GAMCO INVESTORS, INC. ET AL
Form 10-Q
August 03, 2011

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

(Mark One)

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

For the quarterly period ended June 30, 2011
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. 1-106

GAMCO INVESTORS, INC.
(Exact name of Registrant as specified in its charter)

New York (State of other jurisdiction of incorporation or organization)	13-4007862 (I.R.S. Employer Identification No.)
One Corporate Center, Rye, NY (Address of principle executive offices)	10580-1422 (Zip Code)

(914) 921-3700
Registrant’s telephone number, including area code

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.
Yesx Noo

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yesx Noo

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

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

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

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, 2011
Class A Common Stock, .001 par value	6,644,812
Class B Common Stock, .001 par value	20,142,640

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GAMCO INVESTORS, INC. AND SUBSIDIARIES

GAMCO INVESTORS, 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,	
	2011	2010	2011	2010
Revenues				
Investment advisory and incentive fees	$ 69,252	$ 50,271	$ 132,163	$ 99,613
Institutional research services	4,241	4,524	7,890	7,948
Distribution fees and other income	11,588	7,704	21,933	14,936
Total revenues	85,081	62,499	161,986	122,497
Expenses				
Compensation	34,365	25,871	67,782	52,084
Management fee	3,626	1,380	6,739	3,828
Distribution costs	9,588	7,099	23,017	14,130
Other operating expenses	7,005	5,569	13,191	10,505
Total expenses (a)	54,584	39,919	110,729	80,547
Operating income	30,497	22,580	51,257	41,950
Other income (expense)				
Net gain/(loss) from investments	3,669	(7,797)	12,409	(2,565)
Interest and dividend income	1,861	1,089	3,797	1,904
Interest expense	(3,403)	(3,406)	(6,270)	(6,698)
Total other income (expense), net	2,127	(10,114)	9,936	(7,359)
Income before income taxes	32,624	12,466	61,193	34,591
Income tax provision	11,945	4,401	22,233	12,695
Net income	20,679	8,065	38,960	21,896
Net income attributable to noncontrolling interests	32	16	670	121
Net income attributable to GAMCO Investors, Inc.'s shareholders	$ 20,647	$ 8,049	$ 38,290	$ 21,775
Net income attributable to GAMCO Investors, Inc.'s shareholders per share:				
Basic	$ 0.77	$ 0.30	$ 1.43	$ 0.80
Diluted	$ 0.77	$ 0.30	$ 1.42	$ 0.80
Weighted average shares outstanding:				

Basic	26,665	26,979	26,783	27,081
Diluted	26,733	27,219	26,872	27,306
Dividends declared:	$ 0.04	$ 0.03	$ 0.07	$ 0.06

(a) Six months ended June 30, 2011 includes $5.6 million in costs directly related to the launch of a new closed-end fund.

See accompanying notes.

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

	June 30, 2011	December 31, 2010	June 30, 2010
ASSETS			
Cash and cash equivalents, including restricted cash of $0, $0 and $62,287, respectively	$260,839	$169,601	$321,029
Investments in securities	363,305	305,486	213,079
Investments in partnerships	98,598	82,871	74,107
Receivable from brokers	35,968	46,621	54,548
Investment advisory fees receivable	25,746	44,660	16,844
Income tax receivable and deferred tax assets	238	325	3,436
Other assets	25,964	23,172	20,445
Total assets	$810,658	$672,736	$703,488
LIABILITIES AND EQUITY			
Payable to brokers	$2,950	$1,554	$3,351
Income taxes payable and deferred tax liabilities	21,622	23,225	-
Capital lease obligation	5,126	5,182	5,219
Compensation payable	29,484	23,771	18,613
Securities sold, not yet purchased	10,244	19,299	13,652
Mandatorily redeemable noncontrolling interests	1,478	1,444	1,632
Accrued expenses and other liabilities	34,620	23,089	28,146
Sub-total	105,524	97,564	70,613
5.5% Senior notes (due May 15, 2013)	99,000	99,000	99,000
5.875% Senior notes (due June 1, 2021)	100,000	-	-
6% Convertible note (due August 14, 2011; repaid September 30, 2010)	-	-	19,948
6.5% Convertible note (due October 2, 2018; repaid October 13, 2010)	-	-	60,000
Zero coupon subordinated debentures, Face value: $86.4 million (due December 31, 2015)	61,814	59,580	-
Total liabilities	366,338	256,144	249,561
Redeemable noncontrolling interests	35,519	26,984	7,773
Commitments and contingencies (Note J)			
Equity			
GAMCO Investors, Inc. stockholders' equity			
Class A Common Stock, $0.001 par value; 100,000,000 shares authorized; 13,569,703, 13,255,503 and 13,203,330 issued, respectively; 6,647,212, 6,763,221 and 6,984,351 outstanding, respectively	13	13	13
Class B Common Stock, $0.001 par value; 100,000,000 shares authorized;			

24,000,000 shares issued; 20,142,640, 20,290,140 and 20,292,263 shares			
outstanding, respectively	20	20	20
Additional paid-in capital	263,371	262,108	254,444
Retained earnings	406,666	370,272	430,605
Accumulated comprehensive income	26,349	25,389	15,960
Treasury stock, at cost (6,922,491, 6,492,282 and 6,218,979 shares, respectively)	(291,287)	(271,773)	(258,956)
Total GAMCO Investors, Inc. stockholders' equity	405,132	386,029	442,086
Noncontrolling interests	3,669	3,579	4,068
Total equity	408,801	389,608	446,154
Total liabilities and equity	$810,658	$672,736	$703,488
See accompanying notes.			

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GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME
UNAUDITED
(In thousands)

For the six months ended June 30, 2011

	GAMCO Investors, Inc. shareholders								
	Noncontrolling Interests	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Comprehensive Income	Treasury Stock	Total	Redeemable Noncontrolling Interests	Comprehensive Income
Balance at December 31, 2010	$ 3,579	$ 33	$ 262,108	$ 370,272	$ 25,389	$ (271,773)	$ 389,608	$ 26,984	$ -
Redemptions of redeemable noncontrolling interests	-	-	-	-	-	-	-	(839)	-
Contributions from redeemable noncontrolling interests	-	-	-	-	-	-	-	12,897	-
Deconsolidation of Partnership	-	-	-	-	-	-	-	(4,103)	-
Net income	90	-	-	38,290	-	-	38,380	580	38,960
Net unrealized gains on securities available for sale, net of income tax ($550)	-	-	-	-	937	-	937	-	937
Foreign currency translation	-	-	-	-	23	-	23	-	23
Dividends declared ($0.07 per share)	-	-	-	(1,896)	-	-	(1,896)	-	-
Stock based compensation expense	-	-	1,263	-	-	-	1,263	-	-
Purchase of treasury stock	-	-	-	-	-	(19,514)	(19,514)	-	-
Balance at June 30, 2011	$ 3,669	$ 33	$ 263,371	$ 406,666	$ 26,349	$ (291,287)	$ 408,801	$ 35,519	$ 39,920
Comprehensive income									

attributable to noncontrolling interest	(670)
Total comprehensive income attributable to GAMCO Investors, Inc.	$ 39,250

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME
UNAUDITED
(In thousands)

For the six months ended June 30, 2010

	GAMCO Investors, Inc. shareholders								
	Noncontrolling Interests	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Comprehensive Income	Treasury Stock	Total	Redeemable Noncontrolling Interests	Comprehensive Income
Balance at December 31, 2009	$ 4,043	$ 33	$ 251,591	$ 410,473	$ 19,088	$ (241,567)	$ 443,661	$ 1,464	$ -
Redemptions of redeemable noncontrolling interests	-	-	-	-	-	-	-	(475)	-
Contributions from redeemable noncontrolling interests	-	-	-	-	-	-	-	6,688	-
Net income	25	-	-	21,775	-	-	21,800	96	21,896
Net unrealized losses on securities available for sale, net of income tax benefit ($1,821)	-	-	-	-	(3,101)	-	(3,101)	-	(3,101)
Foreign currency translation	-	-	-	-	(27)	-	(27)	-	(27)
Dividends declared ($0.06 per share)	-	-	-	(1,643)	-	-	(1,643)	-	-
Stock based compensation expense	-	-	2,805	-	-	-	2,805	-	-
Exercise of stock options including tax benefit	-	-	48	-	-	-	48	-	-
Purchase of treasury stock	-	-	-	-	-	(17,389)	(17,389)	-	-
	$ 4,068	$ 33	$ 254,444	$ 430,605	$ 15,960	$ (258,956)	$ 446,154	$ 7,773	$ 18,768

Balance at June 30, 2010	
Comprehensive income attributable to noncontrolling interest	(121)
Total comprehensive income attributable to GAMCO Investors, Inc.	$ 18,647

See accompanying notes.

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GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
(In thousands)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Operating activities		
Net income	$ 38,960	$ 21,896
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in net gains from partnerships	(3,094)	(1,037)
Depreciation and amortization	456	343
Stock based compensation expense	1,263	2,805
Deferred income taxes	1,220	2,934
Tax benefit from exercise of stock options	-	8
Foreign currency translation gain/(loss)	23	(27)
Fair value of donated securities	56	(608)
Gains on sales of available for sale securities	(584)	(13)
Amortization of discount on convertible debt	-	297
Accretion of zero coupon debentures	2,234	-
(Increase) decrease in assets:		
Investments in trading securities	(70,979)	(59,206)
Investments in partnerships:		
Contributions to partnerships	(10,683)	(15,807)
Distributions from partnerships	3,226	5,392
Receivable from brokers	4,966	(24,476)
Investment advisory fees receivable	19,044	18,841
Income tax receivable and deferred tax assets	87	-
Other assets	(2,312)	667
Increase (decrease) in liabilities:		
Payable to brokers	1,396	2,956
Income taxes payable and deferred tax liabilities	(3,108)	(13,073)
Compensation payable	5,710	5,313
Mandatorily redeemable noncontrolling interests	35	10
Accrued expenses and other liabilities	12,776	2,972
Total adjustments	(38,268)	(71,709)
Net cash provided by (used in) operating activities	$ 692	$ (49,813)

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED (continued)
(In thousands)

	Six Months Ended June 30, 2011	2010
Investing activities		
Purchases of available for sale securities	$ (4,370)	$ (9)
Proceeds from sales of available for sale securities	5,685	2,014
Return of capital on available for sale securities	777	1,306
Increase in restricted cash	-	(29)
Net cash provided by investing activities	2,092	3,282
Financing activities		
Contributions from redeemable noncontrolling interests	12,897	6,213
Redemptions of redeemable noncontrolling interests	(839)	-
Issuance of 5.875% Senior notes due June 1, 2021	100,000	-
Issuance costs on the 5.875% Senior notes due June 1, 2021	(934)	
Repayment of 6% Convertible note due August 14, 2011	-	(20,200)
Proceeds from exercise of stock options	-	40
Dividends paid	(1,896)	(1,643)
Purchase of treasury stock	(19,514)	(17,389)
Net cash provided by (used in) financing activities	89,714	(32,979)
Effect of exchange rates on cash and cash equivalents	(9)	(18)
Net increase (decrease) in cash and cash equivalents	92,489	(79,528)
Cash and cash equivalents at beginning of period	169,601	338,270
Decrease in cash from deconsolidation of partnership	(1,251)	-
Cash and cash equivalents at end of period	$ 260,839	$ 258,742
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 3,267	$ 6,800
Cash paid for taxes	$ 23,433	$ 22,441

Non-cash activity:
- On January 1, 2011, GAMCO Investors, Inc. was no longer deemed to have control over a certain partnership which resulted in the deconsolidation of that partnership and decreases of approximately $1,251 of cash and cash equivalents , $2,852 of net assets and $4,103 of noncontrolling interests.
- For the six months ended June 30, 2011 and June 30, 2010, the Company accrued restricted stock award dividends of $17 and $23, respectively.

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(Unaudited)

A. Significant Accounting Policies

Basis of Presentation

Unless we have indicated otherwise, or the context otherwise requires, references in this report to "GAMCO Investors, Inc.," "GAMCO," "the Company," "GBL," "we," "us" and "our" or similar terms are to GAMCO Investors, Inc., its predec and its subsidiaries.

The unaudited interim condensed consolidated financial statements of GAMCO included herein have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States 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 GAMCO for the interim periods presented and are not necessarily indicative of a full year's results.

The condensed consolidated financial statements include the accounts of GAMCO and its subsidiaries, including our new broker-dealer, G.distributors, LLC, a wholly-owned subsidiary of GAMCO, which became the distributor for the Gabelli/GAMCO family of funds on August 1, 2011. Intercompany accounts and transactions are eliminated.

These 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, 2010 from which the accompanying condensed consolidated financial statements were derived.

Certain items previously reported have been reclassified to conform to the current period's condensed consolidated financial statements presentation.

Subsequent to the issuance of the Company's second quarter 2010 Form 10-Q, filed with the SEC on August 5, 2010, the Company determined that pursuant to ASC 810, Consolidation, it should have presented the amount of comprehensive income attributable to noncontrolling interests and comprehensive income attributable to GAMCO in its consolidated statement of equity and comprehensive income. The affected period includes the period ended June 30, 2010. The accompanying consolidated statement of equity and comprehensive income for the period ended June 30, 2010 has been corrected to also include such information. The Company believes this correction was not material to the consolidated financial statements taken as a whole.

Use of Estimates

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

Recent Accounting Developments

In January 2010, the Financial Accounting Standards Board ("FASB") issued guidance to improve disclosures about fair value measurements. The guidance affects all entities that are required to make disclosures about recurring and nonrecurring fair value measurements. The guidance requires new disclosures regarding purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company adopted the applicable portions of this guidance on January 1, 2011 without a material impact to the consolidated financial statement disclosures.

In May 2011, the FASB issued guidance on fair value measurement which expands existing disclosure requirements for fair value measurements and makes other amendments. The guidance requires, for level 3 fair value measurements, (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, (2) a description of the valuation processes in place, and (3) a narrative description of the sensitivity of the fair value to changes in unobservable inputs and interrelationships between those inputs. Additionally, the guidance requires disclosure of the level in the fair value hierarchy of items that are not measured at fair value in the statement of financial position but whose fair value must be disclosed and clarifies that the valuation premise and highest and best use concepts are not relevant to financial instruments. The guidance is effective for fiscal years beginning after December 15, 2011, and for interim periods within those fiscal years. The application of this guidance will result in enhanced footnote disclosure upon adoption on January 1, 2012.

In June 2011, the FASB issued guidance which revises the manner in which entities present comprehensive income in their financial statements. The new guidance requires entities to report comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. Under the two-statement approach, the first statement would include components of net income, which is consistent with the income statement format used currently, and the second statement would include components of other comprehensive income ("OCI"). The guidance does not change the items that must be reported in OCI. The guidance is effective for fiscal years beginning after December 15, 2011, and for interim periods within those fiscal years. The application of this guidance is not expected to be material to the condensed consolidated financial statements.

B. Investment in Securities

Investments in securities at June 30, 2011, December 31, 2010 and June 30, 2010 consisted of the following:

	June 30, 2011		December 31, 2010		June 30, 2010	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
			(In thousands)			
Trading securities:						
Government obligations	$7,924	$7,925	$27,327	$27,288	$1,388	$1,223
Common stocks	238,689	251,118	158,455	170,374	122,071	118,167
Mutual funds	1,096	1,525	1,205	1,554	1,194	1,229
Convertible bonds	-	-	574	620	1,123	1,161
Preferred stocks	-	-	1,783	1,973	1,783	1,685
Other investments	459	487	1,559	1,350	818	552
Total trading securities	248,168	261,055	190,903	203,159	128,377	124,017
Available for sale securities:						
Common stocks	16,780	35,296	16,835	37,139	16,918	32,827
Mutual funds	42,199	66,954	43,707	65,188	46,156	56,235
Total available for sale securities	58,979	102,250	60,542	102,327	63,074	89,062
Total investments in securities	$307,147	$363,305	$251,445	$305,486	$191,451	$213,079

Securities sold, not yet purchased at June 30, 2011, December 31, 2010 and June 30, 2010 consisted of the following:

	June 30, 2011		December 31, 2010		June 30, 2010	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Trading securities:			(In thousands)			
Common stocks	$9,416	$10,238	$19,071	$19,299	$15,528	$13,537
Other	1	6	-	-	224	115
Total securities sold, not yet purchased	$9,417	$10,244	$19,071	$19,299	$15,752	$13,652

Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates such designation as of each balance sheet date. 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 time of purchase are classified as cash equivalents. A substantial portion of investments in securities are held for resale in anticipation of short-term market movements and therefore are classified as trading securities. Trading securities are stated at fair value, with any unrealized gains or losses, reported in current period earnings. Available for sale ("AFS") investments are stated at fair value, with any unrealized gains or losses, net of taxes, reported as a component of equity except for losses deemed to be other than temporary which are recorded as unrealized losses in the condensed consolidated statements of income. There was no impairment of AFS securities for the three or six month periods ended June 30, 2011 and June 30, 2010.

The Company recognizes all 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 proprietary investments. For the three and six months ended June 30, 2011, the Company had no derivative transactions. For the three months ended June 30, 2010, the Company had derivative transactions in equity derivatives which resulted in net losses of $66,000. For the six months ended June 30, 2010, the Company had derivative transactions in equity derivatives which resulted in net losses of $118,000. At December 31, 2010 and June 30, 2010, we held derivative contracts on 403,000 equity shares and 21,000 equity shares, respectively, and the fair value was $1.0 million and $201,000, respectively; these are included in investments in securities in the condensed consolidated statements of financial condition. At June 30, 2011, the Company did not hold any derivatives. These transactions are not designated as hedges for accounting purposes, and therefore changes in fair values of these derivatives are included in net gain/(loss) from investments in the condensed consolidated statements of income.

At June 30, 2011, December 31, 2010 and June 30, 2010, the fair value of common stock investments available for sale was $35.3 million, $37.1 million and $32.8 million, respectively. The total unrealized gains for common stock investments available for sale securities with unrealized gains was $18.5 million, $20.3 million and $15.9 million at June 30, 2011, December 31, 2010 and June 30, 2010, respectively. There were no unrealized losses for common stock investments available for sale at June 30, 2011, December 31, 2010 or June 30, 2010. At June 30, 2011, December 31, 2010 and June 30, 2010, the fair value of mutual fund investments available for sale with unrealized gains was $67.0 million, $65.2 million and $56.2 million, respectively. At June 30, 2011 and December 31, 2010, there were no unrealized losses for mutual fund investments available for sale. At June 30, 2010, the fair value of mutual fund investments available for sale with unrealized losses was $4,000. The total unrealized gains for mutual fund investments available for sale securities with unrealized gains at June 30, 2011, December 31, 2010 and June 31, 2010 was $24.8 million, $21.5 million and $10.1 million, respectively. The total unrealized losses for available for sale securities with unrealized losses was $1,000 at June 30, 2010.

Unrealized changes to fair value, net of taxes, for the three months ended June 30, 2011 and June 30, 2010 of $1.5 million in losses and $4.9 million in losses, respectively, have been included in other comprehensive income, a component of equity, at June 30, 2011 and June 30, 2010. Return of capital on available for sale securities for the three months ended June 30, 2011 and June 30, 2010 was $0.2 million and $0.6 million, respectively. Proceeds from sales of investments available for sale were approximately $5.6 million and $2.0 million for the three month periods ended June 30, 2011 and June 30, 2010, respectively. For the three months ended June 30, 2011 and June 30, 2010, gross gains on the sale of investments available for sale amounted to $483,000 and $13,000, respectively; there were no gross losses on the sale of investments available for sale. Unrealized changes to fair value, net of taxes, for the six months ended June 30, 2011 and June 30, 2010 of $0.9 million in gains and $3.1 million in losses, respectively, have been included in other comprehensive income, a component of equity, at June 30, 2011 and June 30, 2010. Return of capital on available for sale securities for the six months ended June 30, 2011 and June 30, 2010 was $0.8 million and $1.3 million, respectively. Proceeds from sales of investments available for sale were approximately $5.7 million and $2.0 million for the six month periods ended June 30, 2011 and June 30, 2010, respectively. For the six months ended June 30, 2011 and June 30, 2010, gross gains on the sale of investments available for sale amounted to $584,000 and $13,000, respectively; there were no gross losses on the sale of investments available for sale.

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

June 30, 2011	December 31, 2010	June 30, 2010
Unrealized	Unrealized	Unrealized

	Cost	Losses	Fair Value	Cost	Losses	Fair Value	Cost	Losses	Fair Value
(in thousands)									
Mutual Funds	$-	$ -	$-	$-	$ -	$-	$5	$ (1)	$4

At June 30, 2010, there were three holdings in loss positions which were not deemed to be other-than-temporarily impaired because they passed scrutiny in our evaluation of the length of time that they had been in a loss position and our evaluation of issuer-specific and industry-specific considerations. In these specific instances, the investments at June 30, 2010 were mutual funds with diversified holdings across multiple companies and in most cases across multiple industries. One holding was impaired for one month, one holding was impaired for five consecutive months and one holding was impaired for twelve consecutive months. The fair value of these holdings at June 30, 2010 was $4,000.

C. Investments in Partnerships

The Company is general partner or co-general partner of various sponsored limited partnerships and the investment manager of various sponsored offshore funds whose underlying assets consist primarily of marketable securities (the "affiliated entities"). We also have investments in unaffiliated partnerships, offshore funds and other entities. Certain of the affiliated entities are consolidated, generally because a majority of the equity is owned by the Company. Other investment partnerships for which we serve as the general partner but have only a minority ownership interest are not consolidated because the limited partners have substantive rights to replace the Company as general partner. Our balance sheet caption "investments in partnerships" includes those investments, in both affiliated and unaffiliated entities, which the Company accounts for under the equity method of accounting and certain investments in consolidated feeder funds that the Company accounts for at fair value, as described below. The Company reflects the equity in earnings of these equity method investees and the change in fair value of the consolidated feeder funds under the caption net gain/(loss) from investments on the condensed consolidated statements of income.

We also have sponsored a number of investment vehicles where we are the investment manager in which we do not have an equity investment. These vehicles are considered VIEs, and we are not the primary beneficiary because we do not absorb a majority of the entities' expected losses or expected returns. The Company has not provided any financial or other support to these entities. The total assets of these entities at June 30, 2011, December 31, 2010 and June 30, 2010 were $23.5 million, $13.3 million and $10.8 million, respectively. Our maximum exposure to loss as a result of our involvement with the VIEs is limited to the deferred carried interest that we have in one of the VIEs. On June 30, 2011, December 31, 2010 and June 30, 2010, we had a deferred carried interest in one of the VIE offshore funds of approximately $49,000, $325,000 and $288,000, respectively, and it was included in investments in partnerships on the condensed consolidated statements of financial condition. Additionally, as the general partner or investment manager to these VIEs, the Company earns fees for performing these roles. These revenues are dependent upon the AUM levels in the VIEs, would vary depending on these AUMs and would be reflected in the condensed consolidated statements of income, condensed consolidated statements of financial condition and condensed consolidated statements of cash flows.

In the case of two VIEs, we have determined that we are the primary beneficiary of each because we absorb a majority of each entity's expected losses; therefore they are consolidated in the financial statements. The Company has not provided any financial support to these VIEs but does earn fees as the investment manager. The assets of these VIEs may only be used to satisfy obligations of the VIEs. The following table presents the balances related to these VIEs that were included on the condensed consolidated statements of financial condition as well as GAMCO's net interest in these VIEs:

	June 30, 2011
(In thousands)	
Cash and cash equivalents	$ 1
Investments in securities	73,047
Investments in partnerships	1,576
Receivable from brokers	22,881
Other assets	57
	(7,334)

Securities sold, not yet purchased	
Accrued expenses and other liabilities	(327)
Redeemable noncontrolling interests	(34,794)
GAMCO's net interests in consolidated VIEs	$ 55,107

On January 1, 2011, upon analysis of several factors, including the additional contribution of capital from unrelated third parties into a partnership that we consolidated for the year ended and as of December 31, 2010, we determined that the Company was no longer deemed to control the partnership, resulting in the deconsolidation of this partnership, effective January 1, 2011. The deconsolidation did not result in the recognition of any gain or loss. The Company continues to serve as the general partner and earns fees for this role, and it also maintains an investment in the deconsolidated partnership which is included in investments in partnerships on the condensed consolidated statements of financial condition and is accounted for under the equity method (which approximates fair value).

At June 30, 2011, December 31, 2010 and June 30, 2010, and for the three and six months ended June 30, 2011 and June 30, 2010, the Company consolidated two limited partnerships and one offshore fund (the “consolidated feeder funds”) that owned 100% of their offshore master funds. The Company retained the specialized investment company accounting of the consolidated feeder funds in the Company’s consolidated financial statements. Included in the investment in partnerships on the Company’s consolidated statement of financial condition as of June 30, 2011, December 31, 2010 and June 30, 2010, are $28.0 million $27.7 million, and $25.6 million, respectively, which represent the consolidated feeder fund’s proportionate investment in the master funds carried at fair value at those dates.

D. Fair Value

All of the instruments within cash and cash equivalents, investments in securities and securities sold, not yet purchased are measured at fair value. Certain investments in partnerships are also measured at fair value.

The Company’s assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the FASB’s guidance on fair value measurement. The levels of the fair value hierarchy and their applicability to the Company are described below:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date. Level 1 assets include cash equivalents, government obligations, open and closed end funds and equities.
- Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities that are not active and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly-quoted intervals. Assets that generally are included in this category may include certain limited partnership interests in private funds in which the valuations for substantially all of the investments within the fund are based upon Level 1 or Level 2 inputs and over the counter derivatives that have inputs to the valuations that can generally be corroborated by observable market data.
- Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. Assets included in this category generally include equities that trade infrequently and direct private equity investments held within consolidated partnerships.

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

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

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

Cash equivalents – Cash equivalents primarily consist of an affiliated money market mutual fund which is invested solely in U.S. Treasuries. U.S. Treasury Bills and Notes with maturities of three months or less at the time of purchase are also considered cash equivalents. Cash equivalents are valued using quoted market prices.

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

Investments in Partnerships – The Company's investments include limited partner investments in consolidated feeder funds. The Company considers the net asset value of the consolidated feeder fund to be the best estimate of fair value. Investments in private funds that are redeemable at the measurement date or within the near term, are categorized in Level 2 of the fair value hierarchy. These funds primarily invest in long and short investments in debt and equity securities that are traded in public and over-the-counter exchanges in the United States and are classified as Level 1 assets or liabilities in the funds' financial statements. We may redeem our investments in these funds monthly with 30 days' notice.

The following table presents information about the Company's assets and liabilities by major categories measured at fair value on a recurring basis as of June 30, 2011, December 31, 2010 and June 30, 2010 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of June 30, 2011 (in thousands)

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2011
Cash equivalents	$ 260,177	$ -	$ -	$ 260,177
Investments in partnerships	-	27,977	-	27,977
Investments in securities:				
AFS - Common stocks	35,296	-	-	35,296
AFS - Mutual funds	66,954	-	-	66,954
Trading - Gov't obligations	7,925	-	-	7,925
Trading - Common stocks	250,524	10	584	251,118
Trading - Mutual funds	1,525	-	-	1,525
Trading - Other	118	-	369	487
Total investments in securities	362,342	10	953	363,305
Total investments	362,342	27,987	953	391,282
Total assets at fair value	$ 622,519	$ 27,987	$ 953	$ 651,459
Liabilities				
Trading - Common stocks	$ 10,238	$ -	$ -	$ 10,238
Trading - Other	6	-	-	6
Securities sold, not yet purchased	$ 10,244	$ -	$ -	$ 10,244

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of December 31, 2010 (in thousands)

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2010
Cash equivalents	$ 167,548	$ -	$ -	$ 167,548
Investments in partnerships	-	27,690	-	27,690
Investments in securities:				
AFS - Common stocks	37,139	-	-	37,139
AFS - Mutual funds	65,188	-	-	65,188

Trading - Gov't obligations		27,288		-		-		27,288
Trading - Common stocks		170,204		23		147		170,374
Trading - Mutual funds		1,554		-		-		1,554
Trading - Convertible bonds		620		-		-		620
Trading - Preferred stocks		1,973		-		-		1,973
Trading - Other		72		1,000		278		1,350
Total investments in securities		304,038		1,023		425		305,486
Total investments		304,038		28,713		425		333,176
Total assets at fair value	$	471,586	$	28,713	$	425	$	500,724
Liabilities								
Trading - Common stocks	$	19,299	$	-	$	-	$	19,299
Securities sold, not yet purchased	$	19,299	$	-	$	-	$	19,299

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of June 30, 2010 (in thousands)

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2010
Cash equivalents	$ 320,575	$ -	$ -	$ 320,575
Investments in partnerships	-	25,553	-	25,553
Investments in securities:				
AFS - Common stocks	32,827	-	-	32,827
AFS - Mutual funds	56,235	-	-	56,235
Trading - Gov't obligations	1,223	-	-	1,223
Trading - Common stocks	117,617	278	272	118,167
Trading - Mutual funds	1,229	-	-	1,229
Trading - Convertible bonds	1,161	-	-	1,161
Trading - Preferred stocks	1,674	-	11	1,685
Trading - Other	143	316	93	552
Total investments in securities	212,109	594	376	213,079
Total investments	212,109	26,147	376	238,632
Total assets at fair value	$ 532,684	$ 26,147	$ 376	$ 559,207
Liabilities				
Trading - Common stocks	$ 13,537	$ -	$ -	$ 13,537
Trading - Other	-	115	-	115
Securities sold, not yet purchased	$ 13,537	$ 115	$ -	$ 13,652

The following tables present additional information about assets and liabilities by major categories measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended June 30, 2011 (in thousands)

	March 31, 2011	Total Realized and Unrealized Gains or (Losses) in Income	Total Unrealized Gains or (Losses) Included in Other	Total Realized and Unrealized	Transfers

Asset	Beginning Balance	Trading	AFS Investments	Comprehensive Income	Gains or (Losses)	Purchases	Sales	In and/or (Out) of Level 3	Ending Balance
Financial instruments owned:									
Trading - Common stocks	$ 568	$ 16	$ -	$ -	$ 16	$ 14	$ (14)	$ -	$ 584
Trading - Other	356	(3)	-	-	(3)	10	-	6	369
Total	$ 924	$ 13	$ -	$ -	$ 13	$ 24	$ (14)	$ 6	$ 953

There were no transfers between Level 1 and Level 2 during the three months ended June 30, 2011. Transfers are based on the value at the beginning of the period. During the three months ended June 30, 2011, the Company reclassed approximately $6,000 of investments from Level 1 to Level 3. The reclassifications were due to decreased availability of market price quotations and were based on the values at the beginning of the period in which the reclass occurred.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Six Months Ended June 30, 2011 (in thousands)

Asset	December 31, 2010 Beginning Balance	Total Realized and Unrealized Gains or (Losses) in Income Trading	AFS Investments	Total Unrealized Gains or (Losses) Included in Other Comprehensive Income	Total Realized and Unrealized Gains or (Losses)	Purchases	Sales	Transfers In and/or (Out) of Level 3	Ending Balance
Financial instruments owned:									
Trading - Common stocks	$ 147	$ 37	$ -	$ -	$ 37	$ 414	$ (14)	$ -	$ 584
Trading - Other	278	123	-	-	123	10	(48)	6	369
Total	$ 425	$ 160	$ -	$ -	$ 160	$ 424	$ (62)	$ 6	$ 953

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2011. Transfers are based on the value at the beginning of the period. During the six months ended June 30, 2011, the Company reclassed approximately $6,000 of investments from Level 1 to Level 3. The reclassifications were due to decreased availability of market price quotations and were based on the values at the beginning of the period in which the reclass occurred.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended June 30, 2010 (in thousands)

Asset	March 31, 2010 Beginning Balance	Total Realized and Unrealized Gains or (Losses) in Income Trading	AFS Investments	Total Unrealized Gains or (Losses) Included in Other Comprehensive Income	Total Realized and Unrealized Gains or (Losses)	Purchases and Sales, net	Net Transfers In and/or (Out) of Level 3	Ending Balance
Financial instruments owned:								
Trading - Common								

stocks	$ 233	$ (8)	$ -	$ -	$ (8)	$ -	$ 47	$ 272
Trading - Preferred stocks	11	-	-	-	-	-	-	11
Trading - Other	90	3	-	-	3	-	-	93
Total	$ 334	$ (5)	$ -	$ -	$ (5)	$ -	$ 47	$ 376

There were no transfers between Level 1 and Level 2 as well as between Level 1 and Level 3 holdings during the three months ended June 30, 2010. During the three months ended June 30, 2010, the Company reclassed approximately $47,000 of investments from Level 2 to Level 3. The reclassifications were due to decreased availability of market price quotations and were based on the values at the beginning of the period in which the reclass occurred.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Six Months Ended June 30, 2010 (in thousands)

Asset	December 31, 2009 Beginning Balance	Total Realized and Unrealized Gains or (Losses) in Income: Trading	Total Realized and Unrealized Gains or (Losses) in Income: AFS Investments	Total Unrealized Gains or (Losses) Included in Other Comprehensive Income	Total Realized and Unrealized Gains or (Losses)	Purchases and Sales, net	Net Transfers In and/or (Out) of Level 3	Ending Balance
Financial instruments owned:								
Trading - Common stocks	$ 205	$ 29	$ -	$ -	$ 29	$ (32)	$ 70	$ 272
Trading - Preferred stocks	15	(4)	-	-	(4)	-	-	11
Trading - Other	90	3	-	-	3	-	-	93
Total	$ 310	$ 28	$ -	$ -	$ 28	$ (32)	$ 70	$ 376

There were no transfers between Level 1 and Level 2 holdings during the six months ended June 30, 2010. During the six months ended June 30, 2010, the Company reclassed approximately $23,000 of investments from Level 1 to Level 3 and $47,000 from Level 2 to Level 3. The reclassifications were due to decreased availability of market price quotations and were based on the values at the beginning of the period in which the reclass occurred.

Unrealized Level 3 gains and/or losses included within net gain/(loss) from investments in the condensed consolidated statements of income for the three months ended June 30, 2011 and June 30, 2010 were approximately $13,000 of gains and $5,000 of losses, respectively, and for the six months ended June 30, 2011 and June 30, 2010 were approximately $160,000 of gains and $28,000 of gains, respectively, for those Level 3 securities held at June 30, 2011 and June 30, 2010, respectively.

E. Debt

	June 30, 2011	December 31, 2010	June 30, 2010
(In thousands)			
5.5% Senior notes	$ 99,000	$ 99,000	$ 99,000
	100,000	-	-

5.875% Senior notes						
6% Convertible note		-		-		19,948
6.5% Convertible note		-		-		60,000
0% Subordinated debentures		61,814		59,580		-
Total	$	260,814	$	158,580	$	178,948

On May 31, 2011, the Company issued $100 million of senior unsecured notes at par. The net proceeds of $99.1 million will be used for working capital and general corporate purposes, which may include acquisitions. The issuance costs have been capitalized and will be amortized over the term of the debt. The notes mature on June 1, 2021 and bear interest at 5.875% per annum, payable semi-annually on June 1 and December 1 of each year commencing on December 1, 2011. Upon the occurrence of a change of control triggering event, as defined in the indenture, the Company would be required to offer to repurchase the notes at 101% of their principal amount. The notes were issued pursuant to the Company's existing $400 million shelf registration statement filed with the SEC under which the remaining $300 million is available through July 27, 2012.

The fair value of the Company's debt is estimated based on either quoted market prices for the same or similar issues or using market standard models depending on the characteristics of the debt issuance. Inputs in these standard models include credit rating, maturity and interest rate. A standard option pricing model is used to calculate the fair value of the conversion option embedded in the convertible debt at June 30, 2010, with significant inputs including volatility of GBL stock, interest rates, dividend yield and maturity. At June 30, 2011, December 31, 2010 and June 30, 2010, the fair value of the Company's debt is estimated to be $258.9 million, $163.0 million and $191.7 million, respectively. The carrying value of the Company debt at June 30, 2011, December 31, 2010 and June 30, 2010 is $260.8 million, $158.6 million and $178.9 million, respectively.

At the time of issuance on December 31, 2010, the effective interest rate for the zero coupon subordinated debentures due December 31, 2015 was 7.45% and is being accreted to interest expense over the term of the debenture.

F. Income Taxes

The effective tax rate for the three and six months ended June 30, 2011 was 36.6% and 36.3%, respectively, compared to 35.3% and 36.7% for the prior year three and six month periods, respectively.

G. Earnings Per Share

The computations of basic and diluted net income per share are as follows:

(in thousands, except per share amounts)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Basic:				
Net income attributable to GAMCO Investors, Inc.'s shareholders	$ 20,647	$ 8,049	$ 38,290	$ 21,775
Weighted average shares outstanding	26,665	26,979	26,783	27,081
Basic net income attributable to GAMCO Investors, Inc.'s shareholders per share	$ 0.77	$ 0.30	$ 1.43	$ 0.80
Diluted:				
Net income attributable to GAMCO Investors, Inc.'s shareholders	$ 20,647	$ 8,049	$ 38,290	$ 21,775
Weighted average share outstanding	26,665	26,979	26,783	27,081
Dilutive stock options and restricted stock awards	68	240	89	225
Total	26,733	27,219	26,872	27,306
Diluted net income attributable to GAMCO Investors, Inc.'s shareholders per share	$ 0.77	$ 0.30	$ 1.42	$ 0.80

H. Stockholders' Equity

Shares outstanding were 26.8 million on June 30, 2011, 27.1 million on December 31, 2010, and 27.3 million on June 30, 2010.

On February 8, 2011, our Board of Directors declared a quarterly dividend of $0.03 per share on its Class A Common stock ("Class A Shares") and Class B Common stock ("Class B Shares"), payable on March 29, 2011 to shareholders of record on March 15, 2011. On May 6, 2011, our Board of Directors declared a quarterly dividend of $0.04 per share on its Class A Shares and Class B Shares, payable on June 28, 2011 to shareholders of record on June 14, 2011.

On February 9, 2010, our Board of Directors declared a quarterly dividend of $0.03 per share on its Class A Shares and Class B Shares, payable on March 30, 2010 to shareholders of record on March 16, 2010. On May 4, 2010, our

Board of Directors declared a quarterly dividend of $0.03 per share on its Class A Shares and Class B Shares, payable on June 29, 2010 to shareholders of record on June 15, 2010.

Voting Rights

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

Stock Award and Incentive Plan

The Company maintains two plans approved by the shareholders, which are designed to provide incentives which will attract and retain individuals key to the success of GAMCO through direct or indirect ownership of our common stock. Benefits under the Plans may be granted in any one or a combination of stock options, stock appreciation rights, restricted stock, restricted stock units, stock awards, dividend equivalents and other stock or cash based awards. A maximum of 1.5 million shares of Class A Shares have been reserved for issuance under each of the plans. With respect to stock options, the Compensation Committee may grant either incentive or nonqualified stock options with a term not to exceed ten years from the grant date and at an exercise price that the committee may determine. Options granted under the Plans vest 75% after three years and 100% after four years from the date of grant and expire after ten years.

On January 15, 2011, and February 9, 2011, the Company approved the granting of 193,900 restricted stock award ("RSA") shares and 3,300 RSA shares, respectively, at a grant date fair value of $48.85 per share and $45.77 per share, respectively. On February 9, 2010, the Company approved the granting of 88,800 RSA shares at a grant date fair value of $40.64 per share to be issued on June 1, 2010. As of June 30, 2011 and June 30, 2010, there were 289,800 RSA shares and 440,900 RSA shares, respectively, outstanding that were previously issued at an average weighted grant price of $45.50 and $56.98, respectively. All grants of the RSA shares were recommended by the Company's Chairman, who did not receive any RSA shares, and approved by the Compensation Committee. This expense is being recognized over the vesting period for these awards which is 30% over three years from the date of grant and 70% over five years from the date of grant. During the vesting period, dividends to RSA holders are held for them until the RSA vesting dates and are forfeited if the grantee is no longer employed by the Company on the vesting dates. Dividends declared on these RSA shares, less estimated forfeitures, are charged to retained earnings on the declaration date.

In the fourth quarter of 2010, the Board of Directors of the Company approved the acceleration of the vesting of certain RSA shares resulting in the recognition of $5.5 million in stock compensation expense which would have been recorded in 2011 and 2012.

For the three months ended June 30, 2011 and June 30, 2010, we recognized stock-based compensation expense of $0.7 million and $1.4 million, respectively. For the six months ended June 30, 2011 and June 30, 2010, we recognized stock-based compensation expense of $1.3 million and $2.8 million, respectively. Actual and projected stock-based compensation expense for RSA shares and options for the years ended December 31, 2010 through December 31, 2016 (based on awards currently issued or granted) is as follows ($ in thousands):

	2010	2011	2012	2013	2014	2015	2016
Q1	$ 1,383	$ 577	$ 651	$ 650	$ 405	$ 366	$ 46
Q2	1,422	686	651	629	368	334	-
Q3	1,416	655	650	585	368	271	-
Q4	6,364	660	650	585	368	271	-
Full Year	$ 10,585	$ 2,578	$ 2,602	$ 2,449	$ 1,509	$ 1,242	$ 46

The total compensation costs related to non-vested restricted stock awards and options not yet recognized is approximately $9.2 million. For the three and six months ended June 30, 2011, there were no options exercised. For the three and six months ended June 30, 2010, proceeds from the exercise of 1,100 stock options and 1,600 stock options, respectively, were $32,000 and $40,000, respectively, resulting in a tax benefit to GAMCO of $3,000 and $8,000, respectively.

Stock Repurchase Program

In March 1999, GAMCO's Board of Directors established the Stock Repurchase Program to grant management the authority to repurchase shares of our Class A Common Stock. On May 4, 2010 and on May 6, 2011, our Board of Directors authorized an incremental 500,000 shares to be added to the current buyback authorization. For the three months ended June 30, 2011 and June 30, 2010, the Company repurchased 268,621 shares and 230,500 shares, respectively, at an average price per share of $46.21 and $40.56, respectively. For the six months ended June 30, 2011 and June 30, 2010, the Company repurchased 430,209 shares and 410,700 shares, respectively, at an average price per share of $45.34 and $42.33, respectively. From the inception of the program through June 30, 2011, 7,323,295 shares have been repurchased at an average price of $40.62 per share. At June 30, 2011, the total shares available under the program to be repurchased in the future were 594,124.

I. Goodwill and Identifiable Intangible Assets

At June 30, 2011, $3.5 million of goodwill is reflected on the condensed consolidated statements of financial condition related to a 93%-owned subsidiary, Gabelli Securities, Inc. (“GSI”). The Company assesses the recoverability of goodwill and other intangible assets at least annually, or more often should events warrant, using a discounted cash flow method and a market approach. Due to the second quarter 2011 decision, pursuant to regulatory approvals received in April, to transfer the mutual fund distribution business from GSI's broker dealer subsidiary to a direct subsidiary of GAMCO on August 1, 2011, an impairment analysis was performed during the three months ended June 30, 2011 on the goodwill related to GSI. The goodwill was not deemed to be impaired and no impairment charge was recorded. There were no indicators of impairment for the three and six months ended June 30, 2010, and as such there was no impairment analysis performed or charge recorded.

On March 10, 2008, the Enterprise Mergers and Acquisitions Fund's (the "Fund") Board of Directors, subsequent to obtaining shareholder approval, approved the assignment of the advisory contract to Gabelli Funds, LLC as the investment adviser to the Fund. GAMCO Asset Management Inc. had been the sub-adviser to the Fund. On July 8, 2008, the Fund was renamed the Gabelli Enterprise Merger and Acquisitions Fund. The amount paid for the assignment of the advisory contract was calculated based upon AUM on the six-month anniversary date subject to certain minimums. As a result of becoming the adviser to the rebranded Gabelli Enterprise Mergers and Acquisitions Fund and the associated consideration paid, the Company maintains an identifiable, indefinite-lived intangible asset within other assets on the condensed consolidated statements of financial condition at both June 30, 2011 and June 30, 2010. The investment advisory agreement is subject to annual renewal by the Fund's Board of Directors, which the Company expects to be renewed, and the Company does not expect to incur additional expense as a result, which is consistent with other investment advisory agreements entered into by the Company. The advisory contract is next up for renewal in February 2012. The Company assesses the recoverability of this intangible asset at least annually, or more often should events warrant. There were no indicators of impairment for the three and six months ended June 30, 2011 or June 30, 2010, and as such there was no impairment analysis performed or charge recorded.

J. Commitments and Contingencies

From time to time, the Company is subject to lawsuits, governmental and regulatory examinations and investigations, certain of which may result in adverse judgments, settlements, fines, penalties or other relief. The Company cannot predict the ultimate outcome of such matters. In accordance with GAAP standards for contingencies, we evaluate these matters on an ongoing basis. The Company has accrued amounts for its loss contingencies which it believes are probable and estimable. Such amounts are not considered material to the Company’s financial condition, operations or cash flows.

We indemnify the clearing brokers of our affiliated broker-dealer for losses they may sustain from the customer accounts that trade on margin introduced by our broker-dealer subsidiary. At June 30, 2011, the total amount of customer balances subject to indemnification (i.e., unsecured margin debits) was immaterial. The Company also has entered into arrangements with various other third parties many of which provide for indemnification of the third parties against losses, costs, claims and liabilities arising from the performance of our obligations under the agreements. The Company has had no claims or payments pursuant to these or prior agreements, and we believe the likelihood of a claim being made is remote. Management cannot estimate any potential maximum exposure due both to the remoteness of any potential claims and the fact that items that would be included within any such calculated claim would be beyond the control of management. Consequently, no accrual has been made in the condensed consolidated financial statements.

K. Subsequent Events

Effective August 1, 2011, G.distributors, LLC became the distributor for the Gabelli/GAMCO family of mutual funds.

On August 2, 2011, our Board of Directors declared a quarterly dividend of $0.04 per share on its Class A Shares and Class B Shares, payable on September 27, 2011 to shareholders of record on September 13, 2011.

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

Overview

GAMCO through the Gabelli brand, well known for its Private Market Value (PMV) with a CatalystTM investment approach, is a widely-recognized provider of investment advisory services to mutual funds, institutional and high net worth investors, and investment partnerships, principally in the United States. Through Gabelli & Company, Inc. ("Gabelli & Company"), we provide institutional research and brokerage services to institutional clients and investment partnerships. Through Gabelli & Company, until July 31, 2011, and through G.distributors, LLC effective August 1, 2011, we provide mutual fund distribution. We generally manage assets on a discretionary basis and invest in a variety of U.S. and international securities through various investment styles. Our revenues are based primarily on the firm's levels of assets under management and fees associated with our various investment products.

Since 1977, we have been identified with and have enhanced the "value" style approach to investing. Our investment objective is to earn a superior risk-adjusted return for our clients over the long-term through our proprietary fundamental research. In addition to our value portfolios, we offer our clients a broad array of investment strategies that include global, growth, international and convertible products. We also offer a series of investment partnership (performance fee-based) vehicles that provide a series of long-short investment opportunities in market and sector specific opportunities, including offerings of non-market correlated investments in merger arbitrage, as well as fixed income strategies.

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, 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. General stock market trends will have the greatest impact on our level of assets under management and hence, on revenues.

We conduct our investment advisory business principally through: GAMCO Asset Management Inc. (Separate Accounts), Gabelli Funds, LLC (Mutual Funds) and Gabelli Securities, Inc. (Investment Partnerships). We also act as an underwriter and provide institutional research through Gabelli & Company, one of our broker-dealer subsidiaries. The distribution of our open-end funds was conducted through Gabelli & Company, until July 31, 2011, and through G.distributors, LLC, our newly formed broker-dealer subsidiary, effective August 1, 2011.

Assets under management ("AUM") were $36.1 billion as of June 30, 2011, 38.5% greater than June 30, 2010 AUM of $26.1 billion and 2.1% above the March 31, 2011 AUM of $35.4 billion. Highlights are as follows:

- Our open-end equity funds AUM were $12.9 billion on June 30, 2011, 48.7% higher than the $8.7 billion on June 31, 2010 and 4.6% above the $12.3 billion on March 31, 2011.

- Our closed-end funds had AUM of $6.3 billion on June 30, 2011, climbing 40.0% from the $4.5 billion on June 30, 2010 and increasing 1.4% from $6.2 billion on March 31, 2011.

- Our institutional and private wealth management business ended the quarter with $14.7 billion, up 34.9% from $10.9 billion on June 30, 2010 and unchanged from the March 31, 2011 level of $14.7 billion.

- Our investment partnerships AUM were $609 million on June 30, 2011 versus $406 million on June 30, 2010 and $547 million on March 31, 2011.

- AUM in The Gabelli U.S. Treasury Money Market Fund, our 100% U.S. Treasury money market fund, was $1.6 billion at June 30, 2011 unchanged from the $1.6 billion at March 31, 2011 and June 30, 2010.

- In addition to management fees, we earn incentive fees for certain institutional client assets, assets attributable to preferred issues for our closed-end funds, our Gabelli Global Deal Fund (NYSE: GDL) and investment partnership assets. As of June 30, 2011, assets with incentive based fees were $3.8 billion, 18.8% higher than the $3.2 billion on June 30, 2010 and unchanged from the $3.8 billion on March 31, 2011.

The Company reported Assets Under Management as follows (in millions):

Table I: Fund Flows - 2nd Quarter 2011

	March 31, 2011	Market appreciation/ (depreciation)	Net cash flows	Closed-end Fund distributions, net of reinvestments	June 30, 2011
Equities:					
Open-end Funds	$ 12,348	$ 5	$ 559	$ -	$ 12,912
Closed-end Funds	6,170	4	182	(97)	6,259
Institutional & PWM - direct	11,780	70	(115)	-	11,735
Institutional & PWM - sub-advisory	2,937	(22)	38	-	2,953
Investment Partnerships	547	-	62	-	609
Total Equities	33,782	57	726	(97)	34,468
Fixed Income:					
Money-Market Fund	1,583	-	60	-	1,643
Institutional & PWM	26	-	-	-	26
Total Fixed Income	1,609	-	60	-	1,669
Total Assets Under Management	$ 35,391	$ 57	$ 786	$ (97)	$ 36,137

Table II: Fund Flows - Six months ended June 30, 2011

	December 31, 2010	Market appreciation/ (depreciation)	Net cash flows		Closed-end Fund distributions, net of reinvestments	June 30, 2011
Equities:						
Open-end Funds	$ 11,252	$ 562	$ 1,098		$ -	$ 12,912
Closed-end Funds	5,471	338	631	(a)	(181)	6,259
Institutional & PWM - direct	11,005	835	(105)		-	11,735
Institutional & PWM - sub-advisory	2,637					