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

FORM 10-K

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

For the fiscal year ended December 31, 2017
Or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

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

Associated Capital Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	47-3965991
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Corporate Center, Rye, NY	10580-1422
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☐.

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
	Emerging growth company ☒

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

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

The aggregate market value of the class A common stock held by non-affiliates of the registrant as of June 30, 2017 (the last business day of the registrant’s most recently completed second fiscal quarter) was $159,849,334.

As of March 1, 2018, 4,447,408 shares of class A common stock and 19,187,885 shares of class B common stock were outstanding. 18,423,741 shares of class B common stock were held by a subsidiary of GGCP, Inc. and 532,766 shares of class B common stock were held by executive officers and directors of GGCP, Inc.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the registrant’s definitive proxy statement relating to the 2018 Annual Meeting of Shareholders are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this report.

Associated Capital Group, Inc.

Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2017

PART I

Forward-Looking Statements

Our disclosure and analysis in this report and in documents that are incorporated by reference contain some forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements because they do not relate strictly to historical or current facts. You should not place undue reliance on these statements. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," and other words and terms of similar meaning. They also appear in any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance of our products, expenses, the outcome of any legal proceedings, and financial results.

Although we believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know about our business and operations, there can be no assurance that our actual results will not differ materially from what we expect or believe. Some of the factors that could cause our actual results to differ from our expectations or beliefs include, without limitation: the adverse effect from a decline in the securities markets; a decline in the performance of our products; a general downturn in the economy; changes in government policy or regulation; changes in our ability to attract or retain key employees; and unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations. We also direct your attention to any more specific discussions of risk contained in Item 1A below and in our other public filings or in documents incorporated by reference here or in prior filings or reports.

We are providing these statements as permitted by the Private Litigation Reform Act of 1995. We do not undertake to update publicly any forward-looking statements if we subsequently learn that we are unlikely to achieve our expectations or if we receive any additional information relating to the subject matters of our forward-looking statements.

ITEM 1: BUSINESS

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

Our principal executive offices are located at One Corporate Center, Rye, New York 10580. We post or provide a link on our website, www.associated-capital-group.com, to the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission ("Commission" or "SEC"): our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. All such filings on our website are available free of charge.

The Spin-off and Related Transactions

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

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

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

We provide our institutional research services operations through G.research, LLC ("G.research") doing business as "Gabelli & Company", an indirect wholly-owned subsidiary of the Company. G.research is a broker-dealer registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Through G.research, we provide institutional research services as well as act as an underwriter primarily for affiliates of the Company. G.research is regulated by the Financial Industry Regulatory Authority ("FINRA"). G.research's revenues are derived primarily from institutional research services. As of December 31, 2016, G.research was a wholly-owned subsidiary of GCIA. However, on January 23, 2017 all of the outstanding membership interests of G.research were transferred to Institutional Services Holdings, LLC, a newly formed Delaware limited liability company and wholly owned subsidiary of AC.

In connection with the spin-off, GAMCO issued a promissory note (the "GAMCO Note") to AC Group in the original principal amount of $250 million used to partially capitalize the Company. The GAMCO Note bears interest at 4% per annum and has a maturity date of November 30, 2020 with respect to its original principal amount. Interest on the GAMCO Note will accrue from the most recent date for which interest has been paid. Prior to November 30, 2019, at the election of GAMCO, payment of interest on the GAMCO Note may, in lieu of being paid in cash, be paid, in whole or in part, in kind (a "PIK Amount"). GAMCO will repay all PIK Amounts added to the outstanding principal amount of the GAMCO Note, in cash, on the fifth anniversary of the date on which each such PIK Amount was added to the outstanding principal amount of the GAMCO Note. GAMCO may prepay the GAMCO Note prior to maturity without penalty.

Through December 31, 2017, AC received principal repayments totaling $200 million on the GAMCO Note. The $50 million principal amount outstanding as of December 31, 2017 is due on November 30, 2020.

In addition, AC Group owns 4,393,055 shares of GAMCO Class A common stock via transactions that occurred in connection with the spin-off.

Alternative Investment Management

We primarily manage assets in equity event-driven value strategies, across a range of risk and event arbitrage portfolios. The business earns fees from its advisory clients, and income/(loss) from trading and investment portfolio activities. The advisory fees include management and incentive fees. Management fees are largely based on a percentage of the portfolios' levels of assets under management ("AUM"). Incentive fees are based on the percentage of profits derived from the investment performance. As of December 31, 2017, we managed a total of $1.5 billion in assets.

In our event-driven value funds, we seek investments trading at prices that differ from those determined using our proprietary "Private Market Value (PMV) with a Catalyst" methodology where we have identified a near-term catalyst to narrow the market difference to PMV. Catalysts can include a spin-off, stock buyback, asset sale, management change, regulatory change or accounting change.

In event merger arbitrage, the goal is to earn absolute returns (positive returns) regardless of the direction of the market. We have compounded returns at a 7.56% net CAGR since we launched our first partnership dedicated to investing in merger arbitrage situations. That is, $10 million invested in this fund in 1985 would today be worth more than $110 million. In addition, the value of such an investment would have exhibited significantly less volatility than that of broad equity indices.

The investment process begins with the announcement of an acquisition, where an acquirer makes an offer for all of the target company's stock. The target's shares usually trade at a discount, or spread, to the final deal price because of the time value of money, regulatory approval risks and other risks specific to the companies in the transaction.

Our role as arbitrageurs is to quantify and assess the risks to the transaction, and make investments that compensate our investors for these risks and earn a satisfactory return.

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.

We expect rising interest rates will boost returns in merger arbitrage in the form of wider spreads, given the time value of money component of the deal spread. As a result, merger arbitrage offers a good alternative to fixed income portfolios and should benefit from a rising rate environment. We look forward to our next 30 years investing in merger arbitrage situations.

While merger arbitrage returns have historically been non-market correlated and deal-specific, event-driven value returns are more correlated to broader equity markets.

We generally manage assets on a discretionary basis and invest in a variety of U.S. and foreign securities utilizing a bottom up value investment style. Our managed funds primarily employ absolute return strategies with the objective of generating positive returns regardless of market performance.

We introduced our first alternative fund, a merger arbitrage partnership, Gabelli Arbitrage (renamed Gabelli Associates), in February 1985. 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 Partnerships have been added to balance investors' geographic, strategy and sector needs. Today, we offer Investment Partnerships in multiple categories, including event merger arbitrage, event-driven value and others across a broad range of absolute return products. Within our event merger arbitrage strategy, as of December 31, 2017, we managed, either directly or indirectly, approximately $1.4 billion of assets for investors who seek positive returns not correlated to fluctuations of the general market. These funds seek to drive returns by investing mostly in announced merger and acquisition transactions that are primarily dependent on deal closure and less on the overall market environment. In event-driven value, as of December 31, 2017, we managed $91 million of assets focused on global markets. We also manage $66 million of assets in other Investment Partnerships designed to offer diversification by global economic and sectoral opportunities. These include sector, high yield, capital structure and venture capital or merchant banking portfolios. Since inception, we have been closely identified with, and have enhanced, the "value" style of investing consistent with our fundamental objective of providing an absolute return for our clients. Our investment objective is to earn a superior risk-adjusted return over the long-term through our proprietary fundamental research. We serve a wide variety of investors including private wealth management accounts, corporations, corporate pension and profit-sharing plans, foundations and endowments, as well as serving as sub-advisor to certain third-party investment funds.

Assets Under Management

The following table sets forth AC's total AUM for the dates shown.

Assets Under Management (a) (in millions)					
	Year Ended December 31,				
	2017	2016	2015	2014	2013
Event Merger Arb	$ 1,384	$ 1,076	$ 869	$ 796	$ 691
Event-Driven Value (b)	91	133	145	167	140
Other (c)	66	63	66	77	76
Total AUM	$ 1,541	$ 1,272	$ 1,080	$ 1,040	$ 907

(a) Includes separately managed accounts and Investment Partnerships.
(b) Excluding event merger arbitrage.
(c) Includes investment vehicles focused on private equity, merchant banking, non-investment-grade credit and capital structure arbitrage.

Institutional Research Services

Through G.research, doing business as "Gabelli & Company", we provide institutional research services and act as an underwriter. G.research is regulated by FINRA. G.research's revenues are derived primarily from institutional research services, underwriting fees and selling concessions. Our research analysts are industry-focused, following sectors based on our core competencies. They research companies across market capitalizations on a global basis. The primary function of the research team is to gather data, array the data, and then project and interpret data from which investment decisions can be made. Analysts publish their insights in the form of research reports and daily notes. In addition, G.research hosts conferences which bring together industry leaders and institutional investors. The objective of institutional research services is to provide superior investment ideas to investment decision makers. A significant portion of our institutional research services and underwriting revenues are from GAMCO and its affiliates. We can provide no assurance that GAMCO and its affiliates will continue to use our institutional research and underwriting services to the same extent in the future.

Analysts are generally assigned to research platforms, overseen by a senior analyst, whose role is to ensure a consistent process, enhance idea cross-fertilization and knowledge-sharing. Our research platforms include Digital, which includes cable, telecommunications, broadcasting, publishing, advertising, entertainment and technology; Utilities and Energy; Consumer, Health and Wellness; Aerospace and Capital Goods; Natural Resources; and Financial Services.

G.research generates institutional research services revenues via hard dollar payments or through securities transactions executed on an agency basis on behalf of clients. Clients include institutional investors (e.g., hedge funds and asset managers) as well as affiliated mutual funds and managed accounts. Institutional research services revenues totaled $12.2 million, $12.6 million, and $9.9 million for the years ended December 31, 2017, 2016 and 2015, respectively. Pursuant to research services agreements, GAMCO Asset Management Inc. paid $2.2 million, $1.5 million and $0.7 million and Gabelli Funds, LLC paid $2.3 million, $1.5 million and $0.8 million to the Company for the years ended December 31, 2017, 2016 and 2015, respectively. Gabelli Funds, LLC and GAMCO Asset Management Inc. are both wholly-owned subsidiaries of GAMCO. G.research earned $4.5 million, $5.2 million and $4.9 million, or approximately 60%, 63% and 59%, of its commission revenue from transactions executed on behalf of funds advised by Gabelli Funds, LLC, and clients advised by GAMCO Asset Management Inc. for the years ended December 31, 2017, 2016 and 2015, respectively. G.research continues to pursue expansion of third party and affiliated activities.

Proprietary Trading

We received a substantial portfolio of cash and investments held by GAMCO prior to the spin-off. We expect to use this proprietary investment portfolio to provide seed capital for new products, expand our geographic presence, develop new markets and pursue strategic acquisitions, alliances and lift-outs, as well as for shareholder compensation in the form of share repurchases and dividends. Our proprietary portfolios are largely invested in products we manage or that are managed by GAMCO.

Business Strategy

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

Continuing an Active Fundamental Investment Approach

We began managing hedge fund assets in 1985, when we launched our first merger arbitrage fund. Our results through market cycles clearly demonstrate our core competence in event driven investing. Our “Private Market Value (PMV) with a Catalyst™” investing remains the principal management philosophy guiding our investment operations. This method is based on investing principles articulated by Graham & Dodd, and further augmented by our founder Mario J. Gabelli.

Growing our Investment Partnerships Advisory Business

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

Capitalizing on Acquisitions, Alliances and Lift-outs

We intend to leverage our research and investment capabilities by pursuing acquisitions, alliances and lift-outs that will broaden our product offerings and add new sources of distribution.

Pursuing Partnerships and Joint Ventures

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

Growing our Institutional Research Services Operations

We intend to grow our Institutional Research Services by growing our client base and by increasing our interactions with existing clients to generate greater trading activity and payment flow.

Continuing Our Sponsorship of Industry Conferences

G.research sponsors industry conferences and management events throughout the year. At these conferences, senior management from leading companies share their thoughts on the industry, competition, regulation and the challenges and opportunities in their businesses with portfolio managers and securities analysts. These meetings are an important component of the research services provided to institutional clients. In 2017, G.research hosted meetings covering the following sectors:

Pump, Valve, & Water Systems
Waste & Environmental Services
Specialty Chemicals
Omaha Research Trip
Movie & Entertainment
Television & Broadcasting
Aircraft Supplier & Connectivity
Automotive Aftermarket

We also have a tradition of sponsoring institutional investor symposia that bring together prominent portfolio managers, members of academia and other leading business professionals to present, discuss and debate current issues and topics in the investment industry. These symposia have included:

2017: “Digital Evolution within Financial Services”
2015: “Capital Allocation – The Tug of War”
2013: “Value Investing 20 Years Later: A Celebration of the Roger Murray Lecture Series”
2006: “Closed-End Funds: Premiums vs. Discounts, Dividends and Distributions”
2003: “Dividends, Taxable versus Non-Taxable Issues”
2001: “Virtues of Value Investing”
1998: “The Role of Hedge Funds as a Way of Generating Absolute Returns”
1997: “Active vs. Passive Stock Selection”

Attracting and Retaining Experienced Professionals

Our ability to attract and retain highly experienced investment and other professionals with a long-term commitment to the Company and our clients is a significant factor in our long-term growth. We offer significant variable compensation that provides incentives to our staff. We expect to increase the scope of our investment management capabilities, add portfolio managers and other investment personnel, and expand our product offerings.

Competition

The alternative asset management industry is intensively competitive. We face competition in all aspects of our business from other managers in the United States and globally. We compete with alternative investment management firms, insurance companies, banks, brokerage firms and financial institutions that offer products that have similar features and investment objectives. Many of these investment management firms are subsidiaries of large diversified financial companies and may have access to greater resources not available to us. Many are larger in terms of AUM and revenues and, accordingly, have larger sales organizations and marketing budgets. Historically, we have competed primarily on the basis of the long-term investment performance of our investment products. However, we have recently taken steps to increase our distribution channels, brand awareness and marketing efforts.

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

Intellectual Property

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

Regulation

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

Global Regulatory Reform

We are subject to numerous regulatory reform initiatives in countries where we do business. Any initiative, or new laws or regulations or changes in enforcement of existing laws or regulations, could materially and adversely impact the scope or profitability of AC's business activities, lead to business disruptions, require AC to change certain business practices and expose AC to additional costs (including compliance and legal costs), as well as reputational harm. AC's profitability also could be materially and adversely affected by modification of the rules and regulations that impact the business and financial communities in general, including changes to the laws governing taxation, antitrust regulation and electronic commerce.

Dodd-Frank Wall Street Reform and Consumer Protection Act. In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "DFA") was signed into law in the United States. The DFA is expansive in scope and led to the adoption of extensive regulations. As the impact of these rules becomes evident over time, it is not yet possible to predict the ultimate effects that the DFA, or subsequent regulations and decisions, will have upon AC's business, financial condition and results of operations.

Securities and Exchange Commission Review of Asset Managers. Our business may also be impacted by the SEC regulatory initiatives. For example, on December 11, 2014 the Chair of the SEC announced that she is recommending that the SEC enhance its oversight of asset managers by (i) expanding and updating data requirements with which asset managers must comply, (ii) improving fund level controls, including those related to liquidity levels and the nature of specific instruments and (iii) ensuring that asset management firms have appropriate transition plans in place to deal with market stress events or situations where an investment adviser is no longer able to serve its clients. Although these recommendations have not yet resulted in any proposed rules, any additional SEC oversight or the introduction of any new reporting, disclosure or control requirements could expose us to additional compliance costs and may require us to change how we operate our business.

Taxation. Our global business may be impacted by the Foreign Account Tax Compliance Act ("FATCA"), which was enacted in 2010 and introduced expansive new investor onboarding, withholding and reporting rules aimed at ensuring U.S. persons with financial assets outside of the United States pay appropriate taxes. In many instances, however, the precise nature of what needs to be implemented will be governed by bilateral Intergovernmental Agreements ("IGAs") between the United States and the countries in which we do business or have accounts. While many of these IGAs have been put into place, others have yet to be concluded. The Organization for Economic Cooperation and Development ("OECD") has developed the Common Reporting Standard ("CRS") to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account's information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with partner jurisdictions on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges began in 2017 on the basis of the information reported with respect to 2016. As a result, the Investment Partnerships will be required to report information on the investors of the Partnerships to comply with the CRS due diligence and reporting requirements, as adopted by the countries in which the Investment Partnerships are organized.

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

Existing U.S. Regulation Overview

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

The Advisers Act

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

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

Broker-Dealer and Trading and Investment Regulation

G.research is a registered as broker-dealer with the SEC and is subject to regulation by FINRA and various states' regulatory authorities. In its capacity as a broker-dealer, G.research is required to maintain certain minimum net capital amounts. These requirements also provide that equity capital may not be withdrawn, advances to affiliates may not be made or cash dividends paid if certain minimum net capital requirements are not met. G.research's net capital, as defined, met or exceeded all minimum requirements as of December 31, 2017. As a registered broker-dealer, G.research is also subject to periodic examination by FINRA, the SEC and the state regulatory authorities.

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

Potential Legislation Relating to Private Pools of Capital

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

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

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

The Patriot Act

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

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

Investments by AC and on behalf of our advisory clients and Investment Partnerships often represent a significant equity ownership position in an issuer's equity. As of December 31, 2017, we had five percent or more beneficial ownership with respect to 108 equity securities (this is partially due to the fact that we may be deemed to be a member of "group" with GAMCO and therefore may be deemed to beneficially own the securities owned by that group). This activity raises frequent regulatory, legal and disclosure issues regarding our aggregate beneficial ownership level with respect to portfolio securities, including issues relating to issuers' stockholder rights plans or "poison pills," and various federal and state regulatory limitations, including state gaming laws and regulations, federal communications laws and regulations and federal and state public utility laws and regulations, as well as federal proxy rules governing stockholder communications and federal laws and regulations regarding the reporting of beneficial ownership positions. Our failure to comply with these requirements could have a material adverse effect on us.

Existing European Regulation Overview

Alternative Investment Fund Managers Directive. Our European business is impacted by the EU Alternative Investment Fund Managers Directive ("AIFMD"), which became effective on July 21, 2011. AIFMD regulates managers of, and service providers to, a broad range of alternative investment funds ("AIFs") domiciled within and (depending on the precise circumstances) outside the EU. AIFMD also regulates the marketing of all AIFs inside the European Economic Area ("EEA"). AIFMD is being implemented in stages, which run through 2018. Compliance with AIFMD's requirements restrict alternative investment fund marketing and impose additional compliance and disclosure obligations regarding remuneration, capital requirements, leverage, valuation, stakes in EU companies, depositaries, the domicile of custodians and liquidity management on AC. These new compliance and disclosure obligations and the associated risk management and reporting requirements will subject us to additional expenses.

Undertakings for Collective Investment in Transferable Securities. The EU has also adopted directives on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("UCITS") impacting depositary functions, remuneration policies and sanctions. The latest initiative in this area, UCITS V, which became effective in September 2014, seeks to align the depositary regime, remuneration rules and sanctioning powers of regulators under the UCITS Directive with the requirements of

AIFMD. UCITS V was required to be adopted in the national law of each EU member state during the second quarter of 2016. Similarly, in August 2014 ESMA revised the guidelines it initially published in 2012 on exchange-traded funds and other UCITS funds. The guidelines introduced new collateral management requirements for UCITS funds concerning collateral received in the context of derivatives using Efficient Portfolio Management ("EPM") techniques (including securities lending) and over-the-counter derivative transactions. These rules required us to make changes to our collateral management arrangements applicable to the EPM of the UCITS funds for which GCIA acts as a sub-advisor. Compliance with the UCITS directives will cause us to incur additional expenses associated with new risk management and reporting requirements.

Markets in Financial Instruments Directive. MiFID is the acronym for the European Union's ("EU") Markets in Financial Instruments Directive. MiFID has been in force since November 1, 2007 and its goal is to foster a competitive and level playing field between trading venues for financial instruments in the European Economic Area ("EEA*")* and to improve investor protection across the EEA. After the 2008 financial crisis the European Commission ("EC") determined to revise MiFID. In furtherance of this, the replacement directive was adopted by the EC on July 2, 2014 (together with its underlying directives, regulations and technical standards, "MiFID II") and all EU Member States were required to fully implement MiFID II by January 3, 2018.

MiFID II creates specific new rules regarding the use of "soft dollars" to pay for research. A MiFID licensed investment firm that is providing portfolio management services or independent investment advisory services to clients may not pay for third party research with soft dollars generated through client trading activity. Research must be paid for either (i) by the investment firm out of its own resources or (ii) through a separate research payment account ("RPA") for each client (SMA or pooled vehicle established by the investment firm) to pay for the research. While currently neither GCIA nor G.research is directly subject to MiFID II, GCIA may be invoiced separately by any EU brokers from whom it purchases research in the future and/or clients may begin to require that GCIA "unbundle" research payments from commission trading. To the extent G.research attempts to provide its institutional research services to EU based clients, those clients may also demand that G. research separately invoice them for trading and research.

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

In addition, GSIL must comply with MiFID, the scope of which has been enhanced through MiFID II and sets out detailed requirements governing the organization and conduct of business of investment firms and regulated markets. MiFID II also includes pre- and post-trade transparency requirements for equity markets and extensive transaction reporting requirements. In addition, relevant entities must comply with revised obligations on capital resources for banks and certain investment firms (the Capital Requirements Directive), which became effective in January 2014. These include requirements not only on capital, but address matters of governance and remuneration as well. The obligations introduced through these directives will have a direct effect on some of our European operations.

Our EU-regulated entities are additionally subject to an EU regulation on OTC derivatives, central counterparties and trade repositories, which was adopted in August 2012 and which requires (i) the central clearing of standardized OTC derivatives, (ii) the application of risk-mitigation techniques to non-centrally cleared OTC derivatives and (iii) the reporting of all derivative contracts from February 2014.

Regulatory Matters Generally

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

Employees

On February 28, 2018, we had a full-time staff of 71 teammates, of whom 46 served in the portfolio management, research and trading areas, 12 served in the marketing and shareholder servicing areas and 13 served in the administrative area. We also avail ourselves of services provided by GAMCO in accordance with the Transitional Services Agreement that were entered into with GAMCO as part of the spin-off.

Status as an Emerging Growth Company

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

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

We will, in general, remain as an emerging growth company for up to five full fiscal years following the spin-off. We would cease to be an emerging growth company and, therefore, become ineligible to rely on the above exemptions, if we:

- have more than $1 billion in annual revenue in a fiscal year;
- issue more than $1 billion of non-convertible debt during the preceding three-year period; or
- become a "large accelerated filer" as defined in Exchange Act Rule 12b-2, which would occur after: (i) we have filed at least one annual report pursuant to the Exchange Act; (ii) we have been an SEC-reporting company for at least 12 months; and (iii) the market value of AC common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter.

ITEM 1A: RISK FACTORS

We caution the reader that the following risks and those risks described elsewhere in this report and in our other SEC filings could have a material adverse effect on our business, prospects, financial condition, results of operations or cash flow or could cause a decline in the Company's stock price.

Risks Related to the Spin-off

We may not achieve the benefits expected from our spin-off from GAMCO and may be more susceptible to adverse events.

We expect that, as a company independent from GAMCO, we will be able to grow organically and through acquisitions. Nonetheless, we may not be able to achieve either of these goals. Furthermore, by separating from GAMCO, there is a risk that we may be more susceptible to adverse events than we would have otherwise experienced as a subsidiary of GAMCO. As a subsidiary of GAMCO, we enjoyed certain benefits, including economies of scope and scale in costs, employees and business relationships. These benefits may not be as readily achievable as a smaller, stand-alone company.

Certain of our directors and officers may have actual or potential conflicts of interest because of their positions or relationships with GAMCO.

Mario J. Gabelli serves as our Executive Chairman and also continues to serve as Chairman and Chief Executive Officer of GAMCO. Douglas R. Jamieson, President and Chief Executive Officer of Associated Capital, continues his role as President and Chief Operating Officer of GAMCO Asset Management. Executive Vice President Agnes Mullady, who is responsible for the oversight of Associated Capital's UCITs offerings, also acts as Senior Vice President of GAMCO and President and Chief Operating Officer of the Gabelli Funds Division. Kevin Handwerker, Associated Capital's Executive Vice President, General Counsel and Secretary, also serves in the same capacities for GAMCO. In addition, some of our portfolio managers and employees are provided pursuant to the Transitional Services Agreement with GAMCO and are officers or employees of GAMCO. Such dual assignments could create, or appear to create, potential conflicts of interest when our and GAMCO's officers and directors face decisions that could have different implications for the two companies.

Associated Capital has renounced its rights to certain business opportunities, and our certificate of incorporation provides that no director or officer of Associated Capital will breach their fiduciary duty and therefore be liable to Associated Capital or its stockholders by reason of the fact that any such individual directs a corporate opportunity to another person or entity (including GAMCO) instead of Associated Capital, or does not refer or communicate information regarding such corporate opportunity to Associated Capital, unless (x) such opportunity was expressly offered to such person solely in his or her capacity as a director or officer of Associated Capital or as a director or officer of any of our subsidiaries, and (y) such opportunity relates to a line of business in which Associated Capital or any of its subsidiaries is then directly engaged; provided, however, if the conditions specified in the immediately preceding clauses (x) and (y) are satisfied, any officer or director of Associated Capital may pursue such corporate opportunity (or direct it to another person or entity) if either (i) Associated Capital renounces its interest in the potential business opportunity in writing or (ii) Associated Capital does not within a reasonable period of time, begin to pursue, or thereafter continue to pursue, such corporate opportunity diligently and in good faith. Our certificate of incorporation specifically provides that any person purchasing, receiving or otherwise becoming an owner of any shares of our capital stock, or any interest therein, will be deemed to have notice of and to have consented to the corporate opportunity policy contained in our certificate of incorporation.

Also, some of our directors, executive officers, portfolio managers and teammates own shares of GAMCO common stock and GAMCO restricted stock awards ("RSAs") or other GAMCO equity awards. The ownership of this GAMCO common stock may create, or may create the appearance of, conflicts of interest.

In addition, potential conflicts of interest could arise in connection with the resolution of any dispute that may arise between GAMCO and Associated Capital regarding the terms of the agreements governing the separation and the relationship thereafter between the companies. The executive officers and other personnel of GAMCO who serve as directors or executive management of Associated Capital may interpret these agreements in their capacity as GAMCO employees in a manner that would adversely affect the business of Associated Capital.

Also, certain subsidiaries of GAMCO and GCIA are investment advisers. The executive officers and other personnel of GAMCO who also serve as directors or executive management of Associated Capital may be confronted with the possibility of making decisions in their GAMCO capacity that would adversely affect the business of Associated Capital.

Associated Capital and GAMCO expect to be vigilant in attempting to identify and resolve any potential conflicts of interest, including but not limited to the types described above, at the earliest possible time. However, there can be no guarantee that the interests of Associated Capital may not be adversely affected at some point by such a conflict.

The separation from GAMCO may adversely affect the level of our assets under management ("AUM").

Our revenues are dependent on the amount of our AUM as well as the performance of our products. Many investors may have invested assets in alternative investment products (the "Alternative Investments") in part because GCIA was a subsidiary of GAMCO. There can be no assurance that we will be able to attract investors to the Alternative Investments at the same rate as in prior years. In addition, we can make no assurance that current investors will not redeem their investments from the Alternative Investments as a result of our changed relationship with GAMCO. The occurrence of either of these events could adversely affect our business, results of operations and financial condition.

Concerns about our prospects as a stand-alone company could affect our ability to attract and retain employees or individuals whom we are attempting to recruit as employees.

Our employees or individuals whom we are attempting to recruit as employees may have concerns about our prospects as a stand-alone company, including our ability to maintain our independence and our inability to continue our current reliance on GAMCO's resources. If we are not successful in assuring our employees or individuals whom we are attempting to recruit as employees of our prospects as an independent company, our employees or recruits may seek or accept other employment, which could adversely affect our business and our results of operations.

We may have been able to receive better terms from unaffiliated third parties than the terms provided in our agreements with GAMCO.

The agreements related to our separation from GAMCO, including, but not limited to, the Separation Agreement, the Transitional Services Agreement and the Service Mark and Name License Agreement, were negotiated in the context of our separation from GAMCO while Associated Capital was still majority-owned by GAMCO. Accordingly, they may not reflect terms that would have been reached between unaffiliated parties. The terms of the agreements we negotiated in the context of our separation related to, among other things, indemnities and other obligations between GAMCO and us. Had these agreements been negotiated with unaffiliated third parties, they might have been more favorable to us.

In connection with the spin-off, GAMCO has indemnified us for certain liabilities. There can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities, or that GAMCO's ability to satisfy its indemnification obligations will not be impaired in the future.

Pursuant to the Separation Agreement, GAMCO will agree to indemnify us from certain liabilities. Third parties could seek to hold us responsible for any of the liabilities that GAMCO has agreed to retain, and there can be no assurance that the indemnity from GAMCO will be sufficient to protect us against the full amount of such liabilities or that GAMCO will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from GAMCO any amounts for which we are held liable, we may be temporarily required to bear those losses until such recovery. Each of these risks could adversely affect our business, results of operations and financial condition.

Risks Related to Our Industry

Changes in laws or regulations or in governmental policies and compliance with existing laws or regulations could limit the sources and amounts of our revenues, increase our costs of doing business, decrease our profitability and materially and adversely affect our business.

Our business is subject to extensive regulation in the United States, primarily at the federal level, including regulation by the SEC under the Advisers Act as well as other securities laws, by the Department of Labor under ERISA, and regulation by FINRA and state regulators. The Advisers Act imposes numerous obligations on investment advisors, including record-keeping, advertising and operating requirements, fiduciary and disclosure obligations, custodial requirements and prohibitions on fraudulent activities. In addition, our businesses are also subject to regulation by the FCA in the United Kingdom, and we are also subject to the laws of other non-U.S. jurisdictions and non-U.S. regulatory agencies or bodies.

Our failure to comply with applicable laws or regulations could result in fines, censure, suspensions of personnel or other sanctions, including revocation of our subsidiaries' registrations as an investment advisor or broker-dealer. Industry regulations are designed to protect our clients and investors in our funds and other third parties who deal with us and to ensure the integrity of the financial markets. Our industry is frequently altered by new laws or regulations and by revisions to, and evolving interpretations of, existing laws and regulations, both in the United States and in other nations. Changes in laws or regulations or in governmental policies could limit the sources and amounts of our revenues, increase our costs of doing business, decrease our profitability and materially and adversely affect our business.

We are subject to extensive and pervasive regulation around the world.

Our business is subject to extensive regulation around the world. These regulations subject our business activities to a pervasive array of increasingly detailed operational requirements, compliance with which is costly, time-consuming and complex. We may be adversely affected by our failure to comply with current laws and regulations or by changes in the interpretation or enforcement of existing laws and regulations. Challenges associated with interpreting regulations issued in numerous countries in a globally consistent manner may add to such risks if regulators in different jurisdictions have inconsistent views or provide only limited regulatory guidance. In particular, violation of applicable laws or regulations could result in fines, temporary or permanent prohibition of certain activities, reputational harm and related client terminations, suspensions of employees or revocation of their licenses, suspension or termination of investment adviser, broker-dealer or other registrations or other sanctions, which could have a material adverse effect on our reputation or business and may cause our AUM, revenue and earnings to decline.

New tax legislation or changes in U.S. and foreign tax laws and regulations or challenges to Associated Capital's historical taxation practices may adversely affect Associated Capital's effective tax rate, business and overall financial condition.

Our businesses may be affected by new tax legislation or regulations, or the modification of existing tax laws and regulations, by U.S. or non-U.S. authorities. In particular, FATCA has introduced expansive new investor onboarding, withholding and reporting rules aimed at ensuring U.S. persons with financial assets outside of the United States pay appropriate taxes. The OECD has developed CRS to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. The FATCA and CRS rules will impact both U.S. and non-U.S. Investment Partnerships and separately managed accounts and subject Associated Capital to extensive additional administrative burdens.

Certain of our FATCA and CRS compliance are done by third parties, and we cannot be certain that they will always comply with applicable FATCA and CRS rules.

We also manage significant assets in products and accounts that have specific tax and after-tax related objectives, which could be adversely impacted by changes in tax policy. Additionally, any new legislation or amendments to or modification of the interpretation of tax laws could impact Associated Capital's corporate tax position. The U.S. Tax Cuts and Jobs Act enacted in December 2017 made significant changes to the corporate and individual tax rates, available income tax deductions and the treatment of other tax attributes. Many provisions of this legislation may be subject to further technical corrections and the adoption of implementing regulations.

The application of complex tax regulations involves numerous uncertainties and in the normal course of business, U.S. and non-U.S. tax authorities may review and challenge Associated Capital's historical tax positions. These challenges may result in adjustments to Associated Capital's tax position, or impact the timing or amount of, taxable income, deductions or other tax allocations, which may adversely affect Associated Capital's effective tax rate and overall financial condition.

To the extent we are forced to compete on the basis of price, we may not be able to maintain our current fee structure.

The investment management business is highly competitive and has relatively low barriers to entry. To the extent we are forced to compete on the basis of price, we may not be able to maintain our current fee structure. Although our investment management fees vary from product to product, historically we have competed primarily on the performance of our products and not on the level of our investment management fees relative to those of our competitors. In recent years, however, there has been a trend toward lower fees in the investment management industry. In order to maintain our fee structure in a competitive environment, we must be able to continue to provide clients with investment returns and service that make investors willing to pay our fees. We cannot be assured that we will succeed in providing investment returns and service that will allow us to maintain our current fee structure. Fee reductions on existing or new business could have an adverse effect on our profit margins and results of operations.

Catastrophic and unpredictable events could have a material adverse effect on our business.

A terrorist attack, political unrest, war (whether or not directly involving the United States), power failure, cyber-attack, technology failure, natural disaster or many other possible catastrophic or unpredictable events could adversely affect our future revenues, expenses and earnings by, among other things: causing disruptions in United States, regional or global economic conditions; interrupting our normal business operations; inflicting employee casualties, including loss of our key executives; requiring substantial expenditures and expenses to repair, replace and restore normal business operations; and reducing investor confidence.

Pursuant to the Transitional Services Agreement with GAMCO, we have a disaster recovery plan to address certain contingencies, but we cannot assure you that this plan will be effective or sufficient in responding to, eliminating or ameliorating the effects of all disaster scenarios. If our employees or vendors we rely upon for support in a catastrophic event are unable to respond adequately or in a timely manner, we may lose clients resulting in a decrease in AUM which may have a material adverse effect on revenues and net income.

The soundness of other financial institutions could adversely affect our business.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We and the investments we manage may have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including: brokers and dealers, commercial banks, investment banks, clearing organizations, mutual and hedge funds and other institutions. Many of these transactions expose us and the accounts we manage to credit risk in the event of the counterparty's default. There is no assurance that any such losses would not materially and adversely impact Associated Capital's revenues and earnings.

Risks Related to Our Business

Control by Mario J. Gabelli of a majority of the combined voting power of Associated Capital common stock may give rise to conflicts of interests.

Mario J. Gabelli, through his control and majority ownership of GGCP, Inc. (“GGCP”) and his individual ownership of Associated Capital common stock, will beneficially own a majority of our outstanding Associated Capital Class B Stock, representing approximately 98.6% voting control as of December 31, 2017. As long as Mario J. Gabelli indirectly beneficially owns a majority of the combined voting power of Associated Capital common stock, he will have the ability to elect all of the members of our Board and thereby control our management and affairs, including determinations with respect to acquisitions, dispositions, borrowings, issuances of common stock or other securities, and the declaration and payment of dividends on the Associated Capital common stock. In addition, Mario J. Gabelli will be able to determine the outcome of all matters submitted to a vote of our stockholders for approval and will be able to cause or prevent a change in control of Associated Capital. As a result of Mario J. Gabelli’s control, none of our agreements with Mario J. Gabelli and other companies controlled by him can be assumed to have been arrived at through “arm’s-length” negotiations, although the parties endeavor to implement market-based terms. There can be no assurance that we would not have received more favorable terms, or offered less favorable terms to, an unaffiliated party.

In addition, Mario J. Gabelli, through his control and majority ownership of GGCP, controls GAMCO, and he could take actions that favor GAMCO over Associated Capital.

We may compete with GAMCO for clients and investment opportunities.

Although our business is expected to focus primarily on alternative investment management and institutional research services, while GAMCO is expected to focus primarily on its mutual fund and institutional and private wealth management businesses, situations may arise where we find ourselves directly competing with GAMCO for investment clients and opportunities. For example, it is possible that a potential investor might consider investing in Associated Capital and GAMCO investment products and that such potential investor will have to choose between our investment products and those offered by GAMCO. In addition, Associated Capital and GAMCO could pursue the same investment opportunities in the future.

Investors in our products have the right to redeem their investments in our products on a regular basis and could redeem a significant amount of AUM during any given quarterly period, which would result in significantly decreased revenues.

Subject to any specific redemption provisions applicable to a product, investors may generally redeem their investments in our products on an annual or quarterly basis following the expiration of a specified period of time. In a declining market, the pace of redemptions and consequent reduction in our AUM potentially could accelerate. Furthermore, investors in our products may also invest in products managed by other alternative asset managers that have restricted or suspended redemptions or may in the future do so. Such investors may redeem capital from our products, even if our performance is superior to such other alternative asset managers’ performance, if they are restricted or prevented from redeeming capital from those other managers.

The decrease in revenues that would result from significant redemptions in our products could have a material adverse effect on our results of operations, cash flows and business. In 2009, due to factors related to the financial crisis, investors redeemed approximately $62 million invested in Associated Capital’s products which represented approximately 20% of Associated Capital’s AUM at that time. If economic and market conditions remain uncertain or worsen, we may once again experience significant redemptions.

Our business and financial condition may be materially adversely impacted by the highly variable nature of our revenues, results of operations and cash flows. In a typical year, a substantial portion of our incentive allocation income is determined and recorded in the fourth quarter of each year, which means that our interim results are not expected to be indicative of our results for a full year.

Our revenues are influenced by the combination of the amount of AUM and the investment performance of our products. Asset flows, whether inflows or outflows, can be highly variable from month to month and quarter to quarter. Furthermore, our products' investment performance, which affects the amount of AUM, can be volatile due to, among other things, general market and economic conditions. Accordingly, our revenues, results of operations and cash flows may be highly variable. This variability is exacerbated during the fourth quarter of each fiscal year, primarily due to the fact that a substantial portion of our revenues historically have been, and we expect will continue to be, derived from incentive allocation income from our products. Incentive allocation income is contingent on the investment performance of the products as of the relevant measurement period, which generally is as of the end of each calendar year. We may also experience fluctuations in our results from quarter to quarter due to a number of other factors, including changes in management fees resulting from changes in the value of our products' investments, other changes in the amount of AUM, changes in our operating expenses, unexpected business developments and initiatives and, as discussed above, general economic and market conditions. Such variability and unpredictability may lead to volatility or declines in the price of the our stock and cause our results for a particular period not to be indicative of our performance in a future period or meaningful as a basis of comparison against results for a prior period.

The amount of incentive allocation income that may be generated by our products is uncertain until it is determined and realized at a particular point in time. We generally do not record incentive allocation income in our interim financial statements other than incentive allocation income earned as a result of investor redemptions during the period. As a result of these and other factors, our interim results may not be indicative of historical performance or the results that may be expected for a full year.

In addition, a substantial portion of our products' AUM have "high-water marks." This means that if an investor experiences losses in a given year, we will not be able to earn incentive allocation income with respect to such investor's investment unless and until our investment performance surpasses the high-water mark. The incentive allocation income we earn is therefore dependent on the net asset value of each investor's investment in our products. As of December 31, 2017, approximately 21.6% of our AUM was below a high-water mark. We can make no assurances that our investors will not experience losses in future years and, as a result, we may not earn incentive allocation income in those or subsequent years until such losses are earned back.

A decline in the prices of securities generally could lead to a decline in our AUM, revenues and earnings.

Substantially all of our revenues are directly related to both the amount of our AUM and the performance of our investment products. Under our investment advisory contracts, the investment advisory fees we receive are typically based on the market value of AUM. Accordingly, a decline in the prices of securities generally may cause our revenues and net income to decline by either causing the value of our AUM to decrease, which would result in lower investment advisory fees, or causing our clients to withdraw funds in favor of investments they perceive to offer greater opportunity or lower risk, which would also result in lower fees. The securities markets are highly volatile, and securities prices may increase or decrease for many reasons beyond our control, including but not limited to economic and political events, war (whether or not directly involving the United States), acts of terrorism, unanticipated changes in currency exchange rates, interest rates, inflation rates, the yield curve, defaults by derivative counterparties, bond default risks, decreases in commodity prices, slowing growth in other countries, particularly China, the sovereign debt crisis in Europe and other factors that are difficult or impossible to predict or even to identify. If a decline in securities prices caused our revenues to decline, it could have a material adverse effect on our earnings.

The loss of the services of Mario J. Gabelli and other key personnel could have a material adverse effect on our business.

We are dependent on the efforts of Mario J. Gabelli, our Executive Chairman. The loss of the services of Mario J. Gabelli could have a material adverse effect on our business.

Our future success depends to a substantial degree on our ability to retain and attract other qualified personnel to conduct our investment management business. The market for qualified portfolio managers is extremely competitive and has grown more so in recent periods as the investment management industry has experienced growth. We anticipate that it will be necessary for us to add portfolio managers and investment analysts as we further diversify our investment products and strategies. There can be no assurance, however, that we will be successful in our efforts to recruit and retain the required personnel. In addition, our investment professionals and senior marketing personnel have direct contact with our clients, which can lead to strong client relationships. The loss of these personnel could jeopardize our relationships with certain clients, and result in the loss of such accounts. The loss of key management professionals or the inability to recruit and retain sufficient portfolio managers and marketing personnel could have a material adverse effect on our business.

We have experienced and may again experience periods of rapid growth and significant declines in AUM, which place significant demands on our legal, compliance, accounting, risk management, administrative and operational resources.

Our AUM grew from approximately $230 million as of December 31, 1999 to $814 million as of December 31, 2004. Between December 31, 2004 and December 31, 2008, our AUM had declined to $295 million due to investment losses and redemptions experienced by our funds over that period. As of December 31, 2017, our AUM had grown to approximately $1.5 billion.

Rapid changes in our AUM impose significant demands on our legal, compliance, accounting, risk management, administrative and operational infrastructure. The complexity of these demands and the time and expense required to address them, is a function not simply of the amount by which our AUM have changed, but also of significant differences in the investing strategies employed within our funds and the time periods during which these changes occur. Furthermore, our future growth will depend on, among other things, our ability to develop and maintain highly reliable operating platforms, management systems and financial reporting and compliance infrastructures that are also sufficiently flexible to promptly and appropriately address our business needs, applicable legal and regulatory requirements and relevant market and other operating conditions, all of which can change rapidly.

There may be adverse effects on our business from a decline in the performance of the securities markets.

Our results of operations are affected by many economic factors, including the performance of the securities markets. During the 1990s, unusually favorable and sustained performance of the U.S. securities markets, and the U.S. equity market in particular, attracted substantial inflows of new investments in these markets. That contributed to significant market appreciation which, in turn, led to an increase in our AUM and revenues. More recently, the securities markets in general have experienced significant volatility, and such volatility may continue or increase in the future. At December 31, 2017, our AUM are primarily invested in equity securities. Any decline in the securities markets, in general, and the equity markets, in particular, could reduce our AUM and consequently reduce our revenues. In addition, any such decline in the equity markets, failure of these markets to sustain their prior levels of growth, or continued short-term volatility in these markets could result in investors withdrawing from the equity markets or decreasing their rate of investment, either of which would be likely to adversely affect us. Also, from time to time, a relatively high proportion of the assets we manage may be concentrated in particular economic or industry sectors. A general decline in the performance of securities in those industry sectors could have an adverse effect on our AUM and revenues.

There is a possibility of losses associated with proprietary investment activities.

Currently, we maintain large proprietary investment positions in securities. Market fluctuations and other factors may result in substantial losses in our proprietary accounts, which could have an adverse effect on our balance sheet, reduce our ability or willingness to make new investments or impair our credit ratings.

Future investment performance could reduce revenues and other income.

Success in the investment management business is dependent on investment performance as well as distribution and client servicing. Good performance generally stimulates sales of our investment products and tends to keep withdrawals and redemptions low, which generates higher management fees (which are based on the amount of AUM). Conversely, poor performance, both in absolute terms and/or relative to peers and industry benchmarks, tends to result in decreased sales, increased withdrawals and redemptions and in the loss of clients, with corresponding decreases in revenues to us. Failure of our investment products to perform well could, therefore, have a material adverse effect on us.

In addition, when our investment products experience strong results relative to the market or other asset classes, clients' investments in our products may increase beyond their target levels, and we could, therefore, suffer withdrawals as our clients rebalance their investments to fit their asset allocation preferences.

There is a possibility of losses associated with underwriting and trading activities.

We undertake limited underwriting activities through our subsidiary, G.research and also conduct proprietary trading activities. Such activities subject our capital to significant risks of loss. The risks of loss include those resulting from ownership of securities, extension of credit, leverage, liquidity, counterparty failure to meet commitments, client fraud, employee errors, misconduct and fraud (including unauthorized transactions by traders), failures in connection with the processing of securities transactions and litigation. We have procedures and internal controls to address such risks, but there can be no assurance that these procedures and controls will prevent losses from occurring.

The loss of institutional research services and underwriting revenues from GAMCO and its affiliates would have an adverse effect on our results of operations, and we can provide no assurance that these revenues will continue.

Institutional research services revenues totaled $12.2 million, $12.6 million and $9.9 million for the years ended December 31, 2017, 2016 and 2015, respectively. G.research earned $4.5 million, $5.2 million and $4.9 million, or approximately 60%, 63% and 59%, of its commission revenue from transactions executed on behalf of funds advised by Gabelli Funds, LLC, and clients advised by GAMCO Asset Management Inc. for the years ended December 31, 2017, 2016 and 2015, respectively. Additionally, pursuant to research services agreements, GAMCO Asset Management Inc. and Gabelli Funds LLC paid in aggregate $4.5 million, $3.0 million and $1.5 million to the Company for the years ended December 31, 2017, 2016 and 2015, respectively. G.research also earned $0.2 million, $1.6 million and $0.0 million in underwriting revenues for the years ended December 31, 2017, 2016 and 2015, respectively. These underwriting revenues primarily related to funds affiliated with GAMCO. We can provide no assurance that these institutional research and underwriting revenues from GAMCO and its affiliates will continue, and the loss of these revenues would have an adverse effect on our results of operations.

We may have liability as a general partner or otherwise with respect to our Alternative Investments.

We act as general partner for investment partnerships, including arbitrage, event-driven long/short, sector focused and merchant banking limited partnerships. As a general partner of these partnerships, we may be held liable for the partnerships' liabilities in excess of their ability to pay such liabilities. In addition, in certain circumstances, we may be liable as a control person for the acts of these investment partnerships. As of December 31, 2017, our AUM included approximately $452 million in these investment partnerships. A substantial adverse judgment or other liability with respect to these investment partnerships could have a material adverse effect on us.

Our organizational documents do not limit our ability to enter into new lines of businesses, and we may expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.

Our plan, to the extent that market conditions permit, is to continue to grow our investment businesses and expand into new investment strategies, geographic markets and businesses. Our organizational documents do not limit us to the investment management and financial advisory businesses. Accordingly, we may pursue growth through acquisitions of other investment management or advisory companies, acquisitions of critical business partners or other strategic initiatives. In addition, we expect opportunities will arise to acquire other alternative or traditional asset managers. To the extent we make strategic investments or acquisitions, undertake other strategic initiatives or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with (a) the required investment of capital and other resources, (b) the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, (c) the diversion of management's attention from our core businesses, (d) assumption of liabilities in any acquired business, (e) the disruption of our ongoing businesses, (f) the increasing demands on or issues related to the combining or integrating operational and management systems and controls, (g) compliance with additional regulatory requirements, and (h) the broadening of our geographic footprint, including the risks associated with conducting operations in non-U.S. jurisdictions. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. For example, our recent and planned business initiatives include offering registered investment products and the creation of investment products open to retail investors. These activities have and will continue to impose additional compliance burdens on us and could also subject us to enhanced regulatory scrutiny and expose us to greater reputation and litigation risk. See "— We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity." In addition, if a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives may include joint ventures, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to systems, controls and personnel that are not under our control.

If we are unable to consummate or successfully integrate additional development opportunities, acquisitions or joint ventures, we may not be able to implement our growth strategy successfully.

Our growth strategy is based, in part, on the selective development or acquisition of asset management businesses, or other businesses complementary to our business where we think we can add substantial value or generate substantial returns. The success of this strategy will depend on, among other things: (a) the availability of suitable opportunities, (b) the level of competition from other companies that may have greater financial resources, (c) our ability to value potential development or acquisition opportunities accurately and negotiate acceptable terms for those opportunities, (d) our ability to obtain requisite approvals and licenses from the relevant governmental authorities and to comply with applicable laws and regulations without incurring undue costs and delays and (e) our ability to identify and enter into mutually beneficial relationships with venture partners. Moreover, even if we are able to identify and successfully complete an acquisition, we may encounter unexpected difficulties or incur unexpected costs associated with integrating and overseeing the operations of the new businesses. If we are not successful in implementing our growth strategy, our business, financial results and the market price for our common units may be adversely affected.

Risk management activities may materially adversely affect the return on our and our clients' investments.

When managing our and our clients' exposure to market risks, we may from time to time use hedging strategies and various forms of derivative instruments to limit the funds' exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates, currency exchange rates and commodity prices. The success of any hedging transactions generally will depend on our ability to correctly assess the degree of correlation between price movements of the hedging instrument, the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while we may enter into a transaction in order to reduce our exposure to market risks, the transaction may result in poorer overall investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. For a variety of reasons, we may not seek or be successful in establishing a perfect correlation between the instruments used in a hedging or other derivative transaction and the position being hedged. An imperfect correlation could prevent us from achieving the intended result and could give rise to a loss. In addition, it may not be possible to fully or perfectly limit our exposure against all changes in the value of our investment because the value of investments is likely to fluctuate as a result of a number of factors, some of which will be beyond our control or ability to hedge.

If our risk management processes and systems are ineffective, we may be exposed to material unanticipated losses.

We continue to refine and implement our risk management techniques, strategies and assessment methods, such as the use of statistical and other quantitative and qualitative tools to identify, observe, measure and analyze the risks to which our funds are exposed. These methods, even if properly implemented, may not allow us to fully mitigate the risk exposure of our funds in all economic or market environments, or against all types of risk, including risks that we might fail to identify or anticipate. Some of our strategies for anticipating and managing risk in our funds are based upon our use of historical market behavior statistics, which may not be an accurate predictor of current or future market risks. We apply statistical and other tools to these observations to measure and analyze the risks to which our funds are exposed. Any failure in our risk management systems, whether in design or implementation, to accurately identify and quantify such risk exposure could limit our ability to manage risks in the funds, identify appropriate investment opportunities or realize positive, risk-adjusted returns. Because neither our quantitative nor qualitative risk management processes can anticipate for every investment the economic and financial outcome or timing and other specifics of the outcome, we will, in the course of our activities, incur losses.

Operational risks may disrupt our businesses, result in regulatory action against us or limit our growth.

We face operational risk arising from errors made in the execution, confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted for. Our business is highly dependent on our ability to process, on a daily basis, transactions across markets in an efficient and accurate manner. Consequently, we rely heavily on our financial, accounting and other data processing systems. Despite the reliability of these systems and the training and skill of our teammates and third parties we rely on, it remains likely that errors may occasionally occur due to the extremely large number of transactions we process. In addition, if systems we use are unable to accommodate an increasing volume of transactions, our ability to expand our businesses could be constrained. If any of these systems do not operate properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage.

Failure to maintain adequate infrastructure could impede our productivity and growth. Additionally, failure to maintain effective information and cyber security policies, procedures and capabilities could disrupt operations and cause financial losses that could result in a decrease in our earnings or stock price.

Our infrastructure, including information systems, hardware, software, networks and other technology, is vital to the competitiveness of our business. Our information systems and technology is currently provided by GAMCO pursuant to the Transitional Services Agreement. The failure of GAMCO to maintain an adequate infrastructure commensurate with the size and scope of our business could impede our productivity and growth, which could cause our earnings or stock price to decline.

GAMCO outsources a significant portion of our information systems operations to third parties, who are responsible for providing the management, maintenance and updating of such systems. Technology is subject to rapid change, and we cannot guarantee that our competitors may not implement more advanced technology platforms for their products than we do for ours. In addition, there can be no assurance that the cost of maintaining such outsourcing arrangements will not increase from its current level, which could have a material adverse effect on us.

In addition, any inaccuracies, delays, system failures or security breaches in these and other systems could subject us to client dissatisfaction and losses. Our technology systems may be subject to unauthorized access, computer viruses or other malicious code or other events that could have a security impact. There can be no assurance that breach of our technology systems could result in material losses (such material losses including the loss of valuable information, liability for stolen assets or information, remediation costs to repair damage caused by the breach, additional security costs to mitigate against future incidents and litigation costs resulting from the incident) relating to such security breach of our technology systems.

If a successful cyber-attack or other security breach were to occur, our confidential or proprietary information, or the confidential or proprietary information of our clients or their counterparties, that is stored in, or transmitted through, such technology systems could be compromised or misappropriated. Moreover, loss of confidential customer identification information could harm our reputation and subject us to liability under laws that protect confidential personal data, resulting in increased costs or loss of revenues. Further, although we take precautions to password protect and encrypt our laptops and other mobile electronic hardware; there can be no assurance that these measures will always provide sufficient protection. If such hardware is stolen, misplaced or left unattended, it may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly actions by us.

The failure of one of our vendors to fulfill its obligations to us could have a material adverse effect on us and our clients.

We and GAMCO depend on a number of key vendors for various fund administration, accounting, custody and transfer agent roles and other operational needs. Our or GAMCO's failure or inability to diversify sources for key services or the failure of any key vendors to fulfill their obligations could lead to operational issues for us and, with respect to certain products, could result in financial losses for us and our clients.

We face exposure to legal actions, including litigation and arbitration claims and regulatory and governmental examinations and/or investigations. Insurance coverage for these matters may be inadequate.

The volume of litigation and arbitration claims against financial services firms and the amount of damages claimed has increased over the past several years. The types of claims that we may face are varied. For example, we may face claims against us for purchasing securities that are inconsistent with a client's investment objectives or guidelines or arising from an employment dispute. The risk of litigation is difficult to predict, assess or quantify, and may occur years after the activities or events at issue. In addition, from time to time we may become the subject of governmental or regulatory investigations and/or examinations. Even if we prevail in a legal or regulatory action, the costs alone of defending against the action or the harm to our reputation could have a material adverse effect on us. The insurance coverage that we maintain with respect to legal and regulatory actions may be inadequate or may not cover certain proceedings.

Compliance failures could adversely affect us.

Our investment management activities are subject to regulatory rules and negotiated client guidelines. A failure to comply with these rules and guidelines could result in damage to our reputation, regulatory fines or in our clients seeking to recover losses, withdrawing their investments or terminating their contracts, any of which could cause our revenues and earnings to decline. There can be no assurance that the precautions and procedures that we have instituted and installed or the insurance we maintain to protect ourselves in case of client losses will protect us from potential liabilities.

Our reputation is critical to our success.

Our reputation is critical to acquiring, maintaining and developing relationships with our clients and third-party intermediaries. In recent years, there have been a number of well-publicized cases involving fraud, conflicts of interest or other misconduct by individuals in the financial services industry. Misconduct by our staff, or even unsubstantiated allegations, could result not only in direct financial harm but also in harm to our reputation, causing injury to the value of our brands and our ability to retain or attract AUM. In addition, in certain circumstances, misconduct on the part of our clients or other parties could damage our reputation. Moreover, reputational harm may cause us to lose current employees and we may be unable to attract new employees with similar qualification or skills. Damage to our reputation could substantially reduce our AUM and impair our ability to maintain or grow our business, which could have a material adverse effect on us.

We face strong competition from numerous and sometimes larger companies.

We compete with numerous investment management companies, stock brokerage and investment banking firms, insurance companies, banks, savings and loan associations and other financial institutions. The periodic establishment of new investment management companies and other competitors increases the competition that we face. At the same time, consolidation in the financial services industry has created stronger competitors with greater financial resources and broader distribution channels than our own. Competition is based on various factors, including, among others business reputation, investment performance, product mix and offerings, service quality and innovation, distribution relationships and fees charged. Our competitive success in all of these areas cannot be assured. Additionally, competing securities dealers whom we rely upon to distribute our products also sell their own proprietary investment products, which could limit the distribution of our investment products. To the extent that existing or potential customers, including securities dealers, decide to invest in or distribute the products of our competitors, the sales of our products as well as our market share, revenues and net income could decline. Both

GAMCO and Associated Capital have asset management as their principal business and derive most of their revenues through that business and, as such, may compete with each other.

If third-party investors in our funds exercise their right to remove us as investment manager or general partner of our products, we would lose the AUM in such funds, which would eliminate our management fees and incentive allocation income derived from such products.

The governing agreements of most of our Investment Partnerships provide that, subject to certain conditions, third-party investors in those Investment Partnerships have the right, without cause, to vote to remove us as investment manager or general partner of the Investment Partnerships by a simple majority vote, resulting in the elimination of the AUM by those products and the management fees and incentive allocation income derived from those products. In addition to having a significant negative impact on our revenues, results of operations and cash flows, the occurrence of such an event would likely result in significant reputational damage to us.

If we were deemed to be an investment company under the Investment Company Act of 1940 (the "Investment Company Act"), as amended, and were required to register, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

Given the nature of its assets, the Company may be deemed to be an "inadvertent" investment company as defined in Section 3(a)(1)(C) of the Investment Company Act and, if so, it may be required to be registered with the Commission as an investment company. While we believe that the Company's assets and operations are structured so that it is not an investment company, there can be no assurance that the Commission would agree with the Company's assessment. In addition, if the composition of the Company's assets and/or operations were to change, the Company may be required to register as an investment company. In such case, the Company would be subject to significant restrictions imposed on its operations by the Investment Company Act, including limitations on capital structure and the ability to transact business with affiliates. These limitations could make it impractical for the Company to continue its business as contemplated and would have a material adverse effect on its business.

Risks Related to the Associated Capital Common Stock

The disparity in the voting rights among the classes of shares may have a potential adverse effect on the price of the Associated Capital Class A Stock.

The holders of Associated Capital Class A Stock and Associated Capital Class B Stock have identical rights except that holders of Associated Capital Class A Stock are entitled to one vote per share, while holders of Associated Capital Class B Stock are entitled to ten votes per share on all matters to be voted on by stockholders in general, and holders of shares of one class are not eligible to vote on matters relating exclusively to the other class. Mario J. Gabelli, through his control and majority ownership of GGCP and his individual ownership of Associated Capital common stock, beneficially owns a majority of the outstanding Associated Capital Class B Stock, representing approximately 96.4% voting control. As long as Mario J. Gabelli indirectly beneficially owns a majority of the combined voting power of the Associated Capital common stock, he will have the ability to elect all of the members of our Board and thereby control our management and affairs, including, among other things, any determinations with respect to acquisitions, dispositions, borrowings, issuances of common stock or other securities, and the declaration and payment of dividends on the Associated Capital common stock. The differential in voting rights and the ability of Associated Capital to issue additional Associated Capital Class B Stock could adversely affect the value of the Associated Capital Class A Stock to the extent the investors, or any potential future purchaser of Associated Capital, view the superior voting rights of the Associated Capital Class B Stock to have value. While there is no current intention to issue additional Associated Capital Class B Stock, there is no prohibition on Associated Capital issuing additional shares of Associated Capital Class B Stock in the future.

An active public trading market for the Associated Capital Class A Stock is not assured.

A liquid public market for the Associated Capital Class A Stock is not assured, especially because a large percentage of the Associated Capital common stock is held by a limited number of stockholders. If an active trading market for the Associated Capital Class A Stock does not exist, the market price and liquidity of the Associated Capital Class A Stock may be materially and adversely affected.

We cannot predict the prices at which the Associated Capital Class A Stock may trade.

The market price of the Associated Capital Class A Stock may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- our quarterly or annual earnings, or those of other companies in our industry;
- actual or anticipated reductions in our revenue, net earnings and cash flow resulting from actual or anticipated decline in AUM;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the failure of securities analysts to cover Associated Capital or changes in financial estimates by analysts;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- overall market fluctuations; and
- general economic conditions.

In particular, the realization of any of the risks described in these "Risk Factors" could have a significant and adverse impact on the market price of the Associated Capital Class A Stock. In addition, the stock market in general has experienced extreme price and volume volatility that has often been unrelated to the operating performance of particular companies. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The price of the Associated Capital Class A Stock could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our stock price.

We cannot predict how the investment community will value the GAMCO Note ($50 million outstanding as of December 31, 2017) given the GAAP accounting treatment as a reduction to book value.

For GAAP purposes, the amount of the GAMCO Note, which was issued by GAMCO to Associated Capital as part of the spin-off transaction, will be treated as a reduction in equity, rather than as an asset, during the period all or any portion of the GAMCO Note is outstanding. Management utilizes adjusted economic book value ("AEBV"), a non-GAAP measure, in its analysis of our financial condition. AEBV includes the outstanding value of the GAMCO Note as an asset. Management believes AEBV is useful in analyzing our financial condition during the period in which we build our core operating business. Upon issuance, the GAMCO Note was required to be paid down ratably over five years subject to prepayment at GAMCO's option. As GAMCO pays down the note, Associated Capital's GAAP book value will increase, and once the GAMCO Note is fully paid off, Associated Capital's GAAP book value and AEBV will be the same. It is possible that the investment community will rely on the GAAP treatment of the GAMCO Note rather than on the non-GAAP AEBV, which may have an adverse effect on the value of our stock.

Future sales of Associated Capital Class A Stock in the public market or sales or distributions of Associated Capital Class B Stock could lower our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute our stockholders' ownership in us.

We may sell additional shares of Associated Capital Class A Stock in public or private offerings. We also may issue additional shares of Associated Capital Class A Stock or convertible debt securities. In addition, sales by our current stockholders could be perceived negatively. No prediction can be made as to the effect, if any, that future sales or distributions of Associated Capital Class B Stock owned by GGCP will have on the market price of the Associated Capital Class A Stock from time to time. Sales or distributions of substantial amounts of Associated Capital Class A Stock or Associated Capital Class B Stock, or the perception that such sales or distributions are likely to occur, could adversely affect the prevailing market price for the Associated Capital Class A Stock.

The reduced disclosure requirements applicable to us as an "emerging growth company" may make Associated Capital common stock less attractive to investors.

We are an "emerging growth company" as defined in the JOBS Act, and we may avail ourselves of certain exemptions from various reporting requirements of public companies that are not "emerging growth companies," including, but not limited to, an exemption from complying with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act") and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirement of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We may remain an emerging growth company for up to five full fiscal years following the spin-off. We would cease to be an emerging growth company, and, therefore, become ineligible to rely on the above exemptions, if we (a) have more than $1 billion in annual revenue in a fiscal year, (b) issue more than $1 billion of non-convertible debt over a three-year period or (c) become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur after: (i) we have filed at least one annual report; (ii) we have been an SEC-reporting company for at least 12 months; and (iii) the market value of Associated Capital Class A Stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter. We cannot predict if investors will find Associated Capital common stock less attractive because we may rely on these exemptions.

If some investors find Associated Capital Class A Stock less attractive as a result of the exemptions available to us as an emerging growth company, there may be a less active trading market for Associated Capital Class A Stock and our value may be more volatile than that of an otherwise comparable company that does not avail itself of the same or similar exemptions.

We are a "controlled company" within the meaning of NYSE rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

Mario J. Gabelli and his affiliates control a majority of the voting power of the Associated Capital common stock. As a result, we are a "controlled company" within the meaning of the corporate governance standards of the NYSE. Under these rules, a company of which more than 50% of the voting power in the election of directors is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including the requirements that, within one year of the date of the listing of the Associated Capital Class A Stock:

- we have a board that is composed of a majority of "independent directors," as defined under the rules of the NYSE;
- we have a compensation committee that is composed entirely of independent directors; and
- we have a nominating/corporate governance committee that is composed entirely of independent directors.

While a majority of our directors are currently independent, we intend to utilize certain of these exemptions. For example, our Nominating Committee is not comprised of independent directors. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE.

Our certificate of incorporation provides that certain lawsuits must be litigated in Delaware, which may limit your ability to obtain a favorable judicial forum for disputes with us.

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of Associated Capital to Associated Capital or its stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or our bylaws or (iv) any action asserting a claim governed by the internal affairs doctrine shall be the Court of Chancery in the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware). Accordingly, it may not be possible for stockholders to litigate any action relating to the foregoing matters outside of the State of Delaware, even though stockholders may view other forums to be more favorable.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

AC owns no properties. AC currently pays GAMCO an occupancy charge based on percentage of square footage occupied by its employees (including pro rata allocation of common space) with respect to the office space it uses at GAMCO's offices at 401 Theodore Fremd Avenue in Rye, NY. AC's usage of such property is covered under a sublease agreement executed with GAMCO.

ITEM 3: LEGAL PROCEEDINGS

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

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market for our Stock, Dividends and Stock Repurchase Program

Our shares of Class A Stock are traded on the NYSE under the symbol AC.

As of February 1, 2018, there were 132 holders of record and 23 holders of record of the Company's Class A and Class B common stock, respectively. These figures do not include approximately 3,500 holders with Class A shares held under beneficial ownership in nominee name.

The following table sets forth the high and low prices of our Class A common stock since our spin-off from GAMCO and historical dividends declared per share to both Class A common stock and Class B common stock as reported by the NYSE.

	2016				2017			
			Dividend Declared				Dividend Declared	
	High	Low	Regular	Special	High	Low	Regular	Special
First Quarter	$ 30.40	$ 24.67	$ 0.10	$ -	$ 39.35	$ 32.20	$ -	$ -
Second Quarter	30.89	27.58	-	-	36.30	32.60	0.10	-
Third Quarter	35.51	28.51	-	-	37.45	32.20	-	-
Fourth Quarter	35.96	32.25	0.10	-	38.82	33.10	0.10	-

In December 2015, the Board of Directors established a stock repurchase program authorizing the Company to re-purchase up to 500,000 shares. Our stock repurchase program is not subject to an expiration date. The following table provides information with respect to the shares of our Class A Stock we repurchased during the quarter ended December 31, 2017:

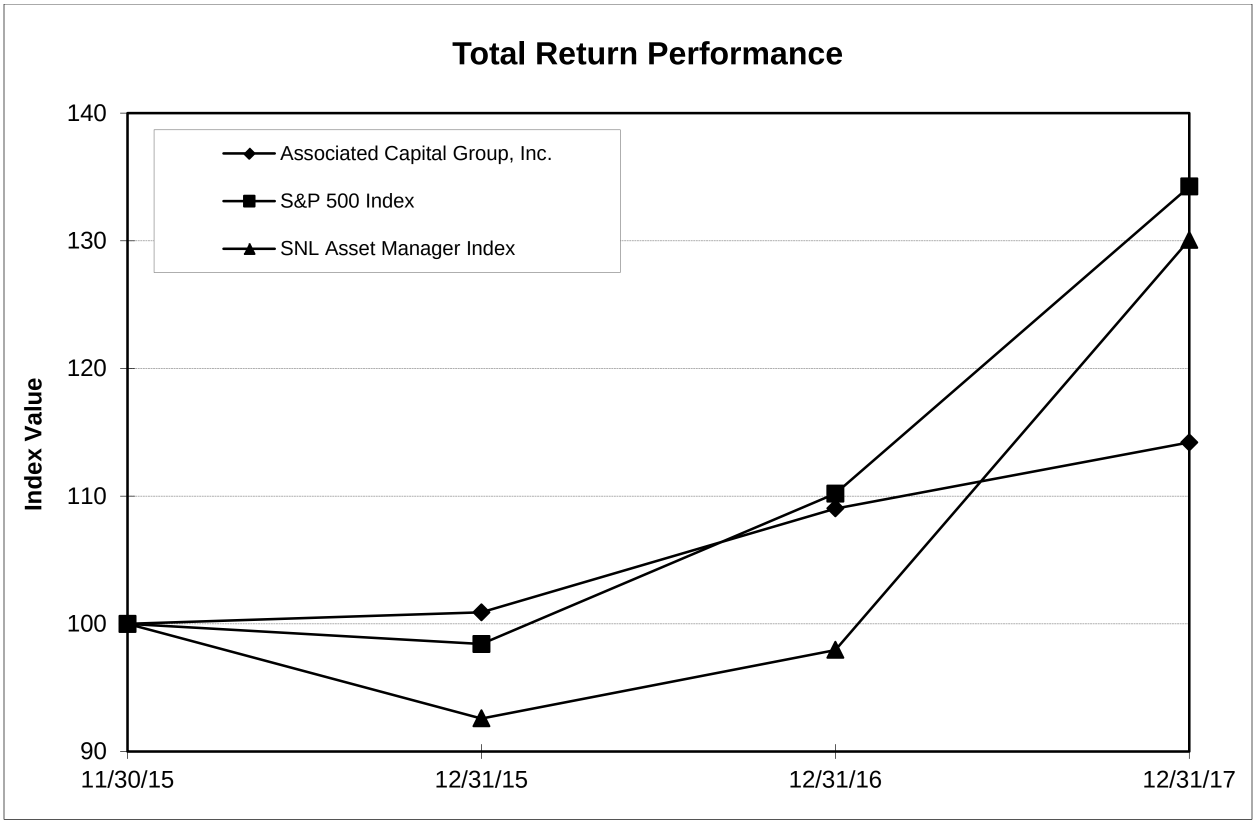
Period	Total Number of Shares Repurchased	Average Price Paid Per Share, net of Commissions	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
10/01/17 - 10/31/17	84,612	$ 37.53	84,612	953,137
11/01/17 - 11/30/17	33,067	35.42	33,067	920,070
12/01/17 - 12/31/17	29,284	33.96	29,284	890,786
Totals	146,963	$ 36.34	146,963	

In addition to our on-going stock repurchase program, on December 30, 2016, with the approval of the Board of Directors, the Company entered into an agreement to purchase a block of 926,345 shares of Class A common stock from an unaffiliated third party for $31.05 per share, for total consideration of $28,763,012.

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, the Board of Directors authorized the repurchase of an additional 1 million shares.

During the period from January 1, 2018 to March 8, 2018, we repurchased 3,971 shares at an average price per share of $33.99.

We are required to provide a comparison of the cumulative total return on our Class A common stock as of December 31, 2017 with that of a broad equity market index and either a published industry index or a peer group index selected by us. The following chart compares the return on the Class A common stock with the return on the S&P 500 Index and the SNL Asset Manager Index, an index comprised of 41 primarily U.S. publicly traded asset managers. The comparison assumes that $100 was invested in the Class A common stock and in each of the named indices on November 30, 2015 and includes the reinvestment of dividends. This chart is not intended to forecast future performance of our Class A common stock.



	Nov. 30, 2015	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017
Associated Capital Group, Inc.	100.00	100.89	109.04	114.21
S&P 500 Index	100.00	98.42	110.19	134.25
SNL Asset Manager Index	100.00	92.59	97.95	130.07

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

No awarded but unvested shares are outstanding under the Equity Compensation Plan as of December 31, 2017. The number of securities remaining available for future issuance under equity compensation plans is 1,459,400. The Company withdrew the registration statement covering the issuance of those securities as of December 29, 2017.

ITEM 6: SELECTED FINANCIAL DATA

General

The selected historical financial data presented below has been derived in part from, and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 and "Financial Statements and Supplementary Data" included in Item 8 of this report. Amounts included in the tables related to income statement data and balance sheet data are derived from audited financial statements.

Income Statement Data (in thousands)	Year Ended December 31, 2017	2016	2015
Revenues			
Investment advisory and incentive fees	$ 14,551	$ 18,320	$ 12,635
Institutional research services	12,199	12,634	9,927
Other revenues	165	273	280
Total revenues	26,915	31,227	22,842
Expenses			
Compensation	30,644	30,968	26,343
Stock-based compensation	5,879	2,464	4,931
Management fee	713	1,593	(309)
Other operating expenses	10,065	8,434	6,189
Total expenses	47,301	43,459	37,154
Operating loss	(20,386)	(12,232)	(14,312)
Other income (expense)			
Net gain from investments	20,598	19,909	8,276
Interest and dividend income	10,501	12,669	4,720
Interest expense	(227)	(590)	(1,260)
Shareholder-designated contribution	(4,222)	(5,411)	-
Total other income, net	26,650	26,577	11,736
Income (loss) before income taxes	6,264	14,345	(2,576)
Income tax provision (benefit)	(2,420)	3,876	(1,685)
Net income (loss)	8,684	10,469	(891)
Net income (loss) attributable to noncontrolling interests	(153)	251	(780)
Net income (loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 8,837	$ 10,218	$ (111)
Net income (loss) per share attributable to Associated Capital Group, Inc.'s shareholders:			
Basic	$ 0.37	$ 0.41	$ -
Diluted	$ 0.37	$ 0.41	$ -
Weighted average shares outstanding:			
Basic	23,792	24,870	24,887
Diluted	23,925	25,175	25,170
Actual shares outstanding at December 31st (a)	23,639	24,255	25,440
Dividends declared per share:	$ 0.20	$ 0.20	$ -

See accompanying notes.

(a) Includes unvested RSAs of 0, 424,340 and 553,100 at December 31, 2017, 2016 and 2015, respectively.

Balance Sheet Data (in thousands)	December 31, 2017	2016	2015
Total assets	$ 1,006,915	$ 952,603	$ 836,748
Long-term obligations	-	-	-
Other liabilities and noncontrolling interest	88,768	78,581	85,199
Total liabilities and noncontrolling interest	88,768	78,581	85,199
Total equity	$ 918,147	$ 874,022	$ 751,549

Assets Under Management (in millions)	Year Ended December 31, 2017	2016	2015
Event Merger Arb	$ 1,384	$ 1,076	$ 869
Event-Driven Value	91	133	145
Other	66	63	66
Total AUM	$ 1,541	$ 1,272	$ 1,080

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

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

The Spin-off

On November 30, 2015, GAMCO distributed all the outstanding shares of each class of common stock of AC Group on a pro rata one-for-one basis to the holders of each class of GAMCO's common stock. Prior to the distribution, GAMCO contributed the 93.9% interest it held in Gabelli & Company Investment Advisers, Inc. ("GCIA" f/k/a Gabelli Securities, Inc.) and certain cash and other assets to AC Group. During the twelve months ended December 31, 2016, AC purchased the 6.1% of GCIA shares owned by third parties and certain employees in exchange for 163,428 shares of the Company. GCIA is now a wholly owned subsidiary of AC.

In connection with the spin-off, GAMCO issued a promissory note (the "GAMCO Note") to AC Group in the original principal amount of $250 million used to partially capitalize the Company. The GAMCO Note bears interest at 4% per annum and has a maturity date of November 30, 2020 with respect to its original principal amount. Interest on the GAMCO Note will accrue from the most recent date for which interest has been paid. Prior to November 30, 2019, at the election of GAMCO, payment of interest on the GAMCO Note may, in lieu of being paid in cash, be paid, in whole or in part, in kind (a "PIK Amount"). GAMCO will repay all PIK Amounts added to the outstanding principal amount of the GAMCO Note, in cash, on the fifth anniversary of the date on which each such PIK Amount was added to the outstanding principal amount of the GAMCO Note. GAMCO may prepay the GAMCO Note prior to maturity without penalty.

During the year ended December 31, 2017, AC received principal repayments totaling $50 million on the GAMCO Note. Following these prepayments, the $50 million principal amount outstanding as of December 31, 2017 is due on November 30, 2020.

On November 27, 2015 GCIA purchased from GAMCO 4,393,055 shares of GAMCO class A common stock at a price of $34.1448 per share, based on the average of the volume weighted average price for GAMCO class A stock on an "ex-Distribution" basis from November 9, 2015 through and including November 27, 2015.

Factors Affecting Financial Condition and Results of Operations

Except for the one month period subsequent to the spin-off, the Company's combined statements of income for the three months ended December 31, 2015 and the Company's combined consolidated statements of income for the twelve months ended December 31, 2015 were prepared on a standalone basis derived from the combined financial statements and accounting records of GAMCO as the Company was not a standalone public company prior to the spin-off.

The combined consolidated statement of income for the period ended December 31, 2015 includes allocations for certain support functions that were provided on a centralized basis by GAMCO and not historically recorded at the business unit level. These expenses were allocated on the basis of direct usage when identifiable, with the remainder allocated on a pro-rata basis of headcount or other measures. Management believes the assumptions underlying the combined consolidated financial statements, including the assumptions regarding allocating general corporate expenses, are reasonable. Nevertheless, the combined consolidated financial statement may not include all of the actual expenses that would have been incurred by the Company and may not reflect its combined results of operations, financial position and cash flows had it been a separate, standalone company during the periods presented. Actual costs that would have been incurred if the Company had been a separate, standalone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure. References within these Notes to the consolidated financial statements for the years ended December 31, 2017 and 2016 and the combined consolidated statements of income, comprehensive income, equity, and cash flows for the year ended December 31, 2015 shall hereinafter be referred to as the consolidated statements of income, comprehensive income, equity, and cash flows or consolidated financial statements.

The Company, through its subsidiaries, provides alternative investment management services and institutional research services, as well as management of the Company's proprietary investment portfolio. In all these endeavors, the Company seeks investments trading at prices that differ from those determined using our proprietary "Private Market Value (PMV) with a Catalyst™" methodology where we have identified a near-term catalyst to narrow the market difference to PMV. Catalysts can include a spin-off, stock buyback, asset sale, management change, regulatory change or accounting change.

In its alternative asset management operations, subsidiaries of the Company serve as general partner or investment manager to investment funds including limited partnerships, offshore companies and separate accounts. The Company primarily manages assets in equity event-driven value strategies, across a range of risk and event arbitrage portfolios, earning management and incentive fees from its assets under management (AUM). The institutional research business offers domain knowledge-driven research and a sales and trading platform for institutional investors, earning fees from its institutional clients via trading commissions or direct payment. The Company manages its proprietary portfolio to maximize shareholder value and to support its other operating businesses.

Interim Chief Financial Officer

Francis J. Conroy, CPA joined the Company as Interim Chief Financial Officer effective November 7, 2017. Mr. Conroy succeeded Patrick Dennis who originally joined AC in November 2015 prior to the Company's spin-off from GAMCO.

Reclassification

The Company has reclassified certain prior-period amounts to conform to the current-period presentation. For presentation of 2017 results, the Company reported revenue from its research services agreement with affiliates in "Institutional Research Services Revenue" instead of "Other Revenue". The reclassification did not impact total revenues, operating expenses, operating income/(loss), net income, or equity.

Overview

Consolidated Statements of Income

Investment advisory and incentive fees, which are based on the amount and composition of AUM in our funds and accounts, represent our largest source of revenues. Growth in revenues depends on good investment performance, which influences the value of existing AUM as well as contributes to higher investment and lower redemption rates and facilitates the ability to attract additional investors while maintaining current fee levels. Growth in AUM is also dependent on being able to access various distribution channels, which is usually based on several factors, including performance and service.

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

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

Compensation costs include variable and fixed compensation and related expenses paid to officers, portfolio managers, sales, trading, research and all other professional staff. Variable compensation paid to sales personnel and portfolio management generally represents 40% of revenues and is the largest component of total compensation costs.

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

Other operating expenses include general and administrative operating costs and clearing charges and fees incurred by the brokerage business.

Other income and expenses include net gains and losses from investments (which include both realized and unrealized gains and losses from trading 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.

Net income/(loss) attributable to noncontrolling interests represents the share of net income attributable to the minority stockholders, as reported on a separate company basis, of our consolidated majority-owned subsidiaries and 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 2017 year with approximately $932 million in cash and investments, net of securities sold, not yet purchased of $6 million. This includes $347 million of cash and short term US treasuries; $293 million of securities, net, including 4.4 million shares of GAMCO valued at $130 million; and $292 million invested in affiliated and third party funds and partnerships. Our financial resources underpin our 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 repurchase and dividends.

Total shareholders' equity was $918 million or $38.84 per share on December 31, 2017, compared to $874 million or $36.04 per share on December 31, 2016. Note that these shareholders' equity per share calculations are a non-GAAP measurement calculated by dividing the total equity by the number of common shares outstanding. The increase in equity from the end of 2016 was largely attributable to prepayments of the GAMCO Note totaling $50 million.

The Company also reviews an analysis of adjusted economic book value ("AEBV"), and AEBV per share, a non-GAAP financial measure that management believes is useful for analyzing AC's financial condition because it reflects the impact on book value if and when the GAMCO Note is paid down. The GAMCO Note that was issued as part of the spin-off transaction is not treated as an asset for GAAP purposes, but as a reduction in equity, and will continue to be reflected as a reduction in equity in future periods in the amount of the principal then outstanding. As the GAMCO Note pays down, the Company's total equity will increase, and once the GAMCO Note is fully repaid, the Company's total equity and AEBV will be the same. At December 31, 2017, AEBV for the Company was $968 million and the AEBV per share was $40.96 per share. The reconciliation of GAAP book value and GAAP book value per share to AEBV and AEBV per share at December 31, 2017 is shown below (in thousands, except for per share data):

Reconciliation of Total Equity to Adjusted Economic Book Value

	Total	Per Share
Total equity as reported	$ 918,147	$ 38.84
Add: GAMCO Note	50,000	2.12
Adjusted Economic book value	$ 968,147	$ 40.96

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

Assets Under Management Highlights

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

	Year Ended December 31,					CAGR (a)
	2017	2016	2015	2014	2013	2017/2013
Event Merger Arb	$ 1,384	$ 1,076	$ 869	$ 796	$ 691	19.0%
Event-Driven Value	91	133	145	167	140	(10.2)
Other	66	63	66	77	76	(3.5)
Total AUM	$ 1,541 (b)	$ 1,272	$ 1,080	$ 1,040	$ 907	14.2%

(a) Compound annual growth rate.
(b) Includes $235 million of proprietary capital.

Our gross cash inflows by product line were as follows (dollars in millions):

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Event Merger Arb	$ 559	$ 297	$ 166	$ 162	$ 79
Event-Driven Value	13	1	39	45	38
Other	-	1	2	5	6
Total Cash Inflows	$ 572	$ 299	$ 207	$ 212	$ 123

Our gross cash outflows by product line were as follows (dollars in millions):

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Event Merger Arb	$ (313)	$ (148)	$ (119)	$ (68)	$ (137)
Event-Driven Value	(65)	(18)	(54)	(21)	(36)
Other	(2)	(9)	(12)	(5)	(13)
Total Cash Outflows	$ (380)	$ (175)	$ (185)	$ (94)	$ (186)

Our net investment returns by product line were as follows (dollars in millions):

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Event Merger Arb	$ 62	$ 58	$ 26	$ 11	$ 28
Event-Driven Value	10	5	(7)	3	14
Other	5	5	(1)	1	8
Total Net Appreciation/(Depreciation)	$ 77	$ 68	$ 18	$ 15	$ 50

The majority of these assets have calendar year-end measurement periods; therefore, our incentive fees are primarily recognized in the fourth quarter.

Operating Results for the Year Ended December 31, 2017 as Compared to the Year Ended December 31, 2016

Revenues

Total revenues were $26.9 million for the year ended December 31, 2017, $4.3 million lower than total revenues of $31.2 million for the year ended December 31, 2016. Total revenues by type were as follows (dollars in thousands):

	Year Ended December 31,		Decrease	
	2017	2016	$	%
Investment advisory and incentive fees	$ 14,551	$ 18,320	$ (3,769)	-20.6%
Institutional research services	12,199	12,634	(435)	(3.4)
Other revenues	165	273	(108)	(39.6)
Total revenues	$ 26,915	$ 31,227	$ (4,312)	-13.8%

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

Advisory fees were $9.9 million for 2017 compared to $8.9 million for 2016, an increase of $1.0 million. This increase is a result of the increase in average AUM over the period.

Incentive fees are directly related to the gains generated for our clients. We earn a percentage, usually 20%, of the economic gains of our clients' AUM. Incentive fees were $4.7 million in 2017, down $4.7 million from $9.4 million in 2016 due to lower investment performance.

Institutional research services: Institutional research services revenues in 2017 were $12.2 million, a $0.4 million decline from $12.6 million in 2016 resulting from lower brokerage commissions derived from securities transactions executed on an agency basis and sales manager fees earned from at-the market offerings of certain GAMCO closed-end funds partially offset by increased revenue from research services agreements with affiliates.

Other revenues: Other revenues were $0.2 million for 2017 compared to $0.3 million for 2016, a decrease of $0.1 million.

Expenses

Compensation: Compensation costs, which include variable compensation, salaries, bonuses and benefits, were $30.6 million for the year ended December 31, 2017, a decrease from $31.0 million for the year ended December 31, 2016. Fixed compensation costs, which include salaries, bonuses and benefits, increased to $19.8 million in 2017 from $19.3 million in 2016. The remainder of compensation expense represents variable compensation that fluctuates with management fee and incentive fee revenues. For 2017, variable payouts on revenues were $10.8 million, down $0.9 million from $11.7 million in 2016. Variable payouts are impacted by the mix of products upon which performance fees are earned and the extent to which they may exceed their allocated costs.

Stock-based compensation: Stock-based compensation was $5.9 million in 2017, an increase of $3.4 million, as compared to $2.5 million in 2016. The increase was primarily due to the accelerated vesting of AC and GBL restricted stock that occurred in June and August of 2017, respectively.

Management fees: Management fee expense is incentive-based and entirely variable compensation equal to 10% of the aggregate pre-tax profits, which is paid to Mario J. Gabelli or his designees pursuant to his employment agreement with AC. In 2017 and 2016, AC recorded management fee expense of $0.7 million and $1.6 million, respectively, as presented in the consolidated statements of income.

Other operating expenses: Our other operating expenses were $10.1 million in 2017 compared to $8.4 million in 2016, an increase of $1.7 million due primarily to initial offering costs of a consolidated fund that launched in July 2017.

Investment and other non-operating income, net

Net gain from investments: Net gain from investments is directly related to the performance of our proprietary capital accounts. For the year ended December 31, 2017, net gains from investments were $20.6 million compared to $19.9 million in the prior year primarily due to mark-to-market gains in the value of our investments. The net gain was also impacted by two items attributable to available for sale ("AFS") securities: a $19.1 million other than temporary impairment on our investment in GBL and a gain of $11.8 million associated with AFS securities contributed to G.research, our broker-dealer, where they are held as trading securities.

Interest and dividend income: Interest and dividend income declined $2.2 million to $10.5 million in 2017 from $12.7 million in 2016 primarily due to the reduction in the balance of the GAMCO Note.

Interest expense: Interest expense decreased to $0.2 million in 2017 from $0.6 million in 2016.

Income Taxes

In 2017, we recorded an income tax benefit of $2.4 million resulting in a negative effective tax rate ("ETR") of -38.6% (i.e., a tax benefit on positive income). In 2016, we recorded an income tax expense of $3.9 million resulting in an ETR of 27.0%. The 2017 negative ETR is below the standard corporate tax rate of 34% primarily due to tax benefits from the dividends received deduction and the charitable contribution of appreciated securities and the revaluation of deferred tax items as a result of the reduction in the federal corporate income tax rate to 21% under the recently-enacted Tax Cut and Jobs Act. The revaluation of deferred tax items was based on reasonable estimates but may require future adjustment for a variety of reasons including the receipt of additional information from investment funds, changes in the Company's assumptions and the availability of further guidance and interpretations.

We expect that the Company's ETR in future years will be slightly less than the 21% statutory rate as a result of the continued availability of the dividend received deduction. This expectation does not, however, include the effect of significant discretionary tax-advantaged actions (e.g., a charitable contribution of appreciated securities).

Noncontrolling Interests

Net income/(loss) attributable to noncontrolling interests was a loss of $0.2 million in 2017 compared to income of $0.3 million in 2016.

Net Income

Net income for the year ended December 31, 2017 was $8.8 million compared to net income of $10.2 million for the prior year substantially the result of decreased incentive fee revenues and increased stock-based compensation due to the accelerated vesting of AC and GBL restricted stock offset by an income tax benefit driven by the revaluation of deferred tax items.

Operating Results for the Year Ended December 31, 2016 as Compared to the Year Ended December 31, 2015

Revenues

Total revenues were $31.2 million for the year ended December 31, 2016, $8.4 million higher than total revenues of $22.8 million for the year ended December 31, 2015. Total revenues by revenue component were as follows (dollars in thousands):

	Year Ended December 31,		Increase/(decrease)	
	2016	2015	$	%
Investment advisory and incentive fees	$ 18,320	$ 12,635	$ 5,685	45.0%
Institutional research services	12,634	9,927	2,707	27.3
Other revenues	273	281	(8)	(2.8)
Total revenues	$ 31,227	$ 22,843	$ 8,384	36.7%

Investment advisory and incentive fees: Investment advisory income is directly influenced by the level and mix of average AUM. We earn advisory fees based on the level of average AUM in our products.

Advisory fees were $8.9 million for 2016 compared to $8.4 million for 2015, an increase of $0.5 million. This increase is a result of the increase in average AUM to $1.19 billion in 2016 from $1.07 billion in 2015, an increase of $12 million.

Incentive fees are directly related to the gains generated for our clients. We earn a percentage, usually 20%, of the economic gains of our clients' AUM. Incentive fees were $9.4 million in 2016, up $5.1 million from $4.3 million in 2015 as market appreciation in our clients' accounts were higher in 2016 as compared to 2015.

Institutional research services: Institutional research services revenues in 2016 were $12.6 million, a $2.7 million, or 27%, increase from $9.9 million in 2015 resulting from higher brokerage commissions derived from securities transactions executed on an agency basis, sales manager fees earned from at-the market offerings of certain GAMCO closed-end funds and an increase of $1.5 million due to a renegotiation of the research services fee agreements with affiliates.

Other revenues: Other revenues were $0.3 million for 2016 and 2015.

Expenses

Compensation: Compensation costs, which include variable compensation, salaries, bonuses and benefits, were $31.0 million for the year ended December 31, 2016, a 17% increase from $26.4 million for the year ended December 31, 2015. Fixed compensation costs, which include salaries, bonuses and benefits, increased 12% to $19.3 million in 2016 from $17.3 million in 2015 due primarily to an increase in research analyst headcount and additional administrative personnel necessary to support our reporting as a stand-alone public company. The remainder of the compensation expenses represents variable compensation that fluctuates with management fee and incentive fee revenues. For 2016, variable payouts on revenues were $11.7 million, up $2.7 million from the $9.0 million in 2015. Variable payouts are impacted by the mix of products upon which performance fees are earned and the extent to which they may exceed their allocated costs.

Stock-based compensation: Stock-based compensation was $2.5 million in 2016, a decrease of $2.4 million, as compared to $4.9 million in 2015. The decrease was primarily due to the accelerated vesting of restricted stock that occurred in October of 2015.

Management fees: Management fee expense is incentive-based and entirely variable compensation in the amount of 10% of the aggregate pre-tax profits which is paid to Mario J. Gabelli or his designees pursuant to his employment agreements with AC and GAMCO. In 2016 and 2015, AC recorded a management fee expense of $1.6 million and contra-expense of $0.3 million, respectively, as presented in the consolidated statements of income. Note that the management fee expense for the first eleven months of 2015 was determined on a carve-out basis pursuant to Mr.

Gabelli's employment agreement with GAMCO and the management fee expense for the month of December 2015 and full year 2016, post spin-off, was determined based on Mr. Gabelli's employment agreement with AC. The management fee expense for the month of December 2015 was $0.2 million. Subsequent to the spin-off, management fee expense is determined based on Mr. Gabelli's employment agreement with AC.

Other operating expenses: Our other operating expenses were $8.4 million in 2016 compared to $6.2 million in 2015, an increase of $2.2 million due primarily to our transformation to a stand-alone public company.

Investment and other non-operating income, net

Net gain from investments: Net gain from investments is directly related to the performance of our proprietary capital accounts. For the year ended December 31, 2016, net gains from investments were $19.9 million versus $8.3 million in the prior year primarily due to gains on marking the portfolio to market.

Interest and dividend income: Interest and dividend income increased $8.0 million to $12.7 million in 2016 from $4.7 million in 2015 due to an increase in interest income of $6.9 million from the GAMCO Note and higher dividend income.

Interest expense: Interest expense decreased to $0.6 million in 2016 from $1.3 million in 2015.

Income Taxes

In 2016, we recorded an income tax expense of $3.9 million with the ETR of 27.0%. The ETR is below the standard corporate tax rate of 34% primarily due to the benefits of donated appreciated securities and the dividends received deduction. In 2015, we recorded an income tax benefit of $1.7 million with the ETR of 65.4%. The ETR is unusually high because we have favorable permanent tax differences in the form of the dividends received deduction that increased our tax benefit on this relatively small net loss base.

Noncontrolling Interests

Net income (loss) attributable to noncontrolling interests was $0.3 million in 2016 compared to a loss of $0.8 million in 2015.

Net Income (Loss)

Net income for the year ended December 31, 2016 was $10.2 million versus net loss of $0.1 million for the year ended December 31, 2015 substantially the result of increased net gains from investments, interest income from the GAMCO Note, and incentive fees partially offset by the $5.4 million cost of AC's initial Shareholder Designated Charitable Contribution Program and increased operating expenses resulting from our transformation to a stand-alone public company.

Liquidity and Capital Resources

Our principal assets consist of cash and cash equivalents; short-term treasury securities; marketable securities, primarily equities, including 4.4 million shares of GAMCO stock; and interests in affiliated and third party funds and partnerships. Although Investment Partnerships are subject to restrictions as to the timing of distributions, the underlying investments of such Investment Partnerships are, for the most part, liquid, and the valuations of these products reflect that underlying liquidity.

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

	Year Ended December 31,		
	2017	2016	2015
		(in thousands)	
Cash flows provided by (used in):			
Operating activities	$ (67,620)	$ 6,588	$ (47,350)
Investing activities	(18,734)	(4,115)	(41,734)
Financing activities	65,373	105,872	9,281
Net increase (decrease) in cash and cash equivalents	(20,981)	108,345	(79,803)
Cash and cash equivalents at beginning of year	314,093	205,750	285,530
Increase in cash from consolidation	-	-	10
Increase (decrease) in cash from deconsolidation	-	(2)	13
Cash and cash equivalents at end of year	$ 293,112	$ 314,093	$ 205,750

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 their investment performance. We anticipate that our available liquid assets should be sufficient to meet our cash requirements as we build out our operating businesses. At December 31, 2017, we had cash and cash equivalents of $293.1 million and $638.4 million of investments net of securities sold, not yet purchased of $5.7 million. Of these amounts, $5.1 million and $30.0 million, respectively, were held by consolidated investment funds and may not be readily available for the Company to access.

Net cash used in operating activities was $67.6 million for 2017. In 2017, our sources of cash included $8.7 million of net income increased by (a) non-cash stock-based compensation and charitable contributions of $8.5 million and (b) net unrealized losses attributable to available for sale securities of $7.4 million, and reduced by (c) non-cash equity earnings of partnerships and deferred taxes of $10.3 million and $3.2 million, respectively. Net cash uses included $5.1 million of net contributions to partnerships, $26.2 million for increases in trading securities and a net reduction in liabilities of $47.3 million

Net cash provided by operating activities was $6.6 million for 2016. In 2016, our sources of cash included a $43.2 million decrease in receivable from brokers, increased accrued expenses and other liabilities of $32.0 million, $23.2 million of decreases in distributions from partnerships, net income of $10.5 million, $6.8 million from an increase in compensation payable, a $5.9 million decline in receivable from affiliates and $2.5 million of stock-based compensation expense. Cash uses included $48.2 million decrease in payable to brokers, $36.4 million of contributions to partnerships, $13.8 million of increases in trading securities, $11.2 million of equity in net gains from partnerships, a $5.5 million increase in other assets, and an increase in investment advisory fees receivable of $4.9 million.

Net cash used in operating activities was $47.4 million. In 2015, our sources of cash included $44.5 million increase in payable to brokers, $22.9 million of distributions from partnerships, a $10.5 million decrease in other assets and $1.7 million from an increase in compensation payable. Cash uses included $71.6 million of increases in trading securities, a $30.0 million increase in receivable from brokers, $15.2 million of contributions to partnerships, a $4.7 million decline in payable to affiliates and a $4.3 million decline for income taxes payables and deferred tax liabilities.

Net cash used in investing activities of $18.7 million in 2017 is due to purchases of the GBL 1.6% Note (due February 28, 2018) and available for sale securities totaling $19.9 million less $0.3 million in proceeds from sales of available for sale securities and $0.9 million from return of capital from available for sale securities. Net cash used in investing activities of $4.1 million in 2016 is due to purchases of available for sale securities of $5.1 million less $0.8 million in proceeds from sales of available for sale securities and $0.2 million from return of capital from available for sale securities. Net cash used in investing activities of $41.7 million in 2015 is due to purchases of available for sale securities of $43.3 million less $1.0 million in proceeds from sales of available for sale securities and $0.5 million from return of capital from available for sale securities.

Net cash provided by financing activities was $65.4 million for 2017, largely resulting from the $50.0 million prepayment of the GAMCO Note and contributions from redeemable noncontrolling interests of $41.6 million partially offset by $21.2 million of treasury stock purchases and dividend payments of $4.8 million. Net cash provided by financing activities was $105.9 million for 2016, largely resulting from $150 million of proceeds from payment of the GAMCO Note partially offset by $41.6 million of treasury stock purchases. Net cash provided by financing activities was $9.3 million for 2015, largely resulting from $25.2 million in cash transfers from GAMCO less $16.0 million repayment of the GAMCO demand loan.

G.research is registered with the SEC as a broker-dealer and is regulated by FINRA. As such, G.research is subject to the minimum net capital requirements promulgated by the SEC. G.research's net capital exceeded these minimum requirements at December 31, 2017. G.research computes its net capital under the alternative method permitted by the SEC, which requires minimum net capital of the greater of $250,000 or 2% of the aggregate debit items in the reserve formula for those broker-dealers subject to Rule 15c3-3 promulgated under the Exchange Act. As of December 31, 2017, and 2016, G.research had net capital, as defined, of approximately $41.8 million and $3.7 million, respectively, exceeding the regulatory requirement by approximately $41.6 million and $3.4 million, respectively. Net capital requirements for G.research may increase in accordance with rules and regulations to the extent it engages in other business activities.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

The following table sets forth our significant contractual cash obligations as of December 31, 2017 (in thousands):

	2018
Contractual Obligations:	
Occupancy charge	$ 94
Total	$ 94

Critical Accounting Policies

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

We believe the critical assumptions and estimates are those applied to revenue recognition, the accounting for and valuation of investments in securities, partnerships, and offshore funds, income taxes, and stock-based compensation accounting.

Revenue Recognition

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

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

Revenues from Investment Partnerships and separate accounts also generally include an incentive allocation or fee on the absolute gain in a portfolio or a fee of 20% of the economic profit as defined in the partnership agreement. The incentive allocation or fee is generally recognized at the end of an annual measurement period and amounts receivable are included in investment advisory fees receivable on the consolidated statements of financial condition.

G.research, LLC provides institutional research services and earns brokerage commission revenues and sales manager fees on a trade-date basis from securities transactions executed on an agency basis on behalf of institutional clients and mutual funds, private wealth management clients and retail customers of affiliated companies. It has also been involved in syndicated underwriting activities that included public equity and debt offerings managed by major investment banks. Underwriting fees include gains, losses, selling concessions and fees, net of syndicate expenses, arising from securities offerings in which G.research acts as underwriter or agent and are accrued as earned. G.research also provides institutional investors and investment partnerships with investment ideas on numerous industries and special situations, with a particular focus on small-cap and mid-cap companies. Commission revenue and related clearing charges are recorded on a trade-date basis and are included in institutional research services and other operating expenses, respectively, on the consolidated statements of income.

Finally, AC also has investment gains or losses generated from its proprietary trading activities which are included in net gain from investments on the consolidated statements of income.

Investments in Securities Transactions

Investments in securities are accounted for as either “trading securities” or “available for sale” and are stated at fair value. Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates such designations as of each balance sheet date. U.S. Treasury Bills and Notes with maturities of greater than three months at the time of purchase are considered investments in securities. Securities that are not readily marketable are stated at their estimated fair values in accordance with GAAP. A substantial portion of investments in securities are held for resale in anticipation of short-term market movements and therefore are classified as trading securities. Trading securities are stated at fair value, with any unrealized gains or losses reported in current period earnings in net gain from investments on the consolidated statements of income. AFS investments are stated at fair value, with any unrealized gains or losses, net of taxes, reported as a component of other comprehensive income/(loss) on the consolidated statements of comprehensive income/(loss) except for losses deemed to be other than temporary which are recorded as realized losses on the consolidated statements of income. Securities transactions and any related gains and losses are recorded on a trade date basis. Realized gains and losses from securities transactions are computed using the specific identified cost basis and are included in net gain from investments on the consolidated statements of income.

AFS securities are evaluated for other than temporary impairment each reporting period and any impairment charges are recorded in net gain from investments on the consolidated statements of income. Management reviews all available for sale securities whose cost exceeds their fair value to determine if the impairment is other than temporary. Management uses qualitative factors such as diversification of the investment, the intent to hold the investment, the amount of time that the investment has been impaired and the severity of the decline in determining whether the impairment is other than temporary.

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

Consolidation

The Company assesses all entities with which it is involved for consolidation on a case by case basis depending on the specific facts and circumstances surrounding each entity. Pursuant to accounting guidance, the Company first evaluates whether it holds a variable interest in an entity. The Company factors in all economic interests including proportionate interests through related parties, to determine if such interests are to be considered a variable interest. For entities where the Company has determined that it does hold a variable interest, the Company performs an assessment to determine whether each of those entities qualify as a variable interest entity (a "VIE").

The determination as to whether an entity qualifies as a VIE depends on the facts and circumstances surrounding each entity. The granting of substantive kick-out rights is a key consideration in determining whether a limited partnership or similar entity is a VIE and whether or not that entity should be consolidated. The Company does not consolidate those VIEs in which substantive kick-out rights have been granted to the unaffiliated investors to either dissolve the fund or remove the general partner.

Under the variable interest model, the Company consolidates those entities where it is determined that the Company is the primary beneficiary of the entity. The Company is determined to be the primary beneficiary if it holds a controlling financial interest in the VIE defined as possessing both (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. If the Company alone is not considered to have a controlling financial interest in the VIE but the Company and its related parties under common control in the aggregate have a controlling financial interest in the VIE, the Company will still be deemed to be the primary beneficiary if it is the party within the related party group that is most closely associated with the VIE. If the Company and its related parties not under common control in the aggregate have a controlling financial interest in a VIE, then the Company is deemed to be the primary beneficiary if substantially all the activities of the entity are performed on behalf of the Company. The Company determines whether it is the primary beneficiary of a VIE at the time it becomes initially involved with the VIE and reconsiders that conclusion continuously. Investments and redemptions (either by the Company, related parties of the Company or third parties) or amendments to the governing documents of the respective entity may affect an entity's status as a VIE or the determination of the primary beneficiary.

Under the voting interest model, the Company consolidates those entities it controls through a majority voting interest or other means.

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

See Note D. Investment Partnerships and Variable Interest Entities for more detail as to the number and types of entities consolidated as well as the impact on the consolidated statements of financial condition and consolidated statements of income.

Investments in Partnerships and Affiliates

The Company is general partner or co-general partner of various affiliated entities. We also have investments in unaffiliated partnerships, offshore funds and other entities ("unaffiliated entities"). Given that we are not a general partner or investment manager in any unaffiliated entities, we do not (a) earn any management or incentive fees: (b) have a controlling financial interest; and (c) currently consolidate any unaffiliated entities.

Our balance sheet caption "Investments in partnerships" includes investments in both affiliated and unaffiliated entities which the Company accounts for under the equity method of accounting and certain investments that the Company accounts for at fair value.

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

Income Taxes

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

Stock-Based Compensation

In connection with the Spin-off, the Company granted RSAs to staff members which were recommended by the Company’s Executive Chairman, who did not receive an RSA or option award, and approved by the Compensation Committee of GAMCO’s Board of Directors. We use a fair value based method of accounting for stock-based compensation provided to our employees. The estimated fair value of RSAs is determined by using the closing price of the relevant stock on the day prior to the grant date. The value of the RSAs, net of estimated forfeitures, is recognized as expense over the respective vesting period for these awards which is either (1) five years (30% three years and 70% five years from the date of grant, respectively), or (2) ten years (30% three years and 10% each year thereafter from the date of grant, respectively). The forfeiture rate is determined by reviewing historical forfeiture rates for previous stock-based compensation grants and is reviewed and updated quarterly, if necessary. During the vesting period, dividends to RSA holders are held for them until the RSA vesting dates and are forfeited if the grantee is no longer employed by the Company on the vesting dates. Dividends declared on these RSAs, less estimated forfeitures, are charged to retained earnings on the declaration date. In connection with the spin-off of the Company from GAMCO, any GAMCO employee (including GAMCO employees who became AC employees) who had GAMCO RSAs were granted an equal number of AC RSAs so that the total value of the RSAs post-spin was equivalent to the total value pre-spin. In accordance with GAAP, we have allocated the stock compensation costs between GAMCO and AC based upon each employee’s individual allocation of their responsibilities between GAMCO and AC. As of June 15, 2017, all the AC RSAs issued under our Stock Compensation Plan were accelerated and are no longer outstanding.

Recent Accounting Developments

See Footnote B. Significant Accounting Policies – Recent Accounting Developments.

Seasonality and Inflation

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

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of its business, AC is exposed to risk of loss due to fluctuations in the securities market and general economy. Management is responsible for identifying, assessing and managing market and other risks.

Our exposure to pricing risk in equity securities is directly related to our role as financial intermediary and advisor for AUM in our investment partnerships and separate accounts as well as our proprietary investment and trading activities. At December 31, 2017, we had equity investments, including open-end funds and closed-end funds largely invested in equity products, of $442.9 million. Included in this total are investments in open-end funds and closed-end funds of $149.3 million which seek to reduce market risk through the diversification of financial instruments within their portfolios. In addition, we may alter our investment holdings from time to time in response to changes in market risks and other factors considered appropriate by management. We also hold investments in partnerships which invest primarily in equity securities and which are subject to changes in equity prices. These investments totaled $145.6 million at December 31, 2017, $102.3 million of which comprised partnerships which invest in risk arbitrage. Risk arbitrage is primarily dependent upon deal closure rather than the overall market environment. The equity investment portfolio is recorded at fair value and is expected to move in line with the equity markets. The trading portfolio changes are recorded as net gain/(loss) from investments in the consolidated statements of income while the available for sale portfolio changes are recorded in other comprehensive income in the consolidated statements of financial condition.

Market Risk

Our primary market risk exposures are to changes in equity prices and interest rates. Since a majority of our AUM is invested in equities, our financial results are subject to equity market risk as revenues from our investment management services are sensitive to stock market dynamics. In addition, returns from our proprietary investment portfolio are exposed to interest rate and equity market risk.

The Company’s Executive Chairman oversees the proprietary investment portfolios and allocations of proprietary capital among the various strategies. The Executive Chairman and the Board of Directors review the proprietary investment portfolios throughout the year. Additionally, the Company monitors its proprietary investment portfolios to ensure that they are in compliance with the Company’s guidelines.

Equity Price Risk

The Company earns a substantial portion of its revenue as advisory fees from investment partnership and separate account assets. Such fees represent a percentage of AUM, and the majority of these assets are in equities. Accordingly, since revenues are proportionate to the value of those investments, a substantial increase or decrease in overall equity markets will likely have a corresponding effect on the Company’s revenues.

Investments consisted of the following (in thousands):

	December 31,	
	2017	2016
Investment in securities:		
Government obligations	$ 53,804	$ 119,823
GBL stock	130,254	135,701
Common stocks	163,327	82,158
Mutual funds	3,428	3,643
Other investments	1,824	1,472
Total investments in securities	352,637	342,797
Investments in affiliated registered investment companies:		
Closed-end funds	93,147	80,650
Mutual funds	52,767	50,995
Total investments in affiliated registered investment companies	145,914	131,645
Investments in partnerships:		
Investments in partnerships	145,591	129,398
Total investments in partnerships	145,591	129,398
Securities sold, not yet purchased:		
Common stocks	(5,396)	(9,947)
Other investments	(335)	(37)
Total securities sold, not yet purchased	(5,731)	(9,984)
Total investments net of securities sold, not yet purchased	$ 638,411	$ 593,856

We may alter our investment holdings from time to time in response to changes in market risks and other factors considered appropriate by management. Of the approximately $293.6 million and $217.9 million invested in common and preferred stocks at December 31, 2017 and 2016, respectively, $108.7 million and $31.0 million was invested by the Company in arbitrage opportunities in connection with mergers, consolidations, acquisitions, tender offers or other similar transactions. Risk arbitrage generally involves investing in securities of companies that have announced corporate transactions with agreed upon terms and conditions, including pricing, and typically involves less market risk than holding common stocks in a trading portfolio. The principal risk associated with merger arbitrage transactions is the inability of the companies involved to complete the transaction.

Of the investments in affiliated registered investment companies at December 31, 2017 and 2016, $57.8 million and $56.4 million, respectively, consisted of investment companies which invest in merger arbitrage opportunities. Securities sold, not yet purchased are stated at fair value and are subject to market risks resulting from changes in price and volatility. At December 31, 2017 and 2016, the fair value of securities sold, not yet purchased was $5.7 million and $10.0 million, respectively. Investments in partnerships totaled $145.6 million and $129.4 million at December 31, 2017 and 2016, respectively, $102.3 million and $91.8 million of which consisted of investment partnerships and offshore funds which invest in risk arbitrage opportunities.

The following table provides a sensitivity analysis for our investments in equity securities and partnerships and affiliates which invest primarily in equity securities, excluding arbitrage products for which the principal exposure is to deal closure and not overall market conditions, as of December 31, 2017 and 2016. The sensitivity analysis assumes a 10% increase or decrease in the value of these investments (in thousands):

	Fair Value	Fair Value assuming 10% decrease in equity prices	Fair Value assuming 10% increase in equity prices
At December 31, 2017:			
Equity price sensitive investments, at fair value	$ 321,550	$ 289,395	$ 353,705
At December 31, 2016:			
Equity price sensitive investments, at fair value	$ 304,836	$ 274,352	$ 335,320

Interest Rate Risk

Our exposure to interest rate risk principally results from our investment of excess cash in a related money market fund that holds U.S. Government securities. These investments are primarily short term in nature, and the carrying value of these investments generally approximates fair value. Based on the December 31, 2017 cash and cash equivalent balance of $293.1 million, a 1% increase in interest rates would increase our interest income by $2.9 million annually. Given that our return on these cash equivalent investments in the current low interest rate environment is approximately 1.15% annually, an analysis of a 1% decrease is not meaningful.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Associated Capital Group, Inc.
Rye, New York

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Associated Capital Group, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of a Matter

As discussed in Note A to the consolidated financial statements, the Company separated from GAMCO Investors, Inc. (“GAMCO”) on November 30, 2015. The Company did not operate as an independent, stand-alone entity for the year ended December 31, 2015. For periods prior to November 30, 2015, the combined consolidated financial statements were derived from the consolidated financial statements and accounting records of GAMCO.

/s/ DELOITTE & TOUCHE LLP

New York, New York
March 8, 2018
We have served as the Company’s auditor since 2015.

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

	Year Ended December 31,		
	2017	2016	2015
Revenues			
Investment advisory and incentive fees	$ 14,551	$ 18,320	$ 12,635
Institutional research services	12,199	12,634	9,927
Other revenues	165	273	280
Total revenues	26,915	31,227	22,842
Expenses			
Compensation	30,644	30,968	26,343
Stock-based compensation	5,879	2,464	4,931
Management fee	713	1,593	(309)
Other operating expenses	10,065	8,434	6,189
Total expenses	47,301	43,459	37,154
Operating loss	(20,386)	(12,232)	(14,312)
Other income (expense)			
Net gain from investments	20,598	19,909	8,276
Interest and dividend income	10,501	12,669	4,720
Interest expense	(227)	(590)	(1,260)
Shareholder-designated contribution	(4,222)	(5,411)	-
Total other income, net	26,650	26,577	11,736
Income (loss) before income taxes	6,264	14,345	(2,576)
Income tax provision (benefit)	(2,420)	3,876	(1,685)
Net income (loss)	8,684	10,469	(891)
Net income (loss) attributable to noncontrolling interests	(153)	251	(780)
Net income (loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 8,837	$ 10,218	$ (111)
Net income (loss) per share attributable to Associated Capital Group, Inc.'s shareholders:			
Basic	$ 0.37	$ 0.41	$ -
Diluted	$ 0.37	$ 0.41	$ -
Weighted average shares outstanding:			
Basic	23,792	24,870	24,887
Diluted	23,925	25,175	25,170
Actual shares outstanding	23,639	24,255	25,440

See accompanying notes.

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

	Year Ended December 31,		
	2017	2016	2015
Net income (loss)	$ 8,684	$ 10,469	$ (891)
Other comprehensive income (loss), net of tax:			
Net unrealized gains (losses) on securities available for sale (a)	5,395	4,138	(11,035)
Comprehensive income (loss)	14,079	14,607	(11,926)
Less: Comprehensive income (loss) attributable to noncontrolling interests	(153)	1,215	(780)
Comprehensive income (loss) attributable to Associated Capital Group, Inc.	$ 14,232	$ 13,392	$ (11,146)

(a) Net of income tax expense (benefit) of $2,876, $2,328 and ($6,434) for 2017, 2016 and 2015, respectively.

See accompanying notes.

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

	December 31, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 293,112	$ 314,093
Investments in securities (Including GBL stock with a market value of $130.3 million and $135.7 million at December 31, 2017 and 2016, respectively)	352,637	342,797
Investments in affiliated registered investment companies	145,914	131,645
Investments in partnerships	145,591	129,398
Receivable from brokers	34,881	12,588
Investment advisory fees receivable	5,739	9,784
Receivable from affiliates	15,866	1,523
Goodwill	3,422	3,422
Other assets	9,753	7,353
Total assets	$ 1,006,915	$ 952,603
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Payable to brokers	$ 13,281	$ 2,396
Income taxes payable and deferred tax liabilities	5,484	6,978
Compensation payable	12,785	17,676
Securities sold, not yet purchased	5,731	9,984
Payable to affiliates	442	1,455
Accrued expenses and other liabilities	4,815	35,862
Total liabilities	42,538	74,351
Redeemable noncontrolling interests	46,230	4,230
Commitments and contingencies (Note K)		
Equity:		
Preferred stock, $.001 par value; 10,000,000 shares authorized; none issued and outstanding		
Class A Common Stock, $0.001 par value; 100,000,000 shares authorized; 6,404,287 and 6,398,580 shares issued, respectively; 4,451,379 and 5,058,648 shares outstanding, respectively	6	6
Class B Common Stock, $0.001 par value; 100,000,000 shares authorized; 19,196,792 shares issued; 19,187,885 and 19,196,792 shares outstanding, respectively	19	19
Additional paid-in capital	1,010,505	1,007,027
Retained earnings	13,800	7,327
GBL 4% PIK Note	(50,000)	(100,000)
Accumulated comprehensive income	6,712	1,317
Treasury stock, at cost (1,952,908 and 1,339,932 shares, respectively)	(62,895)	(41,674)
Total Associated Capital Group, Inc. equity	918,147	874,022
Total equity	918,147	874,022
Total liabilities and equity	$ 1,006,915	$ 952,603

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)

		Associated Capital Group, Inc. shareholders								
	Noncontrolling Interests	Common Stock	Parent Company Equity pre Spin-off	Retained Earnings	Additional Paid-in Capital	GBL 4% PIK Note	Accumulated Comprehensive Income	Treasury Stock	Total	Redeemable Noncontrolling Interests
Balance at December 31, 2014	$ -	$ -	$ 573,749	$ -	$ -	$ -	$ 9,178	$ -	$ 582,927	$ 68,334
Recapitalization	-	25	(522,758)	-	522,733	-	-	-	-	-
Redemptions of noncontrolling interests	-	-	-	-	-	-	-	-	-	(901)
Contributions from redeemable noncontrolling interests	-	-	-	-	-	-	-	-	-	1,036
Consolidation of investment funds	-	-	-	-	-	-	-	-	-	996
Deconsolidation of an investment fund	-	-	-	-	-	-	-	-	-	(63,256)
Net income (loss)	(309)	-	-	(111)	-	-	-	-	(420)	(471)
Net unrealized losses on securities available for sale, net of income tax benefit ($6,503)	-	-	-	-	-	-	(11,157)	-	(11,157)	-
Amounts reclassified from accumulated other comprehensive income, net of income tax ($69)	-	-	-	-	-	-	122	-	122	-
Stock based compensation expense	-	-	-	-	4,931	-	-	-	4,931	-
Issuance of GBL 4% PIK Note	-	-	-	-	250,000	(250,000)	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	(44)	(44)	-
Net transfer from GBL	2,662	-	(50,991)	2,183	221,336	-	-	-	175,190	-
Balance at December 31, 2015	$ 2,353	$ 25	$ -	$ 2,072	$ 999,000	$ (250,000)	$ (1,857)	$ (44)	$ 751,549	$ 5,738

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(continued) (In thousands)

		Associated Capital Group, Inc. shareholders							
	Noncontrolling Interests	Common Stock	Retained Earnings	Additional Paid-in Capital	GBL 4% PIK Note	Accumulated Comprehensive Income	Treasury Stock	Total	Redeemable Noncontrolling Interests
Balance at December 31, 2015	$ 2,353	$ 25	$ 2,072	$ 999,000	$ (250,000)	$ (1,857)	$ (44)	$ 751,549	$ 5,738
Contributions from redeemable noncontrolling interests	-	-	-	-	-	-	-	-	250
Redemptions of noncontrolling interests	-	-	-	-	-	-	-	-	(244)
Deconsolidation of an investment fund	-	-	-	-	-	-	-	-	(1,811)
Net income (loss)	(46)	-	10,218	-	-	-	-	10,172	297
Net unrealized gains on securities available for sale, net of income tax ($2,319)	964	-	-	-	-	3,189	-	4,153	-
Amounts reclassified from accumulated other comprehensive income, net of income tax benefit ($9)	-	-	-	-	-	(15)	-	(15)	-
Noncontrolling minority interest	(3,271)	-	-	4,862	-	-	-	1,591	-
Stock based compensation expense	-	-	-	2,464	-	-	-	2,464	-
Increase to paid in capital for the excess of actual tax benefit over recorded RSA tax benefit	-	-	-	701	-	-	-	701	-
Dividends declared ($.20 per share)	-	-	(4,963)	-	-	-	-	(4,963)	-
Proceeds from payment of GBL 4% PIK Note	-	-	-	-	150,000	-	-	150,000	-
Purchase of treasury stock	-	-	-	-	-	-	(41,630)	(41,630)	-
Balance at December 31, 2016	$ -	$ 25	$ 7,327	$ 1,007,027	$ (100,000)	$ 1,317	$ (41,674)	$ 874,022	$ 4,230

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(continued) (In thousands)

	Associated Capital Group, Inc. shareholders							
	Common Stock	Retained Earnings	Additional Paid-in Capital	GBL 4% PIK Note	Accumulated Comprehensive Income	Treasury Stock	Total	Redeemable Noncontrolling Interests
Balance at December 31, 2016	$ 25	$ 7,327	$ 1,007,027	$ (100,000)	$ 1,317	$ (41,674)	$ 874,022	$ 4,230
Contributions from redeemable noncontrolling interests	-	-	-	-	-	-	-	41,598
Redemptions of noncontrolling interests	-	-	-	-	-	-	-	(236)
Consolidation of an investment fund	-	-	-	-	-	-	-	791
Net income (loss)	-	8,837	-	-	-	-	8,837	(153)
Net unrealized gains on securities available for sale, net of income tax ($277)	-	-	-	-	748	-	748	-
Amounts reclassified from accumulated other comprehensive income, net of income tax benefit ($2,599)	-	-	-	-	4,647	-	4,647	-
Stock-based compensation expense			5,879				5,879	
Dividends declared ($0.20 per share)	-	(2,364)	(2,401)	-	-	-	(4,765)	-
Proceeds from payment of GBL 4% PIK Note	-	-	-	50,000	-	-	50,000	-
Purchase of treasury stock	-	-	-	-	-	(21,221)	(21,221)	-
Balance at December 31, 2017	$ 25	$ 13,800	$ 1,010,505	$ (50,000)	$ 6,712	$ (62,895)	$ 918,147	$ 46,230

See accompanying notes.

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

	Year Ended December 31,		
	2017	2016	2015
Operating activities			
Net income (loss)	$ 8,684	$ 10,469	$ (891)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Equity in net gains from partnerships	(10,274)	(11,183)	(4,756)
Depreciation and amortization	16	17	13
Stock based compensation expense	5,879	2,464	4,931
Deferred income taxes	(3,168)	(1,378)	(6,450)
Other-than-temporary loss on available for sale securities	19,201	324	216
Donated securities	2,627	1,051	73
Gains on sales of available for sale securities	(167)	(348)	(25)
Gains on contribution of available for sale securities to subsidiary	(11,788)	-	-
(Increase) decrease in assets:			
Investments in securities - trading	(26,231)	(13,769)	(71,552)
Investments in partnerships:			
Contributions to partnerships	(26,278)	(36,367)	(15,169)
Distributions from partnerships	21,151	23,199	22,857
Receivable from affiliates	657	5,934	(7,055)
Receivable from brokers	(22,292)	43,225	(30,008)
Investment advisory fees receivable	4,045	(4,907)	(949)
Other assets	(2,417)	(5,465)	17,568
Increase (decrease) in liabilities:			
Payable to affiliates	(1,013)	1,455	(4,733)
Payable to brokers	10,885	(48,231)	44,516
Income taxes payable and deferred tax liabilities	(1,203)	1,060	2,191
Compensation payable	(4,892)	6,751	1,747
Mandatorily redeemable noncontrolling interests	-	292	(172)
Accrued expenses and other liabilities	(31,042)	31,995	298
Total adjustments	(76,304)	(3,881)	(46,459)
Net cash provided by (used in) operating activities	(67,620)	6,588	(47,350)
Investing activities			
Purchases of available for sale securities	(4,900)	(5,107)	(43,271)
Proceeds from sales of available for sale securities	271	803	1,013
Return of capital on available for sale securities	895	189	524
Purchase of GBL 1.6% Note (due February 28, 2018)	(15,000)	-	-
Net cash used in investing activities	$ (18,734)	$ (4,115)	$ (41,734)

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

	Year Ended December 31,		
	2017	2016	2015
Financing activities			
Contributions from redeemable noncontrolling interests	$ 41,598	$ 250	$ 1,036
Redemptions of redeemable noncontrolling interests	(236)	(244)	(901)
Repayment of demand loan with GBL	-	-	(16,000)
Net transfer from GBL	-	-	25,190
Dividends paid	(4,768)	(2,504)	-
Purchase of treasury stock	(21,221)	(41,630)	(44)
Proceeds from payment of GBL 4% PIK Note	50,000	150,000	-
Net cash provided by financing activities	65,373	105,872	9,281
Net increase (decrease) in cash and cash equivalents	(20,981)	108,345	(79,803)
Cash and cash equivalents at beginning of period	314,093	205,750	285,530
Increase in cash from consolidation	-	-	10
Increase (decrease) in cash from deconsolidation	-	(2)	13
Cash and cash equivalents at end of period	$ 293,112	$ 314,093	$ 205,750
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 227	$ 298	$ 1,428
Cash paid for taxes	$ 2,077	$ 2,989	$ 2

Non-cash activity:

- During the year ended December 31, 2016, Associated Capital Group, Inc. ("AC") exchanged 163,428 shares of AC for the 6.1% of Gabelli & Company Investment Advisers, Inc. ("GCIA") shares owned by third parties and certain employees.
- For the years ended December 31, 2017, 2016 and 2015, AC accrued dividends on restricted stock awards of $8, $88 and $0, respectively.
- On July 19, 2017, AC was deemed to have control over an investment fund which resulted in its consolidation and an increase of approximately $99,276 of net assets and an increase of approximately $37,901 of redeemable noncontrolling interests.
- On October 1, 2017, AC was deemed to have control over an investment fund which resulted in its consolidation and an increase of approximately $791 of net assets and an increase of approximately $791 of redeemable noncontrolling interests.
- In November 2017, an investment fund that AC consolidates completed its first new issue of ordinary shares which resulted in an increase of approximately $3,344 of net assets and an increase of approximately $3,344 of redeemable noncontrolling interests.
- In November 2017, AC contributed certain available for sale securities totaling $91,303 to its wholly-owned broker-dealer subsidiary which accounts for these as trading securities. See Note C for detail.
- On January 1, 2016, AC was no longer deemed to have control over a certain investment fund which resulted in its deconsolidation and a decrease of approximately $1 of cash and cash equivalents, a decrease of approximately $104 of net assets and a decrease of approximately $105 of redeemable noncontrolling interests.
- On January 1, 2016, AC adopted ASU 2015-02, which amended the consolidation requirements in ASC 810. This resulted in the deconsolidation of certain investment funds and a decrease of approximately $1 of cash and cash equivalents, a decrease of approximately $1,705 of net assets and a decrease of approximately $1,706 of redeemable noncontrolling interests.
- On November 28, 2015, AC's majority owned subsidiary GCIA purchased 4.4 million shares of GBL in exchange for a $150 million five-year 4% note ("GCIA Note Payable").
- On November 30, 2015, in connection with the spin-off of AC from GAMCO, GAMCO issued AC a $250 million five-year 4% PIK Note ("GBL 4% PIK Note").
- On November 30, 2015, in connection with the spin-off of AC from GAMCO, GAMCO contributed to AC the GCIA Note Payable.
- On January 1, 2015, AC was no longer deemed to have control over certain investment funds which resulted in their deconsolidation and an increase of approximately $13 of cash and cash equivalents, a decrease of approximately $63,280 of net assets and a decrease of approximately $63,267 of redeemable noncontrolling interests.
- On April 1, 2015, AC was deemed to have control over certain investment funds which resulted in their consolidation and an increase of approximately $10 of cash and cash equivalents, an increase of approximately $986 of other net assets and an increase of approximately $996 of redeemable noncontrolling interests.
- On April 1, 2015, AC launched a new investment fund that was funded with $1,000 of proprietary capital and no third party capital and was therefore consolidated.

See accompanying notes.

A. Organization

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

The Spin-off and Related Transactions

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

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

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

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

In connection with the Spin-off, GAMCO issued a promissory note (the “GAMCO Note”) to AC Group in the original principal amount of $250 million used to partially capitalize the Company. The GAMCO Note bears interest at 4% per annum and has a maturity date of November 30, 2020 with respect to its original principal amount. Interest on the GAMCO Note will accrue from the most recent date for which interest has been paid. Prior to November 30, 2019, at the election of GAMCO, payment of interest on the GAMCO Note may, in lieu of being paid in cash, be paid, in whole or in part, in kind (a “PIK Amount”). GAMCO will repay all PIK Amounts added to the outstanding principal amount of the GAMCO Note, in cash, on the fifth anniversary of the date on which each such PIK Amount was added to the outstanding principal amount of the GAMCO Note. GAMCO may prepay the GAMCO Note prior to maturity without penalty.

AC has received principal repayments totaling $200 million on the GAMCO Note, of which $50 million was received during the year ended December 31, 2017 leaving an outstanding principal balance of $50 million. After application of the principal payments, the balance of the GAMCO Note is due on November 30, 2020.

In addition, GCIA purchased 4,393,055 shares of GAMCO Class A common stock in exchange for a note in the principal amount of $150 million (the “GCIA Note”). In connection with the Spin-off, GAMCO contributed the GCIA Note to the Company. During the quarter ended December 31, 2017, AC forgave the outstanding principal and interest on the GCIA Note as a capital contribution to GCIA.

Consolidated Financial Statements

The Company’s combined consolidated statement of income for the eleven months ended November 30, 2015 was derived from the combined consolidated financial statements and accounting records of GAMCO, as the Company was not a standalone public company prior to the spin-off. For the period prior to the spin-off of the Company from GAMCO, the combined consolidated financial statement includes allocations from GAMCO. These allocations may not be reflective of the actual level of assets, liabilities, income or costs which would have been incurred had the Company operated as a separate legal entity apart from GAMCO.

The Company’s consolidated financial statements as of and for the year ended December 31, 2017 and 2016, and the Company's consolidated statement of income for the one month ended December 31, 2015 are presented based on our actual results as a stand-alone public company subsequent to our spin-off. References within these Notes to the consolidated financial statements as of and for the years ended December 31, 2017 and 2016 and the combined consolidated statements of income, comprehensive income, equity, and cash flows for the year ended December 31, 2015 shall hereinafter be referred to as the consolidated statements of income, comprehensive income, equity, and cash flows or consolidated financial statements.

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

B. Significant Accounting Policies

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

The Company has reclassified certain prior-period amounts to conform to the current-period presentation. For presentation of 2015 to 2017 results, the Company reported revenue from its research services agreement with affiliates in “Institutional Research Services Revenue” instead of “Other Revenue”. The reclassification did not impact total revenues, operating expenses, operating income/(loss), net income, or equity.

Cash and Cash Equivalents

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

Investments in Securities

Investments in securities are accounted for as either “trading securities” or “available for sale” and are stated at fair value. Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates such designations as of each balance sheet date. U.S. Treasury Bills and Notes with maturities of greater than three months at the time of purchase are considered investments in securities. Securities that are not readily marketable are stated at their estimated fair values in accordance with GAAP. A substantial portion of investments in securities are held for resale in anticipation of short-term market movements and therefore are classified as trading securities. Trading securities are stated at fair value, with any unrealized gains or losses reported in current period earnings in net gain from investments on the consolidated statements of income. Available for sale (“AFS”) investments are stated at fair value, with any unrealized gains or losses, net of taxes, reported as a component of other comprehensive income (loss) on the consolidated statements of comprehensive income (loss) except for losses deemed to be other than temporary which are recorded as realized losses on the consolidated statements of income. Securities transactions and any related gains and losses are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the specific identified cost basis and are included in net gain from investments on the consolidated statements of income.

AFS securities are evaluated for other than temporary impairments each reporting period, and any impairment charges are recorded in net gain from investments on the consolidated statements of income. Management reviews all AFS securities whose cost exceeds their fair value to determine if the impairment is other than temporary. Management uses qualitative factors such as diversification of the investment, the intent to hold the investment, the amount of time that the investment has been impaired and the severity of the decline in determining whether the impairment is other than temporary.

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

Fair Value of Financial Instruments

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

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

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

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

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

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

The valuation process and policies reside with the financial reporting and accounting group which reports to the Chief Financial Officer of the Company. The Company uses the "market approach" valuation technique to value investments in Level 3 investments. The Company's valuation of the Level 3 investments has been based upon either (i) the recent sale prices of the issuer's equity securities or (ii) the net assets, book value or cost basis of the issuer when there are no recent sales prices available.

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

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

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

Investments in partnerships—The Company's investments include investments, in both affiliated and unaffiliated entities, which the Company accounts for under the equity or fair value methods of accounting. Based upon the guidance outlined in Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*, investments in partnerships, measured using NAV as a practical expedient, are not classified in the fair value hierarchy.

Receivables from Affiliates and Payables to Affiliates

Receivables from affiliates consist primarily of a $15 million promissory note issued by GAMCO on December 26, 2017. Payables to affiliates primarily consist of expenses paid by affiliates on behalf of the Company pursuant to the Transitional Services Agreement with GAMCO. See Note H.

Receivables from and Payables to Brokers

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

Consolidation

Pursuant to the consolidation guidance, the Company first evaluates whether it holds a variable interest in an entity. Fees that are customary and commensurate with the level of services provided, and where the Company does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered a variable interest. The Company factors in all economic interests including proportionate interests through related parties, to determine if such interests are considered a variable interest. For entities where the Company has determined that it does hold a variable interest, the Company performs an assessment to determine whether each of those entities qualify as a variable interest entity ("VIE").

The determination as to whether an entity qualifies as a VIE depends on the facts and circumstances surrounding each entity and therefore certain of the Company's funds may qualify as VIEs under the variable interest model. The granting of substantive kick-out rights is a key consideration in determining whether a limited partnership or similar entity is a VIE and whether or not that entity should be consolidated.

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

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

Assets and liabilities of the consolidated VIEs are included within the consolidated statements of financial condition and are separately disclosed in Note D.

For voting interest entities ("VOEs") that do not qualify as VIEs, the Company applies the voting interest model. Under the voting interest model, the Company consolidates those entities it controls through a majority voting interest.

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

See Note D. Investments in Partnerships, Offshore Funds and Variable Interest Entities for more detail as to the number and types of entities consolidated as well as the impact on the consolidated statements of financial condition and consolidated statements of income.

Investments in Partnerships and Affiliates

The Company is general partner or co-general partner of various affiliated entities. We also have investments in unaffiliated partnerships, offshore funds and other entities ("unaffiliated entities"). Given that we are not a general partner or investment manager in any of the unaffiliated entities, we do not earn any management or incentive fees/allocation and we do not have a controlling financial interest; thus, we do not currently consolidate any unaffiliated entities.

Our balance sheet caption "Investments in partnerships" includes those investments, in both affiliated and unaffiliated entities, which the Company accounts for under the equity method of accounting and certain investments in entities that the Company accounts for at fair value.

The Company records noncontrolling interests in consolidated entities for which the Company's ownership is less than 100%. Refer to Noncontrolling Interests section within this Note B for additional disclosures.

Derivative Financial Instruments

The Company recognizes all derivatives as either assets or liabilities measured at fair value and are included in either investments in securities or securities sold, not yet purchased on the consolidated statements of financial condition. From time to time, the Company will enter into hedging transactions to manage its exposure to foreign currencies and equity prices related to its proprietary investments. During 2017, 2016 and 2015, the Company had derivative transactions which resulted in a net loss of $98,000, net gain of $143,000 and net gain of $264,000, respectively. At December 31, 2017 and 2016, we held derivative contracts on 1.7 million equity shares and 16,000 equity shares, respectively, and the net fair value was ($106,000) and $90,000, respectively. The gross amounts are included as investments in securities and securities sold, not yet purchased on the consolidated statements of financial condition. These transactions are not designated as hedges for accounting purposes, and changes in fair values of these derivatives are included in net gain from investments on the consolidated statements of income and included in investments in securities or securities sold, not yet purchased on the consolidated statements of financial condition.

Securities Transactions

The Company also generates investment gains or losses from its proprietary trading activities which are included in net gain from investments on the consolidated statements of income.

Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates such designation as of the date of each consolidated statement of financial condition. Investments in United States Treasury Bills and Notes with maturities of greater than three months at the time of purchase are classified as investments in securities, and those with maturities of three months or less at the time of purchase are classified as cash equivalents. The portion of investments in securities held for resale in anticipation of short-term market movements are classified as trading securities. Trading securities are stated at fair value, with any unrealized gains or losses reported in current period earnings. AFS investments are stated at fair value, with any unrealized gains or losses, net of taxes, reported as a component of equity except for losses deemed to be other-than-temporary ("OTT") which are recorded as realized losses in the consolidated statements of income.

Major Revenue-Generating Services and Revenue Recognition

Advisory fees from investment partnerships and offshore funds are computed either monthly or quarterly, and amounts receivable are included in receivables from affiliates on the consolidated statements of financial condition.

Revenues from investment partnerships and offshore funds also generally include either an incentive fee/allocation on the absolute gain in a portfolio or a fee of 20% of the economic profit as defined in the partnership agreement and are included in investment advisory and incentive fees on the consolidated statements of income. The incentive allocation or fee is generally recognized at the end of an annual measurement period and amounts receivable are included in either receivables from affiliates or investment advisory fees receivable on the consolidated statements of financial condition.

Institutional research services includes commission revenues, sales manager fees and underwriting fees and amounts receivable are included in receivables from brokers and clearing organizations on the consolidated statements of financial condition. Related clearing charges are recorded on a trade-date basis, and are included in other operating expenses on the consolidated statements of income. Underwriting fees include underwriting revenues and syndicate profits and are accrued as earned. Underwriting fees include gains, losses, selling concessions and fees, net of syndicate expenses, arising from securities offerings in which G.research acts as underwriter or agent.

Effective January 1, 2014, the Company, through G.research, entered into agreements with two affiliates, GAMCO Asset Management Inc. and Gabelli Funds, LLC, to provide each affiliate with the same types of research services that it provides to its other clients. The agreements call for the two affiliates to pay a research services fee. The annual fee amounts are determined by negotiations between the Company and each entity that utilizes the Company's research.

Depreciation

Fixed assets, with a net book value of $39,000 and $55,000 at December 31, 2017 and 2016, respectively, which are included in other assets, are recorded at cost and depreciated using the straight-line method over their estimated useful lives of four to seven years. As of December 31, 2017 and 2016, fixed assets were recorded at a cost of $85,000 and $85,000, respectively net of accumulated depreciation of $46,000 and $30,000, respectively. For the years ended December 31, 2017, 2016 and 2015, depreciation was $16,000, $17,000 and $13,000, respectively. We estimate that depreciation will be approximately $16,000 annually over the next three years. As of December 31, 2017 and 2016, the Company wrote off assets in the amount of $1,000 and $25,000, respectively, that were fully depreciated and had been retired.

Allocated Expenses

The Company is charged or incurs certain overhead expenses that are paid by, or paid on our behalf by other affiliates and are included in other operating expenses on the consolidated statements of income. These overhead expenses primarily relate to centralized functions including finance and accounting, legal, compliance, treasury, tax, internal audit, information technology, human resources and risk management functions. These overhead expenses are allocated to the Company by other affiliates or allocated by the Company to other affiliates as the expenses are incurred, based upon direct usage when identifiable, with the remainder allocated based on revenue, headcount, space or other methodologies periodically reviewed by the management of the Company and the affiliates. In addition, GCIA and GAMCO serve as paymasters under compensation payment sharing agreements. This includes compensation expense and related payroll taxes and benefits which are fully paid by the Company for professional staff performing duties related to the Company and affiliates. These compensation expenses are included in compensation on the consolidated statements of income. All of the allocations and estimates in these financial statements are based on assumptions that management of AC believes are reasonable. However, these allocations may not be indicative of the actual expenses we would have incurred or may incur in the future.

Management Fee

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

Stock-Based Compensation

The Company maintains one stock award and incentive plan (the “Plan”) approved by the shareholders at the Company’s annual meeting held on May 3, 2016, which is designed to provide incentives which will attract and retain individual’s key to the success of AC through direct or indirect ownership of our common stock. Benefits under the Plan may be granted in any one or a combination of stock options, stock appreciation rights, restricted stock, restricted stock units, stock awards, dividend equivalents and other stock or cash based awards. A maximum of 2 million shares of Class A Stock have been reserved for issuance under the Plan by a committee of the Board of Directors responsible for administering the Plan (the “Compensation Committee”). Under the Plan, the Compensation Committee may grant RSAs and either incentive or nonqualified stock options with a term not to exceed ten years from the grant date and at an exercise price that the committee may determine. Through December 31, 2017, approximately 0.5 million shares have been awarded under the Plan leaving approximately 1.5 million shares for future grants.

On November 30, 2015, in connection with the spin-off of the Company from GAMCO, the Company issued 554,100 AC RSA shares to GAMCO employees (including GAMCO employees who became AC employees) who held 554,100 GAMCO RSA shares at that date. The purpose of the issuance was to ensure that any employee who had GAMCO RSAs were granted an equal number of AC RSAs so that the total value of the RSAs post-spin-off was equivalent to the total value pre-spin-off. In accordance with GAAP, we have allocated the stock compensation costs between GAMCO and AC based upon the allocation of each employee’s responsibilities between GAMCO and AC. As of December 31, 2017 and 2016, there were 0 and 424,340 AC RSA shares outstanding. All grants of the RSA shares were recommended by the Company's Executive Chairman, who did not receive a RSA, and approved by the Compensation Committee.

The value of the AC RSAs, net of estimated forfeitures, is recognized as expense over the respective vesting period for these awards which is either (1) five years (30% three years and 70% five years from the date of grant, respectively), or (2) ten years (30% three years and 10% each year thereafter from the date of grant, respectively). During the vesting period, dividends to RSA holders are held for them until the RSA vesting dates and are forfeited if the grantee is no longer employed by the Company on the vesting dates. Dividends declared on these RSAs, less estimated forfeitures, are charged to retained earnings on the declaration date.

Goodwill

Goodwill is initially measured as the excess of the cost of the acquired business over the sum of the fair value assigned to assets acquired less the liabilities assumed. Goodwill is tested for impairment at least annually on November 30th and whenever certain triggering events are met. In assessing the recoverability of goodwill for the subsidiary's annual impairment test on November 30, 2017 and 2016, we performed a qualitative assessment of whether it was more likely than not that an impairment has occurred and concluded that a quantitative analysis was not required. As part of this assessment, it was also determined that there was no risk of failing the quantitative impairment testing step that compares the subsidiary fair value to its carrying value. No impairment was recorded during 2017 or 2016.

Income Taxes

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

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

The Company records uncertain tax positions in accordance with ASC Topic 740 on the basis of a two-step process whereby (1) the Company determines whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company recognizes the accrual of interest on uncertain tax positions and penalties in income tax provision on the consolidated statements of income. Accrued interest and penalties on uncertain tax positions are included within accrued expenses and other liabilities on the consolidated statements of financial condition.

Noncontrolling Interests

Noncontrolling interests that are mandatorily redeemable upon a certain date or event occurring are classified as liabilities and relate to certain stockholders of GCIA who are employed by GAMCO, or its affiliates, who were required to sell their shares back to GCIA at book value once they cease being employed by GAMCO, or its affiliates. During the year ended December 31, 2016, AC purchased the outstanding 1.9% of GCIA shares owned by certain employees of GAMCO in exchange for 50,964 Class A shares of the Company in the amount of $1.5 million, which eliminated the mandatorily redeemable noncontrolling interest. Noncontrolling interest attributable to the 4.2% GCIA shares owned by third parties were classified as equity and were presented within the equity section, separately from AC's portion of equity. During the year ended December 31, 2016, AC purchased the outstanding 4.2% of GCIA shares owned by third parties.

Noncontrolling interests in Investment Partnerships that are redeemable at the option of the holder are classified as redeemable noncontrolling interests in the mezzanine section of the consolidated statements of financial condition between liabilities and equity.

For the years ended December 31, 2017, 2016, and 2015, net income/(loss) attributable to noncontrolling interests on the consolidated statements of income represents the share of net income/(loss) attributable to the minority stockholders, as reported on a separate company basis, of our consolidated majority-owned subsidiaries and net income/(loss) attributable to certain investors in Investment Partnerships that are consolidated. The income/(loss) attributable to the mandatorily redeemable noncontrolling interests classified as liabilities prior to the Company's purchase of the outstanding 1.9% of GCIA shares owned by certain employees of GAMCO is included in other operating expenses on the consolidated statements of income.

Concentration of Credit Risk

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

Net transfer from GBL

Net transfer from GBL in the consolidated statements of equity and cash flows for the year ended December 31, 2015 represents the net effect of transactions with and allocations from GAMCO prior to the spin-off.

Business Segment

The Company operates in one business segment, the investment advisory and asset management business. The Company's Chief Operating Decision Maker reviews the Company's financial performance at an aggregate level. All of the products and services provided by the Company relate to asset management.

Recent Accounting Developments

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the industry topics of the ASC. The core principle of the new ASU No. 2014-09 requires companies to recognize revenue from the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. The ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods and is either applied on a retrospective or modified retrospective basis. The Company has evaluated this guidance and has concluded that it has no material impact on its consolidated financial statements other than expanded disclosure. The Company has adopted this ASU effective January 1, 2018.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments–Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance in GAAP on the classification and measurement of financial instruments. Although the ASU retains many current requirements, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. Under the new guidance, all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. In addition, AFS classification (changes in fair value reported in other comprehensive income) for equity securities with readily determinable fair values will no longer be available. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. For public companies, the new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017. To adopt the amendments, entities will be required to make a cumulative-effect adjustment to beginning retained earnings as of the beginning of the fiscal year in which the guidance is effective. The Company has evaluated this guidance and has adopted this ASU effective January 1, 2018 with no material impact on its consolidated financial statements other than the reclassification of the cumulative unrealized gain on AFS securities net of tax from other comprehensive income to retained earnings.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which amends the guidance in GAAP for the accounting for leases. ASU 2016-02 requires a lessee to recognize assets and liabilities arising from most operating leases in the consolidated statement of financial position. ASU 2016-02 is effective beginning January 1, 2019. The Company is currently evaluating this guidance and the impact it will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which adds and clarifies guidance on the classification of certain cash receipts and payments in the consolidated statements of cash flows. For public companies, the ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. Early adoption was permitted. The Company has evaluated this guidance and has concluded that it has no material impact on its consolidated financial statements. The Company has adopted this ASU effective January 1, 2018.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other*, to simplify the process used to test for impairment of goodwill. Under the new standard, an impairment loss must be recognized in an amount equal to the excess of the carrying amount of a reporting unit over its fair value, limited to the total amount of goodwill allocated to that reporting unit. For public companies, the ASU is effective for annual and any interim impairment tests for periods beginning after December 15, 2019. Early adoption was permitted for impairment tests that occur after January 1, 2017. The Company is currently evaluating this guidance and the impact it will have on its consolidated financial statements.

On May 10, 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation*, which amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. For all entities, the ASU is effective for annual reporting periods, including interim periods within those annual reporting periods, beginning after December 15, 2017. Early adoption was permitted, including adoption in any interim period. The Company has adopted this ASU effective January 1, 2018. This ASU would not have impacted the accounting for the acceleration of vesting of restricted stock awards (“RSAs”) during 2017. This ASU will have minimal, if any, impact given the relatively few unvested GAMCO RSAs currently outstanding.

On December 22, 2017, the SEC issued SAB 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*, to address the application of ASC 740, Income Taxes, in the reporting period that includes December 22, 2017, the date the Tax Cuts and Jobs Act (the “Act”) was signed into law. In general, the SAB provides that a company should reflect the income tax impacts of the Act for which the accounting under ASC 740 is complete. If a company is unable to complete the required accounting as a result of incomplete information, preparation or analysis, however, it may record a reasonable estimate as a provisional amount. Additional provisions deal with situations in which no reasonable estimate can be determined. Changes to estimates determined during a measurement period up to one year from the date of enactment will be reflected as an adjustment to tax expense or benefit in the reporting period the amounts are determined. With the exception of the book/tax differences related to the Company’s investments in funds that are partnerships and/or passive foreign investment companies, the Company has completed its analysis. We believe that we are able to make a reasonable estimate of the tax impact related to funds and have included this in the current year’s tax provision. As additional information is received from the underlying funds (e.g., Form K-1s are received that set out AC’s share of the funds’ taxable income), these estimates will be adjusted, most likely in the fourth quarter following the filing of the Company’s consolidated income tax return. The SAB also provides requirements concerning financial statement disclosures about the material financial reporting impacts of the Act.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, dealing with the accounting for the tax effects of components of other comprehensive income (OCI). As a result of the reduction of the U.S. federal corporate income tax rate under the Tax Cuts and Jobs Act, current accounting guidance requires the revaluation of deferred tax assets and liabilities, and the resulting tax expense or benefit is reflected in net income. If the deferred tax asset or liability related to a component of OCI (e.g., unrealized gain/(loss) on available for sale securities), however, the tax effects of items within OCI no longer reflect the appropriate tax rate (referred to as stranded tax effects). This ASU permits the reclassification of the stranded tax effects from OCI to retained earnings. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption was permitted. We have adopted the ASU as of January 1, 2018 and will reflect an increase to OCI and a decrease to retained earnings of approximately $1.5 million in the period of adoption.

C. Investments in Securities

Investments in securities at December 31, 2017 and 2016 consisted of the following:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
(In thousands)				
Trading securities:				
Government obligations	$ 53,681	$ 53,804	$ 119,755	$ 119,823
Common stocks	209,686	228,557	69,503	82,158
Mutual funds	1,959	3,157	2,402	3,143
Other investments	825	1,824	1,275	1,472
Total trading securities	266,151	287,342	192,935	206,596
Available for sale securities:				
Common stocks	65,331	65,024	150,000	135,701
Mutual funds	103	271	206	500
Total available for sale securities	65,434	65,295	150,206	136,201
Total investments in securities	$ 331,585	$ 352,637	$ 343,141	$ 342,797

Securities sold, not yet purchased at December 31, 2017 and 2016 consisted of the following:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
(In thousands)				
Trading securities:				
Common stocks	$ 4,862	$ 5,396	$ 9,583	$ 9,947
Other investments	1	335	27	37
Total securities sold, not yet purchased	$ 4,863	$ 5,731	$ 9,610	$ 9,984

Investments in affiliated registered investment companies at December 31, 2017 and 2016 consisted of the following:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
(In thousands)				
Trading securities:				
Closed-end funds	$ 26,231	$ 26,929	$ -	$ -
Mutual funds	41,950	48,328	40,096	45,351
Total trading securities	68,181	75,257	40,096	45,351
Available for sale securities:				
Closed-end funds	53,782	66,218	62,890	80,650
Mutual funds	3,420	4,439	4,396	5,644
Total available for sale securities	57,202	70,657	67,286	86,294
Total investments in affiliated registered investment companies	$ 125,383	$ 145,914	$ 107,382	$ 131,645

The following table identifies all reclassifications between accumulated other comprehensive income ("AOCI") and net income/(loss) for the years ended December 31, 2017 and 2016 (in thousands):

Amount Reclassified from AOCI		Affected Line Item in in the Statements Of Income	Reason for Reclassification from AOCI
Year ended December 31,			
2017	2016		
$ 167	$ 348	Net gain from investments	Realized gains on sale of AFS securities
11,788	-	Net gain from investments	Gains on transfer of AFS securities to affiliated broker-dealer
(19,201)	(324)	Net gain from investments	Other than temporary impairment of AFS securities
(7,246)	24	Income (loss) before income taxes	
2,599	(9)	Income tax benefit (expense)	
$ (4,647)	$ 15	Net income (loss)	

In November 2017, AC made a non-cash contribution of certain AFS securities totaling $91.3 million to G.research, an indirect wholly-owned broker-dealer that is required to account for these as trading securities under specialized industry accounting, which is ultimately retained through consolidation. This transaction resulted in the recognition of a gain of $11.8 million and income tax expense of $4.2 million in net income due to the reclassification of unrealized gains net of taxes out of other comprehensive income upon the completion of this transfer.

The Company recognizes all equity derivatives as either assets or liabilities measured at fair value and includes them in either investments in securities or securities sold, not yet purchased on the consolidated statements of financial condition. From time to time, the Company and/or the partnerships and offshore funds that the Company consolidates will enter into hedging transactions to manage their exposure to foreign currencies and equity prices related to their proprietary investments. At December 31, 2017 and December 31, 2016 we held derivative contracts on 1.7 million equity shares and 16,000 equity shares, respectively, that are included in investments in securities or securities sold, not yet purchased on the consolidated statements of financial condition. We had no foreign exchange contracts outstanding at December 31, 2017 and December 31, 2016. Generally, these transactions are not designated as hedges for accounting purposes, and, therefore changes in fair values of these derivatives are included in net gain/(loss) from investments on the consolidated statements of income. One foreign exchange contract, which expired in June 2016, however, was designated as a hedge on Gabelli Value Plus+ Trust Ltd., a London Stock Exchange listed closed-end fund which is denominated in British Pounds. As the underlying investment that was being hedged is an available for sale security, the portion of the change in value of the closed-end fund that is currency related is recorded in net gain from investments on the consolidated statements of income and not in consolidated accumulated comprehensive income/(loss).

The following tables identify the fair values and gains and losses of all derivatives and foreign currency positions held by the Company (in thousands):

	Asset Derivatives			Liability Derivatives		
	Statement of Financial Condition Location	Fair Value December 31, 2017	Fair Value December 31, 2016	Statement of Financial Condition Location	Fair Value December 31, 2017	Fair Value December 31, 2016
Derivatives designated as hedging instruments under FASB ASC 815-20						
Foreign exchange contracts	Receivable from brokers	$ -	$ -	Payable to brokers	$ -	$ -
Sub total		$ -	$ -		$ -	$ -
Derivatives not designated as hedging instruments under FASB ASC 815-20						
Equity contracts	Investments in securities	$ 229	$ 127	Securities sold, not yet purchased	$ 335	$ 37
Foreign exchange contracts	Receivable from brokers	-	-	Payable to brokers	-	-
Sub total		$ 229	$ 127		$ 335	$ 37
Total derivatives		$ 229	$ 127		$ 335	$ 37

Type of Derivative	Income Statement Location	Year ended December 31, 2017	Year ended December 31, 2016
Foreign exchange contracts	Net gain from investments	$ -	$ 1,373
Equity contracts	Net gain from investments	(98)	143
Total		$ (98)	$ 1,516

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

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statements of Financial Condition	Net Amounts of Assets Presented in the Statements of Financial Condition	Gross Amounts Not Offset in the Statements of Financial Condition: Financial Instruments	Cash Collateral Received	Net Amount
Swaps:			(In thousands)			
December 31, 2017	$ 229	$ -	$ 229	$ (229)	$ -	$ -
December 31, 2016	$ 96	$ -	$ 96	$ (9)	$ -	$ 87

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statements of Financial Condition	Net Amounts of Liabilities Presented in the Statements of Financial Condition	Gross Amounts Not Offset in the Statements of Financial Condition: Financial Instruments	Cash Collateral Pledged	Net Amount
Swaps:			(In thousands)			
December 31, 2017	$ 334	$ -	$ 334	$ (229)	$ -	$ 105
December 31, 2016	$ 9	$ -	$ 9	$ (9)	$ -	$ -

The following is a summary of the cost, gross unrealized gains, gross unrealized losses and fair value of AFS investments as of December 31, 2017 and 2016:

	December 31, 2017			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Common stocks	$ 65,331	$ -	$ (307)	$ 65,024
Closed-end Funds	53,782	12,436	-	66,218
Mutual funds	3,523	1,187	-	4,710
Total available for sale securities	$ 122,636	$ 13,623	$ (307)	$ 135,952

	December 31, 2016			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Common stocks	$ 150,000	$ -	$ (14,299)	$ 135,701
Closed-end Funds	62,890	17,760	-	80,650
Mutual funds	4,602	1,542	-	6,144
Total available for sale securities	$ 217,492	$ 19,302	$ (14,299)	$ 222,495

Changes in net unrealized gains/(losses), net of taxes, for AFS securities for the years ended December 31, 2017, 2016 and 2015 of $5.4 million, $3.2 million and ($11.2) million, respectively, have been included in other comprehensive income/(loss) at December 31, 2017, 2016 and 2015, respectively.

The amount reclassified from other comprehensive income/(loss) for the years ended December 31, 2017, 2016 and 2015 were gains/(losses) inclusive of other-than-temporary impairments and the impact of transfers of AFS securities to trading securities of $4.6 million, $0.02 million and of ($0.1) million, respectively. Return of capital on AFS securities were $0.9 million, $0.2 million and $0.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. Proceeds from sales of investments available for sale were approximately $0.3 million, $0.8 million and $1.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. For the years ended December 31, 2017, 2016 and 2015, gross gains on the sale of investments available for sale amounted to $0.2 million, $0.3 million and $0.03 million, respectively, and were reclassed from other comprehensive income/(loss) into the consolidated statements of income. There were no losses on the sale of investments available for sale for the years ended December 31, 2017, 2016 and 2015. The Company determines the cost of a security sold by using specific identification. Accumulated other comprehensive income/(loss) on the consolidated statements of equity is primarily comprised of unrealized gains/(losses), net of taxes, for AFS securities.

The Company has an established accounting policy and methodology to determine other-than-temporary impairment. Under this policy, AFS securities are evaluated for other-than-temporary impairments and any impairment charges are recorded in net gain from investments on the consolidated statements of income. Management reviews all AFS securities whose cost exceeds their market value to determine if the impairment is other-than-temporary. Management uses qualitative factors such as diversification of the investment, the amount of time that the investment has been impaired, the intent to sell and the severity of the decline in determining whether the impairment is other than temporary.

Investments classified as AFS that are in an unrealized loss position for which other-than-temporary impairment has not been recognized consisted of the following (in thousands):

	December 31, 2017			December 31, 2016		
		Unrealized			Unrealized	
	Cost	Losses	Fair Value	Cost	Losses	Fair Value
(in thousands)						
Common Stocks	$ 65,331	$ (307)	$ 65,024	$150,000	$ (14,299)	$135,701
Total avalable for sale securities						
in unrealized loss position	$ 65,331	$ (307)	$ 65,024	$150,000	$ (14,299)	$135,701

For the years ended December 31, 2017, 2016 and 2015, there were $19.2 million, $0.3 million and $0.2 million of losses, respectively, on AFS securities deemed to be other-than-temporary. In 2017, AC recognized a $19.1 million OTT impairment on the GBL shares due to the magnitude and persistence of the unrealized loss.

At December 31, 2017, there was one holding in a loss position which was not deemed to be other-than-temporarily impaired due to the length of time that it has been consecutively in a loss position and our evaluation of issuer-specific and industry-specific considerations. The holding was the GBL stock that was, as noted above, deemed to have an “other than temporary impairment” during the year ended December 31, 2017, but which has subsequently further declined. These further losses were not deemed to be other-than-temporarily impaired.

At December 31, 2016, there was one holding in an unrealized loss position which was not deemed to be other-than-temporarily impaired due to the length of time that it has been consecutively in a loss position and our evaluation of issuer-specific and industry-specific considerations. This holding was a common stock and was impaired for seven consecutive months. This fair value of this holding exceeded its cost during the year ended December 31, 2016.

D. Investment Partnerships and Variable Interest Entities

The Company is general partner or co-general partner of various affiliated entities, in which the Company had investments totaling $124.5 million and $112.3 million at December 31, 2017 and 2016, respectively, and whose underlying assets consist primarily of marketable securities (“Affiliated Entities”). We also had investments in unaffiliated partnerships, offshore funds and other entities of $21.1 million and $17.1 million at December 31, 2017 and 2016, respectively (“Unaffiliated Entities”). We evaluate each entity for the appropriate accounting treatment and disclosure. Certain of the Affiliated Entities, and none of the Unaffiliated Entities, are consolidated, as discussed in Note B.

For those entities where consolidation is not deemed appropriate, we report them in our consolidated statements of financial condition under the caption “Investments in partnerships.” The caption includes investments in Affiliated Entities which the Company accounts for under the equity method of accounting and Unaffiliated Entities which the Company accounts for using fair value accounting. The Company reflects the equity in earnings of these Affiliated Entities and the change in fair value of the Unaffiliated Entities under the caption net gain from investments on the consolidated statements of income.

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

Entities consolidated

	VIEs	VOEs
Entities consolidated at December 31, 2014	1	4
Additional consolidated entities	1	2
Deconsolidated entities	-	(2)
Entities consolidated at December 31, 2015	2	4
Additional consolidated entities	1	-
Deconsolidated entities	(2)	(3)
Entities consolidated at December 31, 2016	1	1
Additional consolidated entities	-	2
Deconsolidated entities	-	-
Entities consolidated at December 31, 2017	1	3

At and for the year ended December 31, 2017, three VOEs are consolidated, as the Company owns a majority of the interests in these entities and one Partnership VIE is consolidated, as the unaffiliated partners or shareholders lack substantive kick-out rights and the Company is the entity's primary beneficiary.

At and for the year ended December 31, 2016, one VOE is consolidated, as the Company owns a majority of the interests in the entity and one VIE is consolidated, as the unaffiliated partners or shareholders lack substantive kick-out rights and the Company is the entity's primary beneficiary.

At and for the year ended December 31, 2015, two VIEs were consolidated because the unaffiliated partners or shareholders lack substantive kick-out rights and the Company was determined to be the primary beneficiary. At and for the year ended December 31, 2015, two VOEs were consolidated because the Company, as either the general partner or investment manager, was deemed to have control. During the year ended December 31, 2015, it was determined that an additional VOE should be consolidated when the entity was created without unaffiliated capital and a VIE should be consolidated upon the last unaffiliated investor withdrawing its capital. Additionally, a VOE was deconsolidated as the Company's ownership percentage fell below 50%, a VOE was deconsolidated when it was closed, and an additional VOE was consolidated upon the withdrawal of the last unaffiliated investor.

The following table breaks down the investments in partnerships line by accounting method used (in thousands):

	December 31, 2017		
Accounting method	**Affiliated**	**Unaffiliated**	**Total**
Fair Value	$ 9,442	$ -	$ 9,442
Equity Method	115,046	21,103	136,149
Total	$ 124,488	$ 21,103	$ 145,591

	December 31, 2016		
Accounting method	**Affiliated**	**Unaffiliated**	**Total**
Fair Value	$ 8,343	$ -	$ 8,343
Equity Method	103,947	17,108	121,055
Total	$ 112,290	$ 17,108	$ 129,398

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

	December 31, 2017		
	Prior to Consolidation	Consolidated Entities	As Reported
Assets			
Cash and cash equivalents	$ 287,963	$ 5,149	$ 293,112
Investments in securities (including GBL stock)	255,252	97,385	352,637
Investments in affiliated investment companies	198,469	(52,555)	145,914
Investments in partnerships	160,456	(14,865)	145,591
Receivable from brokers	11,722	23,159	34,881
Investment advisory fees receivable	5,749	(10)	5,739
Other assets	28,865	176	29,041
Total assets	$ 948,476	$ 58,439	$ 1,006,915
Liabilities and equity			
Securities sold, not yet purchased	$ 5,405	$ 326	$ 5,731
Accrued expenses and other liabilities	24,924	11,883	36,807
Redeemable noncontrolling interests	-	46,230	46,230
Total equity	918,147	-	918,147
Total liabilities and equity	$ 948,476	$ 58,439	$ 1,006,915

	December 31, 2016		
	Prior to Consolidation	Consolidated Entities	As Reported
Assets			
Cash and cash equivalents	$ 313,785	$ 308	$ 314,093
Investments in securities (including GBL stock)	336,459	6,338	342,797
Investments in affiliated investment companies	131,645	-	131,645
Investments in partnerships	133,794	(4,396)	129,398
Receivable from brokers	10,542	2,046	12,588
Investment advisory fees receivable	9,800	(16)	9,784
Other assets	12,298	-	12,298
Total assets	$ 948,323	$ 4,280	$ 952,603
Liabilities and equity			
Securities sold, not yet purchased	$ 9,984	$ -	$ 9,984
Accrued expenses and other liabilities	64,317	50	64,367
Redeemable noncontrolling interests	-	4,230	4,230
Total equity	874,022	-	874,022
Total liabilities and equity	$ 948,323	$ 4,280	$ 952,603

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

	Twelve Months Ended December 31, 2017		
	Prior to Consolidation	Consolidated Entities	As Reported
Total revenues	$ 26,962	$ (47)	$ 26,915
Total expenses	45,595	1,706	47,301
Operating loss	(18,633)	(1,753)	(20,386)
Total other income, net	25,050	1,600	26,650
Income (loss) before income taxes	6,417	(153)	6,264
Income tax benefit	(2,420)	-	(2,420)
Net income (loss) before NCI	8,837	(153)	8,684
Net loss attributable to noncontrolling interests	-	(153)	(153)
Net income	$ 8,837	$ -	$ 8,837

	Twelve Months Ended December 31, 2016		
	Prior to Consolidation	Consolidated Entities	As Reported
Total revenues	$ 31,247	$ (20)	$ 31,227
Total expenses	43,285	174	43,459
Operating loss	(12,038)	(194)	(12,232)
Total other income, net	26,086	491	26,577
Income before income taxes	14,048	297	14,345
Income tax expense	3,876	-	3,876
Net income before NCI	10,172	297	10,469
Net income (loss) attributable to noncontrolling interests	(46)	297	251
Net income	$ 10,218	$ -	$ 10,218

	Twelve Months Ended December 31, 2015		
	Prior to Consolidation	Consolidated Entities	As Reported
Total revenues	$ 22,883	$ (41)	$ 22,842
Total expenses	36,963	191	37,154
Operating loss	(14,080)	(232)	(14,312)
Total other income (expense), net	11,967	(231)	11,736
Loss before income taxes	(2,113)	(463)	(2,576)
Income tax benefit	(1,685)	-	(1,685)
Net loss before NCI	(428)	(463)	(891)
Net loss attributable to noncontrolling interests	(317)	(463)	(780)
Net loss	$ (111)	$ -	$ (111)

Variable Interest Entities

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

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

	December 31, 2017	December 31, 2016
(In thousands)		
Cash and cash equivalents	$ 120	$ 308
Investments in securities	8,757	6,338
Receivable from broker	1,657	2,046
Other assets	(19)	(8)
Accrued expenses and other liabilities	(29)	(37)
Redeemable noncontrolling interests	(284)	(287)
AC's net interests in consolidated VIE	$ 10,202	$ 8,360

Equity Method Investments

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

The summarized financial information of the Company's equity method investments for December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
(In millions)		
Total assets	$ 1,600	$ 2,137
Total liabilities	322	350
Total equity	1,278	1,787
	For the year	
	2017	2016
Net income/(loss)	112	(17)

E. Fair Value

The following tables present information about the Company's assets and liabilities by major category measured at fair value on a recurring basis as of December 31, 2017 and 2016 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. Investments in certain entities that calculate net asset value per share and other investments that are not held at fair value are provided as separate items to permit reconciliation of the fair value of investments included in the fair value hierarchy to the total amounts presented in the consolidated statements of financial condition.

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of December 31, 2017 (in thousands)

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (a)	Other Assets Not Held at Fair Value (b)	Balance as of December 31, 2017
Cash equivalents	$ 290,043	$ -	$ -	$ -	$ -	$ 290,043
Investments in partnerships	-	-	-	140,617	4,974	145,591
Investments in securities (including GBL stock):						
AFS - Common stocks	65,024	-	-	-	-	65,024
AFS - Mutual funds	271	-	-	-	-	271
Trading - Gov't obligations	53,804	-	-	-	-	53,804
Trading - Common stocks	227,938	1	618	-	-	228,557
Trading - Mutual funds	3,157	-	-	-	-	3,157
Trading - Other	426	229	1,169	-	-	1,824
Total investments in securities	350,620	230	1,787	-	-	352,637
Investments in affiliated registered investment companies:						
AFS - Closed-end funds	66,218	-	-	-	-	66,218
AFS - Mutual funds	4,439	-	-	-	-	4,439
Trading - Closed-end funds	26,929	-	-	-	-	26,929
Trading - Mutual funds	48,328	-	-	-	-	48,328
Total investments in affiliated registered investment companies	145,914	-	-	-	-	145,914
Total investments	496,534	230	1,787	140,617	4,974	644,142
Total assets at fair value	$ 786,577	$ 230	$ 1,787	$ 140,617	$ 4,974	$ 934,185
Liabilities						
Trading - Common stocks	$ 5,396	$ -	$ -	$ -	$ -	$ 5,396
Trading - Other	-	335	-	-	-	335
Securities sold, not yet purchased	$ 5,396	$ 335	$ -	$ -	$ -	$ 5,731

Investments that are measured at NAV as of December 31, 2017 include $124.5 million and $16.1 million of Affiliated and Unaffiliated Entities, respectively. Capital may generally be redeemed from Affiliated Entities on a monthly basis upon adequate notice as determined in the sole discretion of each entity's investment manager. Capital invested in Unaffiliated Entities may generally be redeemed at various intervals ranging from monthly to annually upon notice of 30 to 95 days. Certain Unaffiliated Entities may require a minimum investment period before capital can be voluntarily redeemed (a "Lockup Period"). No investment in an Unaffiliated Entity has an unexpired Lockup Period. The Company has no outstanding capital commitments to any Affiliated or Unaffiliated Entity.

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of December 31, 2016 (in thousands)

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (a)	Other Assets Not Held at Fair Value (b)	Balance as of December 31, 2016
Cash equivalents	$ 314,082	$ -	$ -	$ -	$ -	$ 314,082
Investments in partnerships	-	-	-	125,527	3,871	129,398
Investments in securities (including GBL stock):						
AFS - Common stocks	135,701	-	-	-	-	135,701
AFS - Mutual funds	500	-	-	-	-	500
Trading - Gov't obligations	119,823	-	-	-	-	119,823
Trading - Common stocks	81,696	1	461	-	-	82,158
Trading - Mutual funds	3,143	-	-	-	-	3,143
Trading - Other	1,062	127	283	-	-	1,472
Total investments in securities	341,925	128	744	-	-	342,797
Investments in affiliated registered investment companies:						
AFS - Closed-end funds	80,650	-	-	-	-	80,650
AFS - Mutual funds	5,644	-	-	-	-	5,644
Trading - Mutual funds	45,351	-	-	-	-	45,351
Total investments in affiliated registered investment companies	131,645	-	-	-	-	131,645
Total investments	473,570	128	744	125,527	3,871	603,840
Total assets at fair value	$ 787,652	$ 128	$ 744	$ 125,527	$ 3,871	$ 917,922
Liabilities						
Trading - Common stocks	$ 9,947	$ -	$ -	$ -	$ -	$ 9,947
Trading - Other	-	37	-	-	-	37
Securities sold, not yet purchased	$ 9,947	$ 37	$ -	$ -	$ -	$ 9,984

(a) Amounts are comprised of certain investments measured at fair value using NAV or its equivalent as a practical expedient. These investments have not been classified in the fair value hierarchy.

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

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

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the year ended December 31, 2017 (in thousands)

Asset	December 31, 2016 Beginning Balance	Total Realized and Unrealized Gains or (Losses) in Income: Trading	Total Realized and Unrealized Gains or (Losses) in Income: AFS Investments	Total Unrealized Gains or (Losses) Included in Other Comprehensive Income	Total Realized and Unrealized Gains or (Losses)	Purchases	Sales	Transfers In and/or (Out) of Level 3	Ending Balance
Financial instruments owned:									
Trading - Common stocks	$ 461	$ 193	$ -	$ -	$ 193	$ -	$ -	$ (36)	$ 618
Trading - Other	283	869	-	-	869	167	(150)	-	1,169
Total	$ 744	$ 1,062	$ -	$ -	$ 1,062	$ 167	$ (150)	$ (36)	$1,787

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2017. During the year ended December 31, 2017, the Company transferred an investment with a value of approximately $36,000 from Level 3 to Level 1. The reclassification was due to increased availability of market price quotations and was based on the value at the beginning of the period in which the transfer occurred.

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the year ended December 31, 2016 (in thousands)

Asset	December 31, 2015 Beginning Balance	Total Realized and Unrealized Gains or (Losses) in Income: Trading	Total Realized and Unrealized Gains or (Losses) in Income: AFS Investments	Total Unrealized Gains or (Losses) Included in Other Comprehensive Income	Total Realized and Unrealized Gains or (Losses)	Purchases	Sales	Transfers In and/or (Out) of Level 3	Ending Balance
Financial instruments owned:									
Trading - Common stocks	$ 508	$ (47)	$ -	$ -	$ (47)	$ -	$ -	$ -	$ 461
Trading - Other	305	(2)	-	-	(2)	-	(20)	-	283
Total	$ 813	$ (49)	$ -	$ -	$ (49)	$ -	$ (20)	$ -	$ 744

During the year ended December 31, 2016, there were no transfers between Level 1, Level 2 and Level 3 holdings.

F. Income Taxes

For the calendar years 2017, 2016 and the month of December 2015, AC and its greater than 80% owned subsidiaries file a consolidated federal income tax return. Accordingly, the income tax provision represents the aggregate of the amount provided for all companies.

Prior to the spin-off, the operations of the Company's subsidiaries are included in the consolidated U.S. federal and certain state and local income tax returns of GAMCO for the first eleven months of the 2015. For this period, the Company filed a consolidated U.S. federal and certain state and local income tax returns for the last month of 2015. The Company's subsidiaries' federal and certain state and local income taxes were calculated as if the Company's subsidiaries filed on a separate return basis, and the amount of current and deferred tax or benefit is either remitted to or received from GAMCO.

The provision for income taxes for the years ended December 31, 2017, 2016 and 2015 consisted of the following:

	2017	2016	2015
(In thousands)			
Federal:			
Current	$ 781	$ 5,018	$ 4,540
Deferred	(3,137)	(1,231)	(6,160)
State and local:			
Current	(33)	236	225
Deferred	(31)	(147)	(290)
Total	$ (2,420)	$ 3,876	$ (1,685)

A reconciliation of the Federal statutory rate to the effective tax rate is set forth below:

	2017	2016	2015
Statutory Federal income tax rate	34.0%	34.0%	34.0%
State income tax, net of Federal benefit	(1.3)	1.2	1.6
Dividends received deduction	(8.0)	(3.6)	26.4
Donation of appreciated securities	(21.5)	(4.5)	3.2
Revaluation of net deferred tax liabilities due to tax reform	(26.5)	-	-
Accelerated vesting of restricted stock awards	(14.5)	-	-
Noncontrolling interests	(0.9)	(0.7)	-
Other	0.1	0.6	0.2
Effective income tax rate	-38.6%	27.0%	65.4%

U.S. federal legislation commonly referred to as the Tax Cuts and Jobs Act reduced the corporate income tax rate from a maximum of 35% to 21% beginning in 2018. As a result, the Company revalued its deferred tax assets and liabilities in December 2017. The income tax provision for the year ended December 31, 2017 reflects a benefit of $1.7 million due to this revaluation. This benefit, which was based on reasonable estimates, may require future adjustment for a variety of factors including the receipt of additional information from investment funds, changes in the Company's assumptions, and/or the availability of further guidance and interpretations.

Significant components of our deferred tax assets and liabilities are as follows:

	2017	2016
(In thousands)		
Deferred tax assets:		
Stock-based compensation expense	$ 19	$ 719
Deferred compensation	987	1,315
Shareholder-designated contribution carryover	1,765	1,461
Other	3	4
Total deferred tax assets	2,774	3,499
Deferred tax liabilities:		
Investments in securities and partnerships	(6,165)	(7,451)
Other liabilities	(12)	-
Total deferred tax liabilities	(6,177)	(7,451)
Net deferred tax liabilities	$ (3,403)	$ (3,952)

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

	(in thousands)
Balance at January 1, 2015	$ 57
Additions based on tax positions related to the current year	(60)
Additions for tax positions of prior years	-
Reductions for tax positions of prior years	(2)
Settlements	(11)
Balance at December 31, 2015	(16)
Additions based on tax positions related to the current year	-
Additions for tax positions of prior years	126
Reductions for tax positions of prior years	(10)
Settlements	-
Balance at December 31, 2016	100
Additions based on tax positions related to the current year	-
Additions for tax positions of prior years	-
Reductions for tax positions of prior years	(89)
Settlements	-
Balance at December 31, 2017	$ 11

The Company records penalties and interest related to tax uncertainties in income taxes. As of December 31, 2017, 2016 and 2015, the Company's had gross unrecognized tax benefits (liabilities) of $10,923, $100,149 and ($15,678), respectively, of which $8,629, $66,098 and ($10,347), respectively, if recognized, would impact the Company's effective tax rate. The Company has accrued liabilities of $6,241 and $94,428 as of December 31, 2017 and 2016, respectively, for interest and penalties. These amounts are included in accrued expenses and other liabilities on the consolidated statements of financial condition.

Under the Company's Tax Indemnity and Sharing Agreement with GAMCO, GAMCO is liable for all income taxes of the Company for periods prior to the spin-off from GAMCO. The Company is not currently under audit by any tax jurisdiction. The Company is subject to Federal and state audits for tax years after 2014.

G. Earnings per Share

Basic earnings per share is computed by dividing net income/(loss) per share attributable to our shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share is computed by dividing net income/(loss) per share attributable to our shareholders by the weighted average number of shares outstanding during the period, adjusted for the dilutive effect of restricted stock awards.

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

	For the Years Ending December 31,		
(in thousands, except per share amounts)	2017	2016	2015
Basic:			
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 8,837	$ 10,218	$ (111)
Weighted average shares outstanding	23,792	24,870	24,887
Basic net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share	$ 0.37	$ 0.41	$ -
Diluted:			
Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders	$ 8,837	$ 10,218	$ (111)
Weighted average share outstanding	23,792	24,870	24,887
Dilutive restricted stock awards	133	305	283
Total	23,925	25,175	25,170
Diluted net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share	$ 0.37	$ 0.41	$ -

H. Related Party Transactions

The following is a summary of certain related party transactions.

GGCP indirectly owns a majority of our Class B Stock, representing approximately 94% of the combined voting power and 78% of the outstanding shares of our common stock at December 31, 2017.

Loans with GAMCO

On December 28, 2015, GCIA paid GAMCO $16 million in full repayment of an outstanding demand loan which bore interest at 5.5%. The interest on this loan was $0.9 million in 2015 and is included in interest expense on the consolidated statements of income.

During 2015, GCIA paid to GAMCO $66,000 of interest on the GCIA Note which is included in interest expense on the consolidated statements of income.

During the years ended December 31, 2017 and 2016, AC received principal repayments totaling $50 million and $150 million, respectively, on the GAMCO Note. Following these prepayments, the outstanding balance of $50 million is due on November 30, 2020. Interest income of $3.0 million, $7.8 million and $0.8 million is included in interest and dividend income on the consolidated statements of income for the years ended December 31, 2017, 2016 and 2015, respectively. See Note A. Organization.

On December 26, 2017, GAMCO issued a promissory note to the Company for $15 million. The note comes due on February 28, 2018, bears interest at 1.6% per annum, and is secured by a second lien on certain marketable securities held by GAMCO.

Investment in Securities

At December 31, 2017 and 2016, approximately $44 million and $39 million, respectively, of our proprietary investment accounts, which are included in investments in securities on the consolidated statements of financial condition, were managed by our analysts or portfolio managers other than Mr. Mario Gabelli. The individuals managing these accounts receive 20% of the net profits, if any, earned on the accounts. In August 2006, a son of the Executive Chairman was given responsibility for managing one such proprietary investment account. The balance in the account at December 31, 2017 and 2016 was $18.0 and $14.6 million, respectively, of which $3.5 million and $2.7 million, respectively, is owed to the portfolio manager representing earnings that have been re-invested in the account. For 2017, 2016 and 2015, the performance of this account resulted in compensation of approximately $0.5 million, $0.1 million and $0.1 million, respectively, for managing this account.

At December 31, 2017 and 2016, the value of the Company's investment in GAMCO common stock was $130.3 million and $135.7 million, respectively. The Company recorded dividend income of $0.4 million in 2017 and 2016 relating to its investment in GAMCO common stock, which is included in interest and dividend income on the consolidated statements of income.

At December 31, 2017 and 2016, the Company had investments of $238.1 million and $314.1 million, respectively, invested in the Gabelli U.S. Treasury Money Market Fund, which is recorded in cash and cash equivalents on the consolidated statements of financial condition.

Investments in affiliated equity mutual funds advised by Gabelli Funds, LLC, a wholly-owned subsidiary of GAMCO, and Teton Advisors, Inc., an investment advisor controlled by GGCP Holdings, LLC, the majority stockholder of AC, at December 31, 2017 and 2016 totaled $146.2 million and $132.1 million, respectively, and are included in either investments in securities or investments in affiliated registered investment companies on the consolidated statements of financial condition.

Investment in Partnerships

We had an aggregate investment in affiliated partnerships and offshore funds of approximately $124.5 million and $112.3 million at December 31, 2017 and 2016, respectively.

Investment Advisory Services

GCIA and Gemini Capital Management LLC ("GCM LLC") serve as co-general partners of Gemini Global Partners, L.P. (formerly Gabelli Global Partners, L.P., "Gemini LP"). Gabelli Securities International Limited, a Bermuda corporation ("GSIL") formed in 1994 to provide investment advisory services to offshore funds and accounts, and GCM LLC serve as co-investment managers of Gabelli Global Partners Ltd. ("GGP Ltd"). Gemini LP and GGP Ltd are both feeder funds of Gabelli Global Partners Master Fund Ltd., an investment fund organized in the Cayman Islands. GCIA owns 45% of GSIL. A son of the Executive Chairman owns the remaining 55% of GSIL and 100% of GCM LLC.

Each of GCIA and GCM LLC is entitled to 50% of advisory fees and incentive allocations payable by Gemini LP. These advisory fees were $55,228, $63,196 and $70,345 for 2017, 2016 and 2015, respectively. No incentive fees were earned from 2015 to 2017. As of December 31, 2017 and 2016, there were payables of $13,018 and $201,065, respectively, from Gemini LP included in payables to affiliates and receivables from affiliates, respectively, on the consolidated statements of financial condition.

Each of GSIL and GCM LLC is entitled to 50% of advisory and incentive fees payable by and GGP Ltd. These advisory fees were $7,365, $10,325 and $0 for 2017, 2016 and 2015, respectively. No incentive fees were earned from 2015 to 2017. As of December 31, 2017 and 2016, there was a payable of $10,528 and a receivable of $10,329 respectively, from GGP Ltd included in payables to affiliates and receivables from affiliates, respectively, on the consolidated statements of financial condition.

In October 2017, GCIA agreed to purchase the remaining shares of GSIL that it does not hold for $564,516, subject to regulatory approvals and other standard closing conditions. As of December 31, 2017, the closing conditions have not been satisfied.

In October 2017, GCIA agreed to purchase all outstanding shares of GAMA Funds Holdings GmbH, Baar, ("GFH") a private Swiss company that holds investments in private companies, from a son of the Executive Chairman for $110,539 plus net proceeds from the sale of its investments, subject to regulatory approvals and other standard closing conditions. As of December 31, 2017, the closing conditions have not been satisfied.

Compensation

Subsequent to the spin-off on November 30, 2015, and in accordance with Mr. Gabelli's employment agreement, the Company will pay the Executive Chairman, or his designated assignee, a monthly management fee equal to 10% of the Company's pretax profits before consideration of this fee and before consolidation of the various consolidated funds and partnerships discussed in Note D. Prior to the spin-off, the amount of management fee reflected on the financial statements is a carve-out from the historical GAMCO consolidated financial statements. In 2017, 2016 and 2015, the Company recorded management fee expense or (contra-expense) of $0.7 million, $1.6 million and ($0.3) million, respectively. These fees are recorded as management fee on the consolidated statements of income.

Income Taxes

As a result of the spin-off, the operations of the Company's subsidiaries were included in the consolidated U.S. federal and certain state and local income tax returns of GAMCO for the first eleven months of the 2015. The Company filed consolidated U.S. federal and certain state and local income tax returns for the last month of 2015. The Company's subsidiaries' federal and certain state and local income taxes are calculated as if the Company's subsidiaries filed on a separate return basis, and the amount of current and deferred tax or benefit is either remitted to or received from GAMCO for the first eleven months of 2015 or the Company for December 2015 using a benefits for loss approach such that net operating loss (or other tax attribute) is characterized as realized by the Company's subsidiaries when those tax attributes are utilized in the consolidated tax return of GAMCO or the Company. This is the case even if the Company's subsidiaries would not otherwise have realized those tax attributes.

Affiliated Receivables/Payables

At December 31, 2017, the receivable from affiliates consists primarily of the $15 million promissory note issued by GAMCO on December 26, 2017. At December 31, 2016, the receivable from affiliates consists primarily of SICAV net revenues due from Gabelli Funds, LLC (see *Other* below for detail).

At December 31, 2017 and 2016, the payable to affiliates primarily consisted of expenses paid by affiliates on behalf of the Company pursuant to the Transitional Services Agreement.

GAMCO Sublease

Since 1997, GAMCO has leased office space at 401 Theodore Fremd Ave, Rye, NY from M4E, LLC, an entity owned by the adult children of the Executive Chairman. The current lease expires on December 31, 2028. The Company paid $77,444 and $310,566 to GAMCO in 2016 and 2015, respectively, for its use of the Rye location. In June 2016, AC entered into a sublease agreement with GAMCO initially effective from April 1, 2016 through March 31, 2017. In March, 2017, this sublease was renewed through March 31, 2018. Pursuant to the sublease, AC and its subsidiaries shall pay a monthly fixed lease amount based on the percentage of square footage occupied by its employees (including pro rata allocation of common space). For the year ended December 31, 2017 and the nine months ended December 31, 2016, the Company paid $374,401 and $276,238, respectively, under the sublease agreement. These amounts are included within other operating expenses on the consolidated statements of income.

Other

In 2017, 2016 and 2015, the Company earned $4.5 million, $5.2 million and $4.9 million, respectively, or 60%, 63% and 59%, respectively, of its commission revenue from transactions executed on behalf of Gabelli Funds, LLC and private wealth management clients advised by GAMCO Asset Management Inc., wholly-owned subsidiaries of GAMCO. These commissions are included in institutional research services on the consolidated statements of income.

As required by the Company's Code of Ethics, staff members are required to maintain their brokerage accounts at G.research unless they receive permission to maintain an outside account. G.research offers its entire staff the opportunity to engage in brokerage transactions at discounted commission rates. Accordingly, many of our staff members, including the executive officers or entities controlled by them, have brokerage accounts at G.research and have engaged in securities transactions at discounted rates.

Pursuant to research services agreements (see Note B), GAMCO Asset Management Inc. paid $2.2 million, $1.5 million and $0.7 million and Gabelli Funds, LLC paid $2.3 million, $1.5 million and $0.8 million to the Company for the years ended December 31, 2017, 2016 and 2015, respectively.

During 2017 and 2016, the Company participated as agent in the at the market offerings of The Gabelli Global Gold, Natural Resources & Income Trust ("GGN") and The Gabelli Healthcare & WellnessRx Trust 5.875% Series B Cumulative Preferred Stock ("GRX"). Pursuant to sales agreements between the parties, the Company earned sales manager fees related to these offerings of $39,782 and $1,178,330 for GGN, respectively, and $0 and $5,495 for GRX, respectively, which are included in institutional research services on the consolidated statements of income. There were no sales manager fees earned from GGN or GRX offerings during 2015.

The Company participated in three preferred stock offerings of certain GAMCO closed-end funds in 2017. In September 2017, the Company acted as co-underwriter in The Ellsworth Growth and Income Fund Ltd 5.25% Series A Fixed Rate Preferred Stock and The Gabelli Multimedia Trust 5.25% Series E Cumulative Preferred Stock offerings. During October 2017, the Company acted as co-underwriter in GAMCO Natural Resources, Gold & Income Trust 5.20% Series A Cumulative Preferred Stock offering. Underwriting fees and selling concessions, net of expenses, related to the launch of these funds amounted to $172,730 and are included in either institutional research services or other revenue on the consolidated statements of income. Throughout 2016, the Company acted as co-underwriter in five preferred stock offerings of certain GAMCO closed-end funds: The Gabelli Equity Trust 5.45% Series J Cumulative Preferred Stock; The Gabelli Global Small and Mid Cap Value Trust 5.45% Series A Cumulative Preferred Stock; The Gabelli Utility Trust 5.375% Series C Cumulative Preferred Stock; The Gabelli Dividend & Income Trust 5.25% Series G Cumulative Preferred Stock; and Bancroft Fund Ltd. 5.375% Series A Preferred Stock. Underwriting fees and selling concessions, net of expenses, related to the launch of these funds amounted to $420,252 and are included in either institutional research services or other revenue on the consolidated statements of income.

On July 27, 2011, the Company entered into a Distribution Agreement with G.distributors, LLC ("G.distributors"), a subsidiary of GAMCO. Under the Distribution Agreement, the Company was the broker of record for certain ongoing client relationships and earned distribution fees. On July 1, 2015, these mutual fund distribution assets were transferred out of the Company. Through June 30, 2015, the Company earned $263,692 in distribution fees, which are included in other income on the consolidated statements of income.

On June 30, 2015, Distributors Holdings, Inc. ("DHI"), a wholly-owned subsidiary of GCIA formed G.research, LLC, a single member limited liability company, in connection with the transfer of the distribution assets of G.research, Inc. As a result of these transactions: (a) DHI became a wholly-owned subsidiary of GAMCO; (b) G.research LLC became a wholly-owned subsidiary of GCIA; (c) G.research received capital contributions of $1,937,670 and $234,000 related to a deferred tax liability that was transferred to DHI and the value of the distribution assets, respectively; and (d), G.research, LLC recorded a deferred tax liability of $88,227 related to the distribution assets.

Pursuant to an agreement between the Company and Funds, Funds pays to GCIA 90% of the net revenues it receives related to investment advisory service provided to GAMCO International SICAV – GAMCO Merger Arbitrage, an investment company incorporated under the laws of Luxembourg (the "SICAV"). For this purpose, net revenues are defined as gross advisory fees less expenses related to payouts and expenses of the SICAV paid by Funds. In connection with these services, Funds paid GCIA $2.8 million, $2.7 million and $1.0 million during 2017, 2016 and 2015, respectively. These payments are included in investment advisory and incentive fees on the consolidated statements of income.

As general partner or co-general partner of various affiliated limited partnerships, the Company receives a management fee based on a percentage of each partnership's net assets and a 20% incentive allocation based on economic profits.

I. Equity

Voting Rights

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

Stock Award and Incentive Plan

There were no restricted stock awards ("RSAs") issued by AC during 2017 or 2016. On November 30, 2015, in connection with the spin-off, the Company issued 554,100 AC RSA shares to GAMCO employees (including GAMCO employees who became AC employees) who held 554,100 GAMCO RSA shares at that date. The purpose of the issuance was to ensure that any employee who had GAMCO RSAs was granted an equal number of AC RSAs so that the total value of the RSAs post-spin-off was equivalent to the total value pre-spin-off. The value of the GAMCO RSAs held by AC employees is recognized as expense by the Company over the remaining vesting period because the employees' services are for the benefit of the Company. As of December 31, 2016, there were 424,340 AC RSA shares outstanding and 424,340 GAMCO RSA shares outstanding. As of December 31, 2015, there were 553,100 AC RSA shares outstanding and 553,100 GAMCO RSA shares outstanding. In accordance with GAAP, we have allocated the stock compensation costs between GAMCO and AC based upon each employee's individual allocation of their responsibilities between GAMCO and AC.

On June 1, 2017, the Compensation Committee of AC accelerated the vesting of all 420,240 outstanding RSAs effective June 15, 2017 and on August 7, 2017, the compensation committee of GAMCO's Board of Directors (the "GAMCO Committee") accelerated the vesting of 201,120 outstanding GAMCO RSAs effective August 31, 2017. In addition, the GAMCO Committee accelerated the vesting of an additional 144,650 GAMCO RSAs effective December 27, 2017.

The total compensation costs related to non-vested awards not yet recognized is approximately $0.1 million as of December 31, 2017. This was recognized as expense in January 2018.

For the years ended December 31, 2017, 2016 and 2015, the Company recorded approximately $5.9 million, $2.5 million and $4.9 million, respectively, in stock-based compensation expense which resulted in the recognition of tax benefits of approximately $1.3 million, $0.8 million and $1.7 million, respectively. The expense for the years ended December 31, 2017, 2016 and 2015 includes $4.2 million, $0 and $4.9 million attributable to the acceleration of the AC and GAMCO RSAs, respectively, in each year. There was no accelerated vesting of RSAs in the year ended December 31, 2016.

Stock Repurchase Program

In 2017, the Company repurchased 0.6 million shares at an average price of $34.61 per share for a total investment of $21.2 million.

In 2016, the Company repurchased 1.3 million shares at an average price of $31.10 per share for a total investment of $41.6 million. This includes a purchase of 926,345 shares from an unaffiliated third party on December 30, 2016 at a price of $31.05 for which the related payable of $28.8 million is included in accrued expenses and other liabilities on the consolidated statements of financial condition.

Dividends

During 2017, the Company declared dividends of $0.20 per share to class A and class B shareholders totaling $4.8 million, of which $2.4 million is payable on January 10, 2018 and is included in accrued expenses and other liabilities on the consolidated statements of financial condition.

During 2016, the Company declared dividends of $0.20 per share to class A and class B shareholders totaling $5.0 million, of which $2.4 million was paid on January 25, 2017 and is included in accrued expenses and other liabilities on the consolidated statements of financial condition.

J. Retirement Plan

The Company participates in an incentive savings plan (the “Savings Plan”), covering substantially all employees. Company contributions to the Savings Plan are determined annually by management of the Company and (prior to the spin-off) GAMCO’s Board of Directors but may not exceed the amount permitted as a deductible expense under the Internal Revenue Code. The amounts expensed for allocated contributions to the Savings Plan amounted to approximately $49,000, $34,000 and $12,000 in 2017, 2016 and 2015, respectively, and are included in compensation on the consolidated statements of income.

K. Guarantees, Contingencies, and Commitments

G.research has agreed to indemnify the clearing brokers for losses they may sustain from the customer accounts that trade on margin introduced by G.research. At each of December 31, 2017, 2016 and 2015, the total amount of customer balances subject to indemnification (i.e., unsecured margin debits) was immaterial. G.research also has entered into arrangements with various other third parties, many of which provide for indemnification of the third parties against losses, costs, claims and liabilities arising from the performance of G.research’s obligations under the agreements. G.research has had no claims or payments pursuant to these or prior agreements, and management believes the likelihood of a claim being made is remote, and therefore, an accrual has not been made on the consolidated financial statements.

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.

L. Net Capital Requirements

G.research is a registered broker-dealer, and is subject to the SEC Uniform Net Capital Rule 15c3-1 (the “Rule”), which specifies, among other requirements, minimum net capital requirements for registered broker-dealers. G.research computes its net capital under the alternative method as permitted by the Rule, which requires that minimum net capital be the greater of $250,000 or 2% of the aggregate debit items in the reserve formula for those broker-dealers subject to Rule 15c3-3. G.research, LLC is exempt from Rule 15c3-3 pursuant to paragraph (k)(2)(ii) of that rule which exempts all customer transactions cleared through another broker-dealer on a fully disclosed basis. In addition, our assets at the clearing broker-dealer are treated as allowable assets for net capital purposes as we have in place Proprietary Accounts of Introducing Firms and Dealers (“PAIB”) agreements pursuant to Rule 15c3-3. These requirements also provide that equity capital may not be withdrawn, advances to affiliates may not be made or cash dividends paid if certain minimum net capital requirements are not met. G.research had net capital, as defined, of $41.8 million and $3.7 million, exceeding the required amount of $250,000 by $41.6 million and $3.4 million, at December 31, 2017 and 2016, respectively. There were no subordinated borrowings during the years ended December 31, 2017 and 2016.

M. Shareholder-Designated Contribution Plan

The Company has established a Shareholder Designated Charitable Contribution program. Under the program, from time to time each shareholder is eligible to designate a charity to which the Company would make a donation at a rate of twenty-five cents per share based upon the actual number of shares registered in the shareholder’s name. Shares held in nominee or street name were not eligible to participate. The Company recorded an expense of $4.2 million and $5.4 million related to this contribution for the years ended December 31, 2017 and 2016, respectively, which is included in shareholder-designated contribution in the consolidated statements of income.

N. Quarterly Financial Information (Unaudited)

Quarterly financial information for the years ended December 31, 2017 and 2016 is presented below.

	2017				
	1st	2nd	3rd	4th	Total
(In thousands, except per share data)					
Revenues	$ 4,987	$ 5,095	$ 5,248	$ 11,585	$ 26,915
Operating loss	(4,332)	(6,453)	(6,112)	(3,489)	(20,386)
Net income (loss) attributable to Associated Capital Group, Inc.'s shareholders	(13,078)	4,596	1,519	15,800	8,837
Net income (loss) attributable to Associated Capital Group, Inc.'s shareholders per share:					
Basic	(0.55)	0.19	0.06	0.67	0.37
Diluted	$ (0.55)	$ 0.19	$ 0.06	$ 0.67	$ 0.37

	2016				
	1st	2nd	3rd	4th	Total
Revenues	$ 4,517	$ 4,964	$ 5,451	$ 16,295	$ 31,227
Operating income (loss)	(4,515)	(3,352)	(4,497)	132	(12,232)
Net income attributable to Associated Capital Group, Inc.'s shareholders	1,593	1,019	3,959	3,647	10,218
Net income attributable to Associated Capital Group, Inc.'s shareholders per share:					
Basic	0.06	0.04	0.16	0.15	0.41
Diluted	$ 0.06	$ 0.04	$ 0.16	$ 0.15	$ 0.41

For years in which our funds have positive performance, fourth quarter revenue, and therefore fourth quarter operating income, will generally exceed the revenue and operating income levels recognized in each of the prior three quarters of the year due to the recognition of incentive fees from investment partnerships and funds.

The GAMCO Committee accelerated the vesting of 144,650 GAMCO RSAs effective December 27, 2017 which resulted in stock-based compensation expense of $0.6 million.

During the fourth quarter of 2017, AC contributed securities to its wholly-owned broker-dealer subsidiary. A portion of the contributed securities had qualified for AFS accounting under current generally accepted accounting principles while held by AC. The contribution of the AFS securities to the broker-dealer resulted in the recognition of net income during the quarter since the broker-dealer does not qualify for AFS accounting treatment. The unrealized gain on the contributed AFS securities recognized in net income was reclassified from other comprehensive income in the amount of $11.8 million.

In December 2017, the Company recorded a $1.7 million income tax benefit related to the revaluation of deferred tax items as a result of the recently-enacted Tax Cut and Jobs Act. This benefit, which is based on reasonable estimates, may require future adjustment due to receipt of additional information from investment funds, changes in the Company’s assumptions, and/or the availability of further guidance and interpretations.

O. Subsequent Events

During the period from January 1, 2018 to March 8, 2018, we repurchased 3,971 Class A shares at an average price per share of $33.99.

On March 5, 2018, AC completed an exchange offer with respect to its Class A shares. Tendering shareholders will receive 1.35 GAMCO Class A shares that the Company holds for each Class A share, together with cash in lieu of any fractional share. Computershare Trust Company, N.A., the exchange agent for the offer, advised the Company that 490,761 shares were validly tendered and not withdrawn (including 32,756 shares delivered by the expiration of the guaranteed delivery period), representing approximately 11% of the Class A shares outstanding. The Company has accepted for exchange all shares validly tendered and not withdrawn and will promptly deliver approximately 662,000 GAMCO Class A shares in payment for the tendered Class A shares.

On February 6, 2018, G.research amended its existing research service agreements with GAMCO Asset Management Inc. and Gabelli Funds, LLC, to provide for annual research services fees from these entities in 2018 of $1.50 million and $1.53 million respectively.

On February 6, 2018, the Company and GAMCO renewed their sublease for the period of April 1, 2018 to March 31, 2019. The annual rental cost under the sublease is approximately $0.5 million.

The outstanding principal and accrued interest on the December 2017 promissory note from GAMCO were paid on February 28, 2018.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A: CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that information, which is required to be timely disclosed, is recorded, processed, summarized, and reported to management within the time periods specified in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Company’s Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company’s disclosure controls and procedures (as defined in the Exchange Act) as of the end of the period covered by this report, have concluded that the Company’s disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

(b) Management’s Report on Internal Control Over Financial Reporting

AC’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Management of the Company, with the participation of the principal executive officer and under the supervision of the principal financial officer, conducted an evaluation of the effectiveness of AC’s internal control over financial reporting as of December 31, 2017, as required by Rule 13a-15(c) of the Exchange Act. There are inherent limitations to the effectiveness of any system of internal control over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective internal control over financial reporting controls can only provide reasonable assurance of achieving their control objectives. In making its assessment of the effectiveness of its internal control over financial reporting, the Company used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework 2013.

Based on its evaluation, management concluded that, as of December 31, 2017, the Company maintained effective internal control over financial reporting. This annual report does not include an audit attestation report on the Company’s internal control over financial reporting of the Company’s independent registered public accounting firm due to the rules of the Securities and Exchange Commission for Emerging Growth Companies.

(c) Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B: OTHER INFORMATION

None.

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding the Directors and Executive Officers of AC and compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference from the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders (the "Proxy Statement").

AC has adopted a Code of Business Conduct that applies to all of our officers, directors, full-time and part-time employees and a Code of Conduct that sets forth additional requirements for our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions (together, the "Codes of Conduct"). The Codes of Conduct are posted on our website (www.associated-capital-group.com) and are available in print free of charge to anyone who requests a copy. Interested parties may address a written request for a printed copy of the Codes of Conduct to: Secretary, Associated Capital Group, Inc., One Corporate Center, Rye, New York 10580-1422. We intend to satisfy the disclosure requirement regarding any amendment to, or a waiver of, a provision of the Codes of Conduct by posting such information on our website.

In addition to the certifications attached as Exhibits to this Form 10-K, following its 2018 Annual Meeting, AC will also submit to the New York Stock Exchange ("NYSE") a certification by our Chief Executive Officer that he is not aware of any violations by AC of the NYSE corporate governance listing standards as of the date of the certification.

ITEM 11: EXECUTIVE COMPENSATION

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

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

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

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

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

ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under the caption "Independent Registered Public Accounting Firm" in our Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

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

See Index on page 49.

(2) Financial Statement Schedules

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

(3) List of Exhibits:

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

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

Exhibit Number	**Description of Exhibit**
2.1	Separation and Distribution Agreement, dated November 30, 2015, between GAMCO Investors, Inc., a Delaware corporation and Associated Capital Group, Inc., a Delaware corporation. (Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K dated November 30, 2015 filed with the Securities and Exchange Commission on December 4, 2015).
3.1	Amended and Restated Certificate of Incorporation of Associated Capital Group, Inc. (the "Company") (Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K dated November 19, 2015 filed with the Securities and Exchange Commission on November 25, 2015).
3.2	Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit 3.2 to the Company's Report on Form 8-K dated November 19, 2015 filed with the Securities and Exchange Commission on November 25, 2015).
4.1	Form of Common Stock Certificate. (Incorporated by reference to Exhibit 4.1 to Amendment No. 4 to the Company's Registration Statement on Form 10 filed with the Securities and Exchange Commission on October 21, 2015).
10.1	Service Mark and Name License Agreement, dated November 30, 2015, by and between the Company and GAMCO Investors, Inc. ("GAMCO"). (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015).
10.2	Transitional Administrative and Management Services Agreement, dated November 30, 2015, by and between the Company and GAMCO Investors, Inc. ("GAMCO"). (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015).
10.3	Employment Agreement between the Company and Mario J. Gabelli dated November 30, 2015 (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015).
10.4	Promissory Note in aggregate principal amount of $250,000,000, dated November 30, 2015, issued by GAMCO in favor of the Company (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K dated November 30, 2015 filed with the Commission on December 4, 2015).
10.5	Tax Indemnity and Sharing Agreement, dated November 30, 2015, by and between the Company and GAMCO Investors, Inc. ("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).
10.6	2015 Stock Award Incentive Plan (Incorporated by reference to Exhibit 10.11 to Amendment No. 4 to the Company's Registration Statement on Form 10 filed with the Securities and Exchange Commission on October 21, 2015).

10.7	Form of Indemnification Agreement by and between the Company and the Indemnitee defined therein (Incorporated by reference to Exhibit 10.7 to Amendment No. 4 to the Company’s Registration Statement on Form 10 filed with the Securities and Exchange Commission on October 21, 2015).
21.1	Subsidiaries of the Company.
24.1	Powers of Attorney (included on page 94 of this Report).
31.1	Certification of CEO pursuant to Rule 13a-14(a).
31.2	Certification of CFO pursuant to Rule 13a-14(a).
32.1	Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.
100.INS	XBRL Instance Document
100.SCH	XBRL Taxonomy Extension Schema Document
100.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
100.DEF	XBRL Taxonomy Extension Definition Linkbase Document
100.LAB	XBRL Taxonomy Extension Label Linkbase Document
100.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

ITEM 16: FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, in the City of Rye, State of New York, on March 8, 2018.

ASSOCIATED CAPITAL GROUP, INC.

By: /s/ Francis J. Conroy
Name: Francis J. Conroy
Title: Interim Chief Financial Officer

Date: March 8, 2018

POWER OF ATTORNEY

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

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

Signature	Title	Date
/s/ Douglas R. Jamieson Douglas R. Jamieson	President and Chief Executive Officer (Principal Executive Officer)	March 8, 2018
/s/ Francis J. Conroy Francis J. Conroy	Interim Chief Financial Officer (Principal Financial Officer)	March 8, 2018
/s/ Mario J. Gabelli Mario J. Gabelli	Executive Chairman of the Board and Director	March 8, 2018
/s/ Richard L. Bready Richard L. Bready	Director	March 8, 2018
/s/ Daniel R. Lee Daniel R. Lee	Director	March 8, 2018
/s/ Bruce M. Lisman Bruce M. Lisman	Director	March 8, 2018
/s/ Frederic V. Salerno Frederic V. Salerno	Director	March 8, 2018
/s/ Salvatore F. Sodano Salvatore F. Sodano	Director	March 8, 2018

Exhibit 21.1

Subsidiaries of Associated Capital Group, Inc.

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

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

Exhibit 31.1

Certifications

I, Douglas R. Jamieson, certify that:

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

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

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

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

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

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

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

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

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

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

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

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

Date: March 8, 2018

Exhibit 31.2

Certifications

I, Francis J. Conroy, certify that:

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

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

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

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

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

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

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

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

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

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

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

By: /s/ Francis J. Conroy
Name: Francis J. Conroy
Title: Interim Chief Financial Officer

Date: March 8, 2018

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of Associated Capital Group, Inc. (the "Company") for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Douglas R. Jamieson, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

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

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

Date: March 8, 2018

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

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K of Associated Capital Group, Inc. (the “Company”) for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Francis J. Conroy, as Interim 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/ Francis J. Conroy
Name: Francis J. Conroy
Title: Interim Chief Financial Officer

Date: March 8, 2018

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.