Prior to Consolidation	Consolidated Entities	As Reported
Total revenues	$ 14,215	$ (50)	$ 14,165
Total expenses	23,913	1,447	25,360
Operating loss	(9,698)	(1,497)	(11,195)
Total other income/(expense), net	(12,290)	2,550	(9,740)
Income/(loss) before income taxes	(21,988)	1,053	(20,935)
Income tax benefit	(4,204)	-	(4,204)
Net income/(loss) before NCI	(17,784)	1,053	(16,731)
Net income attributable to noncontrolling interests	-	1,053	1,053
Net loss	$ (17,784)	$ -	$ (17,784)

Variable Interest Entities

With respect to the 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 the VIE that is consolidated and included on the condensed consolidated statements of financial condition as well as the Company's net interest in this VIE (in thousands):

	September 30, 2019	December 31, 2018
Cash and cash equivalents	$ 1,986	$ 2,560
Investments in securities	9,255	7,253
Receivable from brokers	473	553
Other assets	-	(11)
Accrued expenses and other liabilities	(41)	(31)
Redeemable noncontrolling interests	(447)	(419)
AC Group's net interests in consolidated VIE	$ 11,226	$ 9,905

E. 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 September 30, 2019 and December 31, 2018 and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. Investments in certain entities that calculate net asset value per share and other investments that are not held at fair value are provided as separate items to permit reconciliation of the fair value of investments included in the fair value hierarchy to the total amounts presented in the condensed consolidated statements of financial condition.

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

	September 30, 2019					
Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Using NAV as Fair Value (a)	Other Assets Not Held at Fair Value (b)	Total
Cash equivalents	$ 349,848	$ -	$ -	$ -	$ -	$ 349,848
Investments in partnerships	-	-	-	139,401	4,257	143,658
Investments in securities (including GBL stock):						
Gov't obligations	29,335			-	-	29,335
Common stocks	268,361	501	89	-	-	268,951
Mutual funds	1,137	-	-	-	-	1,137
Other	316	88	4,209	-	-	4,613
Total investments in securities	299,149	589	4,298	-	-	304,036
Investments in affiliated registered investment companies:						
Closed-end funds	95,017	-	-	-	-	95,017
Mutual funds	57,436	-	-	-	-	57,436
Total investments in affiliated registered investment companies	152,453	-	-	-	-	152,453
Total investments	451,602	589	4,298	139,401	4,257	600,147
Total assets at fair value	$ 801,450	$ 589	$ 4,298	$ 139,401	$ 4,257	$ 949,995
Liabilities						
Common stocks	$ 25,402	$ -	$ -	$ -	$ -	$ 25,402
Other	-	73	-	-	-	73
Securities sold, not yet purchased	$ 25,402	$ 73	$ -	$ -	$ -	$ 25,475

	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)**	**Investments Using NAV as Fair Value (a)**	**Other Assets Not Held at Fair Value (b)**	**Total**
Cash equivalents	$ 407,239	$ -	$ -	$ -	$ -	$ 407,239
Investments in partnerships	-	-	-	114,449	4,280	118,729
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	361,000	7,625	3,470	114,449	4,280	490,824
Total assets at fair value	$ 768,239	$ 7,625	$ 3,470	$ 114,449	$ 4,280	$ 898,063
Liabilities						
Common stocks	$ 9,485	$ -	$ -	$ -	$ -	$ 9,485
Other	-	89	-	-	-	89
Securities sold, not yet purchased	$ 9,485	$ 89	$ -	$ -	$ -	$ 9,574

(a) Amounts include certain equity method investments in Investment Partnerships which qualify for investment company specialized accounting. These Investment Partnerships account for their financial assets and liabilities using fair value measures and, therefore, the Company's investment approximates fair value. At September 30, 2019 and December 31, 2018, investments in these Investment Partnerships were $131,082 and $105,020, respectively. In addition, certain investments in Investment Partnerships were held by a consolidated entity. At September 30, 2019 and December 31, 2018, these amounts were $8,319 and $9,429, respectively. None of these investments have been classified in the fair value hierarchy.

(b) Amounts include certain equity method investments which are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and liabilities under fair value measures; therefore, the Company's investment in such equity method investees may not represent fair value.

Investments using NAV as fair value shown in the above tables include investments in Affiliated and Unaffiliated Entities. 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.

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:

	Three months ended September 30, 2019			Three months ended September 30, 2018		
	Common Stocks	Other	Total	Common Stocks	Other	Total
Beginning balance	$ 191	$ 4,255	$ 4,446	$ 590	$ 4,465	$ 5,055
Total gains/(losses)	(102)	(46)	(148)	2	2	4
Purchases	-	-	-	-	15	15
Sales	-	-	-	-	-	-
Transfers	-	-	-	(580)	53	(527)
Ending balance	$ 89	$ 4,209	$ 4,298	$ 12	$ 4,535	$ 4,547
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	$ (102)	$ (46)	$ (148)	$ 2	$ 2	$ 4

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

During the three months ended September 30, 2018, the Company transferred an investment with a value of approximately $580,000 from Level 3 to Level 1. The reclassification was due to increased availability of market price quotations and was based on the value at the beginning of the period in which the transfer occurred.

	Nine months ended September 30, 2019			Nine months ended September 30, 2018		
	Common Stocks	Other	Total	Common Stocks	Other	Total
Beginning balance	$ 12	$ 3,458	$ 3,470	$ 618	$ 1,169	$ 1,787
Consolidated fund					984	984
Total gains/(losses)	14	751	765	(1)	(2,413)	(2,414)
Purchases	-	-	-	-	4,773	4,773
Sales	-	-	-	-	(31)	(31)
Transfers	63	-	63	(605)	53	(552)
Ending balance	$ 89	$ 4,209	$ 4,298	$ 12	$ 4,535	$ 4,547
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	$ 14	$ 751	$ 765	$ -	$ (2,429)	$ (2,429)

During the nine months ended September 30, 2019 the Company transferred an investment with a value of approximately $63,000 from Level 1 to Level 3 due to the unavailability of observable inputs. During the nine months ended September 30, 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.

F. Income Taxes

The effective tax rate ("ETR") for the three months ended September 30, 2019 and September 30, 2018 was 21.7% and 10.6%, respectively. The ETR in the third quarter of 2019 differs from the standard corporate tax rate of 21% primarily due to state and local taxes (net of federal benefit), the benefit of (a) the donation of appreciated securities and (b) the dividends received deduction. The ETR in the third quarter of 2018 differs from the standard corporate tax rate of 21% primarily due to state and local taxes (net of federal benefit) and the impact of (a) income attributable to noncontrolling interests, (b) the donation of appreciated securities, and (c) the dividends received deduction.

The ETR for the nine months ended September 30, 2019 and September 30, 2018 was 19.7% and 20.1%, respectively. The 2019 year-to-date ETR differs from the standard corporate tax rate of 21% primarily due to (a) state and local taxes (net of federal benefit), (b) the donation of appreciated securities, and (c) the dividends received deduction, and (d) income attributable to noncontrolling interests.

G. Earnings Per Share

Basic earnings per share is computed by dividing net income/(loss) per share 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) per share attributable to our shareholders by the weighted average number of shares outstanding during the period, adjusted for the dilutive effect of outstanding RSAs. There were no outstanding AC RSAs during the nine months ended September 30, 2019 and 2018.

The computations of basic and diluted net income/(loss) per share are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(amounts in thousands, except per share amounts)	2019	2018	2019	2018
Basic:				
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 5,951	$ (7,379)	$ 28,166	$ (17,784)
Weighted average shares outstanding	22,514	22,979	22,550	23,187
Basic net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share	$ 0.26	$ (0.32)	$ 1.25	$ (0.77)
Diluted:				
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 5,951	$ (7,379)	$ 28,166	$ (17,784)
Weighted average share outstanding	22,514	22,979	22,550	23,187
Dilutive restricted stock awards	-	-	-	-
Total	22,514	22,979	22,550	23,187
Diluted net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share	$ 0.26	$ (0.32)	$ 1.25	$ (0.77)

H. Stockholders' Equity

Shares outstanding were 22.5 million and 22.6 million at September 30, 2019 and December 31, 2018, respectively.

Dividends

During the nine months ended September 30, 2019 and 2018, the Company declared dividends of $0.10 per share to class A and class B shareholders.

Stock Repurchase Program

For the three months ended September 30, 2019 and 2018, the Company repurchased approximately 36 thousand and 20 thousand shares at an average price of $36.75 per share and $36.27 per share for a total investment of $1.3 million and $0.7 million, respectively. During nine months ended September 30, 2019 and 2018, the Company repurchased approximately 89 thousand and 668 thousand shares at an average price of $37.81 and $36.37 per share for a total investment of $3.4 million and $24.3 million, respectively.

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.

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 (a) holders of Class A Stock are entitled to one vote per share, while holders of Class B Stock are entitled to ten votes per share on all matters to be voted on by shareholders in general, and (b) holders of each share class are not eligible to vote on matters relating exclusively to the other share class.

Stock Award and Incentive Plan

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. The vesting of the GAMCO RSAs outstanding was accelerated in the first quarter of 2018. There were no AC RSAs outstanding at September 30, 2019 and 2018 and during the nine month periods then ended.

There were no RSAs issued by AC during the three and nine months ended September 30, 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, 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. Based on the price of the Company's stock, the total value of the Phantom RSAs was $6.1 million as of the grant dates.

Pursuant to ASC 718, the Phantom RSAs will be 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.

As of September 30, 2019, there were 157,300 Phantom RSAs outstanding. The unrecognized compensation cost related to these was $4.0 million which is expected to be recognized over a weighted-average period of 2.1 years.

For the nine and three months ended September 30, 2019 the Company recorded approximately $1.0 million and $0.3 million in stock-based compensation expense, respectively. For the nine and three months ended September 30, 2018 the Company recorded approximately $0.4 million and $0.3 million in stock-based compensation expense, respectively.

I. Goodwill and Identifiable Intangible Assets

At September 30, 2019, goodwill and intangible assets on the condensed consolidated statements of financial condition includes $3.4 million of goodwill related to GCIA. The Company assesses the recoverability of goodwill at least annually, or more often should events warrant, using a qualitative assessment of whether it is more likely than not that an impairment has occurred to determine if a quantitative analysis is required. There were no indicators of impairment for the three months ended September 30, 2019 or September 30, 2018, and as such there was no impairment analysis performed or charge recorded.

J. Commitments and Contingencies

From time to time, the Company may be named in legal actions and proceedings. These actions may seek substantial or indeterminate compensatory as well as punitive damages or injunctive relief. 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 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 September 30, 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 September 30, 2019 and December 31, 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 condensed consolidated financial statements.

K. Related Party Transactions

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.

L. Subsequent Events

On October 11, 2019, the research service agreements between the Company and two wholly-owned subsidiaries of GBL, GAMCO Asset Management, Inc. and Gabelli Funds, LLC, were agreed to be terminated effective January 1, 2020. Additionally, compensation and other related costs are expected to decrease.

On October 31, 2019, the Company closed on the transaction whereby Morgan Group Holding Co. ("Morgan Group"), an entity under common control of the majority shareholder of AC, acquired G.research in exchange for 50 million shares of its stock. In addition, immediately prior to the closing, 5.15 million Morgan Group shares were issued under a private placement for $515,000. Subsequent to the transaction and private placement, AC has an 83.3% ownership interest in Morgan Group and will consolidate the entity, which now includes G.research. As the transaction is among entities under common control, all assets, liabilities and noncontrolling interest will be accounted for at historical cost. As Morgan Group is a shell company with minimal assets and income and G.research will continue to be consolidated both before and after the transaction, ACs consolidated statement of financial condition and statement of operations will not be materially different.

During the period from October 1, 2019 to November 8, 2019, the Company repurchased 7,110 shares at an average price of $36.39 per share.

On November 8, 2019, the Company declared a semi-annual dividend of $0.10 per share payable January 9, 2020 to shareholders of record on December 26, 2019.

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

Introduction

MD&A is provided as a supplement to, and should be read in conjunction with, the Company's unaudited interim consolidated financial statements and accompanying notes thereto included in this Quarterly Report on Form 10-Q, as well as the Company's audited annual financial statements included in our Form 10-K filed with the SEC on March 8, 2019 to help provide an understanding of our financial condition, changes in financial condition and results of operations. Unless the context otherwise requires, all references to "we," "us," "our," "AC Group" or the "Company" refer collectively to Associated Capital Group, Inc., a holding company, and its subsidiaries through which our operations are actually conducted.

Overview

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

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").

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. In addition, Gabelli & Company Investment Advisers, Inc. ("GCIA" f/k/a Gabelli Securities, Inc.) acquired 4,393,055 shares of GAMCO Class A common stock for $150 million in connection with the Spin-off.

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"), 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.

<u>Event-Driven Asset Management</u>

The event driven asset management business approaches its 35th anniversary in February 2020. The division strategies focus on fundamental, active, event driven special situations and arbitrage. It is led by merger arbitrage portfolios, the "Associates Funds" which returned an unleveraged +3.51% net of fees (+5.17% gross) for the first nine months of 2019. This strategy benefits from corporate merger and acquisitions ("M&A") activity which reached $2.8 trillion globally in the first nine months of 2019. Healthcare, E&P and technology were the most active sectors for deals. Our arbitrage team expects deal making to remain vibrant as the drivers for M&A remain unchanged. The strategy is offered domestically through partnerships and separately managed accounts. Internationally, the strategy is offered through corporations and EU regulated UCITS structures. The team continues to build new channel partnerships including managing the Gabelli Merger Plus Trust ("GMP") an LSE-listed investment company. While these initiatives serve to deepen and lengthen the franchise, they also broaden the client base globally.

Institutional Research Services

We provide our institutional research and underwriting services through G.research, LLC (“G.research”), an indirect wholly-owned subsidiary of the Company. G.research is a broker-dealer registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and is regulated by the Financial Industry Regulatory Authority (“FINRA”). G.research's revenues are derived primarily from institutional research services.

On October 31, 2019, the Company closed on the transaction whereby Morgan Group Holding Co. (“Morgan Group”), an entity under common control of the majority shareholder of AC, acquired G.research in exchange for 50 million shares of its stock. In addition, management acquired 5.15 million Morgan Group shares under a private placement for $515,000. Subsequent to the transaction and private placement, AC has an 83.3% ownership interest in Morgan Group and will consolidate the entity, which now includes G.research.

On July 11, 2019, we co-hosted a conference on Rule 852(b)(6), the Dynamics and Implications for the Fund Industry. During the past quarter, G.research, in cooperation with Gabelli Funds, Co. hosted the 25th Aerospace and Defense Conference in New York on September 5th. The schedule of upcoming conferences for the balance of the year include:

- the 43rd Annual Gabelli Automotive Aftermarket Conference on November 4th – 6th
- The Gabelli – Columbia Business School Healthcare Symposium on November 22nd

In addition, G.research continues to sponsor non-deal roadshows providing corporate management access to our institutional clients.

For frequent, real-time updates from our research team on social media platforms, we invite you to visit GabelliTV, our online portal, at YouTube (www.youtube.com/GabelliTV) or Facebook (www.facebook.com/GabelliTV).

Direct Investing Business

The Gabelli direct investment business was re-launched after the spin-off of Associated Capital in 2015. Our objective is to partner with management to identify and surface value through strategic direction, operational improvements and financial structuring. The compounded, accumulated knowledge of our team in sectors across our core competencies provides advantages to value creation. The steps taken since formation are expected to grow long term value. In this effort, we seek to collaborate with the management of target companies, establish common goals, support the restructuring and growth process, and more importantly, add value by bringing in creative capital solutions and extensive industry insights. This effort follows the framework we established with Gabelli-Rosenthal, a private equity fund launched in 1985.

Our 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 formation of Gabelli special purpose acquisition vehicles, the SPAC business (“SPAC”), launched in April 2018; and, the formation of Gabelli Principal Strategies Group, LLC (“GPS”) to pursue strategic operating initiatives. These businesses are organized to directly invest with a focus on leveraged buyouts and restructurings of small and mid-sized companies. GPEP has the flexibility to form partnerships with former executives of global industrial conglomerates to create long term value with no pre-determined exit timetable. The Gabelli SPAC business allows us to leverage our capital markets expertise through a direct investing vehicle. We invite you to visit our activities on the corporate website:

https://www.associated-capital-group.com/DirectInvesting

Condensed Consolidated Statements of Income

Investment advisory and incentive fees, which are based on the amount and composition of assets under management (“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.

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 uncertainty surrounding the amount of variable consideration has ended 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 costs include 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 certain revenue streams.

Management fee is incentive-based and entirely variable compensation in the amount of 10% of the aggregate pre-tax profits which is paid to Mario J. Gabelli or his designee for acting as Executive Chairman pursuant to his Employment Agreement so long as he is with the Company.

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 D in our condensed consolidated financial statements included elsewhere in this report.

Condensed Consolidated Statements of Financial Condition

We ended the third quarter of 2019 with approximately $926 million in cash and investments, net of securities sold, not yet purchased of $25 million. This includes $351 million of cash and cash equivalents; $29 million of short-term U.S. Treasury obligations; $250 million of securities, net of securities sold, not yet purchased, including shares of GAMCO and Gabelli Value for Italy S.p.a. with market values of $59 million and $9 million, respectively; and $296 million invested in affiliated and third-party funds and partnerships, including investments in affiliated closed end funds which have a value of $95 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 $889 million or $39.51 per share at September 30, 2019 compared to $866 million or $38.36 per share on December 31, 2018. The increase in equity from the end of 2018 is driven primarily by our net income of $28 million.

RESULTS OF OPERATIONS

(in thousands, except per share data)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenues				
Investment advisory and incentive fees	$ 2,753	$ 2,805	$ 8,199	$ 7,949
Institutional research services	2,354	1,855	6,343	6,179
Other	11	6	49	37
Total revenues	5,118	4,666	14,591	14,165
Expenses				
Compensation	4,808	5,618	16,288	17,812
Stock-based compensation	256	289	955	361
Management fee	833	-	3,959	-
Other operating expenses	2,230	2,258	7,425	7,187
Total expenses	8,127	8,165	28,627	25,360
Operating loss	(3,009)	(3,499)	(14,036)	(11,195)
Other income/(expense)				
Net gain/(loss) from investments	7,606	(7,977)	42,351	(18,936)
Interest and dividend income	2,618	3,466	9,699	9,338
Interest expense	(69)	(70)	(148)	(142)
Total other income/(expense), net	10,155	(4,581)	51,902	(9,740)
Income/(loss) before income taxes	7,146	(8,080)	37,866	(20,935)
Income tax expense/(benefit)	1,554	(858)	7,468	(4,204)
Net income/(loss)	5,592	(7,222)	30,398	(16,731)
Net income/(loss) attributable to noncontrolling interests	(359)	157	2,232	1,053
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 5,951	$ (7,379)	$ 28,166	$ (17,784)
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share:				
Basic	$ 0.26	$ (0.32)	$ 1.25	$ (0.77)
Diluted	0.26	(0.32)	1.25	(0.77)

Three Months Ended September 30, 2019 Compared To Three Months Ended September 30, 2018

Overview

Our operating loss for the quarter was $3.0 million compared to $3.5 million for the comparable quarter of 2018. The decrease in operating loss was attributable to higher revenues of $0.5 million. Other income was a gain of $10.2 million in the 2019 quarter compared to a loss of $(4.6) million in the prior year's quarter primarily due to mark-to-market changes in the value of our investment portfolio. The Company recorded an income tax expense in the current quarter of $1.6 million compared to a benefit of $(0.9) million in the year ago quarter. Consequently, our current quarter net income was $5.9 million, or $0.26 per diluted share, compared to net loss of $(7.4) million, or $(0.32) per diluted share, in the prior year's comparable quarter.

Revenues

Total revenues were $5.1 million for the quarter ended September 30, 2019, $0.4 million higher than the prior year period.

We earn advisory fees based on the average level of AUM in our products. Advisory fees were $2.8 million for 2019, unchanged for the comparable quarter of 2018. AUM of $1.7 billion increased $0.1 billion in the current from prior year quarter. Incentive fees are not recognized until the uncertainty surrounding the amount of variable consideration ends and the fee is crystalized, typically annually on December 31. If the uncertainty surrounding the amount of variable consideration had ended on September 30, we would have recognized $2.2 million and $0.7 million of incentive fees for the quarters ended September 30, 2019 and 2018, respectively.

Institutional research services revenues in the current year's third quarter increased to $2.4 million, from the prior year's period of $1.9 million due to an increase in sales manager fees related to secondary offerings.

Expenses

Compensation, which includes variable compensation, salaries, bonuses and benefits, was $4.8 million for the quarter ended September 30, 2019, compared to $5.6 million for the quarter ended September 30, 2018. Fixed compensation, which includes salaries and benefits, remained unchanged at $2.9 million each quarter was unchanged. Discretionary bonus accruals were $0.6 million and $1.0 million in the third quarter of 2019 and 2018, respectively. 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 were $1.3 million, down $0.4 million from $1.7 million in 2018.

For the three months ended September 30, 2019 and 2018, stock-based compensation was $0.3 million in both periods.

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 a management fee of $0.8 million. There was no management fee expense in the third quarter of 2018 due to the year-to-date pre-tax loss.

Other operating expenses were $2.2 million during the third quarter of 2019 compared to $2.3 million in the prior year quarter.

Other

Net gain/(loss) from investments is primarily related to the performance of our securities portfolio and investments in partnerships. Investment gains were $7.6 million in the 2019 quarter versus a loss of $(8.0) million in the comparable 2018 quarter reflecting mark-to-market changes in the value of our investments.

Interest and dividend income decreased to $2.6 million in the 2019 quarter from $3.5 million in the 2018 quarter.

Nine Months Ended September 30, 2019 Compared To Nine Months Ended September 30, 2018

Overview

Our operating loss for the year-to-date period was $14.0 million compared to $11.2 million for the comparable period of 2018. Revenues were higher by $0.4 million over the prior year amount. Investment income increased to $51.9 million in the 2019 period from a loss of $9.7 million in the prior year's period primarily due to mark-to-market gains on our investment portfolio. Stock-based compensation increased by $0.6 million period-over-period. The Company recorded an income tax expense of $7.5 million in the current year compared to a benefit of $4.2 million in the year ago period. Consequently, our 2019 period net income increased to $28.2 million, or $1.25 per diluted share, from $(17.8) million, or $(0.77) per diluted share, in the prior year's comparable period.

Revenues

Total revenues were $14.6 million and $14.2 million for the nine month periods ended September 30, 2019 and 2018, respectively.

Investment advisory and incentive fees were $8.2 million for the 2019 nine months compared to $8.0 million for the prior year nine months, an increase of $0.2 million. This increase is due to the increase in AUM over the period. Incentive fees are generally not recognized until the measurement period ends, typically annually on December 31. If the measurement period had instead ended on September 30, we would have recognized $5.3 million and $3.0 million for each of the nine months ended September 30, 2019 and 2018, respectively.

Institutional research services revenues in the current year's first nine months increased to $6.3 million, from the prior year's period of $6.2 million.

Expenses

Compensation, which include variable compensation, salaries, bonuses and benefits, was $16.3 million for the nine months ended September 30, 2019, compared to $17.8 million for the nine months ended September 30, 2018. Fixed compensation, which include salaries and benefits, declined to $9.0 million for the 2019 period from $10.0 million in the prior year. Discretionary bonus accruals were $2.4 million and $3.1 million in the 2019 and 2018 periods, respectively. The remainder of the compensation expense represents variable compensation that fluctuates with management fee and incentive allocation revenues and gains on investment portfolios. Variable payouts as a percent of revenues are impacted by the mix of products upon which performance fees are earned and the extent to which they may exceed their allocated costs.

For the nine months ended September 30, 2019 and 2018, stock-based compensation was $1.0 million and $0.4 million, respectively.

Management fee expense represents incentive-based and entirely variable compensation in the amount of 10% of the aggregate pre-tax profits which is payable to Mario J. Gabelli pursuant to his employment agreement. AC recorded management fee expense of $4.0 million for the nine month period ended September 30, 2019. No management fee expense was recorded for the nine month period ended September 30, 2018 due to the year to date pre-tax loss.

Other operating expenses were $7.4 million during the first nine months of 2019 compared to $7.2 million in the prior year.

Other

Investment gains were $42.4 million in the 2019 nine month period compared to a loss of $(18.9) million loss in the comparable 2018 period reflecting mark-to-market changes in the value of our investments.

Interest and dividend income increased to $9.7 million in the 2019 period from $9.3 million in 2018.

ASSETS UNDER MANAGEMENT

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

Assets under management were $1.7 billion as of September 30, 2019, an increase of 8.6% and increase of 2.0% over the December 31, 2018 and September 30, 2018 periods, respectively. The changes were attributable to market appreciation/(depreciation) and additional investor contributions, net of redemptions.

Assets Under Management (in millions)

				% Change From	
	September 30, 2019	December 31, 2018	September 30, 2018	December 31, 2018	September 30, 2018
Event Merger Arbitrage	$ 1,466	$ 1,342	$ 1,466	9.2	-
Event-Driven Value	128	118	89	8.5	43.8
Other	57	60	64	(5.0)	(10.9)
Total AUM	$ 1,651	$ 1,520	$ 1,619	8.6	2.0

Fund flows for the three months ended September 30, 2019 (in millions):

	June 30, 2019	Market appreciation/ (depreciation)	Net cash flows	September 30, 2019
Event Merger Arbitrage	$ 1,422	$ (9)	$ 53	$ 1,466
Event-Driven Value	127	(2)	3	128
Other	58	(1)	-	57
Total AUM	$ 1,607	$ (12)	$ 56	$ 1,651

Fund flows for the nine months ended September 30, 2019 (in millions):

	December 31, 2018	Market appreciation/ (depreciation)	Net cash flows	September 30, 2019
Event Merger Arbitrage	$ 1,342	$ 30	$ 94	$ 1,466
Event-Driven Value	118	5	5	128
Other	60	5	(8)	57
Total AUM	$ 1,520	$ 40	$ 91	$ 1,651

OPEN LIQUIDITY AND CAPITAL RESOURCES

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

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

	Nine months ended September 30, 2019	2018
Cash flows provided by (used in):		
Operating activities	$ (44,828)	$ 4,617
Investing activities	(3,591)	15,000
Financing activities	(10,211)	36,111
Net increase (decrease)	(58,630)	55,728
Cash and cash equivalents at beginning of period	409,564	293,112
Increase in cash from consolidation	-	47
Cash and cash equivalents at end of period	$ 350,934	$ 348,887

We require relatively low levels of capital expenditures and have a highly variable cost structure which fluctuates based on the level of revenues we receive. We anticipate that our available liquid assets should be more than sufficient to meet our cash requirements. At September 30, 2019, we had total cash and cash equivalents of $351 million and $575 million in net investments. Of these amounts, $7 million and $37 million, respectively, were held by consolidated investment funds and may not be readily available for the Company to access.

Net cash used in operating activities was $44.8 million for the nine months ended September 30, 2019 primarily due to $74.3 million of net increases of trading securities and net contributions to investment partnerships partially offset by our net income of $30.4 million. Net cash used in investing activities was $3.6 million due to the purchase of a building for $6.3 million and purchases of securities of $1.4 million partially offset by proceeds from sales of securities of $2.7 million and return of capital on securities of $1.3 million. Net cash used in financing activities was $10.2 million largely resulting dividends paid of $4.5 million, stock buyback payments of $3.4 million and redemptions from consolidated funds of $2.3 million.

Net cash provided by operating activities was $4.6 million for the nine months ended September 30, 2018 primarily due to a $19.7 million reduction in payable to brokers, and a $3.4 million reduction in investments in securities and net distributions from partnerships partially reduced by a net loss of $16.7 million. Net cash provided by investing activities was $15.0 million due to proceeds received from a note. Net cash provided by financing activities was $36.1 million, largely resulting from the $50 million prepayment of the GAMCO Note offset by dividends paid of $4.7 million, stock buyback payments of $6.6 million, and redemptions of redeemable noncontrolling interests of $2.7 million.

G.research is a registered broker-dealer, and is subject to the SEC Uniform Net Capital Rule 15c3-1 (the "Rule"), which specifies, among other requirements, minimum net capital requirements for registered broker-dealers. G.research computes its net capital under the alternative method as permitted by the Rule, which requires that minimum net capital be the greater of $250,000 or 2% of the aggregate debit items in the reserve formula for those broker-dealers subject to Rule 15c3-3. G.research had net capital, as defined, of $3.9 million, exceeding the required amount of $250,000 by $3.6 million at September 30, 2019. G.research's net capital requirements may increase to the extent it engages in other business activities in accordance with applicable rules and regulations.

Critical Accounting Policies and Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from those estimates. See Note A and the Company's Critical Accounting Policies in Management's Discussion and Analysis of Financial

Condition and Results of Operations in AC's 2018 Annual Report on Form 10-K filed with the SEC on March 8, 2019 for details on Critical Accounting Policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, this information is not required to be provided.

Item 4. Controls and Procedures

In the second quarter of 2019, and as previously reported in our Quarterly Report on form 10-Q for the quarter ending June 30, 2019, we identified a material weakness in our internal control over financial reporting as described below:

Management conducted an assessment of the effectiveness of our disclosure controls and procedures as of June 30, 2019, as defined under the Exchange Act Rule 13a-15(e). As a result of this assessment, management identified a material weakness in internal control over financial reporting. A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness for the period ended June 30, 2019 resulted from turnover in the role that oversees the day-to-day accounting and financial reporting functions for the Company. Particularly, there was not sufficient accounting personnel to separate interim financial statement preparation from senior management review of those statements. This resulted in increased risk of a material misstatement in the financial statements for the period presented.

In light of the material weakness in our internal controls, we performed additional procedures to ensure that our consolidated financial statements included in this Form 10-Q were prepared in accordance with US GAAP. Following such procedures, our management, including our principal executive officer and principal financial officer, have concluded that our consolidated financial statements present fairly, in all material respects, our financial position, results of our operations and our cash flows for the periods presented in this Form 10-Q, in conformity with GAAP.

However, as a result of the material weakness in internal control over financial reporting described above, management previously concluded that, as of June 30, 2019, our internal control over financial reporting was not effective in accordance with the Exchange Act Rule 13a-15(e).

Management has taken steps to enhance and improve the design of our internal controls over financial reporting which we believe mitigated risk. To address such weakness, we implemented the following steps during our fiscal quarter ending September 30, 2019: (i) appointed additional qualified personnel to address inadequate segregation of duties and ineffective risk management; (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 and commenced a search to add additional finance staff to augment accounting personnel.

The noted material weakness identified has not been remediated, and therefore, our internal control over financial reporting is not effective in accordance with the Exchange Act Rule as of September 30, 2019. 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.

Notwithstanding the material weakness described above, our management has concluded that the financial statements included elsewhere in this quarterly report on Form 10-Q present fairly, in all material respects, our financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

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

Forward-Looking Information

Our disclosure and analysis in this report contain some forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements because they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” and other words and terms of similar meaning. They also appear in any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance of our products, expenses, the outcome of any legal proceedings, and financial results. Although we believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know about our business and operations, there can be no assurance that our actual results will not differ materially from what we expect or believe. Some of the factors that could cause our actual results to differ from our expectations or beliefs include, without limitation:

- the adverse effect from a decline in the securities markets
- a decline in the performance of our products
- a general downturn in the economy
- changes in government policy or regulation
- changes in our ability to attract or retain key employees
- unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations

We also direct your attention to any more specific discussions of risk contained in our Form 10 and other public filings. We are providing these statements as permitted by the Private Litigation Reform Act of 1995. We do not undertake to update publicly any forward-looking statements if we subsequently learn that we are unlikely to achieve our expectations or if we receive any additional information relating to the subject matters of our forward-looking statements.

Part II: Other Information

Item 1. Legal Proceedings

From time to time, the Company may be named in legal actions and proceedings. These actions may seek substantial or indeterminate compensatory as well as punitive damages or injunctive relief. The Company is also subject to governmental or regulatory examinations or investigations. The examinations or investigations could result in adverse judgments, settlements, fines, injunctions, restitutions or other relief. For any such matters, the condensed consolidated financial statements include the necessary provisions for losses that the Company believes are probable and estimable. Furthermore, the Company evaluates whether there exist losses which may be reasonably possible and will, if material, make the necessary disclosures. However, management believes such amounts, both those that would be probable and those that would be reasonably possible, are not material to the Company’s financial condition, results of operations or cash flows at September 30, 2019.

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

The following table provides information with respect to the repurchase of Class A Common Stock of AC during the three months ended September 30, 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
7/01/19 - 7/31/19	17,392	$ 37.90	17,392	1,134,432
8/01/19 - 8/31/19	8,574	35.82	8,574	1,125,858
9/01/19 - 9/30/19	10,528	35.61	10,528	1,115,330
Totals	36,494	$ 36.75	36,494	

Item 6. (a) Exhibits

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

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

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ASSOCIATED CAPITAL GROUP, INC.
(Registrant)

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

Date: November 8, 2019