

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

**FORM 10-Q**

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

For the Quarterly period ended September 30, 2021

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-37387

**ASSOCIATED CAPITAL GROUP, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

47-3965991

(I.R.S. Employer Identification No.)

191 Mason Street, Greenwich, CT

(Address of principal executive offices)

06830

(Zip Code)

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

**Title of each class**

**Trading  
Symbol**

**Name of each exchange on  
which registered**

Class A Common Stock, par value \$0.001 per share

AC

New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes  No .

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

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

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

Class

Class A Common Stock, .001 par value  
Class B Common Stock, .001 par value

Outstanding at November 3, 2021

3,095,169  
18,962,918

As of November 3, 2021, 3,095,169 shares of class A common stock and 18,962,918 shares of class B common stock were outstanding. GGCP, Inc., a private company controlled by the Company's Executive Chairman, held 77,165 shares of class A common stock and indirectly held 18,423,741 shares of class B common stock. Other executive officers and directors of GGCP, Inc. held 29,866 and 36,758 shares of class A and class B common stock, respectively. In addition, there are 222,905 Phantom Restricted Stock Awards outstanding as of September 30, 2021.

## INDEX

|   | <u>Page</u> |
|---|-------------|
| <b>PART I. FINANCIAL INFORMATION</b>  |             |
| Item 1. <a href="#">Unaudited Condensed Consolidated Financial Statements</a>                                 | 3           |
| Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a> | 24          |
| Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>                            | 31          |
| Item 4. <a href="#">Controls and Procedures</a>   | 31          |
| <b>PART II. OTHER INFORMATION *</b>   |             |
| Item 1. <a href="#">Legal Proceedings</a>   | 33          |
| Item 2. <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>                           | 33          |
| Item 6. <a href="#">Exhibits</a>  | 34          |
| <a href="#">Signature</a>   | 36          |

\* 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)

|   | <u>September 30,</u><br><u>2021</u> | <u>December 31,</u><br><u>2020</u> |
|---|-------------------------------------|------------------------------------|
| <b>ASSETS</b>   |                                     |                                    |
| Cash and cash equivalents   | \$ 569,776                          | \$ 39,509                          |
| Investments in U.S. Treasury Bills  | 49,996                              | 344,453                            |
| Investments in equity securities (Including GBL stock with a value of \$65.6 million and \$48.9 million, respectively)  | 273,456                             | 249,887                            |
| Investments in affiliated registered investment companies   | 142,525                             | 170,605                            |
| Investments in partnerships   | 149,964                             | 123,994                            |
| Receivable from brokers   | 43,481                              | 24,677                             |
| Investment advisory fees receivable   | 1,410                               | 7,346                              |
| Receivable and investment in note receivable from affiliates  | 5,661                               | 4,743                              |
| Deferred tax assets, net  | -                                   | 2,207                              |
| Goodwill  | 3,519                               | 3,519                              |
| Other assets  | 19,360                              | 28,565                             |
| Investments in marketable securities held in trust  | 175,085                             | 175,040                            |
| <b>Total assets</b>   | <u>\$ 1,434,233</u>                 | <u>\$ 1,174,545</u>                |
| <b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY</b>  |                                     |                                    |
| Payable to brokers  | \$ 243,282                          | \$ 6,496                           |
| Income taxes payable, including deferred tax liabilities, net   | 12,406                              | 9,746                              |
| Compensation payable  | 17,307                              | 18,567                             |
| Securities sold, not yet purchased  | 13,603                              | 17,571                             |
| Payable to affiliates   | -                                   | 2,188                              |
| Accrued expenses and other liabilities  | 4,939                               | 5,635                              |
| Deferred underwriting fee payable   | 6,125                               | 6,125                              |
| PMV warrant liability   | 5,590                               | -                                  |
| <b>Total liabilities</b>  | <u>303,252</u>                      | <u>66,328</u>                      |
| Redeemable noncontrolling interests   | 199,793                             | 206,828                            |
| <b>Commitments and contingencies (Note J)</b>   |                                     |                                    |
| <b>Equity:</b>  |                                     |                                    |
| 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 shares issued, respectively; 3,099,471 and 3,311,127 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 outstanding, respectively                                  | 19                                  | 19                                 |
| Additional paid-in capital  | 992,018                             | 999,047                            |
| Retained earnings   | 61,212                              | 13,649                             |
| Treasury stock, at cost (3,529,783 and 3,318,127 shares, respectively)  | (121,270)                           | (113,783)                          |
| <b>Total Associated Capital Group, Inc. equity</b>  | <u>931,985</u>                      | <u>898,938</u>                     |
| Noncontrolling interests  | (797)                               | 2,451                              |
| <b>Total equity</b>   | <u>931,188</u>                      | <u>901,389</u>                     |
| <b>Total liabilities and equity</b>   | <u>\$ 1,434,233</u>                 | <u>\$ 1,174,545</u>                |

As of September 30, 2021 and December 31, 2020, certain balances include amounts related to consolidated variable interest entities (“VIEs”) and voting interest entities (“VOEs”). 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<br>September 30, |                 | Nine Months Ended<br>September 30, |                    |
|---|-------------------------------------|-----------------|------------------------------------|--------------------|
|   | 2021                                | 2020            | 2021                               | 2020               |
| <b>Revenues</b>   |                                     |                 |                                    |                    |
| Investment advisory and incentive fees  | \$ 2,014                            | \$ 1,865        | \$ 6,627                           | \$ 6,424           |
| Other   | 98                                  | 80              | 299                                | 550                |
| <b>Total revenues</b>   | <b>2,112</b>                        | <b>1,945</b>    | <b>6,926</b>                       | <b>6,974</b>       |
| <b>Expenses</b>   |                                     |                 |                                    |                    |
| Compensation  | 2,819                               | 3,026           | 11,710                             | 8,405              |
| Management fee  | 226                                 | -               | 7,209                              | -                  |
| Other operating expenses  | (764)                               | 2,471           | 4,952                              | 6,422              |
| <b>Total expenses</b>   | <b>2,281</b>                        | <b>5,497</b>    | <b>23,871</b>                      | <b>14,827</b>      |
| <b>Operating loss</b>   | <b>(169)</b>                        | <b>(3,552)</b>  | <b>(16,945)</b>                    | <b>(7,853)</b>     |
| <b>Other income (expense)</b>   |                                     |                 |                                    |                    |
| Net gain/(loss) from investments  | 5,676                               | 15,603          | 79,303                             | (34,770)           |
| Interest and dividend income  | 1,119                               | 1,218           | 9,119                              | 4,675              |
| Interest expense  | (97)                                | (32)            | (251)                              | (146)              |
| Shareholder-designated contribution   | (541)                               | (2,782)         | (2,717)                            | (3,007)            |
| <b>Total other income (expense), net</b>  | <b>6,157</b>                        | <b>14,007</b>   | <b>85,454</b>                      | <b>(33,248)</b>    |
| <b>Income/(loss) before income taxes</b>  | <b>5,988</b>                        | <b>10,455</b>   | <b>68,509</b>                      | <b>(41,101)</b>    |
| Income tax expense/(benefit)  | 484                                 | 3,564           | 15,094                             | (8,858)            |
| <b>Income/(loss) from continuing operations, net of taxes</b>                                     | <b>5,504</b>                        | <b>6,891</b>    | <b>53,415</b>                      | <b>(32,243)</b>    |
| Income/(loss) from discontinued operations, net of taxes  | -                                   | (139)           | -                                  | (632)              |
| <b>Income/(loss) before noncontrolling interests</b>  | <b>5,504</b>                        | <b>6,752</b>    | <b>53,415</b>                      | <b>(32,875)</b>    |
| Income/(loss) attributable to noncontrolling interests  | 4,001                               | 937             | 3,641                              | (572)              |
| <b>Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders</b>            | <b>\$ 1,503</b>                     | <b>\$ 5,815</b> | <b>\$ 49,774</b>                   | <b>\$ (32,303)</b> |
| <b>Net income/(loss) per share attributable to Associated Capital Group, Inc.'s shareholders:</b> |                                     |                 |                                    |                    |
| Basic - Continuing operations   | \$ 0.07                             | \$ 0.27         | \$ 2.25                            | \$ (1.41)          |
| Basic - Discontinued operations   | -                                   | (0.01)          | -                                  | (0.03)             |
| <b>Basic - Total</b>  | <b>\$ 0.07</b>                      | <b>\$ 0.26</b>  | <b>\$ 2.25</b>                     | <b>\$ (1.44)</b>   |
| Diluted - Continuing operations   | \$ 0.07                             | \$ 0.27         | \$ 2.25                            | \$ (1.41)          |
| Diluted - Discontinued operations   | -                                   | (0.01)          | -                                  | (0.03)             |
| <b>Diluted - Total</b>  | <b>\$ 0.07</b>                      | <b>\$ 0.26</b>  | <b>\$ 2.25</b>                     | <b>\$ (1.44)</b>   |
| <b>Weighted average shares outstanding:</b>   |                                     |                 |                                    |                    |
| Basic   | 22,084                              | 22,354          | 22,141                             | 22,391             |
| Diluted   | 22,084                              | 22,354          | 22,141                             | 22,391             |
| <b>Actual shares outstanding:</b>   | <b>22,062</b>                       | <b>22,333</b>   | <b>22,062</b>                      | <b>22,333</b>      |

See accompanying notes.

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

|  | <b>Three Months Ended</b> |                 | <b>Nine Months Ended</b> |                    |
|--|---------------------------|-----------------|--------------------------|--------------------|
|  | <b>September 30,</b>      |                 | <b>September 30,</b>     |                    |
|  | <b>2021</b>               | <b>2020</b>     | <b>2021</b>              | <b>2020</b>        |
| Net income/(loss)  | \$ 5,504                  | \$ 6,752        | \$ 53,415                | \$ (32,875)        |
| Less: Comprehensive income/(loss) attributable to noncontrolling interests | 4,001                     | 937             | 3,641                    | (572)              |
| Comprehensive income/(loss) attributable to Associated Capital Group, Inc. | <u>\$ 1,503</u>           | <u>\$ 5,815</u> | <u>\$ 49,774</u>         | <u>\$ (32,303)</u> |

See accompanying notes.

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

For the Three Months Ended March 31, 2021, June 30, 2021 and September 30, 2021

|  | Associated Capital Group, Inc. Shareholders |                   |                            |                |            | Noncontrolling Interests | Total Equity | Redeemable Noncontrolling Interests |
|--|---|-------------------|----------------------------|----------------|------------|--------------------------|--------------|-------------------------------------|
|  | Common Stock                                | Retained Earnings | Additional Paid-in Capital | Treasury Stock | Total      |                          |              |                                     |
| Balance at December 31, 2020   | \$ 25                                       | \$ 13,649         | \$ 999,047                 | \$ (113,783)   | \$ 898,938 | \$ 2,451                 | \$ 901,389   | \$ 206,828                          |
| Contributions from redeemable noncontrolling interests               | -   | -                 | -                          | -              | -          | -                        | -            | 136                                 |
| Redemptions of noncontrolling interests                              | -   | -                 | -                          | -              | -          | -                        | -            | (12,066)                            |
| Net income   | -   | 18,555            | -                          | -              | 18,555     | -                        | 18,555       | 172                                 |
| Purchase of treasury stock   | -   | -                 | -                          | (4,198)        | (4,198)    | -                        | (4,198)      | -                                   |
| Balance at March 31, 2021  | \$ 25                                       | \$ 32,204         | \$ 999,047                 | \$ (117,981)   | \$ 913,295 | \$ 2,451                 | \$ 915,746   | \$ 195,070                          |
| Contributions from redeemable noncontrolling interests               | -   | -                 | -                          | -              | -          | -                        | -            | 665                                 |
| Net income   | -   | 29,716            | -                          | -              | 29,716     | -                        | 29,716       | (532)                               |
| Dividends declared (\$0.10 per share)                                | -   | (2,211)           | -                          | -              | (2,211)    | -                        | (2,211)      | -                                   |
| Purchase of treasury stock   | -   | -                 | -                          | (1,893)        | (1,893)    | -                        | (1,893)      | -                                   |
| Accretion of redeemable noncontrolling interests to redemption value | -   | -                 | (6,001)                    | -              | (6,001)    | (2,892)                  | (8,893)      | 8,893                               |
| Other changes to redeemable noncontrolling interests                 | -   | -                 | -                          | -              | -          | -                        | -            | (7,527)                             |
| Balance at June 30, 2021   | \$ 25                                       | \$ 59,709         | \$ 993,046                 | \$ (119,874)   | \$ 932,906 | \$ (441)                 | \$ 932,465   | \$ 196,569                          |
| Redemptions of redeemable noncontrolling interests                   | -   | -                 | -                          | -              | -          | -                        | -            | (2,161)                             |
| Net income   | -   | 1,503             | -                          | -              | 1,503      | 122                      | 1,625        | 3,879                               |
| Purchase of treasury stock   | -   | -                 | -                          | (1,396)        | (1,396)    | -                        | (1,396)      | -                                   |
| Accretion of redeemable noncontrolling interests to redemption value | -   | -                 | (1,028)                    | -              | (1,028)    | (478)                    | (1,506)      | 1,506                               |
| Balance at September 30, 2021  | \$ 25                                       | \$ 61,212         | \$ 992,018                 | \$ (121,270)   | \$ 931,985 | \$ (797)                 | \$ 931,188   | \$ 199,793                          |

See accompanying notes.

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

**For the Three Months Ended March 31, 2020, June 30, 2020 and September 30, 2020**

|  | <b>Associated Capital Group, Inc. Shareholders</b> |                                |   |                           |                   |                                     |                         | <b>Redeemable<br/>Noncontrolling<br/>Interests</b> |
|--|--|--------------------------------|---|---------------------------|-------------------|-------------------------------------|-------------------------|--|
|  | <b>Common<br/>Stock</b>                            | <b>Accumulated<br/>Deficit</b> | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Treasury<br/>Stock</b> | <b>Total</b>      | <b>Noncontrolling<br/>Interests</b> | <b>Total<br/>Equity</b> |  |
| Balance at December 31, 2019                           | \$ 25  | \$ (701)                       | \$ 1,003,450                              | \$ (106,342)              | \$ 896,432        | \$ 1,003                            | \$ 897,435              | \$ 50,385  |
| Redemptions of noncontrolling interests                | -  | -                              | -   | -                         | -                 | -                                   | -                       | (531)  |
| Net loss   | -  | (73,355)                       | -   | -                         | (73,355)          | (52)                                | (73,407)                | (3,945)  |
| Purchase of treasury stock                             | -  | -                              | -   | (3,225)                   | (3,225)           | -                                   | (3,225)                 | -  |
| Balance at March 31, 2020                              | <u>\$ 25</u>                                       | <u>\$ (74,056)</u>             | <u>\$ 1,003,450</u>                       | <u>\$ (109,567)</u>       | <u>\$ 819,852</u> | <u>\$ 951</u>                       | <u>\$ 820,803</u>       | <u>\$ 45,909</u>                                   |
| Net income   | -  | 35,237                         | -   | -                         | 35,237            | (48)                                | 35,189                  | (1,167)  |
| Dividends declared (\$0.10 per share)                  | -  | (2,237)                        | -   | -                         | (2,237)           | -                                   | (2,237)                 | 2,436  |
| Purchase of treasury stock                             | -  | -                              | -   | (1,068)                   | (1,068)           | -                                   | (1,068)                 | -  |
| Balance at June 30, 2020                               | <u>\$ 25</u>                                       | <u>\$ (41,056)</u>             | <u>\$ 1,003,450</u>                       | <u>\$ (110,635)</u>       | <u>\$ 851,784</u> | <u>\$ 903</u>                       | <u>\$ 852,687</u>       | <u>\$ 47,178</u>                                   |
| Contributions from redeemable noncontrolling interests | -  | -                              | -   | -                         | -                 | -                                   | -                       | 156,049  |
| Spin-off of MGHL                                       | -  | -                              | (4,403)                                   | -                         | (4,403)           | (903)                               | (5,306)                 | -  |
| PMV Sponsor members' interest                          | -  | -                              | -   | -                         | -                 | 2,072                               | 2,072                   | -  |
| Net income   | -  | 5,815                          | -   | -                         | 5,815             | -                                   | 5,815                   | 937  |
| Purchase of treasury stock                             | -  | -                              | -   | (1,101)                   | (1,101)           | -                                   | (1,101)                 | -  |
| Balance at September 30, 2020                          | <u>\$ 25</u>                                       | <u>\$ (35,241)</u>             | <u>\$ 999,047</u>                         | <u>\$ (111,736)</u>       | <u>\$ 852,095</u> | <u>\$ 2,072</u>                     | <u>\$ 854,167</u>       | <u>\$ 204,164</u>                                  |

See accompanying notes.

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

|  | <b>For the Nine Months Ended</b> |              |
|--|----------------------------------|--------------|
|  | <b>September 30,</b>             |              |
|  | <b>2021</b>                      | <b>2020</b>  |
| <b>Operating activities</b>  |                                  |              |
| Net income/(loss)  | \$ 53,415                        | \$ (32,875)  |
| Less: (Loss) from discontinued operations, net of taxes  | -                                | 632          |
| Income/(loss) from continuing operations   | 53,415                           | (32,243)     |
| Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities: |                                  |              |
| Equity in net (gains) losses from partnerships   | (15,530)                         | (4,316)      |
| Depreciation and amortization  | 289                              | 40           |
| Deferred income taxes  | 8,411                            | (5,923)      |
| Donated securities   | 2,052                            | 441          |
| Unrealized (gains)/losses on securities  | (39,384)                         | 37,511       |
| Dividends received as securities   | (5,066)                          | -            |
| Realized gains on sales of securities  | (23,860)                         | 1,017        |
| (Increase)/decrease in assets:   |                                  |              |
| Investments in trading securities  | 295,687                          | (283,070)    |
| Investments in partnerships:   |                                  |              |
| Contributions to partnerships  | (13,562)                         | (4,229)      |
| Distributions from partnerships  | 6,333                            | 24,841       |
| Receivable from affiliates   | 4,148                            | 3,600        |
| Receivable from brokers  | (20,646)                         | 2,077        |
| Investment advisory fees receivable  | 5,989                            | 8,423        |
| Income taxes receivable  | (507)                            | (2,207)      |
| Other assets   | 697                              | 1,260        |
| Increase/(decrease) in liabilities:  |                                  |              |
| Payable to affiliates  | (2,188)                          | 122          |
| Payable to brokers   | 236,786                          | (6,446)      |
| Income taxes payable   | (3,037)                          | (2,833)      |
| Compensation payable   | (1,260)                          | (12,092)     |
| Accrued expenses and other liabilities   | (696)                            | 1,824        |
| Total adjustments  | 434,656                          | (239,960)    |
| Net cash provided by operating activities  | 488,071                          | (272,203)    |
| <b>Investing activities</b>  |                                  |              |
| Maturities of marketable securities held in trust  | 175,085                          | -            |
| Purchases of marketable securities held in trust   | (175,085)                        | -            |
| Purchases of securities  | (2,452)                          | (434)        |
| Proceeds from sales of securities  | 16,724                           | 8,406        |
| Return of capital on securities  | 38,982                           | 1,320        |
| Purchase of building   | -                                | (11,084)     |
| Investment of cash in Trust Account  | -                                | (175,000)    |
| Net cash provided by/(used in) investing activities  | \$ 53,254                        | \$ (176,792) |



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

|   | Nine Months Ended |           |
|---|-------------------|-----------|
|   | September 30,     |           |
|   | 2021              | 2020      |
| <b>Financing activities</b>                               |                   |           |
| Dividends paid  | (2,211)           | (4,486)   |
| Purchase of treasury stock                                | (7,487)           | (5,395)   |
| Contributions from redeemable noncontrolling interests    | -                 | 162,020   |
| Redemptions of redeemable noncontrolling interests        | (1,360)           | -         |
| Contributions from nonredeemable noncontrolling interests | -                 | 2,072     |
| Net cash provided by (used in) financing activities       | (11,058)          | 154,211   |
| Cash flows from discontinued operations                   |                   |           |
| Net cash provided by operating activities                 | -                 | 114       |
| Net increase in cash and cash equivalents                 | 530,267           | (294,670) |
| Cash and cash equivalents at beginning of period          | 39,509            | 342,001   |
| Cash and cash equivalents at end of period                | \$ 569,776        | \$ 47,331 |
| <b>Supplemental disclosures of cash flow information:</b> |                   |           |
| Cash paid for interest                                    | \$ 252            | \$ 114    |
| Cash paid/(received) for taxes                            | \$ 10,296         | \$ 2,000  |

See accompanying notes

**ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2021**  
**(UNAUDITED)**

**A. Organization**

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

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

Gabelli & Company Investment Advisors, 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 businesses earn management and incentive fees from their advisory activities. Management fees are largely based on a percentage of assets under management. Incentive fees are based on the percentage of the investment returns of certain clients’ portfolios. GCIA is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

In April 2018, the Company sponsored a €110 million initial public offering of its first special purpose acquisition corporation, the Gabelli Value for Italy S.p.a., an Italian company listed on the London Stock Exchange’s Borsa Italiana AIM segment under the symbol “VALU”. VALU was created to acquire a small-to medium-sized Italian franchise business with the potential for international expansion, particularly in the United States. Gabelli Value for Italy S.p.a was subsequently liquidated on July 8, 2020 at the apex of the pandemic in Italy.

*PMV Consumer Acquisition Corp.*

On September 22, 2020, Associated Capital announced the \$175 million initial public offering of its special purpose acquisition corporation, PMV Consumer Acquisition Corp. (NYSE:PMVC).

PMV Consumer Acquisition Corp. (“PMV”) was created to pursue an initial business combination following the consumer globally with companies having an enterprise valuation in the range of \$200 million to \$3.5 billion. PMV Consumer Acquisition Holding Company, LLC (“Sponsor”) was created to assist PMV in sourcing, analyzing and consummating acquisition opportunities for that initial business combination.

The Sponsor and PMV have been consolidated in the financial statements of AC beginning in September 2020 because AC has a controlling financial interest in these entities. This resulted in the consolidation of \$177.1 million of assets, \$12.0 million of liabilities, \$158.6 million of redeemable noncontrolling interests, \$(0.8) million of noncontrolling interests relating to PMV and the Sponsor as of September 30, 2021. In addition, there are several other entities that are consolidated within the financial statements. The details on the impact of consolidating these entities on the condensed consolidated financial statements can be seen in Note D. Investment Partnerships and Other Entities.

See Note D for a further discussion of PMV Consumer Acquisition Corp. as well as its registration statement, Annual Report on Form 10-K/A for the year ended December 31, 2020, and Quarterly Reports on Form 10-Q, which are all located on the U.S. Securities and Exchange Commission website <https://www.sec.gov> under the symbol PMVC.

*AC Spin-off*

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

As part of the Spin-off, AC received 4,393,055 shares of GAMCO Class A common stock for \$150 million. The Company currently holds 2,485,900 shares as of September 30, 2021.

*Morgan Group 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 under common control of AC’s majority shareholder, acquired all of the Company’s interest in G.research LLC, the Company’s former institutional research business, 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 had an 83.3% ownership interest in Morgan Group. The transaction was accounted for pursuant to ASC 805-50, Transactions Between Entities Under Common Control. 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 approved the spin-off of Morgan Group to AC's shareholders in which AC would distribute to its shareholders on a pro rata basis the 50,000,000 shares of Morgan Group that it owns.

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.

Associated Capital held 83.3% of the outstanding shares of Morgan Group through August 5, 2020.

On August 5, 2020, Morgan Group shares held by the Company were distributed to the Company's shareholders of record as of July 30, 2020. Based on the distribution ratio, AC stockholders of record received approximately 0.022356 shares of Morgan Group common stock for each share of AC common stock held.

The historical financial results of Morgan Group have been reflected in the Company's condensed consolidated financial statements as discontinued operations for all periods presented through the date of the spin-off.

#### *Basis of Presentation*

The unaudited interim condensed consolidated financial statements of AC Group included herein have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP in the United States for complete financial statements. 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, 2020.

#### *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.

#### *Investment in Marketable Securities held in trust account*

Marketable securities of our consolidated SPAC, PMV, are held in short-term investments such as money market funds that invest primarily in U.S. Treasury Bills or directly in U.S. Treasury Bills. At December 31, 2020 such investments were accounted for as held to maturity. During the nine-month period ended September 30, 2021, those held to maturity investments matured and were invested primarily in U.S. Treasury Bills recorded at fair value, which approximates their carrying values due to their short maturity profiles.

#### *Recent Accounting Developments*

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 condensed consolidated statements 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.

**B. Revenue**

Refer to the Company's audited consolidated financial statements included in our Annual Report on Form 10K for the year ended December 31, 2020 for the Company's revenue recognition policy.

The Company's major revenue sources are as follows for the three and nine months ended September 30, 2021 and 2020 (in thousands):

|  | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                 |
|--|-------------------------------------|-----------------|------------------------------------|-----------------|
|  | 2021                                | 2020            | 2021                               | 2020            |
| Investment advisory and incentive fees |                                     |                 |                                    |                 |
| Asset-based advisory fees              | \$ 1,280                            | \$ 1,161        | \$ 3,712                           | \$ 4,284        |
| Performance-based advisory fees        | 64                                  | 8               | 120                                | 8               |
| Sub-advisory fees                      | 670                                 | 696             | 2,795                              | 2,132           |
|  | <u>2,014</u>                        | <u>1,865</u>    | <u>6,627</u>                       | <u>6,424</u>    |
| Other                                  |                                     |                 |                                    |                 |
| Miscellaneous                          | 98                                  | 80              | 299                                | 550             |
|  | <u>98</u>                           | <u>80</u>       | <u>299</u>                         | <u>550</u>      |
| Total                                  | <u>\$ 2,112</u>                     | <u>\$ 1,945</u> | <u>\$ 6,926</u>                    | <u>\$ 6,974</u> |

**C. Investments in Securities**

Investments in securities at September 30, 2021 and December 31, 2020 consisted of the following (in thousands):

|  | September 30, 2021 |                   | December 31, 2020 |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | Cost               | Fair Value        | Cost              | Fair Value        |
| Debt - Trading Securities:                         |                    |                   |                   |                   |
| U.S. Treasury Bills                                | \$ 49,993          | \$ 49,996         | \$ 344,367        | \$ 344,453        |
| Equity Securities:                                 |                    |                   |                   |                   |
| Common stocks                                      | 243,577            | 265,403           | 239,240           | 237,377           |
| Mutual funds                                       | 507                | 1,359             | 546               | 1,294             |
| Other investments                                  | 6,306              | 6,694             | 8,806             | 11,216            |
| Total investments in securities                    | <u>\$ 300,383</u>  | <u>\$ 323,452</u> | <u>\$ 592,959</u> | <u>\$ 594,340</u> |
| Investment in note receivable from affiliate       | <u>\$ 5,066</u>    | <u>\$ 5,066</u>   | <u>\$ -</u>       | <u>\$ -</u>       |
| Investments in marketable securities held in trust | <u>\$ 175,085</u>  | <u>\$ 175,085</u> | <u>\$ 175,040</u> | <u>\$ 175,040</u> |

At September 30, 2021 and December 31, 2020 securities held in the trust account through PMV were comprised primarily of U.S. Treasury Bills which mature in less than one year with an amortized cost and fair value of approximately \$175 million, respectively. Such investments are categorized as Level 1.

Investment in note receivable from affiliate relates to 2-Year Puttable and Callable Subordinated Notes due 2023 issued as part of a 2021 special dividend on GAMCO's Class A Common Stock and Class B Common Stock. The Company has the intent to hold these investments until maturity, and as such they were recorded at amortized cost.

Securities sold, not yet purchased at September 30, 2021 and December 31, 2020 consisted of the following (in thousands):

|  | September 30, 2021 |                  | December 31, 2020 |                  |
|--|--------------------|------------------|-------------------|------------------|
|  | Cost               | Fair Value       | Cost              | Fair Value       |
| Equity securities:                       |                    |                  |                   |                  |
| Common stocks                            | \$ 10,459          | \$ 10,358        | \$ 14,369         | \$ 16,090        |
| Other investments                        | 3,326              | 3,245            | 1,209             | 1,481            |
| Total securities sold, not yet purchased | <u>\$ 13,785</u>   | <u>\$ 13,603</u> | <u>\$ 15,578</u>  | <u>\$ 17,571</u> |

Investments in affiliated registered investment companies at September 30, 2021 and December 31, 2020 consisted of the following (in thousands):

|   | September 30, 2021 |            | December 31, 2020 |            |
|---|--------------------|------------|-------------------|------------|
|   | Cost               | Fair Value | Cost              | Fair Value |
| Equity securities:  |                    |            |                   |            |
| Closed-end funds  | \$ 38,008          | \$ 73,577  | \$ 76,462         | \$ 106,719 |
| Mutual funds  | 49,069             | 68,948     | 48,395            | 63,886     |
| Total investments in affiliated registered investment companies | \$ 87,077          | \$ 142,525 | \$ 124,857        | \$ 170,605 |

#### D. Investment Partnerships and Other Entities

The Company is general partner or co-general partner of various affiliated entities whose underlying assets consist primarily of marketable securities (“Affiliated Entities”). We also had investments in unaffiliated partnerships, offshore funds and other entities of \$36.1 million and \$24.9 million at September 30, 2021, and December 31, 2020, 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.

Investments in partnerships that are not required to be consolidated are accounted for using the equity method and are included in investments in partnerships on the condensed consolidated statements of financial condition. The Company had investments in Affiliated Entities totaling \$113.9 million and \$99.1 million at September 30, 2021 and December 31, 2020, respectively. The Company reflects the equity in earnings of these Affiliated Entities and Unaffiliated Entities as net gain/(loss) from investments on the condensed consolidated statements of income.

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

##### *PMV Consumer Acquisition Corp.*

The Company has determined that PMV is a voting interest entity (VOE) and since the Sponsor has substantive control of PMV due to its ability to control the board of directors of PMV, the Sponsor consolidates the assets and liabilities of PMV and the results of its operations. The Company invested \$4.0 million, or approximately 62% of the \$6.48 million total Sponsor commitment. The Sponsor is managed by Company executives. The Company has determined that the Sponsor is a variable interest entity (VIE) and that the Company is the primary beneficiary and therefore consolidates the assets and liabilities and results of operations of the Sponsor which includes PMV. However, neither AC nor PMV has a right to the benefits from nor do they bear the risks associated with the marketable securities held in trust assets held by PMV. Further, if the Company were to liquidate, the marketable securities held in trust assets would not be available to its general creditors, and as a result, the Company does not consider these assets available for the benefit of its investors.

The registration statement for the PMV initial public offering was declared effective on September 21, 2020. On September 24, 2020, PMV consummated the initial public offering of 17,500,000 units (the “Units” and, with respect to the shares of common stock included in the Units Sold, the “Public Shares”), at \$10.00 per Unit, generating gross proceeds of \$175,000,000. Each Unit consists of one share of Class A common stock and one-half of one redeemable warrant (“PMV Public Warrant”). Each whole PMV Public Warrant entitles the holder to purchase one share of Class A common stock at a price of \$11.50 per share, subject to adjustment.

Simultaneously with the closing of the initial public offering, PMV consummated the sale of 6,150,000 warrants (the “Private Warrants”) at a price of \$1.00 per Private Warrant in a private placement to the Sponsor, generating gross proceeds of \$6,150,000.

AC invested \$10 million in the Class A units in PMV and the Sponsor invested \$6.15 million in Private Warrants, both of which eliminate in the consolidation of PMV.

Following the closing of the initial public offering on September 24, 2020, an amount of \$175,000,000 (\$10.00 per Unit) from the net proceeds of the sale of the Units in the initial public offering and the sale of the Private Warrants was placed in a trust account (the “Trust Account”) located in the United States, which will only be invested in U.S. Treasury Bills or funds that invest primarily in them.

PMV will have until September 24, 2022 to complete a business combination. If PMV is unable to complete a business combination by September 24, 2022, PMV will cease all operations except for the purpose of winding up, and as promptly as reasonably possible but not more than ten business days thereafter, redeem the Public Shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account including interest earned on the funds held in the Trust Account. The deferred fee will be forfeited by the underwriters solely in the event that PMV fails to complete a business combination within the required time period, subject to the terms of the underwriting agreement.

The discount amount related to the issuance of redeemable noncontrolling interest is being amortized over a period of 18 months through an adjustment to additional paid-in capital and noncontrolling interest (proportionate to our ownership of the SPAC Sponsor) and is also adjusted periodically for income/loss allocated to redeemable noncontrolling interest.

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

|                                     | September 30, 2021 |              |              |
|-------------------------------------|--------------------|--------------|--------------|
|                                     | Prior to           | Consolidated | As Reported  |
|                                     | Consolidation      | Entities     |              |
| Total assets                        | \$ 1,210,800       | \$ 223,433   | \$ 1,434,233 |
| Liabilities and equity              |                    |              |              |
| Total liabilities                   | 270,913            | 32,339       | 303,252      |
| Redeemable noncontrolling interests | -                  | 199,793      | 199,793      |
| Total equity                        | 939,887            | (8,699)      | 931,188      |
| Total liabilities and equity        | \$ 1,210,800       | \$ 223,433   | \$ 1,434,233 |
|                                     |                    |              |              |
|                                     | December 31, 2020  |              |              |
|                                     | Prior to           | Consolidated | As Reported  |
|                                     | Consolidation      | Entities     |              |
| Total assets                        | \$ 947,807         | \$ 226,738   | \$ 1,174,545 |
| Liabilities and equity              |                    |              |              |
| Total liabilities                   | 46,418             | 19,910       | 66,328       |
| Redeemable noncontrolling interests | -                  | 206,828      | 206,828      |
| Total equity                        | 901,389            | -            | 901,389      |
| Total liabilities and equity        | \$ 947,807         | \$ 226,738   | \$ 1,174,545 |

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

|   | Three Months Ended September 30, 2021 |              |             |
|---|---------------------------------------|--------------|-------------|
|   | Prior to                              | Consolidated | As Reported |
|   | Consolidation                         | Entities     |             |
| Total revenues                                  | \$ 2,657                              | \$ (545)     | \$ 2,112    |
| Operating loss                                  | (1,821)                               | 1,652        | (169)       |
| Total other income, net                         | 3,777                                 | 2,380        | 6,157       |
| Income from continuing operations, net of taxes | 1,473                                 | 4,031        | 5,504       |
| Income attributable to noncontrolling interests | -                                     | 4,001        | 4,001       |
| Net income/(loss)                               | \$ 1,473                              | \$ 30        | \$ 1,503    |
|   |                                       |              |             |
|   | Three Months Ended September 30, 2020 |              |             |
|   | Prior to                              | Consolidated | As Reported |
|   | Consolidation                         | Entities     |             |
| Total revenues                                  | \$ 2,117                              | \$ (172)     | \$ 1,945    |
| Operating loss                                  | (2,637)                               | (915)        | (3,552)     |
| Total other income, net                         | 12,040                                | 1,967        | 14,007      |
| Income from continuing operations, net of taxes | 5,947                                 | 944          | 6,891       |
| Loss from discontinued operations, net of taxes | (139)                                 | -            | (139)       |
| Income attributable to noncontrolling interests | (7)                                   | 944          | 937         |
| Net Income                                      | \$ 5,815                              | \$ -         | \$ 5,815    |

|   | <b>Nine Months Ended September 30, 2021</b> |                     |                    |
|---|---|---------------------|--------------------|
|   | <b>Prior to</b>                             | <b>Consolidated</b> |                    |
|   | <b>Consolidation</b>                        | <b>Entities</b>     | <b>As Reported</b> |
| Total revenues                                  | \$ 9,658                                    | \$ (2,732)          | \$ 6,926           |
| Operating loss                                  | (13,830)                                    | (3,115)             | (16,945)           |
| Total other income, net                         | 78,710                                      | 6,744               | 85,454             |
| Income from continuing operations, net of taxes | 49,788                                      | 3,627               | 53,415             |
| Income attributable to noncontrolling interests | -   | 3,641               | 3,641              |
| Net income/(loss)                               | <u>\$ 49,788</u>                            | <u>\$ (14)</u>      | <u>\$ 49,774</u>   |

|   | <b>Nine Months Ended September 30, 2020</b> |                     |                    |
|---|---|---------------------|--------------------|
|   | <b>Prior to</b>                             | <b>Consolidated</b> |                    |
|   | <b>Consolidation</b>                        | <b>Entities</b>     | <b>As Reported</b> |
| Total revenues                                  | \$ 6,669                                    | \$ 305              | \$ 6,974           |
| Operating loss                                  | (6,462)                                     | (1,391)             | (7,853)            |
| Total other expense, net                        | (34,182)                                    | 934                 | (33,248)           |
| Loss from continuing operations, net of taxes   | (31,678)                                    | (565)               | (32,243)           |
| Loss from discontinued operations, net of taxes | (632)                                       | -                   | (632)              |
| Income attributable to noncontrolling interests | (7)   | (565)               | (572)              |
| Net loss  | <u>\$ (32,303)</u>                          | <u>\$ -</u>         | <u>\$ (32,303)</u> |

#### *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):

|   | <b>September 30,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|---|-------------------------------|------------------------------|
| Cash and cash equivalents                     | \$ 418                        | \$ 1,925                     |
| Investments in securities (1)                 | 16,758                        | 20,739                       |
| Receivable from brokers                       | 1,174                         | 2,784                        |
| Investments in partnerships and affiliates    | -                             | 376                          |
| Other assets                                  | 10                            | 7,105                        |
| Accrued expenses and other liabilities        | (61)                          | (138)                        |
| Nonredeemable noncontrolling interests        | (797)                         | (2,451)                      |
| Redeemable noncontrolling interests           | (567)                         | (12,661)                     |
| AC Group's net interests in consolidated VIEs | <u>\$ 16,935</u>              | <u>\$ 17,679</u>             |

(1) Includes \$6.15 million in private placement warrants eliminated in consolidation of PMV

*Voting Interest Entities*

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

|  | <u>September 30,</u><br><u>2021</u> | <u>December 31,</u><br><u>2020</u> |
|--|-------------------------------------|------------------------------------|
| Cash and cash equivalents                          | \$ 9,439                            | \$ 5,558                           |
| Investments in securities                          | 87,103                              | 93,780                             |
| Receivable from brokers                            | 27,249                              | 15,230                             |
| Investments in marketable securities held in trust | 175,085                             | 175,040                            |
| Other assets                                       | 338                                 | 322                                |
| Securities sold, not yet purchased                 | (1,216)                             | (8,057)                            |
| Accrued expenses and other liabilities             | (25,709)                            | (11,840)                           |
| PMV warrant liability                              | (5,590)                             | -                                  |
| Redeemable noncontrolling interests                | (199,226)                           | (194,167)                          |
| AC Group's net interests in consolidated VOEs      | <u>\$ 67,473</u>                    | <u>\$ 75,866</u>                   |

*Equity Method Investments*

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

**E. Fair Value**

Accounting Standards Codification Topic 820, Fair Value Measurement (ASC 820) specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in the three broad levels listed below:

- Level 1 - Unadjusted quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable.
- Level 3 - Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the Company defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments.



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

| Assets  | September 30, 2021   |   |   |                     |
|---|--|---|---|---------------------|
|   | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total               |
| Cash equivalents  | \$ 564,039   | \$ -  | \$ -                                      | \$ 564,039          |
| Investments in securities (including GBL stock):                |  |   |   |                     |
| Trading - U.S. Treasury Bills                                   | 49,996   | -   | -   | 49,996              |
| Common stocks   | 260,421  | 2,917   | 2,064                                     | 265,402             |
| Mutual funds  | 1,359  | -   | -   | 1,359               |
| Other   | 4,896  | 1,254   | 545                                       | 6,695               |
| Total investments in securities                                 | 316,672  | 4,171   | 2,609                                     | 323,452             |
| Investments in affiliated registered investment companies:      |  |   |   |                     |
| Closed-end funds  | 71,577   | -   | 2,000                                     | 73,577              |
| Mutual funds  | 68,948   | -   | -   | 68,948              |
| Total investments in affiliated registered investment companies | 140,525  | -   | 2,000                                     | 142,525             |
| Total investments held at fair value                            | 457,197  | 4,171   | 4,609                                     | 465,977             |
| <b>Total assets at fair value</b>                               | <b>\$ 1,021,236</b>  | <b>\$ 4,171</b>                               | <b>\$ 4,609</b>                           | <b>\$ 1,030,016</b> |
| <b>Liabilities</b>  |  |   |   |                     |
| Common stocks   | \$ 10,358  | \$ -  | \$ -                                      | \$ 10,358           |
| Other   | 2,195  | 1,050   | -   | 3,245               |
| Securities sold, not yet purchased                              | 12,553   | 1,050   | -   | 13,603              |
| PMV warrant liability   | -  | -   | 5,590                                     | 5,590               |
| Total liabilities at fair value                                 | \$ 12,553  | \$ 1,050                                      | \$ 5,590                                  | \$ 19,193           |

| Assets  | December 31, 2020  |   |   |                   |
|---|--|---|---|-------------------|
|   | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total             |
| Cash equivalents  | \$ 34,010  | \$ -  | \$ -                                      | \$ 34,010         |
| Investments in securities (including GBL stock):                |  |   |   |                   |
| Trading - U.S. Treasury Bills                                   | 344,453  | -   | -   | 344,453           |
| Common stocks   | 231,901  | 5,440   | 36  | 237,377           |
| Mutual funds  | 1,294  | -   | -   | 1,294             |
| Other   | 6,133  | 621   | 4,462                                     | 11,216            |
| Total investments in securities                                 | 583,781  | 6,061   | 4,498                                     | 594,340           |
| Investments in affiliated registered investment companies:      |  |   |   |                   |
| Closed-end funds  | 104,719  | -   | 2,000                                     | 106,719           |
| Mutual funds  | 63,886   | -   | -   | 63,886            |
| Total investments in affiliated registered investment companies | 168,605  | -   | 2,000                                     | 170,605           |
| Total investments held at fair value                            | 752,386  | 6,061   | 6,498                                     | 764,945           |
| <b>Total assets at fair value</b>                               | <b>\$ 786,396</b>  | <b>\$ 6,061</b>                               | <b>\$ 6,498</b>                           | <b>\$ 798,955</b> |
| <b>Liabilities</b>  |  |   |   |                   |
| Common stocks   | \$ 16,090  | \$ -  | \$ -                                      | \$ 16,090         |
| Other   | 543  | 938   | -   | 1,481             |
| Securities sold, not yet purchased                              | \$ 16,633  | \$ 938  | \$ -                                      | \$ 17,571         |

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

|  | Three Months Ended September 30, 2021 |          |            | Three Months Ended September 30, 2020 |          |          |
|--|---------------------------------------|----------|------------|---------------------------------------|----------|----------|
|  | Common Stocks                         | Other    | Total      | Common Stocks                         | Other    | Total    |
| Assets:  |                                       |          |            |                                       |          |          |
| Beginning balance  | \$ 51                                 | \$ 6,084 | \$ 6,135   | \$ 36                                 | \$ 4,988 | \$ 5,024 |
| Total gains/(losses)   | (6)                                   | (483)    | (489)      | -                                     | 17       | 17       |
| Purchases  | -                                     | 9        | 9          | -                                     | -        | -        |
| Sales  | -                                     | -        | -          | -                                     | -        | -        |
| Transfers  | -                                     | -        | -          | -                                     | -        | -        |
| Other  | -                                     | (1,046)  | (1,046)    | -                                     | -        | -        |
| Ending balance   | \$ 45                                 | \$ 4,564 | \$ 4,609   | \$ 36                                 | \$ 5,005 | \$ 5,041 |
| 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 | \$ (6)                                | \$ (483) | \$ (489)   | \$ -                                  | \$ 17    | \$ 17    |
|  | PMV Warrant Liability                 | Other    | Total      | PMV Warrant Liability                 | Other    | Total    |
| Liabilities:   |                                       |          |            |                                       |          |          |
| Beginning balance  | \$ 7,508                              | \$ -     | \$ 7,508   | \$ -                                  | \$ -     | \$ -     |
| Total (gains)/losses   | (1,918)                               | -        | (1,918)    | -                                     | -        | -        |
| Issuances  | -                                     | -        | -          | -                                     | -        | -        |
| Ending balance   | \$ 5,590                              | \$ -     | \$ 5,590   | \$ -                                  | \$ -     | \$ -     |
| 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 | \$ (1,918)                            | \$ -     | \$ (1,918) | \$ -                                  | \$ -     | \$ -     |

|  | Nine Months Ended September 30, 2021 |          |            | Nine Months Ended September 30, 2020 |          |          |
|--|--------------------------------------|----------|------------|--------------------------------------|----------|----------|
|  | Common Stocks                        | Other    | Total      | Common Stocks                        | Other    | Total    |
| <b>Assets:</b>   |                                      |          |            |                                      |          |          |
| Beginning balance  | \$ 36                                | \$ 6,462 | \$ 6,498   | \$ 89                                | \$ 4,134 | \$ 4,223 |
| Total gains/(losses)   | 9                                    | (547)    | (538)      | (53)                                 | (6)      | (59)     |
| Purchases  | -                                    | 53       | 53         | -                                    | -        | -        |
| Sales  | -                                    | -        | -          | -                                    | (41)     | (41)     |
| Transfers  | -                                    | (358)    | (358)      | -                                    | 918      | 918      |
| Other  | -                                    | (1,046)  | (1,046)    | -                                    | -        | -        |
| Ending balance   | \$ 45                                | \$ 4,564 | \$ 4,609   | \$ 36                                | \$ 5,005 | \$ 5,041 |
| 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 | \$ 9                                 | \$ (547) | \$ (538)   | \$ (53)                              | \$ (18)  | \$ (71)  |
| <b>Liabilities:</b>  |                                      |          |            |                                      |          |          |
| Beginning balance  | \$ -                                 | \$ -     | \$ -       | \$ -                                 | \$ -     | \$ -     |
| Total (gains)/losses   | (2,743)                              | -        | (2,743)    | -                                    | -        | -        |
| Issuances  | 8,333                                | -        | 8,333      | -                                    | -        | -        |
| Ending balance   | \$ 5,590                             | \$ -     | \$ 5,590   | \$ -                                 | \$ -     | \$ -     |
| 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 | \$ (2,743)                           | \$ -     | \$ (2,743) | \$ -                                 | \$ -     | \$ -     |

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

During the three months ended September 30, 2021, and 2020 there were no transfers into or out of Level 3.

During the nine months ended September 30, 2021, the Company transferred investments with a value of approximately \$0.4 million from Level 3 to Level 1 due to increased availability of market price quotations. For the nine months ended September 30, 2020, the Company transferred an investment with a value of approximately \$0.9 million from Level 1 to Level 3 due to the unavailability of observable inputs.

Level 3 financial liabilities consist of the PMV Public Warrant for which there is little or no current market such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

The Company utilizes a Monte Carlo simulation model to value the warrants at each reporting period, with changes in fair value recognized in the condensed consolidated statement of operations. The estimated fair value of the warrant liability is determined using Level 3 inputs. Inherent in a binomial options pricing model are assumptions related to expected share-price volatility, expected life, risk-free interest rate and dividend yield. The Company estimates the volatility of PMV units based on historical volatility that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected remaining life of the warrants. The expected life of the warrants is assumed to be equivalent to their remaining contractual term. The dividend rate is based on PMV's historical rate, which the Company anticipates to remain at zero. However, inherent uncertainties are involved. If factors or assumptions change, the estimated fair values could be materially different.

The aforementioned warrant liabilities are not subject to qualified hedge accounting.

The following table presents the carrying amounts and estimated fair values of financial assets that are not measured at fair value on a recurring basis and their respective levels within the fair value hierarchy:

| Assets  | As of September 30, 2021          |            |                | As of December 31, 2020           |            |                |
|---|-----------------------------------|------------|----------------|-----------------------------------|------------|----------------|
|   | Level Within Fair Value Hierarchy | Fair Value | Amortized Cost | Level Within Fair Value Hierarchy | Fair Value | Amortized Cost |
| Investment in note receivable from affiliate <sup>(1)</sup> | 2                                 | \$ 5,066   | \$ 5,066       | -                                 | \$ -       | \$ -           |
| Total assets  |                                   | \$ 5,066   | \$ 5,066       | -                                 | \$ -       | \$ -           |

(1) Included in Receivable and investment in note receivable from affiliates in the condensed consolidated statement of financial condition.

#### F. Income Taxes

The effective tax rate (“ETR”) for the nine months ended September 30, 2021 and September 30, 2020 was 22.0% and 21.5%, respectively. The ETR in the year to date period of 2021 differs from the U.S. corporate tax rate of 21% primarily due to (a) state and local taxes (net of federal benefit), (b) the deductibility of officers’ compensation, (c) the dividends received deduction, (d) the deferred tax asset valuation allowances related to the carryforward of charitable contributions, and (e) excluded income on certain consolidated entities. The ETR in the year to date period of 2020 differs from the standard corporate tax rate of 21% primarily due to (a) state and local taxes (net of federal benefit), the benefit of (b) the rate differential on the carryback of a net operating loss, and (c) deferred tax asset valuation allowances related to the carryforward of charitable contributions.

At September 30, 2021 the Company had net deferred tax liabilities, before valuation allowance of approximately \$6.9 million that were recorded within income taxes payable in the condensed consolidated statement of financial condition. The Company believes that it is more-likely-than-not that the benefit from a portion of the shareholder-designated charitable contribution carryforwards will not be realized. In recognition of this risk, the Company has provided a valuation allowance of \$1.5 million and \$1.8 million as of September 30, 2021 and December 31, 2020, respectively, on the deferred tax assets related to these charitable contribution carryforwards.

The Company records penalties and interest related to tax uncertainties in income taxes. These amounts are included in accrued expenses and other liabilities on the condensed consolidated statements of financial condition.

The Company remains subject to income tax examination by the IRS for the years 2017 through 2019 and state examinations for years after 2011.

#### 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.

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

| (In thousands, except for per share amounts)                                   | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |             |
|--|-------------------------------------|----------|------------------------------------|-------------|
|  | 2021                                | 2020     | 2021                               | 2020        |
| Income/loss from continuing operations   | \$ 5,504                            | \$ 6,891 | \$ 53,415                          | \$ (32,243) |
| Less:  |                                     |          |                                    |             |
| Income/(loss) attributable to noncontrolling interests                         | 4,001                               | 937      | 3,641                              | (572)       |
| Net income/loss from continuing operations attributable to AC's shareholders   | \$ 1,503                            | \$ 5,954 | \$ 49,774                          | \$ (31,671) |
| Income/loss from discontinued operations                                       | -                                   | (139)    | -                                  | (632)       |
| Net income/loss attributable to AC's shareholders                              | \$ 1,503                            | \$ 5,815 | \$ 49,774                          | \$ (32,303) |
| <b>Weighted average number of shares of Common Stock outstanding - basic</b>   | 22,084                              | 22,354   | 22,141                             | 22,391      |
| <b>Weighted average number of shares of Common Stock outstanding - diluted</b> | 22,084                              | 22,354   | 22,141                             | 22,391      |
| <b>Basic</b>   |                                     |          |                                    |             |
| Net income/(loss) from continuing operations                                   | \$ 0.07                             | \$ 0.27  | \$ 2.25                            | \$ (1.41)   |
| Net income/(loss) from discontinued operations                                 | -                                   | (0.01)   | -                                  | (0.03)      |
| <b>Net income/(loss) attributable to AC's shareholders per share</b>           | \$ 0.07                             | \$ 0.26  | \$ 2.25                            | \$ (1.44)   |
| <b>Diluted</b>   |                                     |          |                                    |             |
| Net income/(loss) from continuing operations                                   | \$ 0.07                             | \$ 0.27  | \$ 2.25                            | \$ (1.41)   |
| Net income/(loss) from discontinued operations                                 | -                                   | (0.01)   | -                                  | (0.03)      |
| <b>Net income/(loss) attributable to AC's shareholders per share</b>           | \$ 0.07                             | \$ 0.26  | \$ 2.25                            | \$ (1.44)   |

## H. Equity

### Voting Rights

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

### Stock Award and Incentive Plan

The Company's Board of Directors periodically grants shares of Phantom Restricted Stock awards ("Phantom RSAs"). Under the terms of the grants, 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.

The Phantom RSAs are treated as a liability because cash settlement is required and compensation will be recognized over the vesting period. In determining the compensation expense to be recognized each period, the Company will re-measure the fair value of the liability at each reporting date taking into account the remaining vesting period attributable to each award and the current market value of the Company's Class A stock. In making these determinations, the Company will consider the impact of Phantom RSAs that have been forfeited prior to vesting (e.g., due to an employee termination). The Company has elected to consider forfeitures as they occur. Based on the closing price of the Company's Class A Common Stock on September 30, 2021 and December 31, 2020, the total liability recorded by the Company in compensation payable as of September 30, 2021 and December 31, 2020, with respect to the Phantom RSAs was \$2.1 million and \$1.8 million, respectively.

The condensed consolidated statements of income includes the following expense related to our stock-based compensation arrangements, which is included in compensation expense:

|                                 | Three Months Ended<br>September 30, |       | Nine Months Ended<br>September 30, |          | Remaining Expense<br>to be Recognized<br>if All Vesting<br>Conditions Are Met | Weighted Average<br>Remaining<br>Contractual<br>Term (in years) |
|---------------------------------|-------------------------------------|-------|------------------------------------|----------|---|---|
|                                 | 2021                                | 2020  | 2021                               | 2020     |   |   |
| Phantom restricted stock awards | \$ 365                              | \$ 61 | \$ 1,223                           | \$ (310) | 6,264   | 2.30  |
| Total                           | 365                                 | 61    | 1,223                              | (310)    | 6,264   |   |

The following table summarizes Phantom RSA activity:

|                               | RSA's    | Weighted<br>Average Grant<br>Date Fair Value |
|-------------------------------|----------|--|
| Balance at January 1, 2021    | 155,500  | \$ 36.42                                     |
| Granted                       | 100,500  | 35.82  |
| Forfeited                     | (8,000)  | 36.64  |
| Vested                        | (25,095) | 37.40  |
| Balance at September 30, 2021 | 222,905  | \$ 36.03                                     |

*Stock Repurchase Program*

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

For the three month periods ended September 30, 2021 and September 30, 2020, the Company repurchased 39 thousand and 30 thousand shares at an average price of \$36.19 and \$37.03 per share for a total investment of \$1.4 million and \$1.1 million, respectively. For the nine month periods ended September 30, 2021 and September 30, 2020, the Company repurchased 0.2 million and 0.1 million shares at an average price of \$35.37 and \$37.86 per share for a total investment of \$7.5 million and \$5.4 million, respectively.

As of September 30, 2021, the maximum number of shares that may be purchased under the plans or programs is 681,446.

*Dividends*

During the three and nine months ended September 30, 2021 and 2020, respectively the Company declared dividends of \$0.10 per share to class A and class B shareholders.

**I. Goodwill**

At September 30, 2021, goodwill on the condensed consolidated statements of financial condition includes \$3.4 million of goodwill related to GCIA. The Company assesses the recoverability of goodwill at least annually, or more often should events warrant, using a qualitative assessment of whether it is more likely than not that an impairment has occurred to determine if a quantitative analysis is required. There were no indicators of impairment for the three months ended September 30, 2021 or September 30, 2020, and as such there was no impairment analysis performed or charge recorded.

**J. Guarantees, Contingencies and Commitments**

From time to time, the Company may be named in legal actions and proceedings. These actions may seek substantial or indeterminate compensatory as well as punitive damages or injunctive relief. We are also subject to governmental or regulatory examinations or investigations. The examinations or investigations could result in adverse judgments, settlements, fines, injunctions, restitutions or other relief. For any such matters, the condensed consolidated financial statements include the necessary provisions for losses, if any, that the Company believes are probable and estimable. Furthermore, the Company evaluates whether losses exist which may be reasonably possible and will, if material, make the necessary disclosures. Management believes, however, that such amounts, both those that are probable and those that are reasonably possible, are not material to the Company's financial condition, results of operations or cash flows at September 30, 2021.

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. Discontinued Operations**

As a result of the Morgan Group spin-off on August 5, 2020, the results of its operations have been classified in the condensed consolidated statements of income as discontinued operations for all periods presented. There was no gain or loss on the spin-off for the Company, and it was a tax-free spin-off to AC's shareholders.

Other than a transition services agreement, Associated Capital does not have any significant continuing involvement in the operations of Morgan Group after the spin-off, and Associated Capital will not have the ability to influence operating or financial policies of Morgan Group. All stockholders received 0.022356 shares of Morgan Group stock for each share of AC stock that they held on the record date for the distribution.

Operating results for the period from January 1, 2020 through September 30, 2020, were as follows:

|  | <b><u>Nine Months Ended<br/>September 30, 2020</u></b> |
|--|--|
| <b>Revenues</b>  |  |
| Institutional research services  | \$ 2,924   |
| Other  | 36   |
| <b>Total revenues</b>  | <b>2,960</b>   |
| <b>Expenses</b>  |  |
| Compensation   | 2,276  |
| Other operating expenses   | 1,699  |
| <b>Total expenses</b>  | <b>3,975</b>   |
| <b>Operating loss</b>  | <b>(1,015)</b>   |
| <b>Other income (expense)</b>  |  |
| Net loss from investments  | (8)  |
| Interest and dividend income   | 81   |
| <b>Total other income, net</b>   | <b>73</b>  |
| <b>Income/(loss) from discontinued operations before income taxes</b>                          | <b>(942)</b>   |
| <b>Income tax provision/(benefit)</b>  | <b>(205)</b>   |
| <b>Income/(loss) from discontinued operations, net of taxes</b>                                | <b>(737)</b>   |
| <b>Net income/(loss) attributable to noncontrolling interests</b>                              | <b>(105)</b>   |
| <b>Net income/(loss) attributable to AC shareholders discontinued operations, net of taxes</b> | <b>\$ (632)</b>  |

For the nine-month period ended September 30, 2020, operating cash flows from discontinued operations was \$114 thousand provided by operating activities. There was no investing or financing cash flows for the period.

**L. Subsequent Events**

On November 5, 2021, AC's board of directors declared a semi-annual dividend of \$0.10 per share, which is payable on December 15, 2021 to Class A and Class B shareholders of record on December 1, 2021.

## ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### 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 24, 2021 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, incorporated in 2015, that provides alternative investment management services and operates a direct investment business that invests in new and existing businesses. We derive a significant amount of investment income/(loss) from proprietary investments in funds that we manage.

### Alternative Investment Management

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

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

In event merger arbitrage, the goal is to earn absolute positive returns. We introduced our first alternative fund, Gabelli Arbitrage (renamed Gabelli Associates), in February 1985. Our typical investment process involves buying shares of the target at a discount, earning the spread to the deal price when the deal closes, and reinvesting the profits in new deals in a similar manner. By owning a diversified portfolio of deals, we mitigate the adverse impact of deal-specific risks.

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

### Proprietary Capital

The proprietary capital is earmarked for our direct investment business that invests in new and existing businesses, using a variety of techniques and structures. The direct investment business is developing along three core pillars; Gabelli Private Equity Partners, LLC ("GPEP"), formed in August 2017 with \$150 million of authorized capital as a "fund-less" sponsor; the SPAC business (Gabelli special purpose acquisition vehicles), launched in April 2018 when the Company sponsored a €110 million initial public offering of its first special purpose acquisition corporation, the Gabelli Value for Italy S.p.a., which was subsequently liquidated on July 8, 2020 at the apex of the pandemic in Italy. Finally, Gabelli Principal Strategies Group, LLC ("GPS") was created to pursue strategic operating initiatives.

On September 22, 2020, Associated Capital announced the \$175 million initial public offering of its special purpose acquisition corporation ("SPAC"), PMV Consumer Acquisition Corp. (NYSE:PMVC). PMV Consumer Acquisition Corp. ("PMV") was created to pursue an initial business combination following the consumer globally with companies having an enterprise valuation in the range of \$200 million to \$3.5 billion.



We have a proprietary portfolio of cash and investments which we expect to use to invest primarily in funds that we will manage, provide seed capital for new products including SPACs that we or our affiliates sponsor, expand our geographic presence, develop new markets and pursue strategic acquisitions and alliances.

#### Morgan Group Holding Co. Spin-Off

On March 16, 2020, the Company announced that its Board of Directors approved the spin-off of Morgan Group Holding Co (“Morgan Group”) which included our institutional research services business, to AC’s shareholders whereby AC would distribute to its shareholders on a pro rata basis the 50,000,000 shares of Morgan Group that it owned upon close of the spin-off.

The historical financial results of Morgan Group have been reflected in the Company’s condensed consolidated financial statements as discontinued operations for all periods presented through September 30, 2020.

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 remainder of the year, as a result of unprecedented fiscal and monetary stimulus and the fast tracking of potential COVID-19 vaccines, some of which have been approved and have begun to be distributed, the markets have rebounded strongly. The pandemic and resulting economic dislocations did not have a significant adverse impact on our AUM. As a result of this pandemic, many of our employees (“teammates”) were working remotely.

However, there was 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. The Company’s remote work arrangements were mostly discontinued as of July 2021.

#### **Financial Highlights**

The following is a summary of the Company’s financial performance for the Quarters ended September 30, 2021 and 2020:

(\$000s except per share data or as noted)

|                                     | <b>Third Quarter</b> |             |
|-------------------------------------|----------------------|-------------|
|                                     | <b>2021</b>          | <b>2020</b> |
| AUM - end of period (in millions)   | \$ 1,680             | \$ 1,251    |
| AUM - average (in millions)         | 1,651                | 1,280       |
| Net income/(loss) per share-diluted | \$ 0.07              | \$ 0.26     |
| Book Value Per Share                | \$ 42.24             | \$ 38.25    |

#### *Consolidated Statements of Income*

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

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

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

Management fee expense is incentive-based compensation equal to 10% of adjusted aggregate pre-tax profits paid to the Executive Chairman or his designees for his services pursuant to an employment agreement.

Other operating expenses include general and administrative operating costs.

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 consolidated financial statements included elsewhere in this report.

*Consolidated Statements of Financial Condition*

We ended the third quarter of 2021 with approximately \$947 million in cash and investments, net of securities sold, not yet purchased of \$14 million and net of payables to broker of \$225 million relating to an unsettled T-bill rollover trade. This includes \$344.5 million of cash and cash equivalents (net of the unsettled T-bill rollover); \$50 million of short-term U.S. Treasury obligations; \$260 million of securities, net of securities sold, not yet purchased, including shares of GAMCO with a market value of \$65.6 million; and \$292 million invested in affiliated and third-party funds and partnerships, including investments in affiliated closed end funds which have a value of \$74 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 \$932 million or \$42.24 per share as of September 30, 2021, compared to \$899 million or \$40.36 per share as of December 31, 2020. Shareholders' equity per share is calculated by dividing the total equity by the number of common shares outstanding. The increase in equity from the end of 2020 was largely attributable to income for the year. Accumulated accretion of redeemable noncontrolling interest is expected to reverse upon the consummation of a business combination which is expected to result in the deconsolidation of PMV SPAC.

**RESULTS OF OPERATIONS**

|   | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                    |
|---|-------------------------------------|-----------------|------------------------------------|--------------------|
|   | 2021                                | 2020            | 2021                               | 2020               |
| <b>Revenues</b>   |                                     |                 |                                    |                    |
| Investment advisory and incentive fees  | \$ 2,014                            | \$ 1,865        | \$ 6,627                           | \$ 6,424           |
| Other   | 98                                  | 80              | 299                                | 550                |
| <b>Total revenues</b>   | <b>2,112</b>                        | <b>1,945</b>    | <b>6,926</b>                       | <b>6,974</b>       |
| <b>Expenses</b>   |                                     |                 |                                    |                    |
| Compensation  | 2,819                               | 3,026           | 11,710                             | 8,405              |
| Management fee  | 226                                 | -               | 7,209                              | -                  |
| Other operating expenses  | (764)                               | 2,471           | 4,952                              | 6,422              |
| <b>Total expenses</b>   | <b>2,281</b>                        | <b>5,497</b>    | <b>23,871</b>                      | <b>14,827</b>      |
| Operating loss  | (169)                               | (3,552)         | (16,945)                           | (7,853)            |
| <b>Other income (expense)</b>   |                                     |                 |                                    |                    |
| Net gain/(loss) from investments  | 5,676                               | 15,603          | 79,303                             | (34,770)           |
| Interest and dividend income  | 1,119                               | 1,218           | 9,119                              | 4,675              |
| Interest expense  | (97)                                | (32)            | (251)                              | (146)              |
| Shareholder-designated contribution   | (541)                               | (2,782)         | (2,717)                            | (3,007)            |
| <b>Total other income (expense), net</b>  | <b>6,157</b>                        | <b>14,007</b>   | <b>85,454</b>                      | <b>(33,248)</b>    |
| <b>Income/(loss) before income taxes</b>  | <b>5,988</b>                        | <b>10,455</b>   | <b>68,509</b>                      | <b>(41,101)</b>    |
| Income tax expense/(benefit)  | 484                                 | 3,564           | 15,094                             | (8,858)            |
| <b>Income/(loss) from continuing operations, net of taxes</b>                                     | <b>5,504</b>                        | <b>6,891</b>    | <b>53,415</b>                      | <b>(32,243)</b>    |
| Income/(loss) from discontinued operations, net of taxes  | -                                   | (139)           | -                                  | (632)              |
| <b>Income/(loss) before noncontrolling interests</b>  | <b>5,504</b>                        | <b>6,752</b>    | <b>53,415</b>                      | <b>(32,875)</b>    |
| Income/(loss) attributable to noncontrolling interests  | 4,001                               | 937             | 3,641                              | (572)              |
| <b>Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders</b>            | <b>\$ 1,503</b>                     | <b>\$ 5,815</b> | <b>\$ 49,774</b>                   | <b>\$ (32,303)</b> |
| <b>Net income/(loss) per share attributable to Associated Capital Group, Inc.'s shareholders:</b> |                                     |                 |                                    |                    |
| Basic - Continuing operations   | \$ 0.07                             | \$ 0.27         | \$ 2.25                            | \$ (1.41)          |
| Basic - Discontinued operations   | -                                   | (0.01)          | -                                  | (0.03)             |
| <b>Basic - Total</b>  | <b>\$ 0.07</b>                      | <b>\$ 0.26</b>  | <b>\$ 2.25</b>                     | <b>\$ (1.44)</b>   |
| Diluted - Continuing operations   | \$ 0.07                             | \$ 0.27         | \$ 2.25                            | \$ (1.41)          |
| Diluted - Discontinued operations   | -                                   | (0.01)          | -                                  | (0.03)             |
| <b>Diluted - Total</b>  | <b>\$ 0.07</b>                      | <b>\$ 0.26</b>  | <b>\$ 2.25</b>                     | <b>\$ (1.44)</b>   |
| <b>Weighted average shares outstanding:</b>   |                                     |                 |                                    |                    |
| Basic   | 22,084                              | 22,354          | 22,141                             | 22,391             |
| Diluted   | 22,084                              | 22,354          | 22,141                             | 22,391             |

**Three Months Ended September 30, 2021 Compared to Three Months Ended September 30, 2020***Overview*

Our operating loss for the quarter was \$0.2 million compared to \$3.6 million for the comparable quarter of 2020. The decrease in operating loss was driven by lower other operating expenses of \$(3.2) million mainly attributable to our consolidated funds. Other income was a gain of \$6.2 million in the 2021 quarter compared to a gain of \$14.0 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 \$0.5 million compared to expense of \$3.6 million in the prior year's quarter. Consequently, our current quarter net income was \$1.5 million, or \$0.07 per diluted share, compared to net income of \$5.8 million, or \$0.26 per diluted share, in the prior year's comparable quarter.

*Revenues*

Total revenues were \$2.1 million for the quarter ended September 30, 2021, \$0.2 million higher than the prior year's period.

We earn advisory fees based on the average level of AUM in our products. Advisory and incentive fees were \$2.0 million for 2021, \$0.1 million higher than the comparable quarter of 2020. AUM of \$1.7 billion was 34.3% higher than the prior year quarter. Incentive fees are not recognized until the uncertainty surrounding the amount of variable consideration ends and the fee is crystalized, typically on an annual basis on December 31. Unrecognized incentive fees amounted to \$9.4 million for the quarter ended September 30, 2021 and \$1.1 million for the quarter ended September 30, 2020.

*Expenses*

Compensation, which include variable compensation, salaries, bonuses and benefits, was \$2.8 million for the three months ended September 30, 2021, compared to \$3.0 million for the three months ended September 30, 2020. Fixed compensation, which includes salaries and benefits and stock based compensation, increased to \$1.8 million for the 2021 period from \$1.7 million in the prior year. For the three months ended September 30, 2021 and 2020, stock-based compensation was \$0.4 million and \$0.1 million, respectively. The increase was due to a new grant in May 2021 and the recovery of AC stock prices during 2021. Discretionary bonus accruals were \$0.5 million in the 2021 and 2020 periods. 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 2021, these variable payouts were \$0.5 million, down \$0.3 million from \$0.8 million in 2020.

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 \$0.2 million for the three-month period ended September 30, 2021. No management fee expense was recorded for the three-month period ended September 30, 2020 due to the year to date pre-tax loss.

Other operating expenses were \$(0.8) million during the three months ended September 30, 2021 compared to \$2.5 million in the prior year.

*Other*

Net gain/(loss) from investments is primarily related to the performance of our securities portfolio and investments in partnerships. Investment gains were \$5.7 million in the 2021 quarter versus \$15.6 million in the comparable 2020 quarter, the decrease driven by September 2021 market performance coupled with last year's recovery from the market's COVID-19 sell off.

Interest and dividend income decreased to \$1.1 million in the 2021 quarter from \$1.2 million in the 2020 quarter.

Shareholder-designated contributions decreased to \$0.5 million in the 2021 quarter from \$3 million in the prior year's quarter.

## Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

### Overview

Our operating loss for the year to date period was \$16.9 million compared to \$7.9 million for the comparable period of 2020. The increase in operating loss was attributable to higher management fees of \$7.2 million, higher operating expenses due to higher compensation costs of \$3.3 million due to an increase in stock compensation costs of \$1.5 million and an increase in variable performance-based compensation of \$1.7 million, these increases were partially offset by lower other operating expenses of \$1.5 million. Other income was comprised of a gain of \$85.5 million in the 2021 period compared to a loss of \$33.2 million in the prior year's period primarily due to mark-to-market changes in the value of our investment portfolio. The Company recorded income tax expense in the current year to date period of \$15.1 million compared to a benefit of \$8.9 million in the prior year's period. Consequently, our current period net income was \$49.8 million, or \$2.25 per diluted share, compared to net loss of \$32.3 million, or \$(1.44) per diluted share, in the prior year's comparable period.

### Revenues

Total revenues were \$6.9 million for the year to date period ended September 30, 2021, in line with the prior year's period.

We earn advisory fees based on the average level of AUM in our products. Advisory fees were \$6.6 million for 2021, an increase of \$0.2 from the comparable period of 2020.

### Expenses

Compensation, which includes variable compensation, salaries, bonuses and benefits, was \$11.7 million for the nine months ended September 30, 2021, compared to \$8.4 million for the nine months ended September 30, 2020. Fixed compensation, which includes salaries and benefits and stock based compensation, increased to \$5.9 million for the 2021 period from \$4.6 million in the prior year. For the nine months ended September 30, 2021 and 2020, stock-based compensation was \$1.2 million and \$(0.3) million, respectively. The increase was mainly attributable to the recovery of AC stock prices during 2021. Discretionary bonus accruals were \$1.7 million in 2021 and \$1.6 million in the 2020 period. 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 2021, these variable payouts were \$4.2 million, up \$1.7 million from \$2.5 million in 2020.

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 \$7.2 million for the nine-month period ended September 30, 2021. No management fee expense was recorded for the nine-month period ended September 30, 2020 due to the year to date pre-tax loss.

Other operating expenses were \$5.0 million during the first nine months of 2021 compared to \$6.4 million in the prior year.

### Other

Net gain/(loss) from investments is primarily related to the performance of our securities portfolio and investments in partnerships. Investment gains were \$79.3 million in the 2021 period versus a loss of \$(34.8) million in the comparable 2020 period reflecting mark-to-market changes in the value of our investments due to the recovery of market values from the COVID-19 pandemic.

Interest and dividend income increased to \$9.1 million in the 2021 period from \$4.7 million in the 2020 period primarily due to the special dividend declared on our holdings of GAMCO in the 2021 period.

Shareholder-designated contributions decreased to \$2.7 million in the 2021 period from \$3.0 million in the prior year's period.

### ASSETS UNDER MANAGEMENT

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

Assets under management were \$1.7 billion as of September 30, 2021, an increase of 24.4% and 34.3% over the December 31, 2020 and September 30, 2020 periods, respectively. The changes were attributable to market appreciation/(depreciation) and investor net inflows.

**Assets Under Management (in millions)**

|                        | September 30,<br>2021 | December 31,<br>2020 | September 30,<br>2020 | % Change From        |                          |
|------------------------|-----------------------|----------------------|-----------------------|----------------------|--------------------------|
|                        |                       |                      |                       | December 31,<br>2020 | September<br>30,<br>2020 |
| Event Merger Arbitrage | \$ 1,438              | \$ 1,126             | \$ 1,091              | 27.71                | 31.81                    |
| Event-Driven Value     | 198                   | 180                  | 105                   | 10.00                | 88.57                    |
| Other                  | 44                    | 45                   | 55                    | (2.22)               | (20.00)                  |
| Total AUM              | \$ 1,680              | \$ 1,351             | \$ 1,251              | 24.35                | 34.29                    |

**Fund flows for the three months ended September 30, 2021 (in millions):**

|                        | June 30,<br>2021 | Market<br>Appreciation/<br>(Depreciation) | Net Cash<br>Flows | September 30,<br>2021 |
|------------------------|------------------|---|-------------------|-----------------------|
| Event Merger Arbitrage | \$ 1,364         | \$ (10)                                   | \$ 84             | \$ 1,438              |
| Event-Driven Value     | 201              | (3)                                       | -                 | 198                   |
| Other                  | 46               | -   | (2)               | 44                    |
| Total AUM              | \$ 1,611         | (13)                                      | \$ 82             | \$ 1,680              |

The majority of our AUM have calendar year-end measurement periods, and our incentive fees are primarily recognized in the fourth quarter. Assets under management increased on a net basis by \$69 million for the quarter ended September 30, 2021 due to net inflows of \$82 million, partially offset by market losses of \$13 million.

**Liquidity and Capital Resources**

Our principal assets consist of cash and cash equivalents; short-term treasury securities; marketable securities, primarily equities, including 2.5 million shares of GAMCO; and interests in affiliated and third-party funds and partnerships. Although Investment Partnerships may be subject to restrictions as to the timing of distributions, the underlying investments of such Investment Partnerships are generally liquid, and the valuations of these products reflect that underlying liquidity.

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

|  | Nine Months Ended<br>September 30, |              |
|--|------------------------------------|--------------|
|  | 2021                               | 2020         |
| Cash flows provided by (used in) from continuing operations: |                                    |              |
| Operating activities   | \$ 488,071                         | \$ (272,203) |
| Investing activities   | 53,254                             | (176,792)    |
| Financing activities   | (11,058)                           | 154,211      |
| Net increase from continuing operations                      | 530,267                            | (294,784)    |
| Cash and cash equivalents at beginning of period             | 39,509                             | 342,001      |
| Cash and cash equivalents at end of period                   | \$ 569,776                         | \$ 47,331    |

We require relatively low levels of capital expenditures and have a highly variable cost structure where costs increase and decrease based on the level of revenues we receive. Our revenues, in turn, are highly correlated to the level of AUM and to investment performance. We anticipate that our available liquid assets should be sufficient to meet our cash requirements as we build out our operating business. At September 30, 2021, we had cash and cash equivalents of \$569.8 million which includes \$225 million relating to an unsettled T-bill rollover trade, cash and cash equivalents excluding this item was \$344.5, Investments in U.S. Treasury Bills of \$50.0 million, and \$259.9 million of investments net of securities sold, not yet purchased of \$13.6 million. Included in cash and cash equivalents are \$9.9 million as of September 30, 2021 which were held by consolidated investment funds and may not be readily available for the Company to access.

Net cash provided by operating activities was \$488.1 million, which includes the impact of the \$225 million unsettled T-bill rollover trade, for the nine months ended September 30, 2021. Excluding the impact of that unsettled rollover, net cash provided by operating activities was \$262.8 million, due to \$288.5 million of net decreases of securities and net contributions to investment partnerships and our net income of \$53.4 million, offset by \$73.1 million of adjustments for noncash items, primarily gains on investments securities and partnership investments and deferred taxes, and \$6.0 million of net receivables/payables. Net cash provided by investing activities was \$53.3 million due to purchases of securities of \$2.4 million offset by proceeds from sales of securities of \$16.7 million and return of capital on securities of \$39.0 million. Net cash used in financing activities was \$11.1 million resulting from stock buyback payments of \$7.5 million and dividends paid of \$2.2 million.

Net cash used in operating activities from continuing operations was \$272.2 million for the nine months ended September 30, 2020 due to \$283.1 million of increases in trading securities, our net loss of \$32.3 million, and net receivables/payables of \$6.1 million, partially offset by net distributions from investment partnerships of \$20.6 million and \$28.7 million of adjustments for noncash items, primarily losses on investments securities and partnership investments and deferred taxes. Net cash used in investing activities from continuing operations was \$176.8 million due to the investment of cash in a trust account by the PMV SPAC of \$175 million, the purchase of a building for \$11.1 million and purchases of securities of \$0.4 million, partially offset by proceeds from sales of securities of \$8.4 million and return of capital on securities of \$1.3 million. Net cash provided by financing activities from continuing operations was \$154.2 million resulting from contributions from redeemable non-controlling interests of \$162.6 million and nonredeemable non-controlling interests of \$2.1 million reduced by dividends paid of \$4.5 million and stock buyback payments of \$5.4 million. Cash provided by discontinued operations from the spin-off of MGHL were \$0.1 million.

### **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 2020 Annual Report on Form 10-K filed with the SEC on March 24, 2021 for details on Critical Accounting Policies.

### **ITEM 3: Quantitative and Qualitative Disclosures About Market Risk**

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

### **ITEM 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Our current management, including our CEO and CFO, 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 September 30, 2021. Based on this evaluation of our disclosure controls and procedures management has concluded that our disclosure controls and procedures were not effective as of September 30, 2021 because of a material weakness in our internal control over financial reporting, as further described below.

#### **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 September 30, 2021.

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 non-routine 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 September 30, 2021 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) hired 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 completed 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 and expect that the material weakness will be remediated by the end of fiscal 2021. This expected timing incorporates management's continued efforts to strengthen processes, controls and policies as described above, as well as the necessary steps required to perform a management assessment of our internal controls. Notwithstanding the material weakness described above, our management has concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial position, results of operation and cash flows in conformity with generally accepted accounting principles.

### **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**

Currently, we are not subject to any legal proceedings that individually or in the aggregate involved a claim for damages in excess of 10% of our consolidated assets. From time to time, we may be named in legal actions and proceedings. These actions may seek substantial or indeterminate compensatory as well as punitive damages or injunctive relief. We are also subject to governmental or regulatory examinations or investigations. Examinations or investigations can result in adverse judgments, settlements, fines, injunctions, restitutions or other relief. For any such matters, the consolidated financial statements include the necessary provisions for losses that we believe are probable and estimable. Furthermore, we evaluate whether there exist losses which may be reasonably possible and, if material, make the necessary disclosures. However, management believes such matters, both those that are probable and those that are reasonably possible, are not material to the Company's consolidated financial condition, operations, or cash flows at September 30, 2021. See also Note J, *Guarantees, Contingencies and Commitments*, to the consolidated financial statements in Part II, Item 8 of this Form 10-Q.

**ITEM 1A: Risk Factors.**

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

**ITEM 2: Unregistered Sales of Equity Securities And Use Of Proceeds**

The following table provides information for our repurchase of our Class A Stock during the quarter ended September 30, 2021:

| Period              | Total<br>Number<br>of Shares<br>Repurchased | Average<br>Price Paid<br>Per Share, net<br>of Commissions | Total<br>Number of Shares<br>Repurchased as Part of<br>Publicly Announced<br>Plans or Programs | Maximum<br>Number of Shares<br>That May Yet Be<br>Purchased Under the<br>Plans or Programs |
|---------------------|---|---|--|--|
| 07/01/21 - 07/31/21 | 2,306                                       | \$ 36.95  | 2,306  | 717,717  |
| 08/01/21 - 08/31/21 | 23,667                                      | 36.15   | 23,667   | 694,050  |
| 09/01/21 - 09/30/21 | 12,604                                      | 36.14   | 12,604   | 681,446  |
| Totals              | 38,577                                      | \$ 36.19  | 38,577   |  |

**ITEM 6: (a) Exhibits**

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>  |
|-----------------------|--|
| <a href="#">2.1</a>   | Separation and Distribution Agreement, dated November 30, 2015, between GAMCO Investors, Inc., a Delaware corporation (“GAMCO”), and Associated Capital Group, Inc., a Delaware corporation (the “Company”). (Incorporated by reference to Exhibit 2.1 to the Company’s Form 8-K dated November 30, 2015 filed with the Securities and Exchange Commission on December 4, 2015).                   |
| <a href="#">3.1</a>   | Amended and Restated Certificate of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company’s Form 8-K dated November 19, 2015 filed with the Securities and Exchange Commission on November 25, 2015).   |
| <a href="#">3.2</a>   | Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit 3.2 to the Company’s Report on Form 8-K dated November 19, 2015 filed with the Securities and Exchange Commission on November 25, 2015).   |
| <a href="#">4.1</a>   | Form of Common Stock Certificate. (Incorporated by reference to Exhibit 4.1 to Amendment No. 4 to the Company’s Registration Statement on Form 10 filed with the Securities and Exchange Commission on October 21, 2015).  |
| <a href="#">4.2</a>   | Description of The Registrant’s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934. (Incorporated by reference to Exhibit 4.2 of the Company’s Report on Form 10-K filed with the Commission on March 16, 2020).  |
| <a href="#">10.1</a>  | Service Mark and Name License Agreement, dated November 30, 2015, by and between the Company and GAMCO. (Incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015).   |
| <a href="#">10.2</a>  | Transitional Administrative and Management Services Agreement, dated November 30, 2015, by and between the Company and GAMCO. (Incorporated by reference to Exhibit 10.2 to the Company’s Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015).   |
| <a href="#">10.3</a>  | Employment Agreement between the Company and Mario J. Gabelli dated November 30, 2015 (Incorporated by reference to Exhibit 10.3 to the Company’s Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015).   |
| <a href="#">10.4</a>  | Promissory Note in aggregate principal amount of \$250,000,000, dated November 30, 2015, issued by GAMCO in favor of the Company (Incorporated by reference to Exhibit 10.4 to the Company’s Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015).  |
| <a href="#">10.5</a>  | Tax Indemnity and Sharing Agreement, dated November 30, 2015, by and between the Company and GAMCO. (Incorporated by reference to Exhibit 10.5 to the Company’s Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015).   |
| <a href="#">10.6</a>  | 2015 Stock Award Incentive Plan (Incorporated by reference to Exhibit 10.11 to Amendment No. 4 to the Company’s Registration Statement on Form 10 filed with the Securities and Exchange Commission on October 21, 2015).  |
| <a href="#">10.7</a>  | Form of Indemnification Agreement by and between the Company and the Indemnitee defined therein (Incorporated by reference to Exhibit 10.7 to Amendment No. 4 to the Company’s Registration Statement on Form 10 filed with the Securities and Exchange Commission on October 21, 2015).   |
| <a href="#">10.8</a>  | Agreement and Plan of Merger, dated as of October 31, 2019, by and among Morgan Group Holding Co., G.R. acquisition, LLC, G.research, LLC, Institutional Services Holdings, LLC and Associated Capital Group, Inc. (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Morgan Group Holding Co. filed with the Securities and Exchange Commission on November 6, 2019). |
| <a href="#">31.1</a>  | Certification of CEO pursuant to Rule 13a-14(a).   |

|                      |   |
|----------------------|---|
| <a href="#">31.2</a> | Certification of CFO pursuant to Rule 13a-14(a).  |
| <a href="#">32.1</a> | Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |
| <a href="#">32.2</a> | Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |
| 101.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/ Timothy H. Schott  
Name: Timothy H. Schott  
Title: Chief Financial Officer

Date: November 8, 2021

---

**Certifications**

I, Douglas R. Jamieson, certify that:

1. I have reviewed this quarter 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(c) 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: November 8, 2021

---

---

**Certifications**

I, Timothy H. Schott, certify that:

1. I have reviewed this quarter 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(c) 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/ Timothy H. Schott  
Name: Timothy H. Schott  
Title: Chief Financial Officer

Date: November 8, 2021

---

**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 Quarter Report on Form 10-Q of Associated Capital Group, Inc. (the "Company") for the quarter ended September 30, 2021 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: November 8, 2021

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.

---

**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 September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Timothy H. Schott, as Chief Financial 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/ Timothy H. Schott  
Name: Timothy H. Schott  
Title: Chief Financial Officer

Date: November 8, 2021

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.

---