

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

(Mark One)

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

For the quarterly period ended June 30, 2019
or

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

For the transition period from ___ to ___

Commission File No. 001-37387

ASSOCIATED CAPITAL GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State of other jurisdiction of incorporation or organization)

47-3965991

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

140 Greenwich Avenue, Greenwich, CT
One Corporate Center, Rye, NY

(Address of principle executive offices)

06830

10580-1422

(Zip Code)

(203) 629-9595

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

| Class | Outstanding at July 31, 2019 |
|--------------------------------------|------------------------------|
| Class A Common Stock, .001 par value | 3,492,457 |
| Class B Common Stock, .001 par value | 19,022,918 |

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ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES

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ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
UNAUDITED

(Dollars in thousands, except per share data)

| | <u>June 30,</u> <u>2019</u> | <u>December 31,</u> <u>2018</u> |
|---|--------------------------------|------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 361,564 | \$ 409,564 |
| Investments in securities | 260,608 | 179,011 |
| Investment in GBL stock (3,016,501 shares) | 57,826 | 50,949 |
| Investments in affiliated registered investment companies | 147,188 | 142,135 |
| Investments in partnerships | 137,090 | 118,729 |
| Receivable from brokers | 24,163 | 24,629 |
| Investment advisory fees receivable | 1,259 | 4,394 |
| Receivable from affiliates | 626 | 1,309 |
| Deferred tax assets, net | 2,998 | 9,422 |
| Goodwill and intangible assets | 3,519 | 3,519 |
| Other assets | 7,319 | 10,772 |
| Total assets | <u>\$ 1,004,160</u> | <u>\$ 954,433</u> |
| LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY | | |
| Payable to brokers | \$ 9,347 | \$ 5,511 |
| Income taxes payable | 872 | 3,577 |
| Compensation payable | 9,457 | 11,388 |
| Securities sold, not yet purchased | 46,010 | 9,574 |
| Payable to affiliates | 481 | 515 |
| Accrued expenses and other liabilities | 4,137 | 7,820 |
| Total liabilities | <u>70,304</u> | <u>38,385</u> |
| Redeemable noncontrolling interests | <u>49,668</u> | <u>49,800</u> |
| Equity: | | |
| Preferred stock, \$0.001 par value; 10,000,000 shares authorized; none issued and outstanding | - | - |
| Class A Common Stock, \$0.001 par value; 100,000,000 shares authorized; 6,569,254 and 6,537,768 shares issued, respectively; 3,509,849 and 3,530,752 shares outstanding, respectively | 6 | 6 |
| Class B Common Stock, \$0.001 par value; 100,000,000 shares authorized; 19,196,792 shares issued; 19,022,918 and 19,054,404 shares outstanding, respectively | 19 | 19 |
| Additional paid-in capital | 1,006,065 | 1,008,319 |
| Accumulated deficit | (17,674) | (39,889) |
| Treasury stock, at cost (3,059,405 and 3,007,016 shares, respectively) | (104,228) | (102,207) |
| Total Associated Capital Group, Inc. stockholders' equity | <u>884,188</u> | <u>866,248</u> |
| Total liabilities and equity | <u>\$ 1,004,160</u> | <u>\$ 954,433</u> |

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

UNAUDITED

(Dollars in thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------------|------------------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | |
| Investment advisory and incentive fees | \$ 2,713 | \$ 2,615 | \$ 5,446 | \$ 5,144 |
| Institutional research services | 2,076 | 2,172 | 3,989 | 4,324 |
| Other | 32 | 9 | 38 | 31 |
| Total revenues | 4,821 | 4,796 | 9,473 | 9,499 |
| Expenses | | | | |
| Compensation | 5,584 | 5,870 | 11,480 | 12,194 |
| Stock-based compensation | 284 | - | 699 | 72 |
| Other operating expenses | 2,104 | 2,372 | 8,321 | 4,929 |
| Total expenses | 7,972 | 8,242 | 20,500 | 17,195 |
| Operating loss | (3,151) | (3,446) | (11,027) | (7,696) |
| Other income (expense) | | | | |
| Net gain/(loss) from investments | (234) | 16,571 | 34,745 | (10,959) |
| Interest and dividend income | 3,295 | 3,165 | 7,081 | 5,872 |
| Interest expense | (35) | (39) | (79) | (72) |
| Total other income (expense), net | 3,026 | 19,697 | 41,747 | (5,159) |
| Income/(loss) before income taxes | (125) | 16,251 | 30,720 | (12,855) |
| Income tax expense/(benefit) | (277) | 3,388 | 5,914 | (3,346) |
| Net income/(loss) | 152 | 12,863 | 24,806 | (9,509) |
| Net income attributable to noncontrolling interests | 1,084 | 1,039 | 2,591 | 896 |
| Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders | \$ (932) | \$ 11,824 | \$ 22,215 | \$ (10,405) |
| Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share: | | | | |
| Basic | \$ (0.04) | \$ 0.51 | \$ 0.98 | \$ (0.45) |
| Diluted | \$ (0.04) | \$ 0.51 | \$ 0.98 | \$ (0.45) |
| Weighted average shares outstanding: | | | | |
| Basic | 22,552 | 23,080 | 22,568 | 23,293 |
| Diluted | 22,552 | 23,080 | 22,568 | 23,293 |
| Dividends declared: | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.10 |

See accompanying notes.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------------|------------------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income/(loss) | \$ 152 | \$ 12,863 | \$ 24,806 | \$ (9,509) |
| Less: Comprehensive income attributable to noncontrolling interests | 1,084 | 1,039 | 2,591 | 896 |
| Comprehensive income/(loss) attributable to Associated Capital Group, Inc. | <u>\$ (932)</u> | <u>\$ 11,824</u> | <u>\$ 22,215</u> | <u>\$ (10,405)</u> |

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
UNAUDITED

(Dollars in thousands, except per share data)

For the three months ended March 31, 2019 and three months ended June 30, 2019

| | Associated Capital Group, Inc. shareholders | | | | | Redeemable Noncontrolling Interests |
|---|---|------------------------|----------------------------------|---------------------|-------------------|---|
| | Common Stock | Accumulated Deficit | Additional Paid-in Capital | Treasury Stock | Total | |
| Balance at December 31, 2018 | \$ 25 | \$ (39,889) | \$ 1,008,319 | \$ (102,207) | \$ 866,248 | \$ 49,800 |
| Redemptions of noncontrolling interests | - | - | - | - | - | (526) |
| Net income | - | 23,147 | - | - | 23,147 | 1,507 |
| Purchase of treasury stock | - | - | - | (391) | (391) | - |
| Balance at March 31, 2019 | <u>\$ 25</u> | <u>\$ (16,742)</u> | <u>\$ 1,008,319</u> | <u>\$ (102,598)</u> | <u>\$ 889,004</u> | <u>\$ 50,781</u> |
| Redemptions of noncontrolling interests | - | - | - | - | - | (2,197) |
| Net income | - | (932) | - | - | (932) | 1,084 |
| Dividends declared (\$0.10 per share) | - | - | (2,254) | - | (2,254) | - |
| Purchase of treasury stock | - | - | - | (1,630) | (1,630) | - |
| Balance at June 30, 2019 | <u>\$ 25</u> | <u>\$ (17,674)</u> | <u>\$ 1,006,065</u> | <u>\$ (104,228)</u> | <u>\$ 884,188</u> | <u>\$ 49,668</u> |

See accompanying notes.

ASSOCIATED CAPITAL GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
UNAUDITED

(Dollars in thousands, except per share data)
For the three months ended March 31, 2018 and June 30, 2018

| | Associated Capital Group, Inc. shareholders | | | | | | | Redeemable Noncontrolling Interests |
|---|---|----------------------|----------------------------------|--------------------|--|--------------------|-------------------|---|
| | Common Stock | Retained Earnings | Additional Paid-in Capital | GBL 4% PIK Note | Accumulated Comprehensive Income | Treasury Stock | Total | |
| Balance at December 31, 2017 | \$ 25 | \$ 13,800 | \$ 1,010,505 | \$ (50,000) | \$ 6,712 | \$ (62,895) | \$ 918,147 | \$ 46,230 |
| Reclassifications pursuant to adoption of new accounting guidance | - | 6,712 | - | - | (6,712) | - | - | - |
| Redemptions of noncontrolling interests | - | - | - | - | - | - | - | (1,971) |
| Consolidation of certain investment funds | - | - | - | - | - | - | - | 6,488 |
| Net loss | - | (22,229) | - | - | - | - | (22,229) | (143) |
| Stock-based compensation expense | - | - | 72 | - | - | - | 72 | - |
| Proceeds from payment of GBL 4% PIK Note | - | - | - | 10,000 | - | - | 10,000 | - |
| Exchange of GBL stock for AC stock | - | - | - | - | - | (17,737) | (17,737) | - |
| Purchase of treasury stock | - | - | - | - | - | (459) | (459) | - |
| Balance at March 31, 2018 | <u>\$ 25</u> | <u>\$ (1,717)</u> | <u>\$ 1,010,577</u> | <u>\$ (40,000)</u> | <u>\$ -</u> | <u>\$ (81,091)</u> | <u>\$ 887,794</u> | <u>\$ 50,604</u> |
| Redemptions of noncontrolling interests | - | - | - | - | - | - | - | (336) |
| Net income/(loss) | - | 11,824 | - | - | - | - | 11,824 | 1,039 |
| Proceeds from payment of GBL 4% PIK Note | - | - | - | 20,000 | - | - | 20,000 | - |
| Dividends declared (\$0.10 per share) | - | (2,302) | - | - | - | - | (2,302) | - |
| Purchase of treasury stock | - | - | - | - | - | (5,380) | (5,380) | - |
| Balance at June 30, 2018 | <u>\$ 25</u> | <u>\$ 7,805</u> | <u>\$ 1,010,577</u> | <u>\$ (20,000)</u> | <u>\$ -</u> | <u>\$ (86,471)</u> | <u>\$ 911,936</u> | <u>\$ 51,307</u> |

See accompanying notes.

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

| | Six Months Ended | |
|---|------------------|-------------|
| | June 30, | |
| | 2019 | 2018 |
| Operating activities | | |
| Net income/(loss) | \$ 24,806 | \$ (9,509) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Equity in net gains from partnerships | (4,064) | (2,908) |
| Deferred income taxes | (3,999) | - |
| Depreciation and amortization | 12 | 9 |
| Stock-based compensation expense | - | 72 |
| Loss on exchange offer | | 2,127 |
| Donated securities | 1,758 | |
| Unrealized gains on securities | (13,901) | - |
| Realized gains on sales of securities | (218) | |
| (Increase) decrease in assets: | | |
| Investments in trading securities | (48,802) | (54,467) |
| Investments in partnerships: | | |
| Contributions to partnerships | (16,671) | (8,077) |
| Distributions from partnerships | 1,240 | 5,162 |
| Receivable from affiliates | 683 | (704) |
| Goodwill and intangible assets | | (97) |
| Receivable from brokers | 466 | 16,952 |
| Investment advisory fees receivable | 3,136 | 4,402 |
| Income taxes receivable and deferred tax assets, net | | |
| Other assets | 9,689 | 7,801 |
| Increase (decrease) in liabilities: | | |
| Payable to brokers | 3,836 | (247) |
| Income taxes payable and deferred tax liabilities | 7,718 | (3,798) |
| Payable to affiliates | (34) | 214 |
| Compensation payable | (1,931) | (7,956) |
| Accrued expenses and other liabilities | 196 | (544) |
| Total adjustments | (60,886) | (42,059) |
| Net cash used in operating activities | \$ (36,080) | \$ (51,568) |

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

| | Six Months Ended June 30, | |
|---|--------------------------------------|-------------|
| | 2019 | 2018 |
| Investing activities | | |
| Purchases of securities | \$ (1,024) | \$ - |
| Proceeds from sale of securities | 2,686 | - |
| Return of capital on securities | 732 | - |
| Purchase of building | (6,250) | - |
| Proceeds from note receivable | - | 15,000 |
| Net cash provided by (used in) investing activities | (3,856) | 15,000 |
| Financing activities | | |
| Redemptions of redeemable noncontrolling interests | (1,590) | (2,307) |
| Dividends paid | (4,513) | (4,675) |
| Purchase of treasury stock | (2,021) | (5,839) |
| Proceeds from payment of GBL 4% PIK Note | - | 30,000 |
| Proceeds from promissory note from Executive Chairman | 2,124 | - |
| Repayment of promissory note to Executive Chairman | (2,126) | - |
| Net cash provided by (used in) financing activities | (8,126) | 17,179 |
| Net (decrease) in cash and cash equivalents | (48,062) | (19,389) |
| Cash and cash equivalents at beginning of period | 409,564 | 293,112 |
| Increase in cash from consolidation | 62 | 47 |
| Cash and cash equivalents at end of period | \$ 361,564 | \$ 273,770 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ 79 | \$ 71 |
| Cash paid for taxes | \$ 2,200 | \$ 304 |
| Reconciliation to cash, cash equivalents and restricted cash | | |
| Cash and cash equivalents | 361,564 | 273,770 |
| Restricted cash included in receivable from brokers | 200 | - |
| Cash, cash equivalents and restricted cash | \$ 361,764 | \$ 273,770 |

Non-cash activity:

- On January 1, 2018, AC was deemed to have control over certain investment funds which resulted in their consolidation and an increase of approximately \$47 of cash and cash equivalents, \$6,441 of net assets and an increase of approximately \$6,488 of redeemable noncontrolling interests.
- During the first quarter of 2018, AC completed an exchange offer with respect to its Class A shares. The Company exchanged 666,805 GBL Class A shares valued at \$17,737 for 493,954 Class A shares.

See accompanying notes.

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

June 30, 2019

(Unaudited)

A. Basis of Presentation and Significant Accounting Policies

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

The Spin-off and Related Transactions

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

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

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

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

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

In connection with the Spin-off, GAMCO issued a promissory note (the “GAMCO Note”) to AC Group in the original principal amount of \$250 million used to partially capitalize the Company. During the year ended December 31, 2018, AC received principal repayments totaling \$50 million on the GAMCO Note which fully satisfied the outstanding principal balance. The GAMCO Note bore interest at 4% per annum and had an original maturity date of November 30, 2020. In addition, GCIA acquired 4,393,055 shares of GAMCO Class A common stock for \$150 million in connection with the Spin-off.

On June 17, 2019 AC’s board of directors approved a proposed transaction between G.research and Morgan Group Holding, Co. (“Morgan Group”), an affiliated entity, which would take the form of a merger. Pursuant to the proposed transaction Morgan Group would acquire G.research in exchange for a specified number of shares of its stock. The transaction is subject to the execution of definitive documents and the satisfaction of customary closing conditions and regulatory approvals. Accordingly, no assurance can be given that a binding agreement will be entered into, that the proposed transaction will be consummated or the timing thereof.

Basis of Presentation

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

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

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

Use of Estimates

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

Recent Accounting Developments

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

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

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

B. Revenue

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

The Company's major revenue sources are as follows:

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

- a. Asset-based advisory fees – The Company receives a management fee, payable monthly in advance based on value of the net assets of the client. It is generally set at a rate of 1%-1.5% per annum. Asset-based management fee revenue is recognized only as the services are performed over the period.
- b. Performance-based advisory fees – Certain client contracts call for additional fees and or allocations of income tied to a certain percentage, generally 20%, of the investment performance of the account over a measurement period, typically the calendar year. In addition, the contracts provide that performance-based fees or allocations become fixed in the event of an investor redemption prior to the end of the measurement period. In the event that an account suffers a loss in one period, it must be recovered before incentive fees are earned by the Company; this is commonly referred to as a “high water mark” provision. While the Company's performance obligation is satisfied over time, the Company does not recognize performance-based fees until the end of the measurement period or the time of the investor redemption when the uncertainty surrounding the amount of the variable consideration is resolved.
- c. Sub-advisory fees – Pursuant to agreements with other investment advisors, the Company receives a percentage of advisory fees received by such advisors from certain of their investment fund clients. These fees may be either asset- or performance-based. In addition, they may be subject to reduction by certain expenses as set forth in the respective agreements. Sub-advisory fee revenue which is asset-based is recognized ratably as the services are performed over the relevant contractual performance period. Sub-advisory fee revenue which is performance-based is recognized only when it becomes fixed and not subject to adjustment.

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

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

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

- a. Hard dollar payments – The Company receives direct payments for research services provided to related and unrelated parties. The Company may or may not have contracts for such services. Where a contract for such services is in place, the contractual fee for the period is recognized ratably over the contract period, typically a calendar year, which is considered the period over which the Company satisfies its performance obligation. Payments for contracts with affiliated parties are collected monthly. For other payments where no research contract exists, revenue is not recognized until agreement is reached with the client that the Company has satisfied its performance obligation. At that time, a value is assigned to those services and an invoice is presented to the client for payment.

- b. Commissions – Commissions are charged on the execution of securities transactions made on behalf of client accounts on an agency basis and are based on a rate schedule. The Company meets its performance obligations and recognizes commission revenue when the related securities transactions are executed and the security is transferred to or from the customer. Commissions earned are typically collected from the clearing brokers utilized by G.research on a daily or weekly basis.
- c. Selling concessions – The Company participates as a member of the selling group of underwritten equity offerings and receives compensation based on the difference between what its clients pay for the securities sold to its institutional clients and what the issuer receives. The terms of the selling concessions are set forth in contracts between the Company and the underwriter. The Company meets its performance obligations and recognizes selling commissions upon the sale of the related securities to its clients.
- d. Sales manager fees – The Company participates as sales manager of at-the-market offerings of certain affiliated closed-end funds and receives a tiered percentage of proceeds as stipulated in agreements between the Company, the funds and the funds’ investment adviser and as approved by the funds’ board of directors. The Company meets its performance obligations and recognizes sales manager fees upon sale of the related closed-end funds. Sales manager fees earned are typically collected from the clearing brokers utilized by G.research on a daily or weekly basis.

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

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

Total revenues by type were as follows for the three and six months ended June 30, 2019 and 2018, respectively (in thousands):

| | Three months ended June 30, | | Six months ended June 30, | |
|--|------------------------------------|------------------------|----------------------------------|------------------------|
| | 2019 | 2018 | 2019 | 2018 |
| <u>Investment advisory and incentive fees</u> | | | | |
| Asset-based advisory fees | \$ 1,761 | \$ 1,843 | \$ 3,485 | \$ 3,682 |
| Performance-based advisory fees | 13 | - | 26 | 7 |
| Sub-advisory fees | 939 | 772 | 1,935 | 1,455 |
| | <u>2,713</u> | <u>2,615</u> | <u>5,446</u> | <u>5,144</u> |
| <u>Institutional research services</u> | | | | |
| Hard dollar payments | 463 | 765 | 950 | 1,695 |
| Commissions | 1,416 | 1,364 | 2,842 | 2,560 |
| Selling concessions | 197 | 43 | 197 | 69 |
| | <u>2,076</u> | <u>2,172</u> | <u>3,989</u> | <u>4,324</u> |
| <u>Other</u> | | | | |
| Underwriting fees | 19 | - | 19 | 19 |
| Miscellaneous | 13 | 9 | 19 | 12 |
| | <u>32</u> | <u>9</u> | <u>38</u> | <u>31</u> |
| Total | <u>\$ 4,821</u> | <u>\$ 4,796</u> | <u>\$ 9,473</u> | <u>\$ 9,499</u> |

C. Investment in Securities

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

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

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

| | June 30, 2019 | | December 31, 2018 | |
|--|----------------------|-------------------|--------------------------|-------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Government obligations | \$ 33,515 | \$ 33,912 | \$ 11,694 | \$ 11,707 |
| Common stocks | 290,640 | 275,767 | 244,557 | 213,151 |
| Mutual funds | 2,068 | 2,897 | 761 | 1,161 |
| Other investments | 6,889 | 5,858 | 5,285 | 3,941 |
| Total investments in securities | \$ 333,112 | \$ 318,434 | \$ 262,297 | \$ 229,960 |

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

| | June 30, 2019 | | December 31, 2018 | |
|---|----------------------|-------------------|--------------------------|-------------------|
| | Proceeds | Fair Value | Proceeds | Fair Value |
| Common stocks | \$ 44,680 | \$ 45,772 | \$ 10,150 | \$ 9,485 |
| Other investments | - | 238 | - | 89 |
| Total securities sold, not yet purchased | \$ 44,680 | \$ 46,010 | \$ 10,150 | \$ 9,574 |

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

| | June 30, 2019 | | December 31, 2018 | |
|--|----------------------|-------------------|--------------------------|-------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Closed-end funds | \$ 72,788 | \$ 90,045 | \$ 73,950 | \$ 85,090 |
| Mutual funds | 47,393 | 57,143 | 49,714 | 57,045 |
| Total investments in affiliated registered investment companies | \$ 120,181 | \$ 147,188 | \$ 123,664 | \$ 142,135 |

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

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

| | Asset Derivatives | | | Liability Derivatives | | |
|--|---|------------------|----------------------|---|------------------|----------------------|
| | Statement of Financial Condition Location | Fair Value | | Statement of Financial Condition Location | Fair Value | |
| | | June 30, 2019 | December 31, 2018 | | June 30, 2019 | December 31, 2018 |
| Derivatives designated as hedging instruments under FASB ASC 815-20 | | | | | | |
| Foreign exchange contracts | Receivable from brokers | \$ 285 | \$ 204 | Payable to brokers | \$ - | \$ - |
| Sub total | | \$ 285 | \$ 204 | | \$ - | \$ - |
| Derivatives not designated as hedging instruments under FASB ASC 815-20 | | | | | | |
| Equity contracts | Investments in securities | \$ 176 | \$ 464 | Securities sold, not yet purchased | \$ 252 | \$ 89 |
| Sub total | | \$ 176 | \$ 464 | | \$ 252 | \$ 89 |
| Total derivatives | | \$ 461 | \$ 668 | | \$ 252 | \$ 89 |

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

| Type of Derivative | Income Statement Location | Three Months ended June 30, | | Six Months ended June 30, | |
|----------------------------|----------------------------------|-----------------------------|--------|---------------------------|----------|
| | | 2019 | 2018 | 2019 | 2018 |
| Foreign exchange contracts | Net gain/(loss) from investments | \$ (13) | \$ 102 | \$ 69 | \$ 102 |
| Equity contracts | Net gain/(loss) from investments | 10 | 874 | (2,012) | 2,652 |
| Total | | \$ (3) | \$ 976 | \$ (1,943) | \$ 2,754 |

At June 30, 2019 and December 31, 2018, we held derivative contracts on 1.1 million and 1.0 million equity shares, respectively, that are included in investments in securities or securities sold, not yet purchased on the condensed consolidated statements of financial condition. Except for the foreign exchange contract entered into by the Company, these transactions are not designated as hedges for accounting purposes, and changes in fair values of these derivatives are included in net gain/(loss) from investments on the condensed consolidated statements of income.

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

| | Gross Amounts of Recognized Assets | Gross Amounts Offset in the Statements of Financial Condition | Net Amounts of Assets Presented in the Statements of Financial Condition | Gross Amounts Not Offset in the Statements of Financial Condition | | |
|-------------------|------------------------------------|---|--|---|--------------------------|------------|
| | | | | Financial Instruments | Cash Collateral Received | Net Amount |
| (In thousands) | | | | | | |
| Swaps: | | | | | | |
| June 30, 2019 | \$ 64 | \$ - | \$ 64 | \$ (64) | \$ - | \$ - |
| December 31, 2018 | 416 | - | 416 | (89) | - | 327 |

| | Gross Amounts of Recognized Liabilities | Gross Amounts Offset in the Statements of Financial Condition | Net Amounts of Liabilities Presented in the Statements of Financial Condition | Gross Amounts Not Offset in the Statements of Financial Condition | | |
|-------------------|---|---|---|---|-------------------------|------------|
| | | | | Financial Instruments | Cash Collateral Pledged | Net Amount |
| (In thousands) | | | | | | |
| Swaps: | | | | | | |
| June 30, 2019 | \$ 238 | \$ - | \$ 238 | \$ (64) | \$ - | \$ 174 |
| December 31, 2018 | 89 | - | 89 | (89) | - | - |

D. Investment Partnerships and Variable Interest Entities

The Company is general partner or co-general partner of various affiliated entities (“Affiliated Entities”) in which the Company had investments totaling \$118.2 million and \$100.1 million at June 30, 2019 and December 31, 2018, respectively, and whose underlying assets consist primarily of marketable securities. We also had investments in unaffiliated partnerships, offshore funds and other entities (“Unaffiliated Entities”) of \$18.9 million and \$18.6 million at June 30, 2019 and December 31, 2018, respectively. We evaluate each entity to determine its appropriate accounting treatment and disclosure. Certain of the Affiliated Entities, and none of the Unaffiliated Entities, are consolidated.

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

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

| | <u>VIEs</u> | <u>VOEs</u> |
|--|-------------|-------------|
| Entities consolidated at December 31, 2017 | 1 | 3 |
| Additional consolidated entities | - | 2 |
| Deconsolidated entities | - | - |
| Entities consolidated at June 30, 2018 | 1 | 5 |
| Additional consolidated entities | - | - |
| Deconsolidated entities | - | - |
| Entities consolidated at December 31, 2018 | 1 | 5 |
| Additional consolidated entities | - | - |
| Deconsolidated entities | - | - |
| Entities consolidated at June 30, 2019 | <u>1</u> | <u>5</u> |

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

| | Prior to Consolidation | Consolidated Entities | As Reported |
|---|---------------------------|--------------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | 347,537 | \$ 14,027 | \$ 361,564 |
| Investments in securities (including GBL stock) | 188,012 | 130,422 | 318,434 |
| Investments in affiliated investment companies | 198,270 | (51,082) | 147,188 |
| Investments in partnerships | 158,553 | (21,463) | 137,090 |
| Receivable from brokers | 8,770 | 15,393 | 24,163 |
| Investment advisory fees receivable | 1,284 | (25) | 1,259 |
| Other assets | 14,441 | 21 | 14,462 |
| Total assets | \$ 916,867 | \$ 87,293 | \$ 1,004,160 |
| Liabilities and equity | | | |
| Securities sold, not yet purchased | \$ 16,297 | \$ 29,713 | \$ 46,010 |
| Accrued expenses and other liabilities | 16,382 | 7,912 | 24,294 |
| Redeemable noncontrolling interests | - | 49,668 | 49,668 |
| Total equity | 884,188 | - | 884,188 |
| Total liabilities and equity | \$ 916,867 | \$ 87,293 | \$ 1,004,160 |
| December 31, 2018 | | | |
| | Prior to Consolidation | Consolidated Entities | As Reported |
| Assets | | | |
| Cash and cash equivalents | \$ 396,074 | \$ 13,490 | \$ 409,564 |
| Investments in securities (including GBL stock) | 131,764 | 98,196 | 229,960 |
| Investments in affiliated investment companies | 193,006 | (50,871) | 142,135 |
| Investments in partnerships | 138,119 | (19,390) | 118,729 |
| Receivable from brokers | 7,998 | 16,631 | 24,629 |
| Investment advisory fees receivable | 4,427 | (33) | 4,394 |
| Other assets | 24,551 | 471 | 25,022 |
| Total assets | \$ 895,939 | \$ 58,494 | \$ 954,433 |
| Liabilities and equity | | | |
| Securities sold, not yet purchased | \$ 4,631 | \$ 4,943 | \$ 9,574 |
| Accrued expenses and other liabilities | 25,060 | 3,751 | 28,811 |
| Redeemable noncontrolling interests | - | 49,800 | 49,800 |
| Total equity | 866,248 | - | 866,248 |
| Total liabilities and equity | \$ 895,939 | \$ 58,494 | \$ 954,433 |

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

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

| | Three Months Ended June 30, 2018 | | |
|---|---|---------------------|--------------------|
| | Prior to | Consolidated | As Reported |
| | Consolidation | Entities | |
| Total revenues | \$ 4,812 | \$ (16) | \$ 4,796 |
| Total expenses | 7,774 | 468 | 8,242 |
| Operating loss | (2,962) | (484) | (3,446) |
| Total other income, net | 18,174 | 1,523 | 19,697 |
| Income before income taxes | 15,212 | 1,039 | 16,251 |
| Income tax expense | 3,388 | - | 3,388 |
| Net income before NCI | 11,824 | 1,039 | 12,863 |
| Net income attributable to noncontrolling interests | - | 1,039 | 1,039 |
| Net income | <u>\$ 11,824</u> | <u>\$ -</u> | <u>\$ 11,824</u> |

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

| | Six Months Ended June 30, 2018 | | |
|---|---------------------------------------|---------------------|--------------------|
| | Prior to | Consolidated | As Reported |
| | Consolidation | Entities | |
| Total revenues | \$ 9,532 | \$ (33) | \$ 9,499 |
| Total expenses | 16,215 | 980 | 17,195 |
| Operating loss | (6,683) | (1,013) | (7,696) |
| Total other income/(expense), net | (7,068) | 1,909 | (5,159) |
| Income/(loss) before income taxes | (13,751) | 896 | (12,855) |
| Income tax benefit | (3,346) | - | (3,346) |
| Net income/(loss) before NCI | (10,405) | 896 | (9,509) |
| Net income attributable to noncontrolling interests | - | 896 | 896 |
| Net loss | <u>\$ (10,405)</u> | <u>\$ -</u> | <u>\$ (10,405)</u> |

Variable Interest Entities

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

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

| | <u>June 30, 2019</u> | <u>December 31, 2018</u> |
|--|--------------------------|------------------------------|
| Cash and cash equivalents | \$ 1,997 | \$ 2,560 |
| Investments in securities | 9,579 | 7,253 |
| Receivable from brokers | 212 | 553 |
| Other assets | - | (11) |
| Accrued expenses and other liabilities | (50) | (31) |
| Redeemable noncontrolling interests | (511) | (419) |
| AC Group's net interests in consolidated VIE | <u>\$ 11,227</u> | <u>\$ 9,905</u> |

E. Fair Value

The following tables present information about the Company's assets and liabilities by major category measured at fair value on a recurring basis as of June 30, 2019 and December 31, 2018 and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. Investments in certain entities that calculate net asset value per share and other investments that are not held at fair value are provided as separate items to permit reconciliation of the fair value of investments included in the fair value hierarchy to the total amounts presented in the condensed consolidated statements of financial condition.

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

| Assets | <u>June 30, 2019</u> | | | | | Total |
|---|---|--|--|--|--|-------------------|
| | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> | <u>Investments Using NAV as Fair Value (a)</u> | <u>Other Assets Not Held at Fair Value (b)</u> | |
| Cash equivalents | \$ 361,564 | \$ - | \$ - | \$ - | \$ - | \$ 361,564 |
| Investments in partnerships | - | - | - | 132,744 | 4,346 | 137,090 |
| Investments in securities (including GBL stock): | | | | | | |
| Gov't obligations | 33,912 | - | - | - | - | 33,912 |
| Common stocks | 275,499 | 77 | 191 | - | - | 275,767 |
| Mutual funds | 2,897 | - | - | - | - | 2,897 |
| Other | 1,432 | 171 | 4,255 | - | - | 5,858 |
| Total investments in securities | <u>313,740</u> | <u>248</u> | <u>4,446</u> | <u>-</u> | <u>-</u> | <u>318,434</u> |
| Investments in affiliated registered investment companies: | | | | | | |
| Closed-end funds | 90,045 | - | - | - | - | 90,045 |
| Mutual funds | 57,143 | - | - | - | - | 57,143 |
| Total investments in affiliated registered investment companies | <u>147,188</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>147,188</u> |
| Total investments | <u>460,928</u> | <u>248</u> | <u>4,446</u> | <u>132,744</u> | <u>4,346</u> | <u>602,712</u> |
| Total assets at fair value | <u>\$ 822,492</u> | <u>\$ 248</u> | <u>\$ 4,446</u> | <u>\$ 132,744</u> | <u>\$ 4,346</u> | <u>\$ 964,276</u> |
| Liabilities | | | | | | |
| Common stocks | \$ 45,772 | \$ - | \$ - | \$ - | \$ - | \$ 45,772 |
| Other | - | 238 | - | - | - | 238 |
| Securities sold, not yet purchased | <u>\$ 45,772</u> | <u>\$ 238</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 46,010</u> |

| Assets | December 31, 2018 | | | | | Total |
|---|--|---|---|---|---|-------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Using NAV as Fair Value (a) | Other Assets Not Held at Fair Value (b) | |
| Cash equivalents | \$ 407,239 | \$ - | \$ - | \$ - | \$ - | \$ 407,239 |
| Investments in partnerships | - | - | - | 114,449 | 4,280 | 118,729 |
| Investments in securities (including GBL stock): | | | | | | |
| Gov't obligations | 11,707 | - | - | - | - | 11,707 |
| Common stocks | 205,978 | 7,161 | 12 | - | - | 213,151 |
| Mutual funds | 1,161 | - | - | - | - | 1,161 |
| Other | 19 | 464 | 3,458 | - | - | 3,941 |
| Total investments in securities | 218,865 | 7,625 | 3,470 | - | - | 229,960 |
| Investments in affiliated registered investment companies: | | | | | | |
| Closed-end funds | 85,090 | - | - | - | - | 85,090 |
| Mutual funds | 57,045 | - | - | - | - | 57,045 |
| Total investments in affiliated registered investment companies | 142,135 | - | - | - | - | 142,135 |
| Total investments | 361,000 | 7,625 | 3,470 | 114,449 | 4,280 | 490,824 |
| Total assets at fair value | \$ 768,239 | \$ 7,625 | \$ 3,470 | \$ 114,449 | \$ 4,280 | \$ 898,063 |
| Liabilities | | | | | | |
| Common stocks | \$ 9,485 | \$ - | \$ - | \$ - | \$ - | \$ 9,485 |
| Other | - | 89 | - | - | - | 89 |
| Securities sold, not yet purchased | \$ 9,485 | \$ 89 | \$ - | \$ - | \$ - | \$ 9,574 |

- (a) Amounts include certain equity method investments in Investment Partnerships which qualify for investment company specialized accounting. These Investment Partnerships account for their financial assets and liabilities using fair value measures and, therefore, the Company's investment approximates fair value. At June 30, 2019 and December 31, 2018, investments in these Investment Partnerships were \$124,445 and \$105,020, respectively. In addition, certain investments in Investment Partnerships were held by a consolidated entity. At June 30, 2019 and December 31, 2018, these amounts were \$8,300 and \$9,429, respectively. None of these investments have been classified in the fair value hierarchy.
- (b) Amounts include certain equity method investments which are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and liabilities under fair value measures; therefore, the Company's investment in such equity method investees may not represent fair value.

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

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

| | Three months ended June 30, 2019 | | | Three months ended June 30, 2018 | | |
|--|----------------------------------|-----------------|-----------------|----------------------------------|-------------------|-------------------|
| | Common Stocks | Other | Total | Common Stocks | Other | Total |
| Beginning balance | \$ 33 | \$ 3,311 | \$ 3,344 | \$ 607 | \$ 2,140 | \$ 2,747 |
| Total gains/(losses) | 158 | 944 | 1,102 | 8 | (2,422) | (2,414) |
| Purchases | - | - | - | - | 4,758 | 4,758 |
| Sales | - | - | - | - | (11) | (11) |
| Transfers | - | - | - | (25) | - | (25) |
| Ending balance | <u>\$ 191</u> | <u>\$ 4,255</u> | <u>\$ 4,446</u> | <u>\$ 590</u> | <u>\$ 4,465</u> | <u>\$ 5,055</u> |
| Changes in net unrealized gain/(loss) included in Net gain/(loss) from investments related to level 3 assets still held as of the reporting date | <u>\$ 158</u> | <u>\$ 944</u> | <u>\$ 1,102</u> | <u>\$ 8</u> | <u>\$ (2,430)</u> | <u>\$ (2,422)</u> |

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

During the three months ended June 30, 2018, the Company transferred an investment with a value of approximately \$25,000 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.

| | Six months ended June 30, 2019 | | | Six months ended June 30, 2018 | | |
|--|--------------------------------|-----------------|-----------------|--------------------------------|-------------------|-------------------|
| | Common Stocks | Other | Total | Common Stocks | Other | Total |
| Beginning balance | \$ 12 | \$ 3,458 | \$ 3,470 | \$ 618 | \$ 1,169 | \$ 1,787 |
| Consolidated fund | | | | | 984 | 984 |
| Total gains/(losses) | 116 | 797 | 913 | (3) | (2,415) | (2,418) |
| Purchases | - | - | - | - | 4,758 | 4,758 |
| Sales | - | - | - | - | (31) | (31) |
| Transfers | 63 | - | 63 | (25) | - | (25) |
| Ending balance | <u>\$ 191</u> | <u>\$ 4,255</u> | <u>\$ 4,446</u> | <u>\$ 590</u> | <u>\$ 4,465</u> | <u>\$ 5,055</u> |
| Changes in net unrealized gain/(loss) included in Net gain/(loss) from investments related to level 3 assets still held as of the reporting date | <u>\$ 116</u> | <u>\$ 797</u> | <u>\$ 913</u> | <u>\$ 9</u> | <u>\$ (2,430)</u> | <u>\$ (2,421)</u> |

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

F. Income Taxes

The effective tax rate (“ETR”) for the three months ended June 30, 2019 and June 30, 2018 was 232.4% and 20.8%, respectively. The ETR in the second quarter of 2019 differs from the standard corporate tax rate of 21% primarily due to state and local taxes (net of federal benefit), the benefit of (a) the donation of appreciated securities and (b) the dividends received deduction and (c) noncontrolling interest in consolidated partnerships and a true up of the tax expense from the first quarter of 2019 for the same items. The ETR in the second quarter of 2018 differs from the standard corporate tax rate of 21% primarily due to state and local taxes (net of federal benefit).

The ETR for the six months ended June 30, 2019 and June 30, 2018 was 19.3% and 26.0%, respectively. The 2019 year-to-date ETR differs from the standard corporate tax rate of 21% primarily due to (a) state and local taxes (net of federal benefit), (b) the donation of appreciated securities and (c) noncontrolling interest consolidated partnerships.

G. Earnings Per Share

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

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

| (amounts in thousands, except per share amounts) | Three Months Ended June 30, | |
|---|-----------------------------|-----------|
| | 2019 | 2018 |
| Basic: | | |
| Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders | \$ (932) | \$ 11,824 |
| Weighted average shares outstanding | 22,552 | 23,080 |
| Basic net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share | \$ (0.04) | \$ 0.51 |
| Diluted: | | |
| Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders | \$ (932) | \$ 11,824 |
| Weighted average share outstanding | 22,552 | 23,080 |
| Dilutive restricted stock awards | - | - |
| Total | 22,552 | 23,080 |
| Diluted net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share | \$ (0.04) | \$ 0.51 |

| (amounts in thousands, except per share amounts) | Six Months Ended June 30, | |
|---|---------------------------|-------------|
| | 2019 | 2018 |
| Basic: | | |
| Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders | \$ 22,215 | \$ (10,405) |
| Weighted average shares outstanding | 22,568 | 23,293 |
| Basic net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share | \$ 0.98 | \$ (0.45) |
| Diluted: | | |
| Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders | \$ 22,215 | \$ (10,405) |
| Weighted average share outstanding | 22,568 | 23,293 |
| Dilutive restricted stock awards | - | - |
| Total | 22,568 | 23,293 |
| Diluted net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share | \$ 0.98 | \$ (0.45) |

H. Stockholders' Equity

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

Dividends

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

Stock Repurchase Program

During first and second quarters of 2019, the Company repurchased approximately 10 thousand and 43 thousand shares at an average price of \$40.03 per share and \$38.23 per share for a total investment of \$0.4 million and \$1.6 million, respectively. During first and second quarters of 2018, the Company repurchased approximately 507 thousand and 141 thousand shares at an average price of \$35.91 and \$38.07 per share for a total investment of \$18.2 million and \$5.4 million, respectively.

Exchange Offers

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

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

Voting Rights

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

Stock Award and Incentive Plan

On November 30, 2015, in connection with the Spin-off, the Company issued 554,100 AC RSA shares to GAMCO employees (including GAMCO employees who became AC employees) who held 554,100 GAMCO RSA shares at that date. The purpose of the issuance was to ensure that any employee who had GAMCO RSAs were granted an equal number of AC RSAs so that the total value of the RSAs post-spin-off was equivalent to the total value pre-spin-off. In accordance with GAAP, we have allocated the stock compensation costs of both the AC RSAs and the GAMCO RSAs between GAMCO and AC based upon the allocation of each employee’s responsibilities between the companies. The vesting of the GAMCO RSAs outstanding was accelerated in the first quarter of 2018. There were no AC RSAs outstanding at June 30, 2019 and 2018.

There were no RSAs issued by AC during the three and six months ended June 30, 2019 or 2018.

In August and December 2018, the Company’s Board of Directors approved the grant of 172,800 shares of Phantom Restricted Stock awards (“Phantom RSAs”). Under the terms of the grants, which were effective August 8 and December 31, the Phantom RSAs vest 30% and 70% after three and five years, respectively. The Phantom RSAs will be settled by a cash payment, net of applicable withholding tax, on the vesting dates. In addition, an amount equivalent to the cumulative dividends declared on shares of the Company’s Class A common stock during the vesting period will be paid to participants on vesting. Based on the price of the Company’s stock, the total value of the Phantom RSAs was \$6.1 million as of the grant dates.

Pursuant to ASC 718, the Phantom RSAs will be treated as a liability because cash settlement is required and compensation will be recognized over the vesting period. In determining the compensation expense to be recognized each period, the Company will remeasure the fair value of the liability at each reporting date taking into account the remaining vesting period attributable to each award and the current market value of the Company’s Class A stock. In making these determinations, the Company will consider the impact of Phantom RSAs that have been forfeited prior to vesting (e.g., due to an employee termination). The Company has elected to consider forfeitures as they occur.

As of June 30, 2019, there were 157,300 Phantom RSAs outstanding. The unrecognized compensation cost related to these was \$5.0 million which is expected to be recognized over a weighted-average period of 2.4 years.

For the six and three months ended June 30, 2019 the Company recorded approximately \$0.7 million and \$0.3 million in stock-based compensation expense, respectively. For the six months ended June 30, 2018 the Company recorded approximately \$0.1 million in stock-based compensation expense. No stock-based compensation was recorded for the three months ended June 30, 2018.

I. Goodwill and Identifiable Intangible Assets

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

J. Commitments and Contingencies

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

G.research has agreed to indemnify clearing brokers for losses they may sustain from customer accounts introduced by G.research that trade on margin. At each of June 30, 2019 and December 31, 2018, the total amount of customer balances subject to indemnification (i.e., unsecured margin debits) was immaterial.

The Company has also entered into arrangements with various other third parties, many of which provide for indemnification of the third parties against losses, costs, claims and liabilities arising from the performance of obligations under the agreements. The Company has had no claims or payments pursuant to these or prior agreements and believes the likelihood of a claim being made is remote, and, therefore, no accrual has been made on the condensed consolidated financial statements.

K. Related Party Transactions

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

L. Subsequent Events

From July 1, 2019 to August 8, 2019, the Company repurchased 21,465 shares at an average price of \$37.71 per share.

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

Introduction

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

Overview

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

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

In connection with the Spin-off, GAMCO issued a promissory note (the “GAMCO Note”) to AC Group in the original principal amount of \$250 million used to partially capitalize the Company. During the year ended December 31, 2018, AC received principal repayments totaling \$50 million on the GAMCO Note which fully satisfied the outstanding principal balance. The GAMCO Note bore interest at 4% per annum and had an original maturity date of November 30, 2020. In addition, Gabelli & Company Investment Advisers, Inc. (“GCIA” f/k/a Gabelli Securities, Inc.) acquired 4,393,055 shares of GAMCO Class A common stock for \$150 million in connection with the Spin-off.

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

Event-Driven Asset Management

The event driven asset management business approaches its 35th anniversary in February 2020. The division strategies focus on fundamental, active, event driven special situations and arbitrage. It is led by merger arbitrage portfolios, the “Associates Funds” which returned an unleveraged +2.2% net of fees (+3.26% gross) for the first half of 2019. This strategy benefits from corporate merger and acquisitions (“M&A”) activity which reached \$2.0 trillion globally in the first half of 2019. Healthcare, E&P and technology were the most active sectors for deals. Our arbitrage team expects dealmaking to remain vibrant as the drivers for M&A remain unchanged. The strategy is offered domestically through partnerships and separately managed accounts. Internationally, the strategy is offered through corporations and EU regulated UCITS structures. The team continues to build new channel partnerships including managing the Gabelli Merger Plus Trust (“GMP”) an LSE-listed investment company. While these initiatives serve to deepen and lengthen the franchise, they also broaden the client base globally.

Institutional Research Services

On June 17, 2019 AC's board of directors approved a proposed transaction between G.research and Morgan Group Holding, Co. ("Morgan Group"), an affiliated entity, which would take the form of a merger. Pursuant to the proposed transaction Morgan Group would acquire G.research in exchange for a specified number of shares of its stock. The transaction is subject to the execution of definitive documents and the satisfaction of customary closing conditions and regulatory approvals.

Accordingly, no assurance can be given that a binding agreement will be entered into, that the proposed transaction will be consummated or the timing thereof.

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

During the past quarter, G.research, in coordination with Gabelli Funds, Co. hosted the 13th annual Omaha Research Symposium on May 3-4 and the 11th annual Entertainment & Broadcasting Conference on June 6, 2019. On July 11, we co-hosted a conference on Rule 852(b)(6), the Dynamics and Implications for the Fund Industry. Industry participants and members from the academic community covered a number of topics including "heartbeat trades" and innovations in the active ETF market.

- the 25th Aerospace and Defense Conference in New York on September 5th
- the 43rd Annual Gabelli Automotive Aftermarket Conference on November 4th – 6th
- The Gabelli – Columbia Business School Healthcare Symposium on November 22nd

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

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

Direct Investing Business

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

Our direct investment business is developing along three core pillars; Gabelli Private Equity Partners, LLC ("GPEP"), formed in August 2017 with \$150 million of authorized capital as a "fund-less" sponsor; the formation of Gabelli special purpose acquisition vehicles, the SPAC business ("SPAC"), launched in April 2018; and, the formation of Gabelli Principal Strategies Group, LLC ("GPS") to pursue strategic operating initiatives. These businesses are organized to directly invest with a focus on leveraged buyouts and restructurings of small and mid-sized companies. GPEP has the flexibility to form partnerships with former executives of global industrial conglomerates to create long term value with no pre-determined exit timetable. The Gabelli SPAC business allows us to leverage our capital markets expertise through a direct investing vehicle. We invite you to visit our activities on the corporate website:

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

Condensed Consolidated Statements of Income

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

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

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

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

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

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

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

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

Condensed Consolidated Statements of Financial Condition

We ended the second quarter of 2019 with approximately \$918 million in cash and investments, net of securities sold, not yet purchased of \$46 million. This includes \$362 million of cash and cash equivalents; \$34 million of short-term U.S. Treasury obligations; \$238 million of securities, net of securities sold, not yet purchased, including shares of GAMCO and Gabelli Value for Italy S.p.a. with market values of \$58 million and \$9 million, respectively; and \$284 million invested in affiliated and third-party funds and partnerships, including investments in affiliated closed end funds which have a value of \$90 million and more limited liquidity. Our financial resources provide flexibility to pursue strategic objectives that may include acquisitions, lift-outs, seeding new investment strategies, and co-investing, as well as shareholder compensation in the form of share repurchases and dividends.

Total shareholders’ equity was \$884 million or \$39.21 per share at June 30, 2019 compared to \$866 million or \$38.36 per share on December 31, 2018. The increase in equity from the end of 2018 is driven primarily by our net income of \$22 million.

RESULTS OF OPERATIONS

(in thousands, except per share data)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|------------------------------------|------------------|----------------------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | |
| Investment advisory and incentive fees | \$ 2,713 | \$ 2,615 | \$ 5,446 | \$ 5,144 |
| Institutional research services | 2,076 | 2,172 | 3,989 | 4,324 |
| Other | 32 | 9 | 38 | 31 |
| Total revenues | 4,821 | 4,796 | 9,473 | 9,499 |
| Expenses | | | | |
| Compensation | 5,584 | 5,870 | 11,480 | 12,194 |
| Stock-based compensation | 284 | - | 699 | 72 |
| Other operating expenses | 2,104 | 2,372 | 8,321 | 4,929 |
| Total expenses | 7,972 | 8,242 | 20,500 | 17,195 |
| Operating loss | (3,151) | (3,446) | (11,027) | (7,696) |
| Other income/(expense) | | | | |
| Net gain/(loss) from investments | (234) | 16,571 | 34,745 | (10,959) |
| Interest and dividend income | 3,295 | 3,165 | 7,081 | 5,872 |
| Interest expense | (35) | (39) | (79) | (72) |
| Total other income/(expense), net | 3,026 | 19,697 | 41,747 | (5,159) |
| Income/(loss) before income taxes | (125) | 16,251 | 30,720 | (12,855) |
| Income tax expense/(benefit) | (277) | 3,388 | 5,914 | (3,346) |
| Net income/(loss) | 152 | 12,863 | 24,806 | (9,509) |
| Net income attributable to noncontrolling interests | 1,084 | 1,039 | 2,591 | 896 |
| Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders | \$ (932) | \$ 11,824 | \$ 22,215 | \$ (10,405) |
| Net income/(loss) attributable to Associated Capital Group, Inc.'s shareholders per share: | | | | |
| Basic | \$ (0.04) | \$ 0.51 | \$ 0.98 | \$ (0.45) |
| Diluted | (0.04) | 0.51 | 0.98 | (0.45) |

See accompanying notes.

Three Months Ended June 30, 2019 Compared To Three Months Ended June 30, 2018*Overview*

Our operating loss for the quarter was \$3.2 million compared to \$3.5 million for the comparable quarter of 2018. The decrease in operating loss was driven by lower operating expenses, primarily management fee. Other income was a gain of \$3.0 million in the 2019 quarter compared to a gain of \$19.7 million in the prior year's quarter primarily due to mark-to-market changes in the value of our investment portfolio. The Company recorded an income tax benefit in the current quarter of \$0.3 million compared to an expense of \$3.4 million in the year ago quarter. Consequently, our current quarter net loss was \$0.9 million, or \$(0.04) per diluted share, compared to net income of \$11.8 million, or \$0.51 per diluted share, in the prior year's comparable quarter.

Revenues

Total revenues were \$4.8 million for the quarter ended June 30, 2019, in line with the prior year period.

We earn advisory fees based on the average level of AUM in our products. Advisory fees were \$2.7 million for the 2019 quarter compared to \$2.6 million for the prior year quarter, an increase of \$0.1 million. This increase is due to the increase in AUM to \$1.6 billion in the second quarter of 2019. Incentive fees are not recognized until the uncertainty surrounding the amount of variable consideration ends and the fee is crystalized, typically annually on December 31. If the uncertainty surrounding the amount of variable consideration had ended on June 30, we would have recognized \$(0.5) million and \$2.3 million of incentive fees for the quarter ended June 30, 2019 and 2018, respectively.

Institutional research services revenues in the current year's second quarter decreased to \$2.1 million, from the prior year's period of \$2.2 million.

Expenses

Compensation, which includes variable compensation, salaries, bonuses and benefits, was \$5.9 million for the quarter ended June 30, 2019, compared to \$5.9 million for the quarter ended June 30, 2018. Fixed compensation, which includes salaries and benefits, increased to \$4.1 million for the second quarter 2019 from \$3.2 million in the 2018 period. Discretionary bonus accruals were \$0.9 million and \$1.0 million in the first quarter of 2019 and 2018, respectively. The remainder of compensation expense represents variable compensation that fluctuates with management and incentive fee revenues as well as the investment results of certain proprietary accounts. Variable payouts are also impacted by the mix of products upon which performance fees are earned and the extent to which they may exceed their allocated costs. For 2019, these variable payouts were \$1.8 million, up \$0.2 million from \$1.6 million in 2018.

For the three months ended June 30, 2019, stock-based compensation was \$0.3 million with none incurred in the prior year quarter.

Management fee expense is incentive-based and entirely variable compensation equal to 10% of the aggregate adjusted pre-tax profits, which is paid to the Executive Chairman or his designees pursuant to his employment agreement with AC. In 2019, AC recorded a management fee credit of \$(0.1) million due to the pre-tax operating loss incurred. There was no management fee expense in the second quarter of 2018 due to the year-to-date pre-tax loss.

Other operating expenses were \$2.1 million during the second quarter of 2019 compared to \$2.4 million in the prior year quarter.

Other

Net gain/(loss) from investments is primarily related to the performance of our securities portfolio and investments in partnerships. Investment losses were \$(0.2) million in the 2019 quarter versus \$16.6 million in the comparable 2018 quarter reflecting mark-to-market changes in the value of our investments.

Interest and dividend income increased to \$3.3 million in the 2019 quarter from \$3.1 million in the 2018 quarter primarily due to higher interest rates on our cash balances and US Treasuries and increased dividend income offset by interest earned on the GAMCO Note in the prior year's quarter due to principal payments received.

Six Months Ended June 30, 2019 Compared To Six Months Ended June 30, 2018

Overview

Our operating loss for the year-to-date period was \$11.0 million compared to \$7.7 million for the comparable period of 2018. Revenues were in line with the prior year amount. Investment income increased to \$41.7 million in the 2019 period from a loss of \$5.2 million in the prior year's period primarily due to mark-to-market gains on our investment portfolio and the adoption of ASU 2016-01 on January 1, 2018. Stock-based compensation fell by \$0.6 million year-over-year. The Company recorded an income tax expense of \$5.9 million in the current year compared to a benefit of \$3.3 million in the year ago period. Consequently, our 2019 period net income increased to \$22.2 million, or \$0.98 per diluted share, from \$(10.4) million, or \$(0.45) per diluted share, in the prior year's comparable period.

Revenues

Total revenues were \$9.5 million for the six month periods ended June 30, 2019 and 2018.

Advisory fees, excluding incentive fees, were \$5.5 million for the 2019 six months compared to \$5.1 million for the prior year six months, an increase of \$0.4 million. This increase is due to the increase in AUM over the period. Incentive fees are generally not recognized until the measurement period ends, typically annually on December 31. If the measurement period had instead ended on June 30, we would have recognized \$3.2 million and \$2.3 million for each of the six months ended June 30, 2019 and 2018, respectively.

Institutional research services revenues in the current year's first six months decreased to \$3.9 million, from the prior year's period of \$4.3 million due to a reduction in commissions generated by our institutional research operations.

Expenses

Compensation, which include variable compensation, salaries, bonuses and benefits, was \$12.2 million for the six months ended June 30, 2019, compared to \$12.3 million for the six months ended June 30, 2018. Fixed compensation, which include salaries and benefits, declined to \$8.6 million for the 2019 period from \$9.4 million in the prior year. Discretionary bonus accruals were \$1.8 million and \$2.1 million in the 2019 and 2018 periods, respectively. The remainder of the compensation expense represents variable compensation that fluctuates with management fee and incentive allocation revenues and gains on investment portfolios. Variable payouts as a percent of revenues are impacted by the mix of products upon which performance fees are earned and the extent to which they may exceed their allocated costs.

For the six months ended June 30, 2019 and 2018, stock-based compensation was \$0.7 million and \$0.1 million, respectively.

Management fee expense represents incentive-based and entirely variable compensation in the amount of 10% of the aggregate pre-tax profits which is payable to Mario J. Gabelli pursuant to his employment agreement. AC recorded management fee expense of \$3.2 million for the six month periods ended June 30, 2019. No management fee expense was recorded for the six month period ended June 30, 2018 due to the year to date pre-tax loss.

Other operating expenses were \$8.3 million during the first six months of 2019 compared to \$4.9 million in the prior year, an increase of \$3.4 million primarily due to expenses relating to a consolidated fund the Company launched in a prior year.

Other

Investment gains were \$34.7 million in the 2019 six month period compared to a \$11.0 million loss in the comparable 2018 period reflecting mark-to-market changes in the value of our investments.

Interest and dividend income increased to \$7.0 million in the 2019 period from \$5.8 million in 2018 primarily due to higher interest rates on our cash balances offset by reduced interest earned on the GAMCO Note due to principal payments received.

ASSETS UNDER MANAGEMENT

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

Assets under management were \$1.6 billion as of June 30, 2019, an increase of 5.7% and decrease of (1.6%) over the December 31, 2018 and June 30, 2018 periods, respectively. The changes were attributable to market appreciation/(depreciation) and additional investor contributions, net of redemptions.

Assets Under Management (in millions)

| | June 30, 2019 | December 31, 2018 | June 30, 2018 | % Change From | |
|------------------------|------------------|----------------------|------------------|----------------------|------------------|
| | | | | December 31, 2018 | June 30, 2018 |
| Event Merger Arbitrage | \$ 1,422 | \$ 1,342 | \$ 1,480 | 6.0 | (3.9) |
| Event-Driven Value | 127 | 118 | 87 | 7.6 | 46.0 |
| Other | 58 | 60 | 66 | (3.3) | (12.1) |
| Total AUM | <u>\$ 1,607</u> | <u>\$ 1,520</u> | <u>\$ 1,633</u> | 5.7 | (1.6) |

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

| | March 31, 2019 | Market appreciation/ (depreciation) | Net cash flows | June 30, 2019 |
|------------------------|-------------------|---|-------------------|------------------|
| Event Merger Arbitrage | \$ 1,401 | \$ 11 | \$ 10 | \$ 1,422 |
| Event-Driven Value | 127 | 2 | (2) | 127 |
| Other | 63 | 2 | (7) | 58 |
| Total AUM | <u>\$ 1,591</u> | <u>\$ 15</u> | <u>\$ 1</u> | <u>\$ 1,607</u> |

Fund flows for the six months ended June 30, 2019 (in millions):

| | December 31, 2018 | Market appreciation/ (depreciation) | Net cash flows | June 30, 2019 |
|------------------------|----------------------|---|-------------------|------------------|
| Event Merger Arbitrage | \$ 1,342 | \$ 39 | \$ 41 | \$ 1,422 |
| Event-Driven Value | 118 | 7 | 2 | 127 |
| Other | 60 | 6 | (8) | 58 |
| Total AUM | <u>\$ 1,520</u> | <u>\$ 52</u> | <u>\$ 35</u> | <u>\$ 1,607</u> |

LIQUIDITY AND CAPITAL RESOURCES

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

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

| | Six months ended June 30, | |
|--|----------------------------------|-------------------|
| | 2019 | 2018 |
| Cash flows provided by (used in): | | |
| Operating activities | \$ (36,080) | \$ (51,568) |
| Investing activities | (3,856) | 15,000 |
| Financing activities | (8,126) | 17,179 |
| Net increase (decrease) | (48,062) | (19,389) |
| Cash and cash equivalents at beginning of period | 409,564 | 293,112 |
| Increase in cash from consolidation | 62 | 47 |
| Cash and cash equivalents at end of period | <u>\$ 361,564</u> | <u>\$ 273,770</u> |

We require relatively low levels of capital expenditures and have a highly variable cost structure which fluctuates based on the level of revenues we receive. We anticipate that our available liquid assets should be more than sufficient to meet our cash requirements. At June 30, 2019, we had total cash and cash equivalents of \$362 million and \$556 million in net investments. Of these amounts, \$14 million and \$58 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 \$36.1 million for the six months ended June 30, 2019 primarily due to our net income adjusted for non-cash items of \$20.8 million and \$76.7 million of net gains on sale of securities and net contributions to partnerships partially offset by net increases of \$19.8 million to receivables and accrued expenses. Net cash used by investing activities was \$3.9 million due to net proceeds from sales of available for sale securities and return of capital distributions of \$2.4 million offset by the purchase of a building for \$6.3 million. Net cash used in financing activities was \$8.1 million largely resulting from dividends and stock buyback payments of \$6.5 million and redemptions from consolidated funds of \$1.6 million.

Net cash used in operating activities was \$51.6 million for the six months ended June 30, 2018 primarily due to our net loss adjusted for non-cash items of \$0.7 million and \$57.4 million of net increases of trading securities and net contributions to investment partnerships offset partially by net changes of \$16.1 million to accrued expenses and receivables. Net cash provided by investing activities was \$15.0 million due to the repayment of a short-term note. Net cash provided by financing activities was \$17.2 million largely resulting from the \$30 million prepayment of the GAMCO Note offset by dividends and stock buyback payments of \$10.5 million and redemptions from consolidated funds of \$2.3 million.

G.research is a registered broker-dealer, and is subject to the SEC Uniform Net Capital Rule 15c3-1 (the "Rule"), which specifies, among other requirements, minimum net capital requirements for registered broker-dealers. G.research computes its net capital under the alternative method as permitted by the Rule, which requires that minimum net capital be the greater of \$250,000 or 2% of the aggregate debit items in the reserve formula for those broker-dealers subject to Rule 15c3-3. G.research had net capital, as defined, of \$4.3 million, exceeding the required amount of \$250,000 by \$4.1 million at June 30, 2019. G.research's net capital requirements may increase to the extent it engages in other business activities in accordance with applicable rules and regulations.

Critical Accounting Policies and Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from those estimates. See Note A and the Company's Critical Accounting Policies in Management's Discussion and Analysis of Financial Condition and Results of Operations in AC's 2018 Annual Report on Form 10-K filed with the SEC on March 8, 2019 for details on Critical Accounting Policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

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

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

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

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

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

Forward-Looking Information

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

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

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

Part II: Other Information**Item 1. Legal Proceedings**

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

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

The following table provides information with respect to the repurchase of Class A Common Stock of AC during the three months ended June 30, 2019:

| Period | Total Number of Shares Repurchased | Average Price Paid Per Share, net of Commissions | Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs |
|---------------------|------------------------------------|--|--|--|
| 04/01/19 - 4/30/19 | 21,428 | \$ 39.57 | 21,428 | 1,173,009 |
| 05/01/19 - 05/31/19 | 5,693 | 38.86 | 5,693 | 1,167,316 |
| 06/01/19 - 06/30/19 | 15,492 | 36.11 | 15,492 | 1,151,824 |
| Totals | 42,613 | \$ 38.15 | 42,613 | |

Item 6. (a) Exhibits

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

[31.2](#) Certification of CAO pursuant to Rule 13a-14(a).

[32.1](#) Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

[32.2](#) Certification of CAO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

ASSOCIATED CAPITAL GROUP, INC.

(Registrant)

By: /s/ Kenneth D. Masiello

Name: Kenneth D. Masiello

Title: Chief Accounting Officer

Date: August 9, 2019

Certifications

I, Douglas R. Jamieson, certify that:

1. I have reviewed this report on Form 10-Q of Associated Capital Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 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

Douglas R. Jamieson
Chief Executive Officer

Date: August 9, 2019

Certifications

I, Kenneth D. Masiello, certify that:

1. I have reviewed this report on Form 10-Q of Associated Capital Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Kenneth D. Masiello

Kenneth D. Masiello
Chief Accounting Officer

Date: August 9, 2019

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

In connection with the Quarterly Report on Form 10-Q of Associated Capital Group, Inc. (the "Company") for the quarterly period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Douglas R. Jamieson, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Douglas R. Jamieson

Douglas R. Jamieson
Chief Executive Officer

Date: August 9, 2019

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

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

In connection with the Quarterly Report on Form 10-Q of Associated Capital Group, Inc. (the "Company") for the quarterly period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kenneth D. Masiello, as Chief Accounting Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Kenneth D. Masiello

Kenneth D. Masiello
Chief Accounting Officer

Date: August 9, 2019

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.
