SECURITIES & EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2020
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 July 31, 2020
Class A Common Stock, .001 par value	3,398,829
Class B Common Stock, .001 par value	18,962,918

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)

	June 30, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents (a)	$ 74,405	$ 348,588
Investments in debt securities (a)	319,376	29,037
Investments in equity securities (Including GBL stock with a value of $39.0 million and $57.2 million, respectively) (a)	198,325	271,320
Investments in affiliated registered investment companies	140,146	159,311
Investments in partnerships (a)	139,362	145,372
Receivable from brokers (a)	18,399	24,150
Investment advisory fees receivable	1,167	9,582
Receivable from affiliates	622	4,369
Deferred tax assets (including taxes receivable of $309 in 2020)	11,017	2,004
Goodwill	3,519	3,519
Other assets (a)	20,286	13,654
Total assets	$ 926,624	$ 1,010,906
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Payable to brokers	$ 7,299	$ 14,889
Income taxes payable	-	3,676
Compensation payable	6,462	20,246
Securities sold, not yet purchased (a)	9,833	16,419
Payable to affiliates	388	483
Accrued expenses and other liabilities (a)	2,777	7,373
Total liabilities	26,759	63,086
Redeemable noncontrolling interests (a)	47,178	50,385
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; 6,629,254 and 6,569,254 shares issued, respectively; 3,399,633 and 3,452,381 shares outstanding, respectively	6	6
Class B Common Stock, $0.001 par value; 100,000,000 shares authorized; 19,196,792 shares issued; 18,962,918 and 19,022,918 shares outstanding, respectively	19	19
Additional paid-in capital	1,003,450	1,003,450
Accumulated deficit	(41,056)	(701)
Treasury stock, at cost (3,229,621 and 3,116,873 shares outstanding, respectively)	(110,635)	(106,342)
Total Associated Capital Group, Inc. equity	851,784	896,432
Noncontrolling interests	903	1,003
Total equity	852,687	897,435
Total liabilities and equity	$ 926,624	$ 1,010,906

(a) As of June 30, 2020 and December 31, 2019, cash and cash equivalents, investments in securities, investment in partnerships, receivable from broker, other assets, securities sold, not yet purchased, accrued expenses and other liabilities and redeemable noncontrolling interests include amounts related to consolidated variable interest entities (“VIEs”). See Footnote D.

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 June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenues				
Investment advisory and incentive fees	$ 1,859	$ 2,713	$ 4,559	$ 5,446
Institutional research services	1,104	2,076	2,478	3,989
Other	174	32	469	38
Total revenues	3,137	4,821	7,506	9,473
Expenses				
Compensation	3,538	5,584	7,731	11,480
Stock-based compensation	447	284	(371)	699
Other operating expenses	3,295	2,104	5,384	8,321
Total expenses	7,280	7,972	12,744	20,500
Operating loss	(4,143)	(3,151)	(5,238)	(11,027)
Other income (expense)				
Net gain/(loss) from investments	51,714	(234)	(50,376)	34,745
Interest and dividend income	1,227	3,295	3,537	7,081
Interest expense	(65)	(35)	(114)	(79)
Shareholder-designated contribution	2	-	(225)	-
Total other income (expense), net	52,878	3,026	(47,178)	41,747
Income/(loss) before income taxes	48,735	(125)	(52,416)	30,720
Income tax expense/(benefit)	11,110	(277)	(12,689)	5,914
Net income/(loss)	37,625	152	(39,727)	24,806
Net income/(loss) attributable to noncontrolling interests	2,388	1,084	(1,609)	2,591
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 35,237	$ (932)	$ (38,118)	$ 22,215
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share:				
Basic	$ 1.57	$ (0.04)	$ (1.70)	$ 0.98
Diluted	$ 1.57	$ (0.04)	$ (1.70)	$ 0.98
Weighted average shares outstanding:				
Basic	22,378	22,552	22,410	22,568
Diluted	22,378	22,552	22,410	22,568
Dividends declared:	$ 0.10	$ 0.10	$ 0.10	$ 0.10

See accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income/(loss)	$ 37,625	$ 152	$ (39,727)	$ 24,806
Less: Comprehensive income/(loss) attributable to noncontrolling interests	2,388	1,084	(1,609)	2,591
Comprehensive income/(loss) attributable to Associated Capital Group, Inc.	$ 35,237	$ (932)	$ (38,118)	$ 22,215

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, 2020 and three months ended June 30, 2020

	Associated Capital Group, Inc. shareholders						
	Common Stock	Accumulated Deficit	Additional Paid-in Capital	Treasury Stock	Noncontrolling Interest	Total	Redeemable Noncontrolling Interests
Balance at December 31, 2019	$ 25	$ (701)	$ 1,003,450	$ (106,342)	$ 1,003	$ 897,435	$ 50,385
Redemptions of noncontrolling interests	-	-	-	-	-	-	(531)
Net loss	-	(73,355)	-	-	(52)	(73,407)	(3,945)
Purchase of treasury stock	-	-	-	(3,225)	-	(3,225)	-
Balance at March 31, 2020	$ 25	$ (74,056)	$ 1,003,450	$ (109,567)	$ 951	$ 820,803	$ 45,909
Redemptions of noncontrolling interests	-	-	-	-	-	-	-
Net income/(loss)	-	35,237	-	-	(48)	35,189	(1,167)
Dividends declared ($0.10 per share)		(2,237)	-		-	(2,237)	2,436
Purchase of treasury stock	-	-	-	(1,068)	-	(1,068)	-
Balance at June 30, 2020	$ 25	$ (41,056)	$ 1,003,450	$ (110,635)	$ 903	$ 852,687	$ 47,178

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 and three months ended June 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

See accompanying notes.

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

	Six Months Ended June 30,	
	2020	**2019**
Operating activities		
Net income (loss)	$ (39,727)	$ 24,806
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Equity in net (gains) losses from partnerships	928	(4,064)
Deferred income taxes	(8,708)	(3,999)
Depreciation and amortization	28	12
Donated securities	441	1,758
Unrealized (gains) losses on securities	39,034	(13,901)
Realized gains (losses) on sales of securities	426	(218)
(Increase) decrease in assets:		
Investments in trading securities	(245,733)	(48,802)
Investments in partnerships:		
Contributions to partnerships	(4,229)	(16,671)
Distributions from partnerships	8,110	1,240
Receivable from affiliates	3,748	683
Receivable from brokers	5,752	466
Investment advisory fees receivable	8,415	3,136
Income taxes receivable	(305)	-
Other assets	4,424	9,689
Increase (decrease) in liabilities:		
Payable to brokers	(7,590)	3,836
Income taxes payable	(3,676)	7,718
Payable to affiliates	(95)	(34)
Compensation payable	(13,785)	(1,931)
Accrued expenses and other liabilities	(2,425)	196
Total adjustments	(215,240)	(60,886)
Net cash used in operating activities	$ (254,967)	$ (36,080)

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

	Six Months Ended June 30,	
	2020	**2019**
Investing activities		
Purchases of securities	$ (226)	$ (1,024)
Proceeds from sales of securities	429	2,686
Return of capital on securities	865	732
Purchase of building	(11,084)	(6,250)
Net cash used in investing activities	(10,016)	(3,856)
Financing activities		
Redemptions of redeemable noncontrolling interests	(421)	(1,590)
Dividends paid	(4,486)	(4,513)
Purchase of treasury stock	(4,293)	(2,021)
Proceeds from promissory note from Executive Chairman	-	2,124
Repayment of promissory note to Executive Chairman	-	(2,126)
Net cash used in financing activities	(9,200)	(8,126)
Net decrease in cash and cash equivalents	(274,183)	(48,062)
Cash and cash equivalents at beginning of period	348,588	409,564
Increase in cash from consolidation	-	62
Cash and cash equivalents at end of period	$ 74,405	$ 361,564
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 114	$ 79
Cash paid for taxes	$ -	$ 2,200
Reconciliation to cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 74,405	$ 361,564
Restricted cash included in receivable from brokers	200	200
Cash, cash equivalents and restricted cash	$ 74,605	$ 361,764

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020
(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.

Organization

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.

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 underwriting and institutional research services through G.research, LLC (“G.research”), an indirect majority-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”).

We may make direct investments in operating businesses using a variety of techniques and structures. We added Gabelli Special Purpose Acquisition Vehicles (“SPAC”) in 2018. Gabelli Value for Italy (VALU), our initial vehicle launched and listed on the Italian Borsa, approached its second anniversary at the apex of the pandemic in Italy. In light of this challenge, the board voted to commence liquidation which was completed on July 8, 2020. The VALU effort successfully canvassed private company opportunities in Italy, with deal flow expanding throughout Europe. We believe the platform is in place to further expand our direct investment efforts across the European continent.

A private company owns 84%of the economics and controls 97% of AC Groups outstanding voting shares.

Associated Capital Group, Inc. Spin-Off

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

Morgan Group Holding Co. Merger and Spin-Off

On October 31, 2019, the Company closed on a transaction whereby Morgan Group Holding Co., (“Morgan Group”) a company that trades in the over the counter market under the symbol “MGHL” and is under common control of AC’s majority shareholder, acquired all of the Company’s interest in G.research for 50,000,000 shares of Morgan Group common stock. In 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, the Company has an 83.3% ownership interest in Morgan Group and consolidates the entity, which includes G.research. The transaction has been accounted for pursuant to ASC 805-50, Transactions Between Entities Under Common Control. A common-control transaction is similar to a business combination, however, does not meet the definition of a business combination because there is no change in control over the entity by the parent. Therefore, the accounting and reporting for a transaction between entities under common control is outside the scope of the business combinations guidance in ASC 805-10, ASC 805-20, and ASC 805-30 and is addressed in ASC 805-50. For transactions between entities under common control, there is no change in basis in the net assets received and therefore they are recorded at their historical cost.

On March 16, 2020, the Company announced that its Board of Directors has approved the spin-off of Morgan Group to AC's shareholders. AC will distribute to its shareholders on a pro rata basis the 50,000,000 shares of Morgan Group that it owns upon close of the spin-off.

On May 5, 2020, the Morgan Group board approved a reverse stock split of the issued and outstanding shares of their common stock, par value $0.01 per share, in a ratio of 1-for-100 that was effective on June 10, 2020.

The Board of Directors established the record date of July 30, 2020, and distribution date of August 5, 2020 for the spin-off of Morgan Group to AC's shareholders.

Based on the distribution ratio, on the distribution date, AC stockholders of record as of 5:00 pm, New York City time, on the record date, received approximately 0.022356 shares of Morgan Group common stock for each share of AC common stock they held on the record date.

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, 2019.

The Company separately presented investments in debt securities and investments in equity securities in the condensed consolidated statement of financial condition as of June 30, 2020. A reclassification was made to conform prior period information as of December 31, 2019 to the current period presentation. This change has also been made to the corresponding notes to condensed consolidated financial statements.

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 consolidated statement of financial position. The Company adopted this ASU effective January 1, 2019 with no material impact on its consolidated financial statements.

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

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

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

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:

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

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

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

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

Institutional Research Services. Morgan Group, 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. A significant portion of G.research institutional research services have been provided to GAMCO and its affiliates.

These revenues consist of:

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

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

c. Selling concessions – G.research 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 G.research and the underwriter. Revenue is recognized on the trade date (the date on which the G.research purchases the securities from the issuer) for the portion G.research is contracted to buy. G.research believes that the trade date is the appropriate point in time to recognize revenue for securities underwriting transactions as there are no significant actions G.research needs to take subsequent to this date, and the issuer obtains the control and benefit of the capital markets offering at this point. Selling concessions earned are typically collected from the clearing brokers utilized by G.research on a daily or weekly basis.

d. Sales manager fees – G.research 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 G.research, the funds and the funds' investment adviser. G.research recognizes sales manager fees upon sale of the related closed-end funds. Sales manager fees earned are fixed and typically collected from the clearing brokers utilized by G.research on a daily or weekly basis.

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

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

Total revenues by type were as follows for the three and six months ended June 30, 2020 and 2019, respectively (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Investment advisory and incentive fees				
Asset-based advisory fees	$ 1,304	$ 1,761	$ 3,124	$ 3,485
Performance-based advisory fees	-	13	-	26
Sub-advisory fees	555	939	1,435	1,935
	1,859	2,713	4,559	5,446
Institutional research services				
Hard dollar payments	101	463	203	950
Commissions	1,003	1,416	1,940	2,842
Selling concessions	-	197	335	197
	1,104	2,076	2,478	3,989
Other				
Underwriting fees	-	19	30	19
Miscellaneous	174	13	439	19
	174	32	469	38
Total	$ 3,137	$ 4,821	$ 7,506	$ 9,473

C. Investment in Securities

Investments in debt securities at June 30, 2020 and December 31, 2019 consisted of the following (in thousands):

	June 30, 2020		December 31, 2019	
	Cost	Fair Value	Cost	Fair Value
Debt - Trading Securities				
Government obligations	$ 319,323	$ 319,376	$ 28,428	$ 29,037
Total investments in government obligations	$ 319,323	$ 319,376	$ 28,428	$ 29,037

Investments in equity securities at June 30, 2020 and December 31, 2019 consisted of the following (in thousands):

	June 30, 2020		December 31, 2019	
	Cost	Fair Value	Cost	Fair Value
Equity Securities				
Common stocks	$ 232,290	$ 189,351	$ 271,627	$ 262,562
Mutual funds	597	1,015	1,207	2,196
Other investments	9,603	7,959	7,847	6,562
Total investments in securities	$ 242,490	$ 198,325	$ 280,681	$ 271,320

Securities sold, not yet purchased at June 30, 2020 and December 31, 2019 consisted of the following (in thousands):

	June 30, 2020		December 31, 2019	
	Proceeds	Fair Value	Proceeds	Fair Value
Equity securities				
Common stocks	$ 8,817	$ 9,349	$ 13,863	$ 16,300
Other investments	194	484	13	119
Total securities sold, not yet purchased	$ 9,011	$ 9,833	$ 13,876	$ 16,419

Investments in affiliated registered investment companies at June 30, 2020 and December 31, 2019 consisted of the following (in thousands):

	June 30, 2020		December 31, 2019	
	Cost	Fair Value	Cost	Fair Value
Equity securities				
Closed-end funds	$ 75,090	$ 82,240	$ 75,646	$ 99,834
Mutual funds	48,704	57,906	48,348	59,477
Total investments in affiliated registered investment companies	$ 123,794	$ 140,146	$ 123,994	$ 159,311

The Company recognizes all equity derivatives as either assets or liabilities measured at fair value and includes them in either investment in securities or securities sold, not yet purchased on the consolidated statements of financial condition. From time to time, the Company and/or consolidated funds will enter into hedging transactions to manage their exposure to foreign currencies and equity prices related to their proprietary investments. At June 30, 2020 and December 31, 2019 we held derivative contracts on 0.5 million and 3.4 million equity shares, respectively, that are included in investments in securities or securities sold, not yet purchased on the consolidated statements of financial condition as shown in the table below. We had one foreign exchange contract outstanding at June 30, 2020 and two at December 31, 2019. Except for the foreign exchange contracts entered into by the Company, these transactions are not designated as hedges for accounting purposes, and changes in fair values of these derivatives are included in net gain/(loss) from investments on the consolidated statements of income and included in investments in securities, securities sold, not yet purchased, or receivable from or payable to brokers on the consolidated statements of financial condition.

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

	Asset Derivatives			Liability Derivatives		
	Statement of Financial Condition Location	Fair Value		Statement of Financial Condition Location	Fair Value	
		June 30, 2020	December 31, 2019		June 30, 2020	December 31, 2019
Derivatives designated as hedging instruments under FASB ASC 815-20						
Foreign exchange contracts	Receivable from brokers	$-	$23	Payable to brokers	$1,349	$-
Derivatives not designated as hedging instruments under FASB ASC 815-20						
Equity contracts	Investments in securities	$574	$291	Securities sold, not yet purchased	$484	$119
Total derivatives		$574	$314		$1,833	$119

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 June 30,		Six Months ended June 30,	
		2020	2019	2020	2019
Foreign exchange contracts	Net gain/(loss) from investments	$(39)	$(13)	$13	$69
Equity contracts	Net gain/(loss) from investments	257	10	(510)	(2,012)
Total		$219	$(3)	$(497)	$(1,943)

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

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statements of Financial Condition	Net Amounts of Assets Presented in the Statements of Financial Condition	Gross Amounts Not Offset in the Statements of Financial Condition		
				Financial Instruments	Cash Collateral Received	Net Amount
Swaps:			(In thousands)			
June 30, 2020	$ 574	$ -	$ 574	$ (484)	$ -	$ 90
December 31, 2019	291	-	291	(119)	-	172

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statements of Financial Condition	Net Amounts of Liabilities Presented in the Statements of Financial Condition	Gross Amounts Not Offset in the Statements of Financial Condition		
				Financial Instruments	Cash Collateral Pledged	Net Amount
Swaps:			(In thousands)			
June 30, 2020	$ 484	$ -	$ 484	$ (484)	$ -	$ -
December 31, 2019	119	-	119	(119)	-	-

D. Investment Partnerships and Variable Interest Entities

The Company is general partner or co-general partner of various affiliated entities in which the Company had investments totaling $118.8 million and $124.8 million at June 30, 2020 and December 31, 2019, respectively, and whose underlying assets consist primarily of marketable securities (“Affiliated Entities). We also had investments in unaffiliated partnerships, offshore funds and other entities of $20.6 million and $20.5 million at June 30, 2020 and December 31, 2019, respectively (“Unaffiliated Entities”). We evaluate each entity to determine its appropriate accounting treatment and disclosure. Certain of the Affiliated Entities, and none of the Unaffiliated Entities, are consolidated.

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

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

	June 30, 2020		
	Prior to Consolidation	Consolidated Entities	As Reported
Assets			
Cash and cash equivalents	$ 52,396	$ 22,009	$ 74,405
Investments in debt securities	299,880	19,496	319,376
Investments in equity securities (including GBL stock)	132,395	65,930	198,325
Investments in affiliated investment companies	179,602	(39,456)	140,146
Investments in partnerships	159,905	(20,543)	139,362
Receivable from brokers	7,205	11,194	18,399
Investment advisory fees receivable	1,193	(26)	1,167
Other assets	35,135	309	35,444
Total assets	$ 867,711	$ 58,913	$ 926,624
Liabilities and equity			
Securities sold, not yet purchased	$ 3,209	$ 6,624	$ 9,833
Accrued expenses and other liabilities	11,815	5,111	16,926
Redeemable noncontrolling interests	-	47,178	47,178
Total equity	852,687	-	852,687
Total liabilities and equity	$ 867,711	$ 58,913	$ 926,624

	December 31, 2019		
	Prior to Consolidation	Consolidated Entities	As Reported
Assets			
Cash and cash equivalents	$ 335,421	$ 13,167	$ 348,588
Investments in debt securities	25,050	3,987	29,037
Investments in equity securities (including GBL stock)	157,623	113,697	271,320
Investments in affiliated investment companies	211,024	(51,713)	159,311
Investments in partnerships	167,781	(22,409)	145,372
Receivable from brokers	7,759	16,391	24,150
Investment advisory fees receivable	9,604	(22)	9,582
Other assets	23,517	29	23,546
Total assets	$ 937,779	$ 73,127	$ 1,010,906
Liabilities and equity			
Securities sold, not yet purchased	$ 4,625	$ 11,794	$ 16,419
Accrued expenses and other liabilities	35,718	10,949	46,667
Redeemable noncontrolling interests	1	50,384	50,385
Total equity	897,435	-	897,435
Total liabilities and equity	$ 937,779	$ 73,127	$ 1,010,906

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

	Three Months Ended June 30, 2020		
	Prior to Consolidation	Consolidated Entities	As Reported
Total revenues	$ 3,304	$ (167)	$ 3,137
Total expenses	6,524	756	7,280
Operating loss	(3,220)	(923)	(4,143)
Total other income, net	49,519	3,359	52,878
Income before income taxes	46,299	2,436	48,735
Income tax expense	11,110	-	11,110
Net income before NCI	35,189	2,436	37,625
Net income/(loss) attributable to noncontrolling interests	(48)	2,436	2,388
Net Income	$ 35,237	$ -	$ 35,237

	Three Months Ended June 30, 2019		
	Prior to Consolidation	Consolidated Entities	As Reported
Total revenues	$ 5,001	$ (180)	$ 4,821
Total expenses	7,657	315	7,972
Operating loss	(2,656)	(495)	(3,151)
Total other income, net	1,447	1,579	3,026
Income/(loss) before income taxes	(1,209)	1,084	(125)
Income tax benefit	(277)	-	(277)
Net income/(loss) before NCI	(932)	1,084	152
Net income attributable to noncontrolling interests	-	1,084	1,084
Net loss	$ (932)	$ -	$ (932)

	Six Months Ended June 30, 2020		
	Prior to Consolidation	Consolidated Entities	As Reported
Total revenues	$ 7,029	$ 477	$ 7,506
Total expenses	11,790	954	12,744
Operating loss	(4,761)	(477)	(5,238)
Total other income/(expense), net	(46,146)	(1,032)	(47,178)
Loss before income taxes	(50,907)	(1,509)	(52,416)
Income tax benefit	(12,689)	-	(12,689)
Net loss before NCI	(38,218)	(1,509)	(39,727)
Net loss attributable to noncontrolling interests	(100)	(1,509)	(1,609)
Net loss	$ (38,118)	$ -	$ (38,118)

	Six Months Ended June 30, 2019		
	Prior to Consolidation	Consolidated Entities	As Reported
Total revenues	$ 9,818	$ (345)	$ 9,473
Total expenses	19,119	1,381	20,500
Operating loss	(9,301)	(1,726)	(11,027)
Total other income, net	37,430	4,317	41,747
Income before income taxes	28,129	2,591	30,720
Income tax expense	5,914	-	5,914
Net income before NCI	22,215	2,591	24,806
Net income attributable to noncontrolling interests	-	2,591	2,591
Net income	$ 22,215	$ -	$ 22,215

Variable Interest Entities

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

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

	June 30, 2020	December 31, 2019
Cash and cash equivalents	$ 2,840	$ 2,224
Investments in securities	15,344	18,454
Receivable from brokers	2,399	2,601
Investments in partnerships and affiliates	7,704	8,363
Accrued expenses and other liabilities	(151)	(329)
Redeemable noncontrolling interests	(8,483)	(9,592)
AC Group's net interests in consolidated VIEs	$ 19,653	$ 21,721

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 June 30, 2020 and December 31, 2019 and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

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

	June 30, 2020			
Assets	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Cash equivalents	$ 73,075	$ -	$ -	$ 73,075
Investments in debt securities:				
Trading - Gov't obligations	319,376			319,376
Total investments in debt securities	319,376	-	-	319,376
Investments in equity securities (including GBL stock):				
Common stocks	182,599	6,716	36	189,351
Mutual funds	1,015	-	-	1,015
Other	2,394	577	4,988	7,959
Total investments in equity securities	186,008	7,293	5,024	198,325
Investments in affiliated registered investment companies:				
Closed-end funds	82,240	-	-	82,240
Mutual funds	57,906	-	-	57,906
Total investments in affiliated registered investment companies	140,146	-	-	140,146
Total investments held at fair value	645,530	7,293	5,024	657,847
Total assets at fair value	$ 718,605	$ 7,293	$ 5,024	$ 730,922
Liabilities				
Common stocks	$ 9,349	$ -	$ -	$ 9,349
Other	123	361	-	484
Securities sold, not yet purchased	$ 9,472	$ 361	$ -	$ 9,833

Assets	December 31, 2019 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash equivalents	$ 343,428	$ -	$ -	$ 343,428
Investments in debt securities:				
Trading - Gov't obligations	29,037	-	-	29,037
Total investments in debt securities	29,037	-	-	29,037
Investments in equity securities (including GBL stock):				
Common stocks	257,520	4,444	89	262,562
Mutual funds	2,196	-	-	2,196
Other	2,428	509	4,134	6,562
Total investments in equity securities	262,144	4,953	4,223	271,320
Investments in affiliated registered investment companies:				
Closed-end funds	99,834	-	-	99,834
Mutual funds	59,477	-	-	59,477
Total investments in affiliated registered investment companies	159,311	-	-	159,311
Total investments held at fair value	450,492	4,953	4,223	459,668
Total assets at fair value	$ 793,920	$ 4,953	$ 4,223	$ 803,096
Liabilities				
Common stocks	$ 16,300	$ -	$ -	$ 16,300
Other	-	119	-	119
Securities sold, not yet purchased	$ 16,300	$ 119	$ -	$ 16,419

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 June 30, 2020			Three months ended June 30, 2019		
	Common Stocks	Other	Total	Common Stocks	Other	Total
Beginning balance	$ 36	$ 3,895	$ 3,931	$ 33	$ 3,311	$ 3,344
Total gains/(losses)	-	107	107	158	944	1,102
Purchases	-	-	-	-	-	-
Sales	-	(41)	(41)	-	-	-
Transfers	-	1,027	1,027	-	-	-
Ending balance	$ 36	$ 4,988	$ 5,024	$ 191	$ 4,255	$ 4,446
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	$ -	$ 92	$ 92	$ 158	$ 944	$ 1,102

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.

	Six months ended June 30, 2020			Six months ended June 30, 2019		
	Common Stocks	Other	Total	Common Stocks	Other	Total
Beginning balance	$ 89	$ 4,134	$ 4,223	$ 12	$ 3,458	$ 3,470
Total gains/(losses)	(53)	(23)	(76)	116	797	913
Purchases	-	-	-	-	-	-
Sales	-	(41)	(41)	-	-	-
Transfers	-	918	918	63	-	63
Ending balance	$ 36	$ 4,988	$ 5,024	$ 191	$ 4,255	$ 4,446
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	$ (53)	$ (35)	$ (88)	$ 116	$ 797	$ 913

During the three months ended June 30, 2020, the Company transferred investments with values of approximately $1,027,000 from level 1 to level 3 due to the unavailability of observable inputs.

During the six months ended June 30, 2020 and 2019, the Company transferred investments with a value of approximately $918,000 and $63,000, respectively, from Level 1 to Level 3 due to the unavailability of observable inputs.

F. Income Taxes

The effective tax rate (“ETR”) for the three months ended June 30, 2020 and June 30, 2019 was 22.8% and 232.4%, respectively. The ETR in the second quarter of 2020 differs from the standard corporate tax rate of 21% primarily due to state and local taxes (net of federal benefit) and the rate differential on the carryback of a net operating loss. The ETR in the second 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 and (c) noncontrolling interest in consolidated partnerships and a true up of the tax expense from the first quarter of 2019 for the same items.

The ETR for the six months ended June 30, 2020 and June 30, 2019 was 24.2% and 19.3%, respectively. The 2020 year-to-date ETR differs from the standard corporate tax rate of 21% primarily due to state and local taxes (net of federal benefit) and the rate differential on the carryback of a net operating loss. 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) noncontrolling interest consolidated partnerships.

G. Earnings Per Share

Basic earnings per share is computed by dividing net income/(loss) attributable to our shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share is computed by dividing net income/(loss) attributable to our shareholders by the weighted average number of shares outstanding during the period because there are no dilutive securities outstanding during the periods presented.

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

(amounts in thousands, except per share amounts)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
Basic:		
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 35,237	$ (932)
Weighted average shares outstanding	22,378	22,552
Basic net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share	$ 1.57	$ (0.04)
Diluted:		
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 35,237	$ (932)
Weighted average share outstanding	22,378	22,552
Total	22,378	22,552
Diluted net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share	$ 1.57	$ (0.04)

(amounts in thousands, except per share amounts)	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Basic:		
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ (38,118)	$ 22,215
Weighted average shares outstanding	22,410	22,568
Basic net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share	$ (1.70)	$ 0.98
Diluted:		
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ (38,118)	$ 22,215
Weighted average share outstanding	22,410	22,568
Total	22,410	22,568
Diluted net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share	$ (1.70)	$ 0.98

H. Stockholders' Equity

Shares outstanding were 22.4 million and 22.5 million at June 30, 2020 and December 31, 2019, respectively.

Dividends

During the three months ended June 30, 2020 and 2019, the Company declared dividends of $0.10 per share to class A and class B shareholders.

Stock Repurchase Program

During first and second quarters of 2020, the Company repurchased approximately 82 thousand and 31 thousand shares at an average price of $39.43 per share and $34.51 per share, respectively, for a total investment of $3.2 million and $1.1 million, respectively. During first and second quarters of 2019, the Company repurchased approximately 10 thousand and 43 thousand shares at an average price of $40.03 per share and $38.23 per share, respectively, for a total investment of $0.4 million and $1.6 million, respectively.

Voting Rights

The holders of Class A Common stock ("Class A Stock") and Class B Common stock ("Class B Stock") have identical rights except that holders of Class A Stock are entitled to one vote per share, while holders of Class B Stock are entitled to ten votes per share on all matters to be voted on by shareholders in general. Holders of each share class, however, are not eligible to vote on matters relating exclusively to the other share class.

Stock Award and Incentive Plan

The Company maintains one stock award and incentive plan (the "Plan") approved by the shareholders on May 3, 2016, which is designed to provide incentives to attract and retain individuals key to the success of AC through direct or indirect ownership of our common stock. Benefits under the Plan may be granted in any one or a combination of stock options, stock appreciation rights, restricted stock, restricted stock units, stock awards, dividend equivalents and other stock or cash-based awards. A maximum of 2 million shares of Class A Stock have been reserved for issuance under the Plan by the Compensation Committee of the Board of Directors (the "Compensation Committee") which is responsible for administering the Plan. Under the Plan, the Compensation Committee may grant RSAs and either incentive or nonqualified stock options with a term not to exceed ten years from the grant date and at an exercise price that it may determine. Through June 30, 2020, approximately 700,000 shares have been awarded under the Plan leaving approximately 1.3 million shares for future grants.

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

Pursuant to ASC 718, the Phantom RSAs are treated as a liability because cash settlement is required and compensation will be recognized over the vesting period. In determining the compensation expense to be recognized each period, the Company re-measures 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 considers the impact of Phantom RSAs that have been forfeited prior to vesting (e.g., due to an employee termination). The Company has elected to consider forfeitures as they occur. Based on the closing price of the Company's Class A Common Stock on June 30, 2020 and December 31, 2019, the total liability recorded by the Company in compensation payable as of June 30, 2020 and December 31, 2019, with respect to the Phantom RSAs was $1.6 million and $2.0 million, respectively.

For the three and six month periods ended June 30, 2020, the Company recorded approximately $0.5 million and ($0.4) million in stock-based compensation expense, respectively. For the three and six month periods ending June 30, 2019, the Company recorded approximately $0.3 million and $0.7 million in stock-based compensation expense, respectively. This expense is included in compensation expense in the consolidated statements of income.

As of June 30, 2020, there were 88,650 unvested Phantom RSAs outstanding. The unrecognized compensation cost related to these was $1.9 million which is expected to be recognized over a weighted-average period of 3.1 years. On February 4, 2020, 23,000 Phantom RSA's were forfeited by teammates who transferred to Morgan Group.

As of December 31, 2019, 119,650 awarded but unvested Phantom RSAs were outstanding.

I. Goodwill and Identifiable Intangible Assets

At June 30, 2020, 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 June 30, 2020 or June 30, 2019, 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 June 30, 2020 and December 31, 2019.

G.research has agreed to indemnify clearing brokers for losses they may sustain from customer accounts introduced by G.research that trade on margin. At each of June 30, 2020 and December 31, 2019, 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. Subsequent Events

During the period from July 1, 2020 to August 7, 2020, the Company repurchased 804 shares at an average price of $35.92 per share.

On August 5, 2020, the Company distributed its shares of Morgan Group to shareholders of record as of July 30, 2020.

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 16, 2020 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").

Event-Driven Asset Management

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

The alternative investment strategies focus on fundamental, active, event-driven special situations and merger arbitrage. Returns for the quarter were driven by completed deals, as well as continued progress on deals in the pipeline. Notably, spreads have revert to pre-COVID levels. For second quarter, our gross return was 6.7%, (6.4% net of fees). The strategy is offered domestically through partnerships and to institutional investors. Internationally, the strategy is offered through a number of vehicles, including EU regulated UCITS structures and the London Stock Exchange listed investment company, Gabelli Merger Plus Trust (GMP-LN).

Institutional Research Services

We provide our institutional research and underwriting services through G.research, LLC ("G.research"), a majority controlled wholly-owned subsidiary of Morgan Group. 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 consolidated the entity, which now includes G.research.

On March 16, 2020 our board of directors approved the distribution of AC's Morgan Group Holdings to shareholders.

On May 5, 2020, the Morgan Group board approved a reverse stock split of the issued and outstanding shares of their common stock, par value $0.01 per share, in a ratio of 1-for-100 that was effective on June 10, 2020.

The Board of Directors established the record date of July 30, 2020, and distribution date of August 5, 2020 for the spin-off of Morgan Group to AC's shareholders.

Based on the distribution ratio, on the distribution date, AC stockholders of record as of 5:00 pm, New York City time, on the record date, received approximately 0.022356 shares of Morgan Group common stock for each share of AC common stock they held on the record date.

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. Gabelli & Partners team is extending our marketing reach within Asia and Europe, resulting in searches, proposal and new business for the UCITs, offshore funds and SMA's. Gabelli & Partners currently has a relationship with more than 20 third party marketing firms, principally private banks on continental Europe. Gabelli Value for Italy (VALU), our initial vehicle launched and listed on the Italian Borsa, approached its second anniversary at the apex of the pandemic in Italy. In light of this challenge, the board approved a liquidation of this entity which was completed on July 8, 2020. However, the VALU effort successfully canvassed private company opportunities in Italy, with deal flow expanding throughout Europe. We believe the platform is in place to further expand our direct investment efforts across the European continent.

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

In December 2019, a novel strain of coronavirus ("COVID-19") surfaced in China and has since spread quickly to numerous countries, including the United States. On March 11, 2020, COVID-19 was identified as a global pandemic by the World Health Organization. In response to its spread, governmental authorities have imposed restrictions on travel and congregation and the temporary closure of many non-essential businesses in affected jurisdictions, including, beginning in March 2020, in the United States. As world leaders focused on the unprecedented human and economic challenges of COVID-19, global equity markets plunged as the coronavirus pandemic spread. In March, the unfolding events led to the worst month for stocks since 2008 and the worst first quarter since 1937. In the second quarter, as a result of unprecedented fiscal and monetary stimulus and the fast tracking of potential COVID-19 vaccines, the markets have rebounded strongly.

Any potential impact to our results of operations and financial condition will depend to a large extent on future developments and new information that could emerge regarding the duration and severity of COVID-19 and the actions taken by authorities and other entities to contain COVID-19 or treat its impact, all of which are beyond our control. These potential impacts, while uncertain, could adversely affect our operating results and financial condition. The pandemic and resulting economic dislocations have had adverse consequences on our AUM, resulting in decreased revenues, partially offset by decreased variable operating and compensation expenses. As a result of this pandemic, the majority of our employees ("teammates") are working remotely. However, there has been no material impact of remote work arrangements on our operations, including our financial reporting systems, internal control over financial reporting, and disclosure controls and procedures, and there has been no material challenge in implementing our business continuity plan.

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 second quarter of 2020 with approximately $862 million in cash and investments, net of securities sold, not yet purchased of $10 million. This includes $74 million of cash and cash equivalents; $508 million of securities, net of securities sold, not yet purchased, including debt securities of $319 million and shares of GAMCO and Gabelli Value for Italy S.p.a. with market values of $39 million and $9 million, respectively; and $280 million invested in affiliated and third-party funds and partnerships, including investments in affiliated closed end funds which have a value of $82 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 $853 million or $38.13 per share at June 30, 2020 compared to $897 million or $39.93 per share on December 31, 2019. The decrease in equity from the end of 2019 is driven primarily by our net loss of $38 million and repurchases of Class A Common Stock of AC.

RESULTS OF OPERATIONS

(in thousands, except per share data)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenues				
Investment advisory and incentive fees	$ 1,859	$ 2,713	$ 4,559	$ 5,446
Institutional research services	1,104	2,076	2,478	3,989
Other	174	32	469	38
Total revenues	3,137	4,821	7,506	9,473
Expenses				
Compensation	3,538	5,584	7,731	11,480
Stock-based compensation	447	284	(371)	699
Other operating expenses	3,295	2,104	5,384	8,321
Total expenses	7,280	7,972	12,744	20,500
Operating loss	(4,143)	(3,151)	(5,238)	(11,027)
Other income/(expense)				
Net gain/(loss) from investments	51,714	(234)	(50,376)	34,745
Interest and dividend income	1,227	3,295	3,537	7,081
Interest expense	(65)	(35)	(114)	(79)
Shareholder-designated contribution	2	-	(225)	-
Total other income/(expense), net	52,878	3,026	(47,178)	41,747
Income/(loss) before income taxes	48,735	(125)	(52,416)	30,720
Income tax expense/(benefit)	11,110	(277)	(12,689)	5,914
Net income/(loss)	37,625	152	(39,727)	24,806
Net income/(loss) attributable to noncontrolling interests	2,388	1,084	(1,609)	2,591
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 35,237	$ (932)	$ (38,118)	$ 22,215
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share:				
Basic	$ 1.57	$ (0.04)	$ (1.70)	$ 0.98
Diluted	$ 1.57	$ (0.04)	$ (1.70)	$ 0.98

Three Months Ended June 30, 2020 Compared To Three Months Ended June 30, 2019

Overview

Our operating loss for the quarter was $4.1 million compared to $3.2 million for the comparable quarter of 2019. The increase in operating loss was attributable to lower revenues of $1.7 million offset by lower operating expenses due to lower compensation costs of $2.0 million offset by higher other operating expense of $1.2 million. Other income was $52.9 million in the 2020 quarter compared to a gain of $3.0 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 $11.1 million compared to an income tax benefit of $0.3 million in the year ago quarter. Our current quarter net income was $35.2 million, or $1.57 per diluted share, compared to a net loss of $0.9 million, or $(0.04) per diluted share, in the prior year's comparable quarter.

Revenues

Total revenues were $3.1 million for the quarter ended June 30, 2020, $1.7 million lower than the prior year period.

We earn advisory fees based on the average level of AUM in our products. Advisory fees were $1.9 million for 2020, compared to $2.7 million for the prior year period, a decrease of $0.8 million. AUM of $1.3 billion decreased $0.3 billion in the current quarter 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 June 30, we would have recognized $ 0.1 million and $ 0.3 million of incentive fees for the quarter ended June 30, 2020 and 2019, respectively.

Institutional research services revenues in the current year's first quarter decreased to $1.1 million, from the prior year's period of $2.1 million due to the termination of research agreements with GAMCO Asset Management, Inc. and Gabelli Funds, LLC effective January 1, 2020 and lower commissions of $0.4 million each and lower sales manager fees of $0.2 million.

Expenses

Compensation, which include variable compensation, salaries, bonuses and benefits, was $3.5 million for the three months ended June 30, 2020, compared to $5.6 million for the three months ended June 30, 2019. Fixed compensation, which include salaries and benefits, declined to $2.1 million for the 2020 period from $3.2 million in the prior year. Discretionary bonus accruals were $0.6 million and $0.9 million in the 2020 and 2019 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 2020, these variable payouts were $0.8 million, down $1.0 million from $1.8 million in 2019.

For the three months ended June 30, 2020 and 2019, stock-based compensation was $0.4 million and $0.3 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. No management fee expense was recorded for the three-month periods ended June 30, 2020 and 2019 due to the year to date pre-tax loss.

Other operating expenses were $3.3 million during the second quarter of 2020 compared to $2.1 million in the prior year. The increase was due primarily to higher legal and accounting fees of $0.6 million related to the Morgan Group spin-off.

Other

Net gain/(loss) from investments is primarily related to the performance of our securities portfolio and investments in partnerships. Investment gains were $51.7 million in the 2020 quarter versus a loss of $234,000 in the comparable 2019 quarter reflecting mark-to-market changes in the value of our investments.

Interest and dividend income decreased to $1.2 million in the 2020 quarter from $3.3 million in the 2019 quarter primarily due to lower interest rates on our cash balances and US Treasuries and decreased dividends from the prior year's quarter.

Six Months Ended June 30, 2020 Compared To Six Months Ended June 30, 2019

Overview

Our operating loss for the year-to-date period was $5.2 million compared to $11.0 million for the comparable period of 2019. Revenues declined by $2.0 million from $9.5 million in the prior year-to-date period. Investment income decreased to a loss $47.2 million in the 2020 period from a gain of $41.7 million in the prior year's period primarily due to mark-to-market gains on our investment portfolio. Stock-based compensation fell by $1.1 million year-over-year. The Company recorded an income tax benefit of $12.7 million in the current year compared to an expense of $5.9 million in the year ago period. Consequently, our 2020 period net loss increased to $38.1 million, or $(1.70) per diluted share, from net income of $22.2 million, or $0.98 per diluted share, in the prior year's comparable period.

Revenues

Total revenues were $7.5 million and $9.5 million for the six month periods ended June 30, 2020 and 2019, respectively.

Advisory fees, excluding incentive fees, were $4.6 million for the 2019 six months compared to $5.4 million for the prior year six months, a decrease of $0.8 million. This decrease is due to the decrease in AUM over the period.

Institutional research services revenues in the current year's first six months decreased to $2.5 million, from the prior year's period of $4.0 million due to a $0.9 million reduction in commissions generated by our institutional research operations and $0.7 million due to the termination of research services agreements effective January 1, 2020 with GAMCO Asset Management, Inc. and Gabelli Funds, LLC offset by increased sales manager fees of $0.1 million.

Compensation, which include variable compensation, salaries, bonuses and benefits, was $7.7 million for the six months ended June 30, 2020, compared to $11.5 million for the six months ended June 30, 2019 declined $ 3.8 million due primerily to reduced headcount at G. research. Fixed compensation, which include salaries and benefits, declined to $4.3 million for the 2020 period from $6.9 million in the prior year. Discretionary bonus accruals were $1.4 million and $1.8 million in the 2020 and 2019 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 2020, these variable payouts were $2.0 million, down $0.8 million from $2.8 million in 2019.

For the six months ended June 30, 2020 and 2019, stock-based compensation was $(0.4) million and $0.7 million, respectively. The decrease was due to the cancellation of Phantom RSAs related to headcount reductions at G.research and volatility in AC stock price.

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 $3.2 million for the six month periods ended June 30, 2019. No management fee expense was recorded for the six month period ended June 30, 2020 due to the year to date pre-tax loss.

Other operating expenses were $5.4 million during the first six months of 2020 compared to $5.1 million in the prior year.

Other

Investment losses were $50.4 million in the 2020 six month period compared to a $34.7 million gain in the comparable 2019 period reflecting mark-to-market changes in the value of our investments.

Interest and dividend income decreased to $3.5 million in the 2020 period from $7.1 million in 2019 primarily due to lower interest rates on our cash balances and lower dividend income.

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 $1.3 billion as of June 30, 2020, a decrease of 24% and 18.8% over the December 31, 2019 and June 30, 2019 periods, respectively. The changes were attributable to market appreciation/(depreciation) and investor redemptions.

Assets Under Management (in millions)

				% Change From	
	June 30, 2020	December 31, 2019	June 30, 2019	December 31, 2019	June 30, 2019
Event Merger Arbitrage	$ 1,147	$ 1,525	$ 1,422	(24.8)	(19.3)
Event-Driven Value	104	132	127	(21.2)	(18.1)
Other	54	59	58	(8.5)	(6.9)
Total AUM	$ 1,305	$ 1,716	$ 1,607	(24.0)	(18.8)

Fund flows for the three months ended June 30, 2020 (in millions):

	March 31, 2020	Market appreciation/ (depreciation)	Net cash flows	June 30, 2020
Event Merger Arbitrage	$ 1,312	$ 83	$ (248)	$ 1,147
Event-Driven Value	112	8	(16)	104
Other	49	6	(1)	54
Total AUM	$ 1,473	$ 97	$ (265)	$ 1,305

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):

	Six months ended June 30, 2020	2019
Cash flows provided by (used in):		
Operating activities	$ (254,967)	$ (36,080)
Investing activities	(10,016)	(3,856)
Financing activities	(9,200)	(8,126)
Net increase (decrease)	(274,183)	(48,062)
Cash and cash equivalents at beginning of period	348,588	409,564
Increase in cash from consolidation	-	62
Cash and cash equivalents at end of period	$ 74,405	$ 361,564

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 June 30, 2020, we had total cash and cash equivalents of $74 million and $648 million in net investments. Of these amounts, $22.1 million and $25.4 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 $255 million for the six months ended June 30, 2020 due to $245.7 million of increases in trading securities offset by net distributions from investment partnerships of $3.9 million and $32.1 million of adjustments for noncash items, primarily losses on investments securities and partnership investments and deferred taxes, offset by our net loss of $39.7 million and net receivables/payables of $5.6 million. Net cash used in investing activities was $10.0 million due to the purchase of a building for $11.1 million and purchases of securities of $0.2 million partially offset by proceeds from sales of securities of $0.4 million and return of capital on securities of $0.9 million. Net cash used in financing activities was $9.2 million resulting from dividends paid of $4.5 million, stock buyback payments of $4.3 million and redemptions from consolidated funds of $0.4 million.

Net cash used in operating activities was $36.1 million for the six months ended June 30, 2019 primarily due to our net income adjusted for non-cash items of $20.8 million and $76.7 million of net gains on sale of securities and net contributions to partnerships partially offset by net increases of $19.8 million to receivables and accrued expenses. Net cash used by investing activities was $3.9 million due to net proceeds from sales of available for sale securities and return of capital distributions of $2.4 million offset by the purchase of a building for $6.3 million. Net cash used in financing activities was $8.1 million largely resulting from dividends and stock buyback payments of $6.5 million and redemptions from consolidated funds of $1.6 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 $4.1 million, exceeding the required amount of $250,000 by $3.8 million at June 30, 2020. 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 2019 Annual Report on Form 10-K filed with the SEC on March 16, 2020 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

Evaluation of Disclosure Controls and Procedures

Our current management, including our CEO and CAO, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of June 30, 2020. Based on this evaluation of our disclosure controls and procedures management has concluded that our disclosure controls and procedures were not effective as of June 30, 2020 because of a material weakness in our internal control over financial reporting, as further described below.

Notwithstanding that our disclosure controls and procedures as of June 30, 2020 were not effective, and the material weakness in our internal control over financial reporting as described below, management believes that the consolidated financial statements and related financial information included in this Quarterly Report on Form 10-Q fairly present in all material respects our financial condition, results of operations and cash flows as of the dates presented, and for the periods ended on such dates, in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Management's Report on Internal Control Over Financial Reporting

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

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

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

Under the supervision and with the participation of our management we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the COSO framework. Based on evaluation under these criteria, management determined, based upon the existence of the material weakness described below, that we did not maintain effective internal control over financial reporting as of June 30, 2020.

The material weakness in internal control over financial reporting was identified in 2019 and caused by the Company not having sufficient personnel with technical accounting and reporting skills, which resulted in the lack of segregation of duties to separate financial statement preparation from senior management review and misstatements during 2019 related to nonroutine transactions that were corrected before issuance of our Form 10Qs and 10K for periods in 2019. This material weakness resulted in an increased risk of a material misstatement in the financial statements.

Changes in Internal Control Over Financial Reporting

There were no changes during the quarter ended June 30, 2020 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Remediation Plan and Status

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

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

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 June 30, 2020.

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 June 30, 2020:

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
04/01/20 - 04/30/20	6,049	$ 34.77	6,049	1,006,516
05/01/20 - 05/31/20	16,622	34.33	16,622	989,894
06/01/20 - 06/30/20	8,286	34.66	8,286	981,608
Totals	30,957	$ 34.51	30,957	

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	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

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: August 7, 2020

Exhibit 31.1

Certifications

I, Douglas R. Jamieson, certify that:

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

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

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

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

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

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

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

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

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

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

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

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

Date: August 7, 2020

Exhibit 31.2

Certifications

I, Kenneth D. Masiello, certify that:

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

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

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

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

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

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

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

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

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

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

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

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

Date: August 7, 2020

Exhibit 32.1

Certification of CEO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Associated Capital Group, Inc. (the “Company”) for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Douglas R. Jamieson, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

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

By:	/s/ Douglas R. Jamieson
Name:	Douglas R. Jamieson
Title:	Chief Executive Officer
Date:	August 7, 2020

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

Exhibit 32.2

Certification of CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Associated Capital Group, Inc. (the "Company") for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kenneth D. Masiello, as Chief Accounting Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

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

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

Date: August 7, 2020

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