

GAMCO INVESTORS, INC. ET AL  
Form 10-Q  
November 06, 2009

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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 September 30, 2009  
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) 921-5100

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 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):

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Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting  
company

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

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

Class	Outstanding at October 31, 2009
Class A Common Stock, .001 par value	7,327,847
Class B Common Stock, .001 par value	20,292,917

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GAMCO INVESTORS, INC. AND SUBSIDIARIES

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**GAMCO INVESTORS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**UNAUDITED**

(In thousands, except per share data)

	Three months Ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
<b>Revenues</b>				
Investment advisory and incentive fees	\$ 40,957	\$ 52,297	\$ 112,145	\$ 164,269
Institutional research services	4,588	4,098	12,187	11,018
Distribution fees and other income	6,037	6,585	15,780	19,665
<b>Total revenues</b>	<b>51,582</b>	<b>62,980</b>	<b>140,112</b>	<b>194,952</b>
<b>Expenses</b>				
Compensation	21,590	26,233	62,056	83,013
Management fee	2,638	1,740	6,291	6,307
Distribution costs	6,089	6,658	17,094	19,691
Other operating expenses	4,405	7,076	13,648	20,204
<b>Total expenses</b>	<b>34,722</b>	<b>41,707</b>	<b>99,089</b>	<b>129,215</b>
<b>Operating income</b>	<b>16,860</b>	<b>21,273</b>	<b>41,023</b>	<b>65,737</b>
<b>Other income (expense)</b>				
Net gain (loss) from investments	9,659	(4,786)	22,981	(13,165)
Interest and dividend income	598	1,340	2,677	10,310
Interest expense	(3,296)	(2,091)	(9,965)	(6,295)
<b>Total other income (expense), net</b>	<b>6,961</b>	<b>(5,537)</b>	<b>15,693</b>	<b>(9,150)</b>
<b>Income before income taxes</b>	<b>23,821</b>	<b>15,736</b>	<b>56,716</b>	<b>56,587</b>
Income tax provision	8,913	3,837	20,034	19,882
<b>Net income</b>	<b>14,908</b>	<b>11,899</b>	<b>36,682</b>	<b>36,705</b>
Net income (loss) attributable to noncontrolling interests	257	(86)	503	(225)
<b>Net income attributable to GAMCO Investors, Inc.'s shareholders</b>	<b>\$ 14,651</b>	<b>\$ 11,985</b>	<b>\$ 36,179</b>	<b>\$ 36,930</b>
<b>Net income attributable to GAMCO Investors, Inc.'s shareholders per share:</b>				
<b>Basic</b>	<b>\$ 0.54</b>	<b>\$ 0.43</b>	<b>\$ 1.32</b>	<b>\$ 1.32</b>
<b>Diluted</b>				

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	\$		\$	\$	\$
	0.53		0.43	1.32	1.32
Weighted average shares outstanding:					
Basic	27,366		27,602	27,376	27,930
Diluted	27,505		27,647	27,464	27,973
Dividends declared:	\$	\$	\$	\$	\$
	0.03	1.03	0.09		1.09

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES			
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION			
UNAUDITED			
(In thousands, except share data)			
	September 30, 2009	December 31, 2008	September 30, 2008
<b>ASSETS</b>			
Cash and cash equivalents, including restricted cash of \$62,246, \$7,156, and \$0	\$ 463,361	\$ 338,330	\$ 165,098
Investments in securities, including restricted securities of \$0, \$54,894, and \$0	172,571	226,494	379,072
Investments in partnerships and affiliates	63,997	60,707	73,234
Receivable from brokers	21,991	16,460	37,929
Investment advisory fees receivable	13,313	11,261	16,392
Income tax receivable and deferred tax assets	4,536	23,952	4,388
Other assets	18,682	20,430	23,086
Total assets	\$ 758,451	\$ 697,634	\$ 699,199
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
	\$	\$	\$
Payable to brokers	10,006	1,857	2,492
Compensation payable	20,974	15,862	28,253
Capital lease obligation	5,278	5,329	5,300
Securities sold, not yet purchased	9,738	1,677	6,620
Mandatorily redeemable noncontrolling interests	1,586	1,396	1,519
Accrued expenses and other liabilities	24,670	23,605	24,066
Sub-total	72,252	49,726	68,250
5.5% Senior notes (due May 15, 2013)	99,000	99,000	100,000
6% Convertible notes (due August 14, 2011)	39,829	39,766	39,746
6.5% Convertible note (due October 2, 2018)	60,000	60,000	-
Total liabilities	271,081	248,492	207,996
Redeemable noncontrolling interests	1,424	4,201	4,333
Commitments and contingencies (Note J)			

Stockholders' equity			
GAMCO Investors, Inc. stockholders' equity			
Class A Common Stock, \$0.001 par value; 100,000,000 shares authorized; 13,108,526, 13,018,869, 12,850,162 issued, respectively; 7,337,347, 7,367,090, and 7,395,483 outstanding, respectively	13	13	12
Class B Common Stock, \$0.001 par value; 100,000,000 shares authorized; 24,000,000 shares issued, 20,292,917, 20,378,699, 20,550,006 shares outstanding, respectively	20	20	21
Additional paid-in capital	249,889	245,973	244,674
Retained earnings	447,145	413,761	451,635
Accumulated other comprehensive income	24,870	14,923	14,515
Treasury stock, at cost (5,771,179, 5,651,779, and 5,454,679 shares, respectively)	(239,939)	(234,537)	(229,129)
Total GAMCO Investors, Inc. stockholders' equity	481,998	440,153	481,728
Noncontrolling interests	3,948	4,788	5,142
Total stockholders' equity	485,946	444,941	486,870
Total liabilities and stockholders' equity	\$ 758,451	\$ 697,634	\$ 699,199

See accompanying notes.



**GAMCO INVESTORS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS'**  
**EQUITY AND OTHER COMPREHENSIVE INCOME**

UNAUDITED

(In thousands)

For the nine months ended September 30, 2009

GAMCO Investors, Inc. shareholders

Accumulated

		Noncontrolling	Common	Additional	Retained	Other	Treasury	
		Interests	Stock	Paid-in	Earnings	Comprehensive	Stock	Total
	\$		\$	Capital		Income		
Balance at	\$	4,788	\$	\$	\$			
December 31,			33	245,973	413,761		\$	\$
2008					\$	14,923	(234,537)	444,941
Purchase of								
subsidiary shares								
from		(747)	-	-				
noncontrolling								
interest					-	-	-	(747)
Spin-off of								
subsidiary shares								
to noncontrolling		(412)	-	-				
interests					-	-	-	(412)
Comprehensive								
income:								
Net income		319	-	-	36,179	-	-	36,498
Net unrealized								
gains on								
securities								
available for sale,								
net of income tax		-	-	-	-	9,898	-	9,898
Foreign currency		-	-	-				
translation					-	49	-	49
Total								
comprehensive								
income								46,445
Dividends		-	-	-				
declared					(2,795)	-	-	(2,795)
Income tax effect								
of transaction								
with		-	-	(243)				
shareholders					-	-	-	(243)
Stock based								
compensation								
expense		-	-	3,821	-	-	-	3,821

Exercise of stock options								
including tax benefit	-	-	338	-	-	-	-	338
Purchase of treasury stock								
	-	-	-	-	-	-	(5,402)	(5,402)
Balance at September 30, 2009	\$	3,948	\$	33	\$	249,889	\$	447,145
							\$	24,870
							\$	(239,939)
							\$	485,946

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES							
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND OTHER COMPREHENSIVE INCOME							
UNAUDITED (continued)							
(In thousands)							
For the nine months ended September 30, 2008							
GAMCO Investors, Inc. shareholders							
Accumulated							
	Noncontrolling	Common	Additional	Retained	Other	Treasury	
	Interests	Stock	Paid-in	Earnings	Comprehensive	Stock	Total
			Capital		Income		
Balance at	\$ 5,791	\$	\$	\$			
December 31,		33	230,483	445,121		\$	\$
2007				\$	20,816	(195,137)	507,106
Payment of subsidiary dividend to noncontrolling interests	(604)	-	-	-	-	-	(604)
Comprehensive income:							
Net income	(45)	-	-	36,930	-	-	36,885
Net unrealized losses on securities available for sale, net							
of income tax	-	-	-	-	(6,246)	-	(6,246)
Foreign currency translation	-	-	-	-	(54)	-	(54)
Total comprehensive income							30,585
Dividends declared	-	-	-	(30,416)	-	-	(30,416)
Stock based compensation expense	-	-	3,639	-	-	-	3,639
Conversion of 6% convertible note	-	-	9,923	-	-	-	9,923
Exercise of stock options including tax benefit	-	-	629	-	-	-	629
	-	-	-	-	(33,992)		(33,992)

Purchase of treasury stock							
Balance at	\$	5,142	\$	\$	\$		
September 30, 2008			33	244,674	451,635	\$	\$
						14,516	229,129 ) 486,870

See accompanying notes.

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

	Nine months ended	
	September 30,	
	2009	2008
<b>Operating activities</b>		
Net income	\$ 36,682	\$ 36,705
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net (gains) losses from partnerships and affiliates	(10,791)	7,370
Depreciation and amortization	487	747
Stock based compensation expense	3,821	3,639
Deferred income taxes	2,644	(2,503)
Tax benefit from exercise of stock options	113	2
Foreign currency (gain) loss	49	(54)
Other-than-temporary loss on available for sale securities	-	713
Acquisition of intangible asset	-	(3,370)
Fair value of donated securities	370	507
(Gains) losses on investments in securities	(13,588)	6,377
Gain (loss) related to investment partnerships and offshore funds consolidated under EITF 04-5, net	1,387	(1,824)
Amortization of discount on debt	63	138
<b>(Increase) decrease in operating assets:</b>		
Trading investments in securities	88,883	(7,789)
Investments in partnerships and affiliates	5,669	21,039
Receivable from brokers	(5,531)	2,216
Investment advisory fees receivable	(2,052)	17,309
Other receivables from affiliates	144	3,303
Income tax receivable and deferred tax assets	16,450	-
Other assets	1,128	(397)
<b>Increase (decrease) in operating liabilities:</b>		
Payable to brokers	8,149	(5,070)
Income taxes payable	(5,817)	(6,617)
Compensation payable	6,366	4,232
Mandatorily redeemable noncontrolling interests	190	(133)
Accrued expenses and other liabilities	678	(22,364)
<b>Total adjustments</b>	<b>98,812</b>	<b>17,471</b>
<b>Net cash provided by operating activities</b>	<b>135,494</b>	<b>54,176</b>

GAMCO INVESTORS, INC. AND SUBSIDIARIES		
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS		
UNAUDITED (continued)		
(In thousands)		
	Nine months ended	
	September 30,	
	2009	2008
<b>Investing activities</b>		
	\$	\$
Purchases of available for sale securities	(6,183)	(1,022)
Proceeds from sales of available for sale securities	7,077	8,451
Change in restricted cash	(55,090)	-
Net cash (used in) provided by investing activities	(54,196)	7,429
<b>Financing activities</b>		
Contributions related to investment partnerships and offshore funds consolidated		
under EITF 04-5, net	(2,309)	(346)
Proceeds from exercise of stock options	225	630
Dividends paid	(2,795)	(30,416)
Subsidiary dividends to noncontrolling interests	(1,159)	(604)
Purchase of treasury stock	(5,402)	(33,992)
Net cash used in financing activities	(11,440)	(64,728)
Net increase (decrease) in cash and cash equivalents	69,858	(3,123)
Effect of exchange rates on cash and cash equivalents	83	(98)
Cash and cash equivalents, excluding restricted cash at beginning of period	331,174	168,319
Cash and cash equivalents, excluding restricted cash at end of period	\$ 401,115	\$ 165,098
<b>Supplemental disclosures of cash flow information:</b>		
	\$	
Cash paid for interest	9,859	\$ 5,726
	\$	
Cash paid for taxes	17,356	\$ 29,145
<b>Non-cash activity:</b>		
- On January 22, 2008, Cascade Investment, L.L.C. elected to convert \$10 million of its \$50 million convertible note paying interest of 6% into 188,679 shares of GAMCO Investors, Inc. Class A Common stock.		

- On September 15, 2008, GAMCO Investors, Inc. modified and extended its lease with M4E, LLC, the Company's landlord at 401 Theodore Fremd Ave, Rye, NY. The lease term was extended to December 31, 2023. This resulted in an increase to the capital lease obligation and corresponding asset of \$3.0 million each.

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2009  
(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 predecessors and its subsidiaries.

The unaudited interim condensed consolidated financial statements of GAMCO included herein have been prepared in conformity with generally accepted accounting principles 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 generally accepted accounting principles 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. 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, 2008 from which the accompanying condensed consolidated financial statements were derived.

On March 20, 2009, the Company completed its spin-off of its ownership of Teton Advisors, Inc. (“Teton”) to its shareholders. The condensed consolidated financial statements include the results of Teton up to March 20, 2009. Prior periods have not been restated.

Institutional research services revenues include brokerage commission revenues on a trade-date basis from securities transactions executed on an agency basis on behalf of institutional clients and mutual funds, private wealth management clients and retail customers of affiliated companies. The Company is also involved in underwriting activities and participates in syndicated underwritings of public equity and debt offerings managed by major investment banks. The Company provides institutional investors and investment partnerships with investment ideas on numerous industries and special situations, with a particular focus on small-cap and mid-cap companies.

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

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 December 2007 the Financial Accounting Standards Board (“FASB”) issued FASB Statement No. 160, “Noncontrolling Interests in Consolidated Financial Statements” (“Statement 160”) (FASB ASC 810-10-10). The statement’s objective is to improve the relevance, comparability, and transparency of the financial information that a reporting entity with minority interests provides in its consolidated financial statements. Statement 160 does not change the provisions of Accounting Research Bulletin No. 51, “Consolidated Financial Statements” (“ARB 51”) related to consolidation purpose or consolidation policy or the requirement that a parent consolidate all entities in which it has a controlling financial interest. Statement 160 does, however, amend certain of ARB 51’s consolidation procedures to make them consistent with the requirements of FASB Statement No. 141(R) “Business Combinations”. It also amends ARB 51 to provide definitions for certain terms and to clarify some terminology. Statement 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company adopted this statement on January 1, 2009. The impact of adopting Statement 160 to the Company’s condensed consolidated financial statements required a change in the presentation on the condensed consolidated financial statements that clearly identify and distinguish between the interests of the parent’s owners and the interests of the noncontrolling owners of a subsidiary. In accordance with this pronouncement as well as with FASB Statement No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity”, and SEC Topic No. D-98, “Classification and Measurement of Redeemable Securities,” GAMCO now discloses noncontrolling interests, formerly referred to as minority interest, in three different line items in the condensed consolidated statements of financial condition, depending on their characteristics. Noncontrolling interests that are mandatorily redeemable upon a certain date or event occurring are classified as liabilities. Noncontrolling interests that are redeemable at the option of the holder are classified as redeemable noncontrolling interests in the mezzanine section between liabilities and stockholders’ equity. All other noncontrolling interests are classified as equity and are presented within the stockholders’ equity section, separately from GAMCO Investors, Inc.’s portion of equity. Statement 160 also requires prior periods to be recast in the same manner.

In March 2008, the FASB issued FASB Statement No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“Statement 161”) (FASB ASC 815-10-10) to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance, and cash flows. Statement 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company adopted Statement 161 on January 1, 2009. Statement 161 impacted only the Company’s disclosure of derivative instruments. Refer also to Note B to the condensed consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position (“FSP”) 142-3, “Determination of the Useful Life of Intangible Assets” (“FSP 142-3”) (FASB ASC 350-30-50) which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, “Goodwill and Other Intangible Assets”. FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. Early adoption is prohibited. The Company adopted FSP 142-3 on January 1, 2009 without a material impact to the condensed consolidated financial statements.

In April 2009, the FASB issued three FASB Staff Positions (“FSP”) intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities. FSP FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (“FSP FAS 157-4”) (FASB ASC 820-10-65), provides guidelines for making fair value measurements more consistent with the principles presented in Statement 157. FSP FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (“FSP FAS 107-1 and APB

28-1”) (FASB ASC 825-10-10), enhances consistency in financial reporting by increasing the frequency of fair value disclosures. FSP FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments” (“FSP FAS 115-2 and FAS 124-2”), provides additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities. The application and adoption in the second quarter of these FSPs was not material to the condensed consolidated financial statements.

In May 2009 the FASB issued FASB Statement No. 165, “Subsequent Events” (“Statement 165”) (FASB ASC 855-10-05). The statement’s objective is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Although Statement 165 does not change the recognition and disclosure requirements for type I and type II subsequent events it does refer to them as recognized (type I) and nonrecognized (type II) subsequent events. Statement 165 does require management to disclose the date through which subsequent events have been evaluated and whether that is the date on which the financial statements were issued or were available to be issued. Statement 165 is effective for financial statements issued for fiscal years and interim periods ending after June 15, 2009 and shall be applied prospectively. The Company adopted Statement 165 for the quarter ended June 30, 2009. Statement 165 impacted only the Company's disclosure of subsequent events. Refer to Note K.

In June 2009, the FASB issued FASB Statement No. 166, “Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140” (“Statement 166”) (FASB ASC 860-10-10). The statement’s objective is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor’s continuing involvement, if any, in transferred financial assets. Statement 166 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009 and shall be applied prospectively. Early adoption is prohibited. The application of this statement is not expected to be material to the condensed consolidated financial statements.

In June 2009, the FASB issued FASB Statement No. 167, “Amendments to FASB Interpretation No. 46(R)” (“Statement 167”). The statement’s objective is to improve financial reporting by enterprises involved with variable interest entities. Statement 167 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009 and shall be applied prospectively. Early adoption is prohibited. The Company is in the process of analyzing the impact of this statement on the potential consolidation of open-end and closed-end funds as well as investment partnerships and offshore funds where we serve as the investment manager and/or general partner of the investment manager. While this statement will have no impact on net income, the effect of the application of this statement to the condensed consolidated financial statements cannot be determined at this time.

In June 2009, the FASB voted to approve the FASB Statement No. 168 “The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162” (“Codification”) (FASB ASC 105-10-10) as the single source of authoritative nongovernmental U.S. GAAP, effective for interim and annual periods ending after September 15, 2009. All existing accounting standard documents are superseded. All other accounting literature not included in the Codification will be considered nonauthoritative. The Codification reorganizes the thousands of U.S. GAAP pronouncements into roughly 90 accounting topics and displays all topics using a consistent structure. It also includes relevant Securities and Exchange Commission guidance that follows the same topical structure in separate sections in the Codification. While the Codification does not change GAAP, it introduces a new structure - one that is organized in an easily accessible, user-friendly online research system. The FASB expects that the new system will reduce the amount of time and effort required to research an accounting issue, mitigate the risk of noncompliance with standards through improved usability of the literature, provide accurate information with real-time updates as new standards are released, and assist the FASB with the research efforts required during the standard-setting process. While the Codification does not change the U.S. GAAP used by the Company, it will change how U.S. GAAP is referenced in the condensed consolidated financial statements. All references to U.S. GAAP are organized by topic, subtopic, section and paragraph and are preceded by FASB ASC, where ASC stands for Accounting Standards Codification. In order to facilitate the transition to the Codification, the Company has elected to show all references to U.S. GAAP within this report on Form 10-Q along with the Codification reference.

In August 2009, the FASB issued Accounting Standard Update (“ASU”) No. 2009-05 addressing “Fair Value Measurement and Disclosures Topic”, ASC 820. This standard amended Subtopic 820-10, Fair Value Measurement and Disclosures-Overall, for the fair value measurement of liabilities. The amendments in the update provide clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities or similar liabilities when traded as assets or another valuation technique that is consistent with the principles of Topic 820. The guidance provided in this update is effective for the first reporting period beginning after issuance of the update. The application of this update is not expected to be material to the condensed consolidated financial statements.

In September 2009, the FASB issued ASU No. 2009-12 addressing “Fair Value Measurement and Disclosures Topic”, ASC 820. This standard amended Subtopic 820-10, Fair Value Measurement and Disclosures-Overall, for the fair value measurement of investments in certain entities that calculate net asset value per share or its equivalent. The amendments in the update permit, as a practical expedient, a reporting entity to measure the fair value of an investment that is within the scope of the amendments in this update on the basis of the net asset value per share of the investment or its equivalent. Additionally, this update requires disclosures about the nature of any restrictions on redemptions, any unfunded commitments and the investment strategies of the investees. The amendments in this update are effective for financial statements issued for fiscal years and interim periods ending after December 15, 2009. The adoption of the amendments in this update may have an effect on the disclosures within the condensed consolidated financial statements.

## B. Investment in Securities

Investments in securities at September 30, 2009 and 2008 consisted of the following:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
(In thousands)				
Trading securities:				
U.S. Government obligations	\$ -	\$ -	\$ 69,898	\$ 70,261
Common stocks	74,618	79,680	142,753	132,647
Mutual funds	1,215	1,254	62,057	58,501
Preferred stocks	10	18	31	69
Other investments	355	151	594	729
Total trading securities	76,198	81,103	275,333	262,207
Available for sale securities:				
Common stocks	17,100	32,746	19,314	50,381
Mutual funds	48,412	58,722	77,179	66,484
Total available for sale securities	65,512	91,468	96,493	116,865
Total investments in securities	\$ 141,710	\$ 172,571	\$ 371,826	\$ 379,072

Securities sold, not yet purchased at September 30, 2009 and 2008 consisted of the following:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
(In thousands)				
Common stocks	\$ 9,037	\$ 9,738	\$ 2,399	\$ 2,257
Mutual funds	-	-	67	28

Other investments	-	-	4,634	4,335
Total securities sold, not yet purchased	\$ 9,037	\$ 9,738	\$ 7,100	\$ 6,620

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 and 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 stockholders’ equity except for losses deemed to be other than temporary which are recorded as realized losses in the condensed consolidated statements of income. For the nine months ended September 30, 2009, there was no impairment of AFS securities. For the nine months ended September 30, 2008, there was an impairment of \$0.7 million of AFS securities.

The Company accounts for derivative financial instruments in accordance with FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities, as amended" ("Statement 133") (FASB ASC 815-10-10). Statement 133 requires that an entity recognize all derivatives, as defined, as either assets or liabilities measured at fair value. From time to time, the Company will enter into hedging transactions to manage its exposure to foreign currencies related to its proprietary investments. These transactions are not designated as hedges, and changes in fair values of these derivatives are included in net gain (loss) from investments in the condensed consolidated statements of income. During the nine months ended September 30, 2009, the Company closed out of its only two foreign currency forwards which resulted in a net loss of \$27,000. As of September 30, 2009, the Company did not hold any derivative contracts.

At September 30, 2009, December 31, 2008 and September 30, 2008, the fair value of common stock investments available for sale was \$32.7 million, \$29.7 million and \$50.4 million, respectively. The total unrealized gains for common stock investments available for sale securities with unrealized gains was \$15.6 million, \$10.7 million and \$31.1 million at September 30, 2009, December 31, 2008 and September 30, 2008, respectively. There were no unrealized losses for common stock investments available for sale at September 30, 2009, December 31, 2008 or September 30, 2008. At September 30, 2009, December 31, 2008 and September 30, 2008, the fair value of mutual fund investments available for sale with unrealized gains was \$58.5 million, \$30.5 million and \$4.4 million, respectively. At September 30, 2009, December 31, 2008 and September 30, 2008, the fair value of mutual fund investments available for sale with unrealized losses was \$0.2 million, \$15.9 million and \$62.1 million, respectively. All of the mutual fund investments available for sale with unrealized losses at September 30, 2009, December 31, 2008 or September 30, 2008 have been in continuous loss positions for less than twelve months. The total unrealized gains for mutual fund investments available for sale securities with unrealized gains was \$10.3 million, \$1.9 million and \$0.8 million at September 30, 2009, December 31, 2008 and September 30, 2008, respectively, while the total unrealized losses for available for sale securities with unrealized losses was \$0.0 million, \$0.9 million and \$11.5 million, respectively. Increases in unrealized gains to fair value, net of taxes, for the three and nine months ended September 30, 2009 of \$1.0 million and \$9.9 million, respectively, have been included in stockholders' equity at September 30, 2009 while decreases in unrealized gains to fair value, net of taxes, for the three and nine months ended September 30, 2008 of \$2.9 million and \$6.2 million, respectively, have been included in stockholders' equity at September 30, 2008. Proceeds from sales of investments available for sale were approximately \$1.8 million and \$7.8 million for the three month periods ended September 30, 2009 and 2008, respectively. For the three months ended September 30, 2009 and 2008, gross gains on the sale of investments available for sale amounted to \$0.2 million and \$3.6 million, respectively; there were no gross losses on the sale of investments available for sale. Proceeds from sales of investments available for sale were approximately \$7.1 million and \$8.5 million for the nine month periods ended September 30, 2009 and 2008, respectively. For the nine months ended September 30, 2009 and 2008, gross gains on the sale of investments available for sale amounted to \$2.1 million and \$4.0 million; there were no gross losses on the sale of investments available for sale. The basis on which the cost of a security sold is determined is specific identification.

At September 30, 2009, there were 5 holdings in loss positions which were not deemed to be other-than-temporarily impaired due to the length of time that they had been in a loss position and because they passed scrutiny in our evaluation of issuer-specific and industry-specific considerations. In these specific instances, the investments at September 30, 2009 were mutual funds with diversified holdings across multiple companies and in most cases across multiple industries. One holding was impaired for six consecutive months and four holdings were impaired for eleven consecutive months. The fair value of these holdings at September 30, 2009 was \$0.2 million.

At December 31, 2008, there were 11 holdings in loss positions which were not deemed to be other-than-temporarily impaired due to the length of time that they had been in a loss position and because they passed scrutiny in our



evaluation of issuer-specific and industry-specific considerations. In these specific instances, the investments at December 31, 2008 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 two consecutive months, two holdings were impaired for three consecutive months, six holdings were impaired for four consecutive months, and one holding was impaired for eight consecutive months. The fair value of these holdings at December 31, 2008 was \$15.9 million.

At September 30, 2008, there were 46 holdings in loss positions which were not deemed to be other-than-temporarily impaired due to the length of time that they had been in a loss position and because they passed scrutiny in our evaluation of issuer-specific and industry-specific considerations. In these specific instances, the investments at September 30, 2008 were mutual funds with diversified holdings across multiple companies and in most cases across multiple industries. Twenty holdings were impaired for one month, two holdings were impaired for three consecutive months, nineteen holdings were impaired for four consecutive months, one holding was impaired for six consecutive months, one holding was impaired for seven consecutive months and three holdings were impaired for eleven consecutive months. The fair value of these holdings at September 30, 2008 was \$62.1 million.

### C. Investments in Partnerships and Affiliates

The provisions of FIN 46(R) (FASB ASC 810-10-10) and Emerging Issues Task Force Issue No. 04-5, "Investor's Accounting for an Investment in a Limited Partnership When the Investor is the Sole General Partner and the Limited Partners Have Certain Rights" ("EITF 04-5") (FASB ASC 810-20-15), require consolidation of several of our investment partnerships and offshore funds managed by our subsidiaries into our condensed consolidated financial statements.

Cash and cash equivalents, investments in securities, investments in partnerships and affiliates, receivable from brokers, securities sold, not yet purchased and payable to brokers held by investment partnerships and offshore funds consolidated under EITF 04-5 which resulted in a net increase to the condensed consolidated statements of financial condition of \$1.6 million, \$4.1 million and \$4.3 million as of September 30, 2009, December 31, 2008 and September 30, 2008, respectively, are also restricted from use for general operating purposes.

In the normal course of business, the Company is the manager or general partner of several sponsored investment partnerships. We evaluate each partnership for the appropriate accounting treatment and disclosure. Certain of the partnerships 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. 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 variable interest entities under FASB Interpretation No. 46 (revised) (FASB ASC 810-10-10), Variable Interest Entities, and we are not the primary beneficiary because we do not absorb a majority of the entities' expected losses or expected returns. For these entities, the Company has no amount recorded on the balance sheet, has zero maximum exposure to loss, and has not provided any financial or other support to the entity. The total assets of these entities at September 30, 2009 and December 31, 2008 were \$9.9 million and \$9.1 million, respectively.

### D. Fair Value

In September 2006, the FASB issued Statement 157 (FASB ASC 820-10-50), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. All of the instruments within cash and cash equivalents, investments in securities and securities sold, not yet purchased are measured at fair value.

The Company's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with Statement 157. 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.
- 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 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.
- 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.

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.

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.

Many of our securities have bid and ask prices that can be observed in the marketplace. 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 and cash equivalents – Cash is maintained in demand deposit accounts at major United States banking institutions. 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 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. 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 are transferred into or out of Level 3 at their beginning period values.

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 September 30, 2009 and 2008 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 September 30, 2009 (in thousands)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2009
Assets		\$	\$	\$
Cash equivalents	\$ 462,913	-	-	\$ 462,913
Investments in securities:				
AFS – Common stocks	32,746	-	-	32,746
AFS – Mutual funds	58,722	-	-	58,722
Trading – Common stocks	79,346	102	232	79,680
Trading – Mutual funds	1,254	-	-	1,254
Trading – Preferred stocks	9	-	9	18
Trading – Other	67	-	84	151
Total investments in securities	172,144	102	325	172,571
Total assets at fair value	\$ 635,057	\$ 102	\$ 325	\$ 635,484
Liabilities				
Trading – Common stocks	\$ 9,738	-	-	\$ 9,738
Securities sold, not yet purchased	\$ 9,738	-	-	\$ 9,738



Assets and Liabilities Measured at Fair Value on a Recurring Basis as of September 30, 2008 (in thousands)

Assets	Quoted Prices in Active	Significant	Significant	Balance as of September 30, 2008
	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
		\$	\$	\$
Cash equivalents	164,751	-	-	164,751
Investments in securities:				
AFS – Common stocks	50,381	-	-	50,381
AFS – Mutual funds	66,484	-	-	66,484
Trading – U.S. Gov't obligations	70,261	-	-	70,261
Trading – Common stocks	131,647	22	978	132,647
Trading – Mutual funds	58,501	-	-	58,501
Trading – Preferred stocks	-	-	69	69
Trading – Other	198	(4)	535	729
Total investments in securities	377,472	18	1,582	379,072
Total assets at fair value	\$ 542,223	\$ 18	\$ 1,582	\$ 543,823
Liabilities				
Trading – Common stocks	\$ 2,257	-	-	\$ 2,257
Trading – Mutual funds	28	-	-	28
Trading – Other	4,335	-	-	4,335
Securities sold, not yet purchased	\$ 6,620	-	-	\$ 6,620

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 September 30, 2009 (in thousands)

	Total Unrealized Gains or (Losses)	Total Realized	Net

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Asset	June 30, 2009	Total Realized and Unrealized Gains or (Losses) in Income Trading	Investments	Included in Other Comprehensive Income	and Unrealized Gains or (Losses)	Purchases and Sales, net	Transfers In and/or (Out) of Level 3	Ending Balance
Financial instruments owned:								
Trading – Common stocks	\$ 242	\$ (10)	\$ -	\$ -	\$ (10)	\$ -	\$ -	\$ 232
Trading – Preferred stocks	14	(5)	-	-	(5)	-	-	9
Trading – Other	172	(62)	-	-	(62)	(26)	-	84
Total	\$ 428	\$ (77)	\$ -	\$ -	\$ (77)	\$ (26)	\$ -	\$ 325

## Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine months ended September 30, 2009 (in thousands)

Asset	Total Unrealized							Ending Balance
	December 31, 2008	Total Realized and Unrealized Gains or (Losses) in Trading	Total Realized and Unrealized Gains or (Losses) in Income Investments	Included in Comprehensive Income	Total Realized and Unrealized Gains or (Losses)	Purchases and Sales, net	Net Transfers In and/or (Out) of Level 3	
Financial instruments owned:								
Trading – Common stocks	\$ 1,114	\$ (4)	\$ -	\$ -	\$ (4)	\$ (1)	\$ (877)	\$ 232
Trading – Preferred stocks	96	(87)	-	-	(87)	-	-	9
Trading – Other	331	(193)	-	-	(193)	(54)	-	84
Total	\$ 1,541	\$ (284)	\$ -	\$ -	\$ (284)	\$ (55)	\$ (877)	\$ 325

During the nine months ended September 30, 2009, the Company reclassified approximately \$0.9 million of investments from Level 3 to Level 2. The reclassifications were due to increased availability of market price quotations and 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 September 30, 2008 (in thousands)

Asset	Total Unrealized							Ending Balance
	June 30, 2008	Total Realized and Unrealized Gains or (Losses) in Trading	Total Realized and Unrealized Gains or (Losses) in Income Investments	Included in Comprehensive Income	Total Realized and Unrealized Gains or (Losses)	Purchases and Sales, net	Net Transfers In and/or (Out) of Level 3	
Financial instruments owned:								
Trading – Common stocks	\$ 1,379	\$ (71)	\$ -	\$ -	\$ (71)	\$ (205)	\$ (125)	\$ 978
	37	32	-	-	32	-	-	69



Trading – Preferred stocks									
Trading – Other	596	(61)	-	-	(61)	-	-	-	535
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total	2,012	(100)	-	-	(100)	(205)	(125)		1,582

During the quarter ended September 30, 2008, the Company reclassified approximately \$0.1 million of investments from Level 3 to Level 2. The reclassifications were due to increased availability of market price quotations and 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 Nine months ended September 30, 2008 (in thousands)

Asset	December 31, 2007	Total Realized and Unrealized Gains or (Losses) in Trading	Total Realized and Unrealized Gains or (Losses) in Income Investments	Total Unrealized Gains or (Losses) 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	\$ 856	\$ (624)	\$ -	\$ -	\$ (624)	\$ 530	\$ 216	\$ 978
Trading – Preferred stocks	-	40	-	-	40	-	29	69
Trading – Other	567	(53)	-	-	(53)	-	21	535
<b>Total</b>	<b>\$ 1,423</b>	<b>\$ (637)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (637)</b>	<b>\$ 530</b>	<b>\$ 266</b>	<b>\$ 1,582</b>

During the nine months ended September 30, 2008, the Company reclassified approximately \$0.3 million of investments from Level 2 to Level 3. The reclassification was due to a reduction in market price quotations for these investments and based on the values at the beginning of the period in which the reclass occurred.

Unrealized Level 3 losses included within net gain (loss) from investments in the condensed consolidated statement of income for the three months ended September 30, 2009 and 2008 were approximately \$0.1 million and \$0.1 million, respectively, and for the nine months ended September 30, 2009 and 2008 were approximately \$0.3 million and \$0.6 million, respectively, for those Level 3 securities held at September 30, 2009 and 2008, respectively.

#### E. Debt

The fair value of the Company's debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities or using market standard models. At September 30, 2009, the fair value of the Company's debt is estimated to be \$203.4 million. The carrying value of the Company debt at September 30, 2009 is \$198.8 million.

#### F. Income Taxes

The effective tax rate for the three months ended September 30, 2009 was 37.4% compared to the prior year quarter's effective rate of 24.4%. The prior year's rate includes a reduction to certain income tax reserves.

The effective tax rate for the nine months ended September 30, 2009 was 35.3% compared to the prior year quarter's effective rate of 35.1%.



## G. Earnings Per Share

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

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
(in thousands, except per share amounts)				
Basic:				
Net income attributable to GAMCO Investors, Inc.'s shareholders	\$ 14,651	\$ 11,985	\$ 36,179	\$ 36,930
Weighted average shares outstanding	27,366	27,602	27,376	27,930
Basic net income attributable to GAMCO Investors, Inc.'s shareholders per share	\$ 0.54	\$ 0.43	\$ 1.32	\$ 1.32
Diluted:				
Net income attributable to GAMCO Investors, Inc.'s shareholders	\$ 14,651	\$ 11,985	\$ 36,179	\$ 36,930
Weighted average shares outstanding	27,366	27,602	27,376	27,930
Dilutive stock options & RSAs	139	45	88	43
Total	27,505	27,647	27,464	27,973
Diluted net income attributable to GAMCO Investors, Inc.'s shareholders per share	\$ 0.53	\$ 0.43	\$ 1.32	\$ 1.32

## H. Stockholders' Equity

Shares outstanding were 27.6 million on September 30, 2009, 27.7 million on December 31, 2008, and 27.9 million shares on September 30, 2008.

On February 3, 2009, our Board of Directors declared a quarterly dividend of \$0.03 per share to all of its Class A and Class B shareholders, payable on March 31, 2009 to shareholders of record on March 17, 2009. On May 5, 2009, our Board of Directors declared a quarterly dividend of \$0.03 per share to all of its Class A and Class B shareholders, payable on June 30, 2009 to shareholders of record on June 16, 2009. On August 4, 2009, our Board of Directors declared a quarterly dividend of \$0.03 per share to all of its Class A and Class B shareholders, payable on September 29, 2009 to shareholders of record on September 14, 2009.

On February 25, 2009, our Board of Directors declared a distribution to all of its Class A and Class B shareholders in the form of shares of Class B common stock of Teton owned by the Company. The distribution was paid on March 20, 2009 to shareholders of record on March 10, 2009 at a ratio of 14.930 shares of Teton for each 1,000 shares of GBL owned on the record date. The spin-off was accounted for as a nonreciprocal transfer to shareholders and was recorded at book value.

## Voting Rights

The holders of Class A Common Stock and Class B Common Stock have identical rights except that (i) holders of Class A Common Stock are entitled to one vote per share, while holders of Class B Common Stock are entitled to ten votes per share on all matters to be voted on by shareholders in general, and (ii) holders of Class A Common Stock are not eligible to vote on matters relating exclusively to Class B Common Stock 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 1,500,000 shares of Class A Common Stock have been reserved for issuance under each of the Plans. Under the Plans, 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 2, 2009, the Company issued 15,000 restricted stock award (“RSA”) shares at a grant day fair value of \$29.06 per share. As of September 30, 2009, there were 361,600 RSA shares outstanding that were previously issued at an average grant price of \$60.80. All grants of the RSAs were recommended by the Company's Chairman, who did not receive an RSA award, and approved by the Compensation Committee of the Board. This expense will be 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 RSAs are charged to retained earnings on the declaration date.

For the three months ended September 30, 2009 and 2008, we recognized stock-based compensation expense of \$1.3 million and \$1.2 million, respectively. For the nine months ended September 30, 2009 and 2008, we recognized stock-based compensation expense of \$3.8 million and \$3.6 million, respectively. Stock-based compensation expense for RSAs and options for the years ended December 31, 2008 through December 31, 2013 (based on awards currently issued) is as follows (\$ in thousands):

	2008	2009	2010	2011	2012	2013
Q1	1,198	1,231	1,360	766	\$30	44
Q2	1,204	1,267	1,257	763	729	44
Q3	1,237	1,283	1,256	746	729	23
Q4	1,252	1,264	1,093	739	501	12
Full Year	4,891	5,085	4,866	3,014	2,689	123

The total compensation costs related to non-vested restricted stock awards and options not yet recognized is approximately \$12.0 million. For the three months ended September 30, 2009 there were no options exercised. For the three months ended September 30, 2008 proceeds from the exercise of 2,000 stock options were \$58,000, resulting in a tax benefit to GAMCO of \$7,000. For the nine months ended September 30, 2009 and 2008 proceeds from the exercise of 12,175 and 17,550 stock options were \$225,000 and \$630,000, respectively, resulting in a tax benefit to GAMCO of \$112,000 and \$52,000, respectively. Additionally, during the nine months ended September 30, 2008 the Company reversed a previously recognized tax benefit of \$50,000.

## Stock Repurchase Program

In March 1999, GAMCO's Board of Directors established the Stock Repurchase Program to grant the authority to repurchase shares of our Class A Common Stock. For the three and nine months ended September 30, 2009, the Company repurchased 115,900 and 119,400 shares, respectively, at an average price per share of \$45.14 and \$45.24,

respectively. For the three and nine months ended September 30, 2008, the Company repurchased 246,800 and 699,425 shares, respectively, at an average price per share of \$43.60 and \$48.58, respectively. From the inception of the program through September 30, 2009, 6,171,983 shares have been repurchased at an average price of \$39.88 per share. At September 30, 2009, the total shares available under the program able to be repurchased were 745,436.

## I. Goodwill and Identifiable Intangible Assets

In accordance with FASB Statement No. 142 "Accounting for Goodwill and Other Intangible Assets," (FASB ASC 350-10-05) we assess the recoverability of goodwill and other intangible assets at least annually, or more often should events warrant. There was no impairment charge recorded for the three or nine months ended September 30, 2009. At September 30, 2009, \$3.5 million of goodwill is reflected within other assets on our condensed consolidated statements of financial condition related to our 92%-owned subsidiary, Gabelli Securities, Inc.

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 (the "Adviser") 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. As a result of becoming the adviser to the rebranded Gabelli Enterprise Mergers and Acquisitions Fund, at September 30, 2009, the Company maintains an indefinite-lived identifiable intangible asset within other assets on the condensed consolidated statements of financial condition of approximately \$1.9 million, after the write down of \$1.5 million in the fourth quarter of 2008. The investment advisory agreement is subject to annual renewal by the Fund's Board of Directors, which the Company expects will 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 2010.

## J. Commitments and Contingencies

From time to time, the Company has been, and may continue to be, named in legal actions, including filed FINRA arbitration claims. These claims may seek substantial compensatory as well as punitive damages. At this stage the Company cannot predict the ultimate outcome of these claims. The condensed consolidated financial statements include the necessary provision for losses that are deemed to be probable and estimable. In the opinion of management, the resolution of such claims will not be material to the financial condition of the Company.

We indemnify the clearing brokers for our affiliated broker-dealer for losses they may sustain from the customer accounts that trade on margin introduced by our broker-dealer subsidiary. At September 30, 2009, 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

On November 6, 2009, our Board of Directors declared a special dividend of \$2.00 per share to all of its Class A and Class B shareholders, payable on December 15, 2009 to shareholders of record on December 1, 2009 and a quarterly dividend of \$0.03 per share to all of its Class A and Class B shareholders, payable on December 29, 2009 to shareholders of record on December 15, 2009.

From October 1, 2009 through November 6, 2009, we repurchased 22,600 shares of our Class A Common Stock, under the Stock Repurchase Program, at an average investment of \$42.68 per share.



These subsequent events have been evaluated through November 6, 2009, the date the condensed consolidated financial statements were issued.

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 Catalyst™ 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., we provide institutional research and brokerage services to institutional clients and investment partnerships and 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, 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, are a distributor of our open-end funds and provide institutional research through Gabelli & Company, Inc. ("Gabelli & Company"), our broker-dealer subsidiary.

On March 20, 2009, the Company completed its spin-off of its ownership of Teton Advisors, Inc. (“Teton”) to its shareholders. The condensed consolidated financial statements include the results of Teton up to March 20, 2009. Prior period results have not been restated. However, Assets Under Management (“AUM”) have been presented for prior periods excluding Teton for comparability. Such Teton AUM were \$450 million at December 31, 2008 and \$418 million at September 30, 2008.

AUM were \$24.5 billion as of September 30, 2009, 14.5% higher than June 30, 2009 AUM of \$21.4 billion but 2.8% below September 30, 2008 AUM of \$25.2 billion. Equity AUM were \$22.8 billion on September 30, 2009, 16.3% above the June 30, 2009 equity AUM of \$19.6 billion and 5.8% below the \$24.2 billion on September 30, 2008. Highlights are as follows:

- Our institutional and private wealth management business ended the quarter with \$10.3 billion in separately managed accounts, up 17.0% from the June 30, 2009 level of \$8.8 billion but 5.5% lower than the \$10.9 billion on September 30, 2008.
- Our closed-end equity funds had AUM of \$4.4 billion on September 30, 2009, rising 15.8% from the \$3.8 billion on June 30, 2009 but 10.2% below the \$4.9 billion on September 30, 2008.
- Our open-end equity funds AUM were \$7.9 billion on September 30, 2009, 17.9% more than the \$6.7 billion on June 30, 2009 nearly matching the \$8.0 billion on September 30, 2008.
- We have the opportunity to earn base fees and incentive fees for certain institutional client assets, assets attributable to preferred issues for our closed-end funds, assets of the Gabelli Global Deal Fund (NYSE: GDL) and Investment Partnership assets. As of September 30, 2009, assets with incentive based fees were \$2.7 billion, in line with the \$2.7 billion on June 30, 2009 and 12.9% below the \$3.1 billion on September 30, 2008. At September 30, 2009, we have unearned incentive fee revenues of \$16.7 million on these assets representing approximately \$0.20 per diluted share after direct expenses (compensation) and taxes. These fees, which vary with the market value of the related AUM, are not recorded as revenues until the contract period has ended, which for the majority of these arrangements is December 31, 2009.
- Our Investment Partnerships AUM were \$291 million on September 30, 2009 versus \$266 million on June 30, 2009 and \$340 million on September 30, 2008.
- AUM in The Gabelli U.S. Treasury Money Market Fund, our 100% U.S. Treasury money market fund, was down slightly at \$1.6 billion on September 30, 2009 from \$1.8 billion on June 30, 2009 and higher than the September 30, 2008 AUM of \$1.0 billion.

The Company reported Assets Under Management as follows:

Table I: Fund Flows – 3rd Quarter 2009 (in millions)

	June 30, 2009	Closed-end fund distributions, net of reinvestments	Net Cash Flows (a)	Market Appreciation	September 30, 2009
Equities:					
Open-end Funds	\$ 6,684	\$ -	188	\$ 1,034	\$ 7,906
Closed-end Funds	3,822	(70)	66	551	4,369
Institutional & PWM - direct	7,332	-	(107)	1,266	8,491
Institutional & PWM – sub-advisory	1,476	-	(7)	308	1,777
Investment Partnerships	266	-	13	12	291
Total Equities	19,580	(70)	153	3,171	22,834
Fixed Income:					
Money-Market Fund	1,765	-	(150)	1	1,616
Institutional & PWM	21	-	5	-	26
Total Fixed Income	1,786	-	(145)	1	1,642
Total Assets Under Management	\$ 21,366	\$ (70)	8	\$ 3,172	\$ 24,476

(a) Includes \$66 million of shares issued by closed-end funds.

Table II:

	September 30, 2008	September 30, 2009	% Inc.(Dec.)
Equities:			
Open-end Funds	\$ 8,015	\$ 7,906	(1.4%)
Closed-end Funds	4,869	4,369	(10.3)
Institutional & PWM - direct	8,964	8,491	(5.3)
Institutional & PWM – sub-advisory	1,964	1,777	(9.5)
Investment Partnerships	340	291	(14.4)
Total Equities	24,152	22,834	(5.5)

Fixed Income:			
Money-Market Fund	1,003	1,616	61.1
Institutional & PWM	19	26	36.8
Total Fixed Income	1,022	1,642	60.7
Total Assets Under Management			
	\$ 25,174	\$ 24,476	(2.8%)

Note: Teton's AUM at September 30, 2008 were \$418 million and have been excluded from Table II.

Table III: Assets Under Management By Quarter (millions)

	9/08	12/08	3/09	6/09	9/09	% Increase/ (decrease) from	
						9/08	6/09
Equities:	\$	\$	\$	\$			
Open-end Funds	8,015	6,139	5,627	6,684	7,906	(1.4%)	18.3%
Closed-end Funds	4,869	3,792	3,359	3,822	4,369	(10.3)	14.3
Institutional & PWM - direct	8,964	6,861	6,227	7,332	8,491	(5.3)	15.8
Institutional & PWM - sub-advisory	1,964	1,585	1,202	1,476	1,777	(9.5)	20.4
Investment Partnerships	340	295	265	266	291	(14.4)	9.4
Total Equities	24,152	18,672	16,680	19,580	22,834	(5.5)	16.6
Fixed Income:							
Money-Market Fund	1,003	1,507	1,794	1,765	1,616	61.1	(8.4)
Institutional & PWM	19	22	21	21	26	36.8	23.8
Total Fixed Income	1,022	1,529	1,815	1,786	1,642	60.7	(8.1)
Total Assets Under Management							
	\$ 25,174	\$ 20,201	\$ 18,495	\$ 21,366	\$ 24,476	(2.8%)	14.6%

Note: Teton's AUM at September 30, 2008 and December 31, 2008 were \$418 million and \$450 million, respectively, and have been excluded from Table III.

Relative long-term investment performance remains strong. Over half of all firm mutual funds performed in the top half of their Lipper categories on a one-, three-, five-, and ten-year total return basis, respectively as of September 30, 2009. Also, 57% of the firm's mutual funds have a 4- or 5-star 3 year Morningstar Rating<sup>TM</sup>.

Gabelli Funds Morningstar Ratings Based on Risk Adjusted returns as of September 30, 2009 for funds that we distribute

FUND	Morningstar Category	Overall Rating		3 Year Rating		5 Year Rating		10 Year Rating	
		Stars	# of Funds	Stars	# of Funds	Stars	# of Funds	Stars	# of Funds
Gabelli ABC AAA	Mid-Cap Blend	★★★★	387	★★★★	387	★★★★	306	★★★★	146
Gabelli Asset AAA	Mid-Cap Blend	★★★	387	★★★	387	★★★	306	★★	146
Gabelli Blue Chip Value AAA	Large Value	★★	1133	★★	1133	★★	933	★	453
Gabelli Equity Income AAA	Large Value	★★★★	1133	★★★★	1133	★★★★	933	★★★★	453
Gabelli Small Cap Growth AAA	Small Blend	★★★★	560	★★★★	560	★★★★	452	★★	234
Gabelli SRI Green AAA	Mid-Cap Blend	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gabelli Utilities AAA	Specialty – Utilities	★★★★	95	★★	95	★★	80	★★★★	52
Gabelli Value A	Mid-Cap Blend	★	387	★	387	★	306	★	146
Gabelli Woodland Small Cap Value AAA	Small Blend	★★	560	★★	560	★★	452	n/a	234
GAMCO Global Convertible Secs AAA	Convertibles	★	66	★	66	★	61	★	44
GAMCO Global Growth AAA	World Stock	★	536	★★	536	★★	440	★	253
GAMCO Global Opportunity AAA	World Stock	★★	536	★★	536	★★	440	★★	253
GAMCO Global Telecommunications AAA	Specialty – Communications	★★	33	★★	33	★★	32	★★	13
GAMCO Gold AAA	Specialty – Precious Metals	★★	61	★★	61	★★	61	★★	36
GAMCO Growth AAA	Large Growth	★★	1515	★★	1515	★★	1255	★	653
GAMCO International Growth AAA	Foreign Large Growth	★★	202	★★	202	★★	153	★★	81
GAMCO Mathers	Conservative Allocation	★	499	★★★★	499	★	332	★	139
GAMCO Westwood Balanced AAA (a)	Moderate Allocation	★★★★	956	★★★★	956	★★★★	795	★★★★	455
GAMCO Westwood Equity AAA (a)	Large Value	★★★★	1133	★★★★	1133	★★★★	933	★★★★	453
GAMCO Westwood Income AAA (a)	Moderate Allocation	★	956	★	956	★	795	★★★★	455
GAMCO Westwood Intermediate AAA (a)	Intermediate-Term Bond	★★	954	★★	954	★★	836	★★	480
GAMCO Westwood Mighty Mites AAA (a)	Small Blend	★★★★	560	★★★★	560	★★★★	452	★★★★	234

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GAMCO Westwood SmallCap Equity AAA (a)	Small Blend	êê	560	êêê	560	êêêê	452	ê	234
Gabelli Enterprise Mergers & Acquisitions Y	Mid-Cap Blend	êêêê	387	êêêê	387	êêêê	306	n/a	146
Comstock Capital Value AAA	Bear Market	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Percent of Rated funds rated 4 or 5 stars		43.48%		56.52%		52.17%		38.10%	

The Overall Morningstar Rating™ is derived from a weighted average of the performance figures associated with its three, five and ten year (if applicable) Morningstar Rating metrics. Data presented reflects past performance, which is no guarantee of future results. Ratings are for Class AAA, A or Y shares only, other classes may have different performance characteristics. For each fund with at least a three year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of the funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) Strong relative performance is not indicative of positive fund returns. 2008 absolute performance for most funds was negative. © 2009 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Investors should consider the investment objectives, risks, sales charges and expenses of the fund carefully before investing. The prospectus contains more information about this and other matters. The prospectus should be read carefully before investing. Distributed by Gabelli & Company, One Corporate Center, Rye, NY 10580 Call 1-800-GABELLI (422-3554) for a prospectus.

The inception date for the Gabelli SRI Green Fund was June 1, 2007. The inception date for the Gabelli Woodland Small Cap Value Fund was December 31, 2002. The inception date for the Gabelli Enterprise Mergers & Acquisitions Fund was February 28, 2001. The inception date for the Comstock Capital Value Fund was October 10, 1985.

(a) Managed by Teton Advisors, Inc. not Gabelli Funds, LLC.

GABELLI/GAMCO FUNDS		Gabelli Funds Lipper Rankings as of September 30, 2009							
Fund Name	Lipper Category	1 Yr – 09/30/08-09/30/09		3 Yrs – 09/30/06-09/30/09		5 Yrs – 09/30/04-09/30/09		10 Yrs – 09/30/99-09/30/09	
		Percentile Rank	Rank / Total Funds	Percentile Rank	Rank / Total Funds	Percentile Rank	Rank / Total Funds	Percentile Rank	Rank / Total Funds
Gabelli Asset; AAA	Multi-Cap Core Funds	47	366/785	12	76/641	9	42/489	21	41/197
Gabelli Value Fund; A	Multi-Cap Core Funds	41	315/785	65	412/641	62	303/489	44	87/197
Gabelli SRI; AAA	Multi-Cap Core Funds	2	12/785	-	-	-	-	-	-
Gabelli Eq:Eq Inc; AAA	Equity Income Funds	18	52/303	17	39/233	13	24/184	11	11/104
GAMCO Ww:Income; AAA	Equity Income Funds	61	183/303	66	153/233	-	-	-	-
GAMCO Growth; AAA	Large-Cap Growth Funds	31	254/830	41	293/717	32	190/598	71	217/307
GAMCO Ww:SmCp Eq; AAA	Small-Cap Core Funds	28	207/742	22	134/614	16	79/496	99	254/256
Gabelli Eq:SC Gro; AAA	Small-Cap Core Funds	25	180/742	9	51/614	10	49/496	21	53/256
GAMCO Ww:Mhty M; AAA	Small-Cap Core Funds	11	75/742	2	12/614	2	9/496	19	48/256
Gabelli Eq:Wd SCV; AAA	Small-Cap Core Funds	59	438/742	18	107/614	41	203/496	-	-
GAMCO Gl:Oppty; AAA	Global Multi-Cap Growth	9	8/95	26	17/65	37	19/51	31	11/35
GAMCO Gl:Growth; AAA	Global Large-Cap Core	32	30/95	11	7/65	27	14/51	84	30/35
GAMCO Gold; AAA	Gold Oriented Funds	39	27/69	38	20/53	36	18/50	24	7/29
GAMCO Intl Gro; AAA	International Large-Cap Growth	14	22/160	50	64/127	78	70/89	48	25/52
GAMCO Ww:Eqty; AAA	Large-Cap Value Funds	97	524/542	22	101/472	10	36/388	25	45/185
Gabelli Bl Chp Val; AAA	Large-Cap Core Funds	16	145/907	33	245/761	21	126/628	8	26/368
Gabelli Inv:ABC; AAA	Specialty Diversified Equity Funds	40	16/40	16	5/32	14	2/14	30	3/9
GAMCO Mathers; AAA	Specialty Diversified Equity Funds	52	21/40	40	13/32	40	6/14	50	5/9
Comstock Cap Val; A	Specialty Diversified Equity Funds	57	23/40	19	6/32	80	12/14	70	7/9
		59	23/38	20	6/29	22	6/27	20	2/9



GAMCO Gl:Telecom; AAA	Telecommunications Funds								
GAMCO Gl:Convert; AAA	Convertible Securities Funds	90	63/69	95	56/58	93	52/55	98	41/41
Gabelli Utilities; AAA	Utility Funds	20	19/98	12	10/85	53	37/70	11	5/45
GAMCO Ww:Bal – AAA	Mixed-Asset Target Alloc. Moderate Funds	96	487/511	49	191/396	19	58/305	20	29/147
787:Gabelli Merg&Acq; Y	Mid-Cap Core Funds	18	69/386	18	53/307	39	97/249	-	-
Gabelli Capital Asset Fund	Distributed through Insurance Channel	44	155/354	41	117/289	28	60/216	15	12/80
% of funds in top half		68.0%		87.5%		78.3%		76.2%	

Data presented reflects past performance, which is no guarantee of future results. Strong rankings are not indicative of positive fund performance. Absolute performance for some funds was negative.

Lipper, a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments including mutual funds, retirement funds, hedge funds, fund fees and expenses to the asset management and media communities. Lipper ranks the performance of mutual funds within a classification of funds that have similar investment objectives. Rankings are historical with capital gains and dividends reinvested and do not include the effect of loads. If an expense waiver was in effect, it may have had a material effect on the total return or yield for the period.

Relative long-term investment performance remained strong with approximately 68%, 88%, 78% and 76% of firmwide mutual funds in the top half of their Lipper categories on a one-, three-, five-, and ten-year total-return basis, respectively, as of September 30, 2009.

Investors should consider carefully the investment objective, risks, charges and expenses of a fund before investing. The Prospectus which contains more information about this and other matters, should be read carefully before investing. You can obtain a prospectus by calling 1-800 GABELLI. Distributed by Gabelli & Company. Other share classes are available that have different performance characteristics.

The inception date for the Gabelli SRI Green Fund was June 1, 2007. The inception date for the Gabelli Woodland Small Cap Value Fund was December 31, 2002. The inception date for the Gabelli Enterprise Mergers & Acquisitions Fund was February 28, 2001.

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and the notes thereto included in Item 1 to this report.

## RESULTS OF OPERATIONS

Three Months Ended September 30, 2009 Compared To Three Months Ended September 30, 2008

(Unaudited; in thousands, except per share data)

	2009	2008
<b>Revenues</b>		
	\$	\$
Investment advisory and incentive fees	40,957	52,297
Institutional research services	4,588	4,098
Distribution fees and other income	6,037	6,585
Total revenues	51,582	62,980
<b>Expenses</b>		
Compensation and related costs	21,590	26,233
Management fee	2,638	1,740
Distribution costs	6,089	6,658
Other operating expenses	4,405	7,076
Total expenses		