

GAMCO INVESTORS, INC. ET AL  
Form 10-K  
March 15, 2010

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

FORM 10-K

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

For the fiscal year ended December 31, 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 number 1-14761

GAMCO Investors, Inc.

(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	13-4007862 (I.R.S. Employer Identification No.)
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One Corporate Center, Rye, NY (Address of principal executive offices)	10580-1422 (Zip Code)
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Registrant's telephone number, including area code (914) 921-5100  
Securities registered pursuant to Section 12(b) of the Act:

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

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Act Yes  No .

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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). Yes  No

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

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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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

The aggregate market value of the class A common stock held by non-affiliates of the registrant as of June 30, 2009 (the last business day of the Registrant’s most recently completed second fiscal quarter) was \$352,031,139.

As of March 1, 2010, 7,234,597 shares of class A common stock and 20,292,917 shares of class B common stock were outstanding. 19,979,500 shares of class B common stock were held by GGCP, Inc.

**DOCUMENTS INCORPORATED BY REFERENCE:** Portions of the registrant’s definitive proxy statement relating to the 2010 Annual Meeting of Shareholders are incorporated by reference in Items 10, 11,12, 13 and 14 of Part II of this report.

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## GAMCO Investors, Inc.

## Annual Report on Form 10-K For the Fiscal Year Ended December 31, 2009

## Part I

Item 1	<u>Business</u>	4
	<u>Overview</u>	4
	<u>2009 Selected Dynamics</u>	5
	<u>Business Strategy</u>	7
	<u>Business Description</u>	10
	<u>Assets Under Management</u>	13
	<u>Mutual Fund Distribution, Institutional Research, Brokerage, and Underwriting</u>	22
	<u>Competition</u>	23
	<u>Intellectual Property</u>	24
	<u>Regulation</u>	24
	<u>Personnel</u>	25
Item 1A	<u>Risk Factors</u>	26
Item 1B	<u>Unresolved Staff Comments</u>	33
Item 2	<u>Properties</u>	33
Item 3	<u>Legal Proceedings</u>	33
Item 4	<u>Submission Of Matters To A Vote Of Security Holders</u>	33

## Part II

Item 5	<u>Market For The Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities</u>	34
Item 6	<u>Selected Financial Data</u>	37
Item 7	<u>Management's Discussion And Analysis Of Financial Condition And Results Of Operations</u>	39
Item 7A	<u>Quantitative And Qualitative Disclosures About Market Risk</u>	56
Item 8	<u>Financial Statements And Supplementary Data</u>	57
Item 9	<u>Changes In And Disagreements With Accountants On Accounting And Financial Disclosure</u>	94
Item 9A	<u>Controls And Procedures</u>	94
Item 9B	<u>Other Information</u>	94

## Part III

Item 10	<u>Directors And Executive Officers Of The Registrant</u>	95
Item 11	<u>Executive Compensation</u>	95
Item 12	<u>Security Ownership Of Certain Beneficial Owners And Management And Related Stockholder Matters</u>	95
Item 13	<u>Certain Relationships And Related Transactions</u>	95
Item 14	<u>Principal Accountant Fees And Services</u>	95

## Part IV

Item 15	<u>Exhibits, Financial Statement Schedules, And Reports On Form 8-K</u>	96
	<u>Signatures</u>	99

Power of Attorney 100

Computation of Ratios of Earnings to Fixed Charges

Subsidiaries of GAMCO Investors, Inc.

Consents of Independent Registered Public Accounting Firm

Certifications Exhibit 31.1

Exhibit 31.2

Exhibit 32.1

Exhibit 32.2

## PART I

### Forward-Looking Statements

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

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

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

### ITEM 1: BUSINESS

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

#### Overview

GAMCO Investors, Inc. (New York Stock Exchange (“NYSE”): GBL), a company incorporated under the laws of New York, well known for our value investing hallmark Private Market Value (PMV) with a Catalyst™ investment approach, is a widely-recognized provider of investment advisory services to mutual funds, institutional and private wealth management investors, and investment partnerships, principally in the United States. Through Gabelli & Company, Inc. (“Gabelli & Company”), we provide institutional research services to institutional clients and investment partnerships. 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 (“AUM”) and to a lesser extent, incentive fees associated with our various investment products.

Since 1977, Gabelli has been identified with and enhanced the “value” style approach to investing. Over the 32 years since the inception of the firm, consistent with our fundamental objective of providing an absolute rate of return for our clients, Gabelli generated over \$13.2 billion in investment returns for our institutional and private wealth management clients. The 32 year CAGR (compounded annual growth rate) for the institutional clients (as measured by our composite return) was 16.8% on a gross basis and 15.9% on a net basis. As stated in our mission statement,

our investment objective is to earn a superior risk-adjusted return for our valued clients over the long-term through our proprietary fundamental research. In addition to our value portfolios, GAMCO and other brands 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, both market and sector specific opportunities, including offerings of non-market correlated investments in merger arbitrage, as well as a fixed income strategy.

As of December 31, 2009, we had \$26.3 billion of AUM. We conduct our investment advisory business principally through our subsidiaries: GAMCO Asset Management Inc. (Institutional and Private Wealth Management), Gabelli Funds, LLC (Mutual Funds) and Gabelli Securities, Inc. (Investment Partnerships). We also act as an underwriter, are a distributor of our open-end mutual funds and provide institutional research services through Gabelli & Company, our broker-dealer subsidiary.

Our AUM are organized into three groups:

- Investment Partnerships: we provide advisory services to limited partnerships and offshore funds (“Investment Partnerships”). We managed a total of \$305 million in Investment Partnership assets on December 31, 2009.
- Institutional and Private Wealth Management: we provide advisory services to a broad range of investors, including private wealth management, corporate pension and profit-sharing plans, foundations, endowments, jointly-trusted plans and municipalities, and also serve as sub-advisor to certain other third-party investment funds including registered investment companies (“Institutional and Private Wealth Management”). Each Institutional and Private Wealth Management (“PWM”) portfolio is managed to meet the needs and objectives of the particular client by utilizing investment strategies and techniques within our areas of expertise. On December 31, 2009, we had \$11.2 billion of Institutional and Private Wealth Management AUM.
- Open and Closed-End Funds: we provide advisory services to twenty-one open-end funds and nine closed-end funds under Gabelli, GAMCO and Comstock brands (collectively, the “Funds”). The Funds had \$14.8 billion of AUM on December 31, 2009.

GBL is a holding company formed in connection with our initial public offering (“Offering”) in February 1999. GGCP, Inc. owns a majority of the outstanding shares of class B common stock of GBL. Such ownership represented approximately 95% of the combined voting power of the outstanding common stock and approximately 72% of the equity interest on December 31, 2009. GGCP, Inc. is majority-owned by Mr. Mario J. Gabelli (“Mr. Gabelli”). Accordingly, Mr. Gabelli could be deemed to control GBL.

Our principal executive offices are located at One Corporate Center, Rye, New York 10580. Our telephone number is (914) 921-5100. We post or provide a link on our website, [www.gabelli.com](http://www.gabelli.com), to the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (“Commission” or “SEC”): our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. All such filings on our website are available free of charge.

#### 2009 Selected Dynamics

Since our initial public offering in February 1999, GBL’s class A common stock has generated an annual compounded return of 11.4% (including dividends) for its shareholders through December 31, 2009 versus a negative annual return of 0.95% (including dividends) for the S&P 500 Index during the decade. Our class A common stock, which is traded on the NYSE under the symbol “GBL”, ended the year at a closing market price of \$48.29.

During 2009, we returned \$65.8 million of our earnings to shareholders through dividends and our stock buyback program. We paid \$58.8 million, or \$2.13 per share, in dividends to our common shareholders and purchased 156,500 shares at \$7.0 million, for an investment of \$44.91 per share.

Since the IPO, we have returned \$445.8 million in total of which \$204.3 million was in the form of dividends and \$241.5 million was through buybacks.

GAM GAMCO Equity Fund was awarded Standard & Poor’s AAA Rating for the sixth consecutive year and is one of only four funds among the 79 in S&P’s Mainstream Equities peer group to receive the AAA rating. The Standard & Poor’s AAA rating is a widely acknowledged measure of excellence, awarded only when, in S&P’s words: “The fund



demonstrates the highest standards of quality in its sector based on its investment process and performance consistency of the management team and/or approach as compared to funds with similar objectives.” GAMCO Equity Fund has been sub-advised by GAMCO Asset Management Inc. (“GAMCO”) for London UK based Global Asset Management (“GAM”) since the fund’s launch in October 1987.

As of December 31, 2009, thirteen funds that we distribute have a 4 or 5-star three year Morningstar Rating™.

Our liquid balance sheet, coupled with investment grade credit ratings from both Moody's and Standard & Poor's, provides access to financial markets and the flexibility to opportunistically add operating resources to our firm, repurchase our stock and consider strategic initiatives. As a result of GBL's shelf registration in the third quarter 2009, we have the ability to issue any combination of senior and subordinate debt securities, convertible debt securities and equity securities (including common and preferred securities) up to a total amount of \$400 million. Our financial strength is underscored by having received an investment grade rating from two ratings agencies, Moody’s Investors Services and Standard and Poor’s Ratings Services. We believe that maintaining these investment grade ratings will provide greater access to the capital markets, enhance liquidity and lower overall borrowing costs. However, we will also consider the use of leverage as part of our corporate financial strategy even if it results in a lowering of our investment rating.

Gabelli & Company, which conducts our institutional research business, hosted 8 institutional symposiums and conferences during 2009. These meetings are an important component of the research services the firm provides its institutional clients. Specifically, 2009 featured our 33rd annual Automotive Aftermarket Symposium, 19th annual Pump Valve & Motor Symposium, 15th annual Aircraft Supplier Conference, seventh annual Smallcap Healthcare Conference, third annual Water Investment Summit, second annual Specialty Chemicals and Best Ideas Conferences, and our first Movie Industry Conference.

## Performance Highlights

### Institutional and Private Wealth Management

The institutional client composite of our Institutional and Private Wealth Management business has achieved a compound annual return of approximately 16.8% on a gross basis and 15.9% on a net basis for over 32 years since inception through December 31, 2009. The accounts in this composite are managed in our absolute return, research-driven PMV with a Catalyst™ style since inception.

The table below compares the long-term performance record for our Institutional and Private Wealth Management composite since 1977, using our traditional value-oriented product, the Gabelli PMV with a Catalyst™ investment approach, versus various benchmarks.

GAMCO All Cap Value Composite  
1977(a) – 2009(a)

	GAMCO (b)	S&P 500 (c)	Russell 2000 (c)	CPI+10 (c)
Number of Up Years	29	26	22	
Number of Down Years	4	7	9	
Years GAMCO Value Outperformed Index		23	22	21
Total Return (CAGR) gross (a)	16.8	11.2	11.3	14.0
Total Return (CAGR) net	15.9	11.2	11.3	14.0
Beta	0.85			

## Footnotes

(a) 1977 is a stub period of October 1, 1977 to December 31, 1977.

(b) The GAMCO All Cap Value composite represents fully discretionary, tax-exempt institutional accounts managed for at least one full quarter and meeting minimum account size requirements. The minimum size requirement for inclusion in 1985 was \$500,000; \$1 million in 1986; and \$5 million in 1987 and thereafter. The performance calculations include accounts under management during the respective periods. As of December 31, 2009, the

GAMCO All Cap Value composite included 40 accounts with an aggregate market value of \$3.4 billion. No two portfolios are identical. Accounts not within this size and type may have experienced different results. Not all GAMCO accounts are included in the GAMCO All Cap Value Composite.

- GAMCO All Cap Value Composite performance results are computed on a total-return basis, which includes all dividends, interest, and realized and unrealized gains and losses. The summary of past performance is not intended as a prediction of future results. Returns are presented in U.S. dollars. All returns are before taxes and custodial fees. The inception date of the GAMCO All Cap Value composite is October 1, 1977.
- The net returns from 1990 to 2009 are net of actual fees and actual transaction costs. The net returns before 1990 reflect the calculation using a model investment fee (1% compounded quarterly) and actual transaction costs. Gross returns are before investment management fees.
- GAMCO All Cap Value Composite Total Return (CAGR) net represents the total net return of the composite from October 1, 1977 through December 31, 2009.
- Beta is the measure of the GAMCO All Cap Value composite's risk (volatility) in relation to the S&P 500 Index.

- (c) The S&P 500 is an unmanaged index of 500 U.S. stocks and performance represents total return of the index including reinvestment of dividends. The Russell 2000 is an unmanaged index of 2,000 small capitalization stocks and performance represents total return of the index including reinvestment of dividends. The performance figures for the Russell 2000 are based on an inception date of January 1, 1979. The S&P 500 and Russell 2000 do not necessarily reflect how a managed portfolio of equity securities would have performed. The CPI is a widely-used measure of inflation, and the CPI+10 measure is used to show the results that would have been achieved by obtaining a rate of return that exceeded the CPI by a constant 10% as a basis of comparison versus the results of the GAMCO All Cap Value composite.

#### Open and Closed-End Funds

- Relative long-term investment performance remains strong. At least 56% of all our mutual funds (that we distribute) performed in the top half of their Lipper categories on a one, three, five and ten-year total return basis as of December 31, 2009. As of December 31, 2009, thirteen funds that we distribute have a 4 or 5-star three year Morningstar Rating<sup>TM</sup>.
- Our 100% U.S. Treasury Money Market Fund<sup>1</sup>, exceeded \$1.5 billion as investors fled enhanced-money market funds in favor of funds that focus on the highest quality U.S. Treasury instruments and superior yield. The fund ranked third in total return for the 12 months ended December 31, 2009 among 72 U.S. Treasury money market funds tracked by Lipper Inc.<sup>2</sup>, For the 5 year and 10 year periods ended December 31, 2009, the fund ranked second out of 64 funds and second out of 46 funds, respectively, within that category.

(1) Past performance is no guarantee of future results. An investment in any money market fund is not insured or guaranteed by the U.S. government, the Federal Deposit Insurance Corporation or any government agency. Although the Fund seeks to maintain the value of an investment at \$1.00 per share it is possible to lose money by investing in the Fund. Dividend yields and returns have been enhanced due to expense limitations initiated by Gabelli Funds, LLC (“Funds Advisor”). Equity funds involve the risk that the underlying investments may lose value. Accordingly, it is possible to lose money by investing in these funds. Investing in gold stocks is considered speculative and is affected by a variety of worldwide economic, financial, and political risks. Small capitalization companies present greater risks than securities of larger more established companies. They trade less frequently and experience more abrupt price movements. Investors should consider the investment objectives, risks, sales charges and expense of the fund carefully before investing. The prospectus contains more complete information about this and other matters. The prospectus should be read carefully before investing. You can obtain a prospectus by calling Gabelli & Company, Inc. at 1-800-GABELLI (1-800-422-3554) or contacting your financial representative or by visiting <http://www.gabelli.com>.

(2) Lipper Inc. is a nationally-recognized independent provider of investment company data.

#### Business Strategy

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

- Gabelli “Private Market Value (PMV) with a Catalyst<sup>TM</sup>” Investment Approach. While we have expanded our investment product offerings, our “value investing” approach remains the core of our

business. This method is based on the value investing principles articulated by Graham & Dodd in 1934 and further augmented by Mario J. Gabelli, CFA, with his development of Private Market Value (PMV) with a Catalyst™ and his introduction of a catalyst into the value investment methodology. The development of PMV analysis combined with the concept of a catalyst has evolved from the original Graham & Dodd value investing approach to a Gabelli augmented Graham & Dodd and, which attributable to Gabelli, is commonly referred to as Private Market Value (PMV) with a Catalyst™ investing.

Private Market Value (PMV) with a Catalyst™ investing is a disciplined, research-driven approach based on intensive security analysis. In this process, we generally select stocks whose intrinsic value, based on our estimate of current asset value and future growth and earnings power, is significantly different from the value as reflected in the public market. We then calculate the firm's PMV, which is defined as the price an informed industrial buyer would be likely to pay to acquire the business.

Our value team generally looks for situations in which catalyst(s) is (are) working to help eliminate the premium or realize the discount between the public market price and the estimated PMV. Catalysts which are company specific include: realization of hidden assets, recognition of underperforming subsidiaries, share buybacks, spin-offs, mergers and acquisitions, balance sheet changes, new products, accounting changes, new management and cross-shareholder unwinding. Other catalysts are related to industry dynamics or macroeconomics and include but are not limited to: industry consolidation, deregulation, accounting, tax, pension and political reforms, technological change and the macroeconomic backdrop. The time horizons for catalysts to trigger change can either be short-term, medium-term or long-term.

- Establishing Research Centers. To enhance our research in our core research competency, we have two Asian research offices in Shanghai and Hong Kong supplementing our existing offices in London, New York, Chicago, Greenwich, Connecticut, Minneapolis and St. Louis, Missouri. We will continue to evaluate adding additional research offices throughout the world. In addition to research, these centers along with Reno, Nevada and Palm Beach, Florida serve as relationships centers.
- Introducing New Products and Services. We believe we have the capacity for development of new products and services around the Gabelli and GAMCO brands to complement our existing product offerings. New products since our initial public offering include:
  - Six closed-end funds: The Gabelli Dividend & Income Trust, The Gabelli Global Deal Fund, The Gabelli Global Utility and Income Trust, The Gabelli Global Gold, Natural Resources & Income Trust, The Gabelli Utility Trust, and The Gabelli Healthcare and WellnessRX Trust.
  - Four open-end funds: Gabelli Blue Chip Value Fund, Gabelli Utilities Fund, Gabelli Woodland Small Cap Value Fund, Gabelli SRI Fund, rebranded as Gabelli Green SRI Fund, Inc.
  - Three offshore funds: Gabelli Global Partners, Ltd., Gabelli Capital Structure Arbitrage Fund Ltd., and GAMCO SRI Partners, Ltd.
  - Seven private limited partnerships: Gemini Global Partners, L.P., Gabelli Capital Structure Arbitrage Fund L.P., Gabelli Intermediate Credit, L.P., Gabelli Japanese Value Partners, L.P., Gabelli Associates Fund II, L.P., GAMA Select Energy Plus, L.P., GAMCO Medical Opportunities, L.P.
- Incentive Fees and Fulcrum Fees. Our Value investment strategy is focused on adding stock specific return through our proprietary Private Market Value (PMV) with a Catalyst™ efforts. We expect to receive an increasing portion of our revenues and earnings through various products with incentive and fulcrum fees. Since we envision that a growing percentage of the firm's revenues will be directly linked to performance-based fees, this will also increase the variability of our revenues and profits, largely booked in the fourth quarter. As of December 31, 2009, approximately \$1.2 billion of Institutional and Private Wealth Management assets are managed on a performance fee basis along with \$875 million of preferred issues of closed-end funds, the \$431 million The Gabelli Global Deal Fund and \$305 million of investment partnership assets. Unlike most money management firms, we elected not to receive a management fee on a majority of the preferred offerings in our closed-end funds until the fund's overall performance exceeds each preferred's nominal cost of capital. In addition, the incubation of new product strategies using proprietary capital will compensate the investment team with a performance fee model to reinforce our pay-for-performance approach.

Expanding Mutual Fund Distribution. We continue to expand our distribution network primarily through national and regional brokerage firms and have developed additional classes of shares for most of our mutual funds for sale through these firms and other third-party distribution channels on a commission basis. We intend to increase our wholesaling efforts to market the multi-class shares, which have been designed to meet the needs of investors who seek advice through financial consultants.

· Increasing Presence in Private Wealth Management Market. Our private wealth management business focuses, in general, on serving clients who have established an account relationship of \$1 million or more with us. According to industry estimates, the number of households with over \$1 million in investable assets will continue to grow in the future, subject to ups and downs in the equity and fixed income markets. With our 33-year history of serving this segment, long-term performance record, customized portfolio approach, dominant, tax-sensitive, investment strategy, brand name recognition and broad array of product offerings, we believe that we are well-positioned to capitalize on the growth opportunities in this market.

- Increasing Marketing for Institutional and Private Wealth Management. The Institutional and Private Wealth Management business was principally developed through direct marketing channels. Historically, pension and financial consultants have not been a major source of new institutional and private wealth management business for us. We plan to augment our institutional sales force through the addition of staff to market directly to the consultant community as well as our traditional marketing channels.
- Attracting and Retaining Experienced Professionals. We offer significant variable compensation that provides opportunities to our staff. We have increased the scope of our investment management capabilities by adding portfolio managers and other investment personnel in order to expand our broad array of products. The ability to attract and retain highly-experienced investment and other professionals with a long-term commitment to us and our clients has been, and will continue to be, a significant factor in our long-term growth. At December 31, 2009, we had 360,100 restricted stock awards outstanding to our professional staff recommended by and excluding Mr. Gabelli, who has not received options or RSAs, which originally had three- and five-year vesting, which will align our professional team with our commitment to our long term goals.
- Sponsorship of Industry Conferences. Gabelli & Company, our institutional research services firm, sponsors industry conferences and management events throughout the year. At these conferences and events, senior management from leading industry companies share their thoughts on the industry, competition, regulatory issues and the challenges and opportunities in their businesses with portfolio managers and securities analysts.
- Hosting of Institutional Investor Symposiums. We have a tradition of sponsoring institutional investor symposiums that bring together prominent portfolio managers, members of academia and other leading business professionals to present, discuss and debate current issues and topics in the investment industry.
  - 1997 “Active vs. Passive Stock Selection”
  - 1998 “The Role of Hedge Funds as a Way of Generating Absolute Returns”
  - 2001 “Virtues of Value Investing”
  - 2003 “Dividends, Taxable versus Non-Taxable Issues”
  - 2006 “Closed-End Funds: Premiums vs. Discounts, Dividends and Distributions”

We also hold annual conferences for our investment partnership clients and prospects in New York and London at which our portfolio management team discusses the investment environment, our strategies and portfolios, and event-driven investment opportunities.

- Capitalizing on Acquisitions, Alliances and Lift-outs. We intend to selectively and opportunistically pursue acquisitions, alliances and lift-outs that will broaden our product offerings and add new sources of distribution. On October 1, 1999, we completed our alliance with Mathers and Company, Inc. and now act as investment advisor to the Mathers Fund (renamed GAMCO Mathers Fund), and in May 2000, we added Comstock Partners Funds, Inc., (renamed Comstock Funds, Inc.). The Mathers and Comstock funds are part of our Non-Market Correlated mutual fund product line. In November 2002, we completed our alliance with Woodland Partners LLC, a Minneapolis based investment advisor of institutional, high net-worth and sub-advisory accounts. On March 11, 2008, Funds Advisor assumed the role of investment advisor to the AXA Enterprise Mergers and Acquisitions Fund, subsequently renamed Gabelli Enterprise Mergers and Acquisitions Fund, a fund that has been sub-advised by GAMCO since the fund’s inception on February 28, 2001. In November 2008, the B.B. Micro Cap



Growth Fund selected Teton as the interim investment advisor which was subsequently approved by its shareholders in March 2009 and merged into the GAMCO Westwood Mighty MitesSM Fund.

We believe that we have the financial capacity to pursue acquisitions and lift-outs.

We believe that our growth to date is traceable to the following factors:

- **Strong Industry Fundamentals:** According to data compiled by the U.S. Federal Reserve, the investment management industry has grown faster than more traditional segments of the financial services industry, including the banking and insurance industries. Since GBL began managing assets for institutional and private wealth management clients in 1977, world equity markets have grown at a 11.0% compounded annual growth rate through December 31, 2009 to nearly \$46 trillion(a). The U.S. equity market comprises about \$13.7 trillion(a) or roughly 30% of world markets. We believe that demographic trends and the growing role of money managers in the placement of capital compared to the traditional role played by banks and life insurance companies will result in continued growth of the investment management industry.

- Long-Term Performance: We have a superior long-term record of achieving relatively high returns for our Institutional and Private Wealth Management clients. We believe that our performance record represents a competitive advantage and a recognized component of our franchise.
- Stock Market Gains: Since we began managing for institutional and private wealth management clients in 1977, our traditional value-oriented Institutional and Private Wealth Management composite has earned a compound annual return of 15.9% net of fees versus a compound annual return of 11.2% for the S&P 500 through December 31, 2009. For the ten years ending December 31, 2009, the compound annual return for our traditional value-oriented Institutional and Private Wealth Management composite was 5.7% versus the S&P 500's compound annual total negative return of 0.95%.
- Widely-Recognized "Gabelli" and "GAMCO" Brand Names: For much of our history, our portfolio managers and investment products have been featured in a variety of financial print media, including both U.S. and international publications such as The Wall Street Journal, Financial Times, Money Magazine, Barron's, Fortune, Business Week, Nikkei Financial News, Forbes Magazine, Consumer Reports and Investor's Business Daily. We also underwrite publications written by our investment professionals, including Deals...Deals...and More Deals which examines the history of merger arbitrage and Global Convertible Investing: The Gabelli Way, a comprehensive guide to effective investing in convertible securities.
- Diversified Product Offerings: Since the inception of our investment management activities, we have sought to expand the breadth of our product offerings. We currently offer a wide spectrum of investment products and strategies, including product offerings in U.S. equities, U.S. fixed income, global and international equities, convertible securities, U.S. balanced and investment partnerships.

(a) Source: Birinyi Associates, LLC

## Business Description

GBL started operations in 1977 as an institutional services firm. We entered the institutional and private wealth management business in 1977, management of investment partnerships in 1985 and the mutual fund business in 1986. Our initial product offerings centered on our tax sensitive, buy-hold, value-oriented investment philosophy. Starting in the mid-1980s, we began building on our core value-oriented equity investment products by adding new investment strategies designed for a broad array of clients seeking to invest in growth-oriented equities, convertible securities and fixed income products. Since then, we have continued to build our franchise by expanding our investment management capabilities through the addition of industry specific, international, global, non-market correlated, venture capital, leveraged buy-out and merchant banking product offerings. Throughout our 32-year history, we have marketed most of our products under the "Gabelli" and "GAMCO" brand names. Specialty brands offered to investors have included Mathers, Comstock, Westwood and Woodland.

Our AUM are clustered mostly in three groups: Institutional and Private Wealth Management, Mutual Funds and Investment Partnerships.

**Institutional and Private Wealth Management:** Since 1977, we have provided investment management services through our subsidiary GAMCO to a broad spectrum of institutional and private wealth investors. At December 31, 2009, we had \$11.2 billion of AUM in approximately 1,600 Institutional and Private Wealth Management accounts, representing approximately 43% of our total AUM. We currently provide advisory services to a broad range of investors, the majority of which (in total number of accounts) are private wealth management client accounts – defined as individuals generally having minimum account balances of \$1 million. As of December 31, 2009, Institutional

client accounts, which include corporate pension and profit sharing plans, jointly-trusted plans and public funds, represented 49% of the Institutional and Private Wealth Management assets and 7% of the accounts. Private wealth management accounts comprised approximately 80% of the total number of Institutional and Private Wealth Management accounts and approximately 25% of the assets under management as of December 31, 2009. We believe that Private wealth management clients are attracted to us by our returns and the tax efficient nature of the underlying investment process in these traditional products.

Foundation and endowment fund assets represented 12% of the number of Institutional and Private Wealth Management accounts and approximately 9% of the assets under management. The sub-advisory portion of the Institutional and Private Wealth Management (where we act as sub-advisor to certain other third-party investment funds) held approximately \$1.9 billion or 17% of total Institutional and Private Wealth Management assets with less than 1% of the number of accounts.

The ten largest relationships comprised approximately 47% of our total Institutional and Private Wealth Management AUM and approximately 33% of our total Institutional and Private Wealth Management revenues as of and for the year ended December 31, 2009, respectively.

In general, our Institutional and Private Wealth Management AUM are managed to meet the specific needs and objectives of each client by utilizing investment strategies – “value”, “large cap value”, “small cap value”, “large cap growth”, “global”, “international growth” and “convertible bond” – and techniques that are within our areas of expertise. We distinguish between taxable and tax-free assets and manage client portfolios with tax sensitivity within given investment strategies.

Sales efforts are conducted on a regional and product specialist basis. Members of the sales and marketing staff for the Institutional and Private Wealth Management business have an average of more than ten years of experience with us and focus on developing and maintaining direct, long-term relationships with their Institutional and Private Wealth Management clients. The firm will host its 25th Annual Client Conference in May 2010. This conference will be held at the Pierre Hotel in New York and will include presentations by our portfolio managers and analysts.

We act as a sub-advisor on certain funds for several large and well-known fund distributors. Sub-advisory clients are subject to business combinations, much the same as corporate clients, and may result in the curtailment of product distribution or the termination of the relationship.

Investment advisory agreements for our Institutional and Private Wealth Management clients are typically subject to termination by the client without penalty on 30 days notice or less.

Open and Closed-End Funds: Funds Advisor provides advisory services to twenty-one open-end funds and nine closed-end funds. At December 31, 2009, we had \$14.8 billion of AUM in open-end funds and closed-end funds, representing approximately 56% of our total AUM. Our equity funds and closed-end funds were \$13.1 billion in AUM on December 31, 2009, 32.3% above the \$9.9 billion on December 31, 2008.

On February 25, 2009, we announced the completion of our previously disclosed plan to distribute shares in majority-controlled Teton. On March 20, 2009, shareholders of GBL received 14.93 shares of Teton for each 1,000 shares of GBL owned. The record date was March 10, 2009.

As a result of the Teton spin-off, the following Teton advised funds are no longer being managed by GBL: GAMCO Westwood Equity Fund, GAMCO Westwood Balanced Fund, GAMCO Westwood Income Fund, GAMCO Westwood SmallCap Equity Fund, GAMCO Westwood Intermediate Bond Fund and the GAMCO Westwood Mighty MitesSM Fund. However, such funds are still distributed and sub-administered by GBL.

GAMCO is the brand for our “Growth” business, which is primarily represented by The GAMCO Growth Fund, The GAMCO Global Growth Fund, and The GAMCO International Growth Fund. GAMCO also includes other distinct investment strategies and styles including our gold, convertible securities and contrarian funds.

The eight GAMCO branded open-end funds are:

GAMCO Growth

- “ International Growth
- “ Gold
- “ Global Telecommunications
- “ Global Growth
- “ Global Opportunity

- “ Global Convertible Securities
- “ Mathers

The Gabelli brand represents our “Value” business, primarily representing our absolute return, research-driven Private Market Value (PMV) with a Catalyst™ funds. The GAMCO Global Telecommunications Fund is a value portfolio but retains the GAMCO name. The Gabelli brand also includes The Gabelli Blue Chip Value Fund and The Gabelli Woodland Small Cap Growth Fund as well as all of the closed-end funds.

## Open-end Funds

On December 31, 2009, we had \$10.2 billion of AUM in twenty-one open-end funds. At year-end, of the open-end funds having an overall rating from Morningstar, Inc. (“Morningstar”), 93% were ranked “three stars” or better, with approximately 77% ranked “five stars” or “four stars” on an overall basis (i.e., derived from a weighted average of the performance figures associated with their three-, five-, and ten-year Morningstar Rating metrics). There can be no assurance, however, that these funds will be able to maintain such ratings or that past performance will be indicative of future results.

We sell our open-end funds through third-party distribution programs, particularly no-transaction fee (“NTF”) Programs, and have developed additional classes of shares for many of our funds for sale through additional third-party distribution channels on a commission basis. At December 31, 2009, Third Party Distribution Programs accounted for approximately 74% of all assets in open-end funds. At December 31, 2009, approximately 26% of our AUM in open-end, equity funds had been obtained through direct sales relationships.

In March 2008, Funds Advisor, through an acquisition, assumed the role of investment advisor to the AXA Enterprise Mergers and Acquisitions Fund, subsequently renamed to Gabelli Enterprise Mergers and Acquisitions Fund, a fund that has been sub-advised by GAMCO since the fund’s inception on February 28, 2001. The GAMCO portfolio management team, which has managed the fund since inception, remained the same.

## Closed-end Funds

We act as investment advisor to nine closed-end funds, all of which trade on the NYSE or its affiliated exchange: Gabelli Equity Trust (GAB), Gabelli Global Deal Fund (GDL), Gabelli Global Multimedia Trust (GGT), Gabelli Healthcare & Wellness Rx Trust (GRX), Gabelli Convertible and Income Securities Fund (GCV), Gabelli Utility Trust (GUT), Gabelli Dividend & Income Trust (GDV), Gabelli Global Utility & Income Trust (GLU) and Gabelli Global Gold, Natural Resources & Income Trust (GGN). As of December 31, 2009, the nine Gabelli closed-end funds had total assets of \$4.6 billion, representing 31.1% of the total assets in our Mutual Funds business.

The Gabelli Equity Trust, which raised \$400 million through its initial public offering in August 1986, finished its 23rd year with net assets of \$1.2 billion. Since inception, the Gabelli Equity Trust has distributed \$2.4 billion in cash to common shareholders through its 10% distribution policy and spawned three other closed-end funds, the Gabelli Global Multimedia Trust, the Gabelli Utility Trust and the Gabelli Healthcare & Wellness Rx Trust.

The Gabelli Dividend & Income Trust, launched in November 2003, raised \$196.6 million in net proceeds through its placement of Series D and Series E Preferred Shares in November 2005. The Gabelli Dividend & Income Trust, which invests primarily in dividend-paying equity securities, had net assets of \$1.8 billion as of December 31, 2009.

The Gabelli Global Gold, Natural Resources & Income Trust (“GGN”) raised gross proceeds of \$352 million through its initial public offering in March 2005 and the exercise of the underwriters’ overallotment option in May 2005. GGN filed a \$350 million shelf registration statement with the SEC that went effective September 24, 2007. The shelf registration statement gave GGN the ability to offer additional common and preferred shares. On October 16, 2007, GGN completed the placement of \$100 million of cumulative preferred shares. GGN received net proceeds of \$96.5 million (after underwriting discounts of \$1.2 million and offering expenses of \$0.4 million) from the public offering of 4,000,000 shares of 6.625% Series A cumulative preferred shares. During the year ended December 31, 2009, GGN issued 13,989,100 common shares through various “at the market offerings”. The net proceeds received from these various at the market offerings was approximately \$207.4 million. As of December 31, 2009, after taking into account the issuance of the preferred and common shares, GGN had approximately \$42 million available for issuance under the shelf registration statement. The Gabelli Global Gold, Natural Resources & Income Trust, which invests

primarily in equity securities of gold and natural resources companies and utilizes a covered call option writing program to generate current income, had net assets of \$620 million as of December 31, 2009.

In January 2007, we launched The Gabelli Global Deal Fund, a closed-end fund which seeks to achieve its investment objective by investing primarily in announced merger and acquisition transactions and, to a lesser extent, in corporate reorganizations involving stubs, spin-offs and liquidations. During 2009, The Gabelli Global Deal Fund raised \$96 million through a rights offering of Series A preferred shares.

A detailed description of our Funds is provided within this Item 1 beginning on page 22.

Investment Partnerships: We manage Investment Partnerships through our 93% majority-owned subsidiary, Gabelli Securities, Inc. (“GSI”). The Investment Partnerships consist primarily of limited partnerships and offshore funds. As of December 31, 2009, we had \$305 million of Investment Partnership AUM.

We introduced our first investment partnership, a merger arbitrage partnership, in 1985. An offshore version of this strategy was added in 1989. Building on our strengths in global event-driven value investing, several new Investment Partnerships have been added to balance investors’ geographic, strategy and sector needs. Today we offer a broad range of absolute return products. Within our merger arbitrage strategy, we manage approximately \$240 million of assets for investors who seek positive returns not correlated to fluctuations of the general market. These funds seek to drive returns by investing in announced merger and acquisition transactions that are primarily dependent on deal closure and less on the overall market environment. In event-driven strategies, we manage \$35 million of assets focused on the U.S., Japanese, and European markets. We also manage a series of sector-focused absolute return funds designed to offer investors a mechanism to diversify their portfolios by global economic sector rather than by geographic region. We currently offer three sector-focused portfolios: the Gabelli International Gold Fund Ltd., GAMA Select Energy Plus, L.P., and GAMCO Medical Opportunities, L.P. Venture capital activities are carried out through ALCE Partners, L.P. and Gabelli Multimedia Partners, L.P., both of which are currently closed to new investors.

#### Assets Under Management

The following table sets forth total AUM by product type as of the dates shown and their compound annual growth rates (“CAGR”):

Assets Under Management  
By Product Type (a)  
(Dollars in millions)

	At December 31,					January 1, 2005 to December 31, 2009	% Change 2009/2008
	2005	2006	2007	2008	2009	CAGR(b)	
<b>Equity:</b>							
Mutual Funds	\$ 12,558	\$ 13,794	\$ 15,686	\$ 9,931	\$ 13,085	1.8%	31.8%
<b>Institutional &amp; Private Wealth Management</b>							
Direct	9,550	10,282	10,708	6,861	9,312	(1.2)	35.7
Sub-advisory	2,832	2,340	2,584	1,585	1,897	(12.5)	19.7
Investment Partnerships	634	491	460	295	305	(6.4)	3.4
<b>Total Equity</b>	<b>25,574</b>	<b>26,907</b>	<b>29,438</b>	<b>18,672</b>	<b>24,599</b>	<b>(1.4)</b>	<b>31.7</b>
<b>Fixed Income:</b>							
<b>Money Market</b>							
Mutual Funds	724	734	1,111	1,507	1,721	12.1	14.2
<b>Institutional &amp; Private Wealth Management</b>							
	84	50	24	22	26	(41.8)	18.2
<b>Total Fixed Income</b>	<b>808</b>	<b>784</b>	<b>1,135</b>	<b>1,529</b>	<b>1,747</b>	<b>(1.4)</b>	<b>14.3</b>



Total AUM	\$ 26,382	\$ 27,691	\$ 30,573	\$ 20,201	\$ 26,346	(1.4)	30.4
Breakdown of Total AUM:							
Mutual Funds	\$ 13,282	\$ 14,528	\$ 16,797	\$ 11,438	\$ 14,806	1.9	29.4
Institutional & Private Wealth Management							
Direct	9,634	10,332	10,732	6,883	9,338	(1.9)	35.7
Sub-advisory	2,832	2,340	2,584	1,585	1,897	(12.5)	19.7
Investment Partnerships							
	634	491	460	295	305	(6.4)	3.4
Total AUM	\$ 26,382	\$ 27,691	\$ 30,573	\$ 20,201	\$ 26,346	(1.4)	30.4%

(a) AUM of Teton, which was spun off to shareholders, is not included in the above table.

(b) Compound annual growth rate.

## Summary of Investment Products

We manage assets in the following wide spectrum of investment products and strategies, many of which are focused on fast-growing areas:

U.S. Equities:	Global and International Equities:	Investment Partnerships:
All Cap Value	International Growth	Merger Arbitrage
Large Cap Value	Global Growth	U.S. Long/Short
Large Cap Growth	Global Value	Global Long/Short
Mid Cap Value	Global Telecommunications	Japanese Long/Short
Small Cap Value	Global Multimedia	Sector-Focused
Small Cap Growth	Gold	- Energy
Micro Cap		- Gold
Natural Resources	U.S. Fixed Income:	- Medical Opportunities
Income	Corporate	Merchant Banking
Utilities	Government	
Non-Market	Asset-backed	
Correlated		
Options Income	Intermediate Short-term	
Convertible Securities:		U.S. Balanced:
U.S. Convertible Securities		Balanced Growth
Global Convertible Securities		Balanced Value

During 2009, we continued to develop the skills of our investment team by allocating firm capital to incubate investment strategies. This began with a capital structure arbitrage strategy (2004) and now includes a merger-arbitrage and a global trading strategy.

## Additional Information on Mutual Funds

Through our affiliates, we act as advisor to all of the Funds, except with respect to the Gabelli Capital Asset Fund for which we act as a sub-advisor. Guardian Investment Services Corporation, an unaffiliated company, acts as manager. As sub-advisor, we make day-to-day investment decisions for the \$120 million Gabelli Capital Asset Fund.

Funds Advisor, a wholly-owned subsidiary of GBL, acts as the investment advisor for all of the Funds.

Teton, a subsidiary controlled by GBL, until its March 20, 2009 spin-off, acted as investment advisor to the GAMCO Westwood family of funds and The B.B. Micro Cap Growth Fund and has retained Westwood Management Corp., the advisory subsidiary of Westwood Holdings Group, Inc. (NYSE: WHG), to act as sub-advisor for three portfolios. The GAMCO Westwood Mighty Mites<sup>SM</sup> Fund, GAMCO Westwood SmallCap Equity Fund and GAMCO Westwood Income Fund, and B.B. Micro Cap Growth Fund are directly advised by Teton. At the time of the Teton spin-off, WHG owned an approximately 15.3% equity interest in Teton.



The following table lists the Funds, together with the December 31, 2009 Morningstar overall rating for the open-end mutual funds, where rated (ratings are not available for the money-market fund and other open-end mutual funds, which collectively represent 19.2% of the open-end mutual fund AUM in the Funds), and provides a description of the primary investment objective, fund characteristics, fees, the date that the fund was initially offered to investors, and the AUM in the funds as of December 31, 2009.

Fund (Morningstar Overall Rating) (1)	Primary Investment Objective	Fund Characteristics	Advisory Fees (%)	12b-1 Fees (%)	Initial Offer Date	Net Assets as of December 31, 2009 (all classes) (\$ in millions)
<b>OPEN-END FUNDS:</b>						
<b>EQUITY INCOME:</b>						
The Gabelli Equity Income Fund	High level of total return with an emphasis on income-producing equities with yields greater than the S&P 500 average.	Class AAA, No-load, Open-end, Diversified, Multi-class shares (2)	1.00	.25	01/02/92	\$ 1,274
<b>VALUE:</b>						
The Gabelli Asset Fund	Growth of capital as a primary investment objective, with current income as a secondary investment objective. Invests in equity securities of companies selling at a significant discount to their private market value.	Class AAA, No-load, Open-end, Diversified, Multi-class shares (2)	1.00	.25	03/03/86	\$ 2,137
		Class AAA,	1.00	.25	08/26/99	\$ 29

The Gabelli Blue Chip	Capital appreciation through investments in equity securities	No-load,
Value Fund	of established companies, which are temporarily out of favor and	Open-end,
«««««	which have market capitalizations in excess of \$5 billion.	Diversified, Multi-class shares (2)

SMALL CAP VALUE:

The Gabelli Small Cap	High level of capital appreciation from equity securities of smaller companies with market capitalization of \$2 billion or less	Class AAA,	1.00	.25	10/22/91	\$	1,489
Growth Fund		No-load,					
«««««	at the time of purchase.	Open-end, Diversified, Multi-class shares (2)					

Fund (Morningstar Overall Rating) (1)	Primary Investment Objective	Fund Characteristics	Advisory Fees (%)	12b-1 Fees (%)	Initial Offer Date	Net Assets as of December 31, 2009 (all classes) (\$ in millions)
The Gabelli Woodland Small Cap Value Fund ««««	Long Term capital appreciation investing at least 80% of its in equity securities of companies with market capitalizations less than the greater of \$3.0 billion or the largest company in the Russell 2000 Index.	Class AAA, No-load, Open-end, Non-diversified, Multi-class shares (2)	1.00 (9)	.25	12/31/02	\$ 6
<b>FOCUSED VALUE:</b>						
The Gabelli Value Fund «««	High level of capital appreciation From undervalued equity securities that are held in a concentrated portfolio.	Class A, Front end-load, Open-end, Non-diversified, Multi-class shares (2)	1.00	.25	09/29/89	\$ 465
<b>GROWTH:</b>						
The GAMCO Growth Fund ««««	Capital appreciation from companies that have favorable, yet undervalued, prospects for earnings growth. Invests in equity securities of companies	Class AAA, No-load, Open-end, Diversified, Multi-class shares (2)	1.00	.25	04/10/87	\$ 583

that have  
above-average or  
expanding market  
shares and  
profit margins.

GAMCO International Growth Fund	Capital appreciation by investing primarily in equity securities of foreign companies with rapid growth in revenues and earnings.	Class AAA, No-load, Open-end, Diversified, Multi-class shares (2)	1.00	.25	06/30/95	\$	29
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AGGRESSIVE GROWTH:

The GAMCO Global Growth Fund	High level of capital appreciation Through investment in a portfolio of equity securities focused on companies involved in the global marketplace.	Class AAA, No load, Open-end, Non-diversified, Multi-class shares (2)	1.00	.25	02/07/94	\$	69
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SPECIALTY EQUITY:

The GAMCO Global Opportunity Fund	High level of capital appreciation through worldwide investments in equity securities.	Class AAA, No-load, Open-end, Non-diversified, Multi-class shares (2)	1.00 (9)	.25	05/11/98	\$	14
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						Net Assets as of December 31, 2009
Fund (Morningstar Overall Rating) (1)	Primary Investment Objective	Fund Characteristics	Advisory Fees (%)	12b-1 Fees (%)	Initial Offer Date	(all classes) (\$ in millions)
The GAMCO Global Convertible Securities Fund «	High level of total return through a combination of current income and capital appreciation through investment in convertible securities of U.S. and non-U.S. issuers.	Class AAA, No-load, Open-end, Non-diversified, Multi-class shares (2)	1.00 (9)	.25	02/03/94	\$ 8
The Gabelli Capital Asset Fund (not rated) (8)	Capital appreciation from equity securities of companies selling at a significant discount to their private market value.	No-load, Open-end, Diversified, Variable Annuity	.75	n/a	05/01/95	\$ 120
The Gabelli SRI Green Fund Inc. (not rated) (8)	Capital appreciation from equity securities of companies the fund deems to be socially responsible.	Class AAA, No-load, Open-end, Diversified, Multi-class shares (2)	1.00 (9)	.25	6/1/07	\$ 11
SECTOR:						
The Gabelli Utilities Fund ««««	High level of total return through a combination of capital appreciation and current income from investments in utility companies.	Class AAA, No-load, Open-end, Diversified,	1.00	.25	08/31/99	\$ 804



		Multi-class shares (2)					
GAMCO	Seeks capital appreciation and employs a value approach to investing primarily in equity securities of gold-related companies worldwide.	Class AAA,	1.00	.25	07/11/94	\$	558
Gold Fund		No-load,					
««««		Open-end,					
		Diversified,					
		Multi-class shares (2)					
The GAMCO Global	High level of capital appreciation through worldwide investments in equity securities, including the U.S., primarily in the telecommunications industry.	Class AAA,	1.00	.25	11/01/93	\$	158
Telecommunications Fund		No-load,					
««««		Open-end,					
		Non-diversified,					
		Multi-class shares (2)					

Fund (Morningstar Overall Rating) (1)	Primary Investment Objective	Fund Characteristics	Advisory Fees (%)	12b-1 Fees (%)	Initial Offer Date	Net Assets as of December 31, 2009 (all classes) (\$ in millions)
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ABSOLUTE RETURN:

The Gabelli ABC Fund ««««««	Total returns that are attractive to investors in various market conditions without excessive risk of capital loss, utilizing certain arbitrage strategies and investing in value orientated common stocks at a significant discount to their PMV.	No-load, Open-end, Non-diversified Multi-class shares (2)	.50 (7)	n/a (7)	5/14/93	\$ 415
The Gabelli Enterprise Mergers and Acquisitions Fund ««««««	Capital appreciation through investment in companies believed to be likely acquisition targets within 12 to 18 months and companies involved with publically announced mergers, takeovers, tender offers, leveraged buyouts, spin-offs, liquidations, and other corporate reorganizations.	Class A Load, Open-end, Diversified Multi-class shares (2)	.94 (9)	.45		\$ 175

CONTRARIAN:

Comstock Capital	Maximize total return consisting of capital appreciation and current income.	Class A	1.00	.25	10/10/85 \$	108
Value Fund (not rated) (8)		Load, Open-end, Diversified Multi-class shares (2)				
GAMCO Mathers Fund	Long-term capital appreciation in various market conditions without excess risk of capital loss.	Class AAA: No-load, Open-end, Diversified	1.00	.25	8/19/65 \$	24
««						
CASH MANAGEMENT-MONEY MARKET:						
The Gabelli U.S. Treasury Money Market Fund (11)	High current income with preservation of principal and liquidity, while striving to keep expenses among the lowest of all U.S. Treasury money funds.	Money Market, Open-end, Diversified Multi-class shares (2)	.30 (9)	n/a	10/01/92 \$	1,721

						Net Assets as of December 31, 2009
Fund (Morningstar Overall Rating) (1)	Primary Investment Objective	Fund Characteristics	Advisory Fees (%)	12b-1 Fees (%)	Initial Offer Date	(all classes) (\$ in millions)
<b>CLOSED-END FUNDS:</b>						
The Gabelli Equity Trust Inc.	Long-term growth of capital by investing in equity securities.	Closed-end, Non-diversified NYSE Symbol: GAB	1.00(10)	n/a	08/14/86	\$ 1,216
The Gabelli Convertible and Income Securities Fund Inc. (4)	High total return from investing primarily in convertible instruments.	Closed-end, Diversified NYSE Symbol: GCV	1.00 (10)	n/a	07/03/89	\$ 102
The Gabelli Global Multimedia Trust Inc. (3)	Long-term capital appreciation from equity investments in global telecommunications, media, publishing and entertainment holdings.	Closed-end, Non-diversified NYSE Symbol: GGT	1.00 (10)	n/a	11/15/94	\$ 141
The Gabelli Utility Trust (5)	High total return from investments primarily in securities of companies involved in gas, electricity and water industries.	Closed-end, Non-diversified NYSE Symbol: GUT	1.00 (10)	n/a	07/09/99	\$ 212
The Gabelli Dividend & Income Trust	Qualified dividend income and capital appreciation potential.	Closed-end, Non-diversified NYSE Symbol: GDV	1.00 (10)	n/a	11/24/03	\$ 1,760
The Gabelli	A consistent level of after-tax	Closed-end,	1.00	n/a	5/28/04	\$ 61

Global Utility & Income Trust	total return with an emphasis on tax-advantaged dividend income.	Non-diversified NYSE Symbol: GLU					
The Gabelli Global Gold, Natural Resources & Income Trust	High level of current income through an option writing strategy on equity securities owned in the gold and natural resources industries.	Closed-end, Non-diversified NYSE Symbol: GGN	1.00	n/a	3/29/05	\$	620
The Gabelli Global Deal Fund	Achieve absolute return through in various market conditions without excessive risk of capital.	Closed-end, Non-diversified NYSE Symbol: GDL	0.50	n/a	1/26/07	\$	431
The Gabelli Healthcare and Wellness Rx Fund (6)	Seeks long-term growth of capital within the health and wellness industries.	Closed-end, Non-diversified NYSE Symbol: GRX	1.00	n/a	6/28/07	\$	66

- (1) Morningstar Rating<sup>TM</sup> as of December 31, 2009 is provided if available for open-end funds only. Morningstar ratings may be available for certain closed-end funds. Morningstar ratings are not an indication of absolute performance. Call 800-GABELLI for performance results through the most recent month end. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating<sup>TM</sup> 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 an investment category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars and the bottom 10% receive one star. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three, five, and ten-year (if applicable) Morningstar Rating metrics. Morningstar Ratings are shown for the respective class shown; other classes may have different performance characteristics. There were 522 Conservative Allocation funds rated for three years, 343 funds for five years and 151 funds for ten years (GAMCO Mathers Fund). There were 369 Mid-Cap Blend funds rated for three years, 303 funds for five years and 152 funds for ten years (The Gabelli Asset Fund, The Gabelli ABC Fund, The Gabelli Value Fund, The Gabelli Enterprise Mergers & Acquisition Fund). There were 1,104 Large Value funds rated for three years, 912 funds for five years and 459 funds for ten years (The Gabelli Equity Income Fund). There were 1,757 Large Blend funds rated for three years, 1,376 funds for five years and 710 funds for ten years (The Gabelli Blue Chip Value Fund). There were 58 Convertibles funds rated for three years, 56 funds for five years and 41 funds for ten years (The GAMCO Global Convertible Securities Fund). There were 542 World Stock funds rated for three years, 447 funds for five years and 251 funds for ten years (The GAMCO Global Growth Fund, The GAMCO Global Opportunity Fund). There were 39 Specialty-Communications funds rated for three years, 32 funds for five years and 13 funds for ten years (The GAMCO Global Telecommunications Fund). There were 67 Specialty-Precious Metals funds rated for three years, 60 funds for five years and 35 funds for ten years (GAMCO Gold Fund).

There were 1,548 Large Growth funds rated for three years, 1,276 funds for five years and 698 funds for ten years (The GAMCO Growth Fund). There were 206 Foreign Large Growth funds rated for three years, 149 funds for five years and 80 funds for ten years (GAMCO International Growth Fund). There were 97 Specialty-Utilities funds rated for three years, 80 funds rated for five years and 52 funds for ten years (The Gabelli Utilities Fund). There were 566 Small Blend funds rated for three years and 467 funds for five years and 243 funds for ten years (The Gabelli Small Cap Growth Fund, The Gabelli Woodland Small Cap Value Fund). (a) 2009 Morningstar, Inc. All Rights reserved. This information is (1) 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. Past performance is no guarantee of future results.

- (2) These funds have multi-classes of shares available. Multi-class shares include Class A shares which have a front-end sales charge, Class B shares which are subject to a back-end contingent deferred sales charge for up to six years and Class C which shares are subject to a 1% back-end contingent deferred sales charge for up to two years. However, Class B shares are no longer offered for new purchases as of July 2004. Comstock Capital Value Fund Class R shares, which are no-load, are available only for retirement and certain institutional accounts. Comstock Capital Value class AAA shares are no-load and became available on December 8, 2008 Class I shares are available to institutional accounts. Gabelli ABC Fund advisor class shares are no-load and are available through intermediaries. Net assets include all share classes.

- (3) The Gabelli Global Multimedia Trust Inc. was formed in 1994 through a spin-off of assets from The Gabelli Equity Trust.
- (4) The Gabelli Convertible and Income Securities Fund Inc. was originally formed in 1989 as an open-end investment company and was converted to a closed-end investment company in March 1995.
- (5) The Gabelli Utility Trust was formed in 1999 through a spin-off of assets from The Gabelli Equity Trust.
- (6) The Gabelli Healthcare and WellnessRX Trust was formed in 2007 through a spin-off of assets from The Gabelli Equity Trust.
- (7) Funds Advisor has reduced the Advisory fee from 1.00% to 0.50% since April 1, 2002. Gabelli & Company waived receipt of the 12b-1 Plan distribution fees as of January 1, 2003, and on February 25, 2004, the Fund's Board of Directors agreed with the Funds Advisor's request to terminate the 12b-1 Plan. The advisory fee was contractually set at 0.50% as of May 1, 2007. The Gabelli ABC Fund – Advisor class has a 12b-1 Plan which pays 0.25%.
- (8) Certain funds are not rated because they do not have a three-year history, or there are not enough similar funds in the category determined by Morningstar.

- (9) Funds Advisor has agreements in place to waive its advisory fee or reimburse expenses of the Fund to maintain fund expenses at a specified level for Class AAA shares; multi-class shares have separate limits as described in the Fund's prospectus. (The Gabelli Woodland Small Cap Value Fund – 2.00%; The GAMCO Global Opportunity Fund – 2.00%; The GAMCO Global Convertible Securities Fund – 2.00%; The Gabelli SRI Fund – 2.00%; The Gabelli Enterprise Mergers and Acquisitions Fund – 1.90% for class A; The Gabelli U.S. Treasury Money Market Fund – 0.08%. Such agreements are renewable annually).
- (10) Funds Advisor has agreed to reduce its advisory fee on the liquidation value of preferred stock outstanding if certain performance levels are not met.
- (11) The Gabelli U.S. Treasury Money Market Fund ranked third in total return for the twelve months ended December 31, 2009 among 72 U.S. Treasury money market funds tracked by Lipper Inc. For the 5 year and 10 year periods ended December 31, 2009, the fund ranked 2 out of 64 funds and 2 out of 46 funds, respectively, within that category. Investment returns and yield will fluctuate. An investment in a money market fund is not guaranteed by the United States government nor insured by the Federal Deposit Insurance Corporation or any government agency. Although the Fund seeks to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing on the Fund.

Shareholders of the open-end Funds are allowed to exchange shares among the same class of shares of the other open-end Funds as economic and market conditions and investor needs change at no additional cost. However, as noted below, certain open-end Funds impose a 2% redemption fee on shares redeemed in seven days or less after a purchase. We periodically introduce new funds designed to complement and expand our investment product offerings, respond to competitive developments in the financial marketplace and meet the changing needs of investors.

On December 30, 2004, the shareholders of The Gabelli ABC Fund voted to approve a charter amendment that would require investment accounts held at the fund's transfer agent, State Street Bank & Trust Company, to be directly registered to the beneficial owners of the fund. This permits the redemption of shares held through certain brokers and financial consultants in omnibus and individual accounts where the beneficial owner is not disclosed.

Our marketing efforts for the open-end Funds are currently focused on increasing the distribution and sales of our existing funds as well as creating new products for sale through our distribution channels. We believe that our marketing efforts for the Funds will continue to generate additional revenues from investment advisory fees. We have traditionally distributed most of our open-end Funds by using a variety of direct response marketing techniques, including telemarketing and advertising, and as a result we maintain direct relationships with many of our no-load open-end Fund customers. Beginning in late 1995, we expanded our product distribution by offering several of our open-end Funds through Third-Party Distribution Programs, including NTF Programs. In 1998 and 1999, we further expanded these efforts to include substantially all of our open-end Funds in Third-Party Distribution Programs. More than 26% of the AUM in the open-end Funds are still attributable to our direct response marketing efforts. Third-Party Distribution Programs have become an increasingly important source of asset growth for us. Of the \$8.5 billion of AUM in the open-end equity Funds as of December 31, 2009, approximately 74% were generated through Third-Party Distribution Programs. We are responsible for paying the service and distribution fees charged by many of the Third-Party Distribution Programs, although a portion of such service fees under certain circumstances are payable by the funds. During 2000, we completed development of additional classes of shares for many of our Funds for sale through national brokerage and investment firms and other third-party distribution channels on a commission basis. The multi-class shares are available in all of the Gabelli Funds, except for the Gabelli Capital Asset Fund and the GAMCO Mathers Fund. We believe that the use of multi-class share products will expand the distribution of Gabelli Fund products into the advised sector of the mutual fund investment community. During 2003,



we introduced Class I shares, which are no-load shares with higher minimum initial investment and without distribution fees available to Institutional and Retirement Plan Accounts held directly through Gabelli & Company. The no-load shares are designated as Class AAA shares and are available for new and current investors. In general, distribution through Third-Party Distribution Programs has greater variable cost components and lower fixed cost components than distribution through our traditional direct sales methods.

We provide investment advisory and management services pursuant to an investment management agreement with each Fund. The investment management agreements with the Funds generally provide that we are responsible for the overall investment and administrative services, subject to the oversight of each Fund's Board of Directors or Trustees and in accordance with each Fund's fundamental investment objectives and policies. The investment management agreements permit us to enter into separate agreements for administrative and accounting services on behalf of the respective Funds.

Our affiliated advisors provide the Funds with administrative services pursuant to the management contracts. Such services include, without limitation, supervision of the calculation of net asset value, preparation of financial reports for shareholders of the Funds, internal accounting, tax accounting and reporting, regulatory filings and other services. Most of these administrative services are provided through sub-contracts with unaffiliated third parties. Transfer agency and custodial services are provided directly to the Funds by unaffiliated third parties.

Our Fund investment management agreements may continue in effect from year to year only if specifically approved at least annually by (i) the Fund's Board of Directors or Trustees or (ii) the Fund's shareholders and, in either case, the vote of a majority of the Fund's directors or trustees who are not parties to the agreement or "interested persons" of any such party, within the meaning of the Investment Company Act of 1940 as amended (the "Investment Company Act"). Each Fund may terminate its investment management agreement at any time upon 60 days' written notice by (i) a vote of the majority of the Board of Directors or Trustees cast in person at a meeting called for the purpose of voting on such termination or (ii) a vote at a meeting of shareholders of the lesser of either 67% of the voting shares represented in person or by proxy or 50% of the outstanding voting shares of such Fund. Each investment management agreement automatically terminates in the event of its assignment, as defined in the Investment Company Act. We may terminate an investment management agreement without penalty on 60 days' written notice.

#### Mutual Fund Distribution, Institutional Research, Brokerage and Underwriting

Gabelli & Company, the wholly-owned subsidiary of our 93% majority-owned subsidiary GSI, is a broker-dealer registered under the Securities Exchange Act of 1934 and is regulated by the Financial Industry Regulatory Authority ("FINRA"). Gabelli & Company's revenues are derived primarily from the distribution of our Funds, institutional research services, underwriting fees and selling concessions.

#### Mutual Fund Distribution

Gabelli & Company distributes our open-end Funds pursuant to distribution agreements with each Fund. Under each distribution agreement with an open-end Fund, Gabelli & Company offers and sells such open-end Fund's shares on a continuous basis and pays the majority of the costs of marketing and selling the shares, including printing and mailing prospectuses and sales literature, advertising and maintaining sales and customer service personnel and sales and services fulfillment systems, and payments to the sponsors of Third-Party Distribution Programs, financial intermediaries and Gabelli & Company sales personnel. Gabelli & Company receives fees for such services pursuant to distribution plans adopted under provisions of Rule 12b-1 ("12b-1") of the Investment Company Act. Distribution fees from the open-end Funds are computed daily based on average net assets. Distribution fees from the open-end Funds amounted to \$20.8 million, \$23.8 million and \$25.0 million for the years ended December 31, 2009, 2008 and 2007, respectively. Gabelli & Company is the principal underwriter for funds distributed in multiple classes of shares which carry either a front-end or back-end sales charge. Underwriting fees and sales charges retained amounted to \$946,000, \$627,000 and \$983,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

Under the distribution plans, the open-end Class AAA shares of the Funds (except The Gabelli U.S. Treasury Money Market Fund, Gabelli Capital Asset Fund and The Gabelli ABC Fund) and the Class A shares of various funds pay Gabelli & Company a distribution or service fee of .25% per year (except the Gabelli Enterprise Mergers & Acquisition Fund which pays 0.45% per year) on the average daily net assets of the fund. Class B and Class C shares have a 12b-1 distribution plan with a service and distribution fee totaling 1%. Gabelli & Company's distribution agreements with the Funds may continue in effect from year to year only if specifically approved at least annually by (i) the Fund's Board of Directors or Trustees or (ii) the Mutual Fund's shareholders and, in either case, the vote of a majority of the Fund's directors or trustees who are not parties to the agreement or "interested persons" of any such party, within the meaning of the Investment Company Act. Each Fund may terminate its distribution agreement, or any agreement thereunder, at any time upon 60 days' written notice by (i) a vote of the majority of its directors or

trustees cast in person at a meeting called for the purpose of voting on such termination or (ii) a vote at a meeting of shareholders of the lesser of either 67% of the voting shares represented in person or by proxy or 50% of the outstanding voting shares of such Fund. Each distribution agreement automatically terminates in the event of its assignment, as defined in the Investment Company Act. Gabelli & Company may terminate a distribution agreement without penalty upon 60 days' written notice.

Gabelli & Company also offers our open-end Fund products through our website, [www.gabelli.com](http://www.gabelli.com), where directly registered mutual fund investors can access their personal account information and buy, sell and exchange Fund shares. Fund prospectuses, quarterly reports, fund applications, daily net asset values and performance charts are all available online.

### Institutional Research Services

Gabelli & Company provides institutional investors with investment ideas on numerous industries and special situations, with a particular focus on small-cap and mid-cap companies. Our research analysts are industry-focused, following sectors that stem from our core competencies. They are experts on their industries, and look at companies of all market capitalizations on a global basis. Their financial models look five years into the past, and project five years forward, to understand earnings power and free cash flow. They look for growing companies, with improving balance sheets and shareholder-sensitive management. The goal is to find companies with the above characteristics that trade at a significant discount to Private Market Value (PMV), or the price an informed industrialist would pay to buy the company.

During 2008, we assigned the analysts to research teams, each coordinated by a senior analyst, in order to enhance idea cross-fertilization, and more efficiently share knowledge acquired in related industry subsectors. Our teams are broken down into Digital, which includes cable, telecommunications, broadcasting, publishing, advertising, and entertainment, Gabelli Green, which researches investment opportunities in clean and renewable energy, Food of All Nations, Health and Wellness, and Industrial.

Gabelli & Company generates institutional research services revenues through brokerage activities from securities transactions executed on an agency basis on behalf of institutional and private wealth management clients as well as from retail customers and mutual funds. Institutional research services revenues totaled \$16.7 million, \$16.1 million, and \$15.7 million for the years ended December 31, 2009, 2008 and 2007, respectively. Gabelli & Company continues to pursue expansion of such activities.

### Underwriting

During 2009, Gabelli & Company acted as the Dealer Manager for The Gabelli Global Deal Fund's Series A Cumulative Callable Preferred Share Rights Offering and as agent in the secondary offerings of the Gabelli Global Gold, Natural Resources & Income Trust. In 2008, Gabelli & Company did not participate in any underwritings. In 2007, Gabelli & Company participated in five underwritings with commitments of \$47.0 million, of which two included a commitment of \$42.5 million for participation in offerings of Gabelli closed-end funds shares.

### Competition

We compete with other investment management firms and mutual fund companies, insurance companies, banks, brokerage firms and other financial institutions that offer products that have similar features and investment objectives to those offered by us. Many of the investment management firms with which we compete are subsidiaries of large diversified financial companies and many others are much larger in terms of AUM and revenues and, accordingly, have much larger sales organizations and marketing budgets. Historically, we have competed primarily on the basis of the long-term investment performance of many of our investment products. However, we have taken steps to increase our distribution channels, brand name awareness and marketing efforts.

The market for providing investment management services to institutional and private wealth management Institutional and Private Wealth Management is also highly competitive. Approximately 32% of our investment advisory fee revenue for the year ended December 31, 2009 was derived from our Institutional and Private Wealth Management. Selection of investment advisors by U.S. institutional investors is often subject to a screening process and to favorable recommendations by investment industry consultants. Many of these investors require their investment advisors to have a successful and sustained performance record, often five years or longer, and also focus on one-year and three-year performance records. We have significantly increased our AUM on behalf of U.S. institutional investors since our entry into the institutional asset management business in 1977. At the current time,

we believe that our investment performance record would be attractive to potential new institutional and private wealth management clients. However, no assurance can be given that our efforts to obtain new business will be successful.

## Intellectual Property

Service marks and brand name recognition are important to our business. We have rights to the service marks under which our products are offered. We have registered certain service marks in the United States and will continue to do so as new trademarks and service marks are developed or acquired. We have rights to use the “Gabelli” name, the “GAMCO” name, and other names. Pursuant to an assignment agreement, Mr. Gabelli has assigned to us all of his rights, title and interests in and to the “Gabelli” name for use in connection with investment management services, mutual funds and securities brokerage services. However, under the agreement, Mr. Gabelli will retain any and all rights, title and interests he has or may have in the “Gabelli” name for use in connection with (i) charitable foundations controlled by Mr. Gabelli or members of his family or (ii) entities engaged in private investment activities for Mr. Gabelli or members of his family. In addition, the funds managed by Mr. Gabelli outside GBL have entered into a license agreement with us permitting them to continue limited use of the “Gabelli” name under specified circumstances. We have taken, and will continue to take, action to protect our interests in these service marks.

## Regulation

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

Our business is subject to extensive regulation at the federal, state and foreign level by the SEC and other regulatory bodies. Certain of our subsidiaries are registered with the SEC under the Investment Advisers Act of 1940, and the Funds are registered with the SEC under the Investment Company Act of 1940. We also have a subsidiary that is registered as a broker-dealer with the SEC and is subject to regulation by the FINRA and various states.

The subsidiaries of GBL that are registered with the Commission under the Investment Advisers Act (Funds Advisor, Gabelli Fixed Income LLC, GAMCO and GSI) are regulated by and subject to examination by the SEC. The Investment Advisers Act imposes numerous obligations on registered investment advisors including fiduciary duties and disclosure obligations and record keeping, operational and marketing requirements. The Commission is authorized to institute proceedings and impose sanctions for violations of the Investment Advisers Act, ranging from censure to termination of an investment advisor's registration. The failure of an advisory subsidiary to comply with the requirements of the SEC could have a material adverse effect on us. We believe that we are in substantial compliance with the requirements of the regulations under the Investment Advisers Act.

We derive a substantial majority of our revenues from investment advisory services through our various investment management agreements. Under the Investment Advisers Act, our investment management agreements may not be assigned without the client's consent. Under the Investment Company Act, advisory agreements with registered investment companies such as our Funds terminate automatically upon assignment. The term “assignment” is broadly defined and includes direct as well as assignments that may be deemed to occur, under certain circumstances, upon the transfer, directly or indirectly, of a controlling interest in GBL.

In its capacity as a broker-dealer, Gabelli & Company is required to maintain certain minimum net capital and cash reserves for the benefit of our customers. Gabelli & Company's net capital, as defined, has consistently met or exceeded all minimum requirements. Gabelli & Company is also subject to periodic examination by FINRA and the

SEC.

Subsidiaries of GBL are subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and to regulations promulgated there under, insofar as they are “fiduciaries” under ERISA with respect to certain of their clients. ERISA and applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), impose certain duties on persons who are fiduciaries under ERISA and prohibit certain transactions involving ERISA plan clients. Our failure to comply with these requirements could have a material adverse effect on us.

24

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Investments by GBL and on behalf of our advisory clients and investment funds often represent a significant equity ownership position in an issuer's class of stock. As of December 31, 2009, we had five percent or more beneficial ownership with respect to approximately 108 equity securities. This activity raises frequent regulatory, legal, and disclosure issues regarding our aggregate beneficial ownership level with respect to portfolio securities, including issues relating to issuers' shareholder rights plans or "poison pills," and various federal and state regulatory limitations, including state gaming laws and regulations, federal communications laws and regulations and public utility holding company laws and regulations as well as federal proxy rules governing shareholder communications and federal laws and regulations regarding the reporting of beneficial ownership positions. Our failure to comply with these requirements could have a material adverse effect on us.

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

We and certain of our affiliates are subject to the laws of non-U.S. jurisdictions and non-U.S. regulatory agencies or bodies. In connection with our opening of an office in London and our plans to market certain products in Europe, we are required to comply with the laws of the United Kingdom and other European countries regarding these activities. Our subsidiary, GAMCO Asset Management (UK) Limited, is regulated by the Financial Services Authority. In connection with our registration in the United Kingdom, we have minimum capital requirements that have been consistently met or exceeded. Several of our investment funds are organized under the laws of foreign jurisdictions and subject to regulation. We opened research offices in Shanghai and Hong Kong and therefore are subject to national and local laws in those jurisdictions. We are subject to requirements in numerous jurisdictions regarding reporting of beneficial ownership positions in securities issued by companies whose securities are publicly-traded in those countries.

#### Regulatory matters

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

See item 3 below.

#### Personnel

On February 28, 2010, we had a full-time staff of 194 individuals, of whom 59 served in the portfolio management, research and trading areas (including 19 portfolio managers for the Mutual Funds, Institutional and Private Wealth Management and Investment Partnerships), 72 served in the marketing and shareholder servicing areas and 63 served in the administrative area.





## ITEM 1A: RISK FACTORS

### Business Risks

We caution the reader that the following business risks and those risks described elsewhere in this report and in our other SEC filings could cause our actual results to differ materially from expectations stated in our forward-looking statements.

#### Risks Related to Our Industry

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

Our business is subject to extensive regulation in the United States, primarily at the federal level, including regulation by the SEC under the Investment Company Act and the Investment Advisers Act, by the Department of Labor under ERISA, as well as regulation by FINRA and state regulators. The Funds managed by Funds Advisor are registered with the SEC as investment companies under the Investment Company Act. The Investment Advisers Act imposes numerous obligations on investment advisors, including record-keeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities. The Investment Company Act imposes similar obligations, as well as additional detailed operational requirements, on registered investment companies and investment advisors. Our failure to comply with applicable laws or regulations could result in fines, censure, suspensions of personnel or other sanctions, including revocation of our registration as an investment advisor or broker-dealer. Industry regulations are designed to protect our clients and investors in our funds and other third parties who deal with us and to ensure the integrity of the financial markets. Our industry is frequently altered by new laws or regulations and by revisions to, and evolving interpretations of, existing laws and regulations. Changes in laws or regulations or in governmental policies could limit the sources and amounts of our revenues including distribution revenue under the Investment Company Act, increase our costs of doing business, decrease our profitability and materially and adversely affect our business.

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

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

We derive a substantial portion of our revenues from contracts that may be terminated on short notice.

A substantial majority of all of our revenues are derived from investment management agreements and distribution arrangements. Investment management agreements and distribution arrangements with the Funds are terminable without penalty on 60 days' notice (subject to certain additional procedural requirements in the case of termination by a Fund) and must be specifically approved at least annually, as required by law. Such annual renewal requires, among

other things, approval by the disinterested members of each Fund's board of directors or trustees. Investment advisory agreements with our Institutional and Private Wealth Management clients are typically terminable by the client without penalty on 30 days' notice or less. Any failure to renew or termination of a significant number of these agreements or arrangements would have a material adverse effect on us.

Investors in the open-end funds can redeem their investments in these funds at any time without prior notice, which could adversely affect our earnings.

Open-end fund investors may redeem their investments in those funds at any time without prior notice. Investors may reduce the aggregate amount of AUM for any number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. In a declining stock market, the pace of mutual fund redemptions could accelerate. Poor performance relative to other asset management firms tends to result in decreased purchases of mutual fund shares and increased redemptions of mutual fund shares. The redemption of investments in mutual funds managed by Funds Advisor would adversely affect our revenues, which are substantially dependent upon the AUM in our funds. If redemptions of investments in mutual funds caused our revenues to decline, it could have a material adverse effect on our earnings.

Certain changes in control of our company would automatically terminate our investment management agreements with our clients, unless our Institutional and Private Wealth Management clients consent and, in the case of fund clients, the funds' boards of directors and shareholders vote to continue the agreements, and could prevent us for a two-year period from increasing the investment advisory fees we are able to charge our mutual fund clients.

Under the Investment Company Act, an investment management agreement with a fund must provide for its automatic termination in the event of its assignment. The fund's board and shareholders must vote to continue the agreement following its assignment, the cost of which ordinarily would be borne by us.

Under the Investment Advisers Act, a client's investment management agreement may not be "assigned" by the investment advisor without the client's consent. An investment management agreement is considered under both acts to be assigned to another party when a controlling block of the advisor's securities is transferred. In our case, an assignment of our investment management agreements may occur if, among other things, we sell or issue a certain number of additional common shares in the future. We cannot be certain that our clients will consent to assignments of our investment management agreements or approve new agreements with us if an assignment occurs. Under the Investment Company Act, if a fund's investment advisor engages in a transaction that results in the assignment of its investment management agreement with the fund, the advisor may not impose an "unfair burden" on that fund as a result of the transaction for a two-year period after the transaction is completed. The term "unfair burden" has been interpreted to include certain increases in investment advisory fees. This restriction may discourage potential purchasers from acquiring a controlling interest in our company.

Regulatory developments designed to increase oversight of hedge funds may adversely affect our business.

The SEC has proposed a rule that would limit the eligibility of individuals to invest in hedge funds by requiring that such individuals own not less than \$2.5 million in investments at the time of their hedge fund investment. The SEC may also propose or enact other rules designed to increase oversight of hedge funds by the SEC. Any regulations applicable to hedge funds that may be adopted could have an impact on our operations and may adversely affect our hedge fund business and decrease our future income.

A decline in the prices of securities would lead to a decline in our assets under management, revenues and earnings.

Substantially all of our revenues are determined by the amount of our AUM. Under our investment advisory contracts with our clients, the investment advisory fees we receive are typically based on the market value of AUM. In addition, we receive asset-based distribution and/or service fees with respect to the open-end funds managed by Funds Advisor or Teton over time pursuant to distribution plans adopted under provisions of Rule 12b-1 under the Investment Company Act. Rule 12b-1 fees typically are based on the market value of AUM and represented approximately 9.5%, 9.7% and 8.6% of our total revenues for the years ended December 31, 2009, 2008 and 2007, respectively. Accordingly, a decline in the prices of securities generally may cause our revenues and net income to decline by either causing the value of our AUM to decrease, which would result in lower investment advisory and Rule 12b-1 fees, or causing our clients to withdraw funds in favor of investments they perceive to offer greater opportunity or lower risk, which would also result in lower fees. The securities markets are highly volatile, and securities prices may increase or decrease for many reasons, including economic and political events and acts of terrorism beyond our control. If a decline in securities prices caused our revenues to decline, it could have a material adverse effect on our earnings.

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

A terrorist attack, war, power failure, cyber-attack, natural disaster or other catastrophic or unpredictable event could adversely affect our future revenues, expenses and earnings by: interrupting our normal business operations;

sustaining employee casualties, including loss of our key executives; requiring substantial expenditures and expenses to repair, replace and restore normal business operations; and reducing investor confidence.

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

## Risks Related to Our Business

Control by Mr. Gabelli of a majority of the combined voting power of our common stock may give rise to conflicts of interests.

Since our initial public offering in 1999, Mr. Gabelli, through his majority ownership of GGCP, has beneficially owned a majority of our outstanding class B common stock. As of December 31, 2009, GGCP's holdings of our class B common stock represent approximately 95% of the combined voting power of all classes of our voting stock. As long as Mr. Gabelli indirectly beneficially owns a majority of the combined voting power of our common stock, he will have the ability to elect all of the members of our Board of Directors and thereby control our management and affairs, including determinations with respect to acquisitions, dispositions, borrowings, issuances of common stock or other securities, and the declaration and payment of dividends on the common stock. In addition, Mr. Gabelli will be able to determine the outcome of matters submitted to a vote of our shareholders for approval and will be able to cause or prevent a change in control of our company. As a result of Mr. Gabelli's control, none of our agreements with Mr. Gabelli and other companies controlled by him can be assumed to have been arrived at through "arm's-length" negotiations, although we believe that the parties endeavor to implement market-based terms. There can be no assurance that we would not have received more favorable terms from an unaffiliated party.

In order to minimize conflicts and potential competition with our investment management business, in 1999 and as part of our initial public offering, Mr. Gabelli entered into a written agreement to limit his activities outside of GBL. On February 6, 2008, Mr. Gabelli entered into an amended and restated employment agreement which was approved by the GBL shareholders on November 30, 2007 and which limits his activities outside of GBL. The amended agreement ("Amended Agreement") amended Mr. Gabelli's Employment Agreement primarily by (i) eliminating outdated provisions, clarifying certain language and reflecting our name change, (ii) revising the term of the Employment Agreement from an indefinite term to automatically renewed one-year periods in perpetuity following the initial three-year term unless either party gives 90 days written notice prior to the expiration of the annual term following the initial three-year term, (iii) allowing for services to be performed for former subsidiaries that are spun off to shareholders or otherwise cease to be subsidiaries in similar transactions, (iv) allowing new investors in the permitted outside accounts if all of the performance fees, less expenses, generated by assets attributable to such investors are paid to us, (v) allowing for the management fee to be paid directly to Mr. Gabelli or to an entity designated by him, and (vi) adding certain language to ensure that the Amended Agreement is construed to avoid the imposition of any tax pursuant to Section 409A of the Code.

Prior to our initial public offering in February 1999, GAMCO entered into an Employment Agreement with Mr. Gabelli. Under the Amended Agreement, the manner of computing Mr. Gabelli's remuneration from GAMCO is unchanged.

Mr. Gabelli (or his designee under the Amended Agreement) will continue receiving an incentive-based management fee in the amount of 10% of our aggregate pre-tax profits, if any, as computed for financial reporting purposes in accordance with U.S. generally accepted accounting principles (before consideration of this fee) so long as he is an executive of GAMCO and devotes the substantial majority of his working time to our business. This incentive-based management fee is subject to the Compensation Committee's review at least annually for compliance with its terms.

Consistent with the firm's practice since its inception in 1977, Mr. Gabelli will also continue receiving a percentage of revenues or net operating contribution, which are substantially derived from AUM, as compensation relating to or generated by the following activities: (i) managing or overseeing the management of various investment companies and partnerships, (ii) attracting mutual fund shareholders, (iii) attracting and managing Institutional and Private Wealth Management clients, and (iv) otherwise generating revenues for the company. Such payments are made in a manner and at rates as agreed to from time to time by GAMCO, which rates have been and generally will be the same

as those received by other professionals at GAMCO performing similar services. With respect to our institutional and high net worth asset management and mutual fund advisory business, our business model strives to pay out up to 40% of the revenues or net operating contribution to the portfolio managers and marketing staff who introduce, service or generate such business, with payments involving the Institutional and Private Wealth Management business being typically based on revenues and payments involving the mutual funds being typically based on net operating contribution.

Mr. Gabelli has agreed that while he is employed by us he will not provide investment management services outside of GAMCO, except for certain permitted accounts. These accounts held assets at December 31, 2009 and 2008 of approximately \$83.4 million and \$75.0 million, respectively. Mr. Gabelli continues to be a member of the team that manages the GAMCO Westwood Mighty Mites<sup>SM</sup> Fund, whose advisor, Teton, was spun-off from GBL in March 2009. The assets in the GAMCO Mighty Mites<sup>SM</sup> Fund at December 31, 2009 were \$229.7 million. The Amended Agreement may not be amended without the approval of the Compensation Committee.

We depend on Mario J. Gabelli and other key personnel.

We are dependent on the efforts of Mr. Gabelli, our Chairman of the Board, Chief Executive Officer and the primary portfolio manager for a significant majority of our AUM. The loss of Mr. Gabelli's services would have a material adverse effect on us.

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

Potential adverse effects on our performance prospects from a decline in the performance of the securities markets.

Our results of operations are affected by many economic factors, including the performance of the securities markets. During the 1990s, unusually favorable and sustained performance of the U.S. securities markets, and the U.S. equity market, in particular, attracted substantial inflows of new investments in these markets and has contributed to significant market appreciation which has, in turn, led to an increase in our AUM and revenues. At December 31, 2009, approximately 93% of our AUM were invested in portfolios consisting primarily of equity securities. More recently, the securities markets in general have experienced significant volatility. Any decline in the securities markets, in general, and the equity markets, in particular, could reduce our AUM and consequently reduce our revenues. In addition, any such decline in the equity markets, failure of these markets to sustain their prior levels of growth, or continued short-term volatility in these markets could result in investors withdrawing from the equity markets or decreasing their rate of investment, either of which would be likely to adversely affect us. From time to time, a relatively high proportion of the assets we manage may be concentrated in particular industry sectors. A general decline in the performance of securities in those industry sectors could have an adverse effect on our AUM and revenues.

Possibility of losses associated with proprietary investment activities.

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

Future investment performance could reduce revenues and other income.

Success in the investment management and mutual fund businesses is dependent on investment performance as well as distribution and client servicing. Good performance generally stimulates sales of our investment products and tends to keep withdrawals and redemptions low, which generates higher management fees (which are based on the amount of AUM). Conversely, relatively poor performance tends to result in decreased sales, increased withdrawals and redemptions in the case of the open-end Funds, and in the loss of Institutional and Private Wealth Management clients, with corresponding decreases in revenues to us. Many analysts of the mutual fund industry believe that investment performance is the most important factor for the growth of open and closed-end funds, such as those we



offer. Failure of our investment products to perform well or failure of the Funds to maintain ratings or rankings could, therefore, have a material adverse effect on us.

Loss of significant Institutional and Private Wealth Management accounts could affect our revenues.

We had approximately 1,600 Institutional and Private Wealth Management accounts as of December 31, 2009, of which the ten largest accounts generated approximately 9% of our total revenues during the year ended December 31, 2009. Loss of these accounts for any reason would have an adverse effect on our revenues. Notwithstanding performance, we have from time to time lost large Institutional and Private Wealth Management accounts as a result of corporate mergers and restructurings, and we could continue to lose accounts under these or other circumstances.

A decline in the market for closed-end funds could reduce our ability to raise future assets to manage.

Market conditions may preclude us from increasing the assets we manage in closed-end funds. A significant portion of our recent growth in the assets we manage has resulted from public offerings of the common and preferred shares of closed-end funds. We have raised approximately \$2.0 billion in gross assets through closed-end fund offerings since January 2004. The market conditions for these offerings may not be as favorable in the future, which could adversely impact our ability to grow the assets we manage and our revenue.

We rely on third-party distribution programs.

Since 1996, we have experienced significant growth in sales of our open-end Funds through third-party distribution programs, which are programs sponsored by third-party intermediaries that offer their mutual fund customers a variety of competing products and administrative services. Most of the sales growth from our third-party distribution programs is from programs with no transaction fees payable by the customer, which we refer to as NTF Programs. Approximately \$3.2 billion of our AUM in the open-end Funds as of December 31, 2009 were obtained through NTF Programs. The cost of participating in third-party distribution programs is higher than our direct distribution costs, and it is anticipated that the cost of third-party distribution programs will increase in the future. Any increase would be likely to have an adverse effect on our profit margins and results of operations. In addition, there can be no assurance that the third-party distribution programs will continue to distribute the Funds. At December 31, 2009, approximately 90% of the NTF Program net assets in the Gabelli/GAMCO families of funds are attributable to two NTF Programs. The decision by these third-party distribution programs to discontinue distribution of the Funds, or a decision by us to withdraw one or more of the Funds from the programs, could have an adverse effect on our growth of AUM.

Possibility of losses associated with underwriting, trading and market-making activities.

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

We may have liability as a general partner or otherwise with respect to our alternative investment products.

Certain of our subsidiaries act as general partner for investment partnerships, including arbitrage, event-driven long/short, sector focused and merchant banking limited partnerships. As a general partner of these partnerships, we may be held liable for the partnerships' liabilities in excess of their ability to pay such liabilities. In addition, in certain circumstances, we may be liable as a control person for the acts of our investment partnerships. As of December 31, 2009, our AUM included approximately \$305 million in investment partnerships. A substantial adverse judgment or other liability with respect to our investment partnerships could have a material adverse effect on us.

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

We face operational risk arising from errors made in the execution, confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted for. Our business is highly dependent on our ability to process, on a daily basis, transactions across markets in an efficient and accurate manner. Consequently, we rely heavily on our financial, accounting and other data processing systems. If any of these systems do not operate

properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage.

Dependence on information systems.

We operate in an industry that is highly dependent on its information systems and technology. We outsource a significant portion of our information systems operations to third parties who are responsible for providing the management, maintenance and updating of such systems. There can be no assurance, however, that our information systems and technology will continue to be able to accommodate our growth or that the cost of maintaining such outsourcing arrangements will not increase from its current level. Such a failure to accommodate growth, or an increase in costs related to these information systems, could have a material adverse effect on us.

We may not be able to refinance or have the funds necessary to repurchase our existing indebtedness.

On August 10, 2001, we and certain of our affiliates entered into a note purchase agreement with Cascade Investment L.L.C. (“Cascade”), pursuant to which Cascade purchased \$100 million in principal amount of a convertible promissory note (the “2011 Note”). Pursuant to the terms of the 2011 Note, Cascade may require us, or upon a change in control or Mr. Gabelli ceasing to provide our predominant executive leadership, to repurchase the 2011 Note (i.e., put option) at par plus accrued and unpaid interest on the 2011 Note. In March 2005, we amended the terms of the 2011 Note. The new terms extended the exercise date of Cascade's put option to September 15, 2006, reduced the principal of the 2011 Note to \$50 million, effective April 1, 2005, and removed limitations on the issuance of additional debt. In June 2006, GBL and Cascade agreed to amend the terms of the 2011 Note. Effective September 15, 2006, the rate on the 2011 Note increased from 5% to 6% while the conversion price was raised to \$53 per share from \$52 per share. In addition, the exercise date of Cascade’s put option was extended to May 15, 2007, the expiration date of the related letter of credit was extended to May 22, 2007 and a call option was included giving GBL the right to redeem the 2011 Note at 101% of its principal amount together with all accrued but unpaid interest thereon upon at least 30 days prior written notice, subject to certain provisions. On April 18, 2007, the Company and Cascade amended the terms of the 2011 Note maturing in August 2011, to extend the exercise date for Cascade’s put option from May 15, 2007 to December 17, 2007 and to extend the expiration date of the related letter of credit to December 24, 2007. The put option expired on December 17, 2007, the related letter of credit expired on December 24, 2007, and the collateral securing the letter of credit was released and became unrestricted company assets as of that date. On January 3, 2008, GBL filed a Form S-3 to register the resale of shares of GBL by Cascade. On January 22, 2008, Cascade elected to convert \$10 million of the 2011 Note into 188,679 GBL shares. Cascade requested that the remaining \$40 million face value of the 2011 Note be segregated into eight notes each with a face value of \$5 million.

In October 2008, GBL privately placed a \$60 million convertible note with Cascade (“2018 Note”). The ten-year note pays interest at 6.5% and provides Cascade with certain put rights and an escrow agreement. The 2018 Note was originally convertible into GBL class A common stock at \$70 per share. Effective with the payment of the \$2.00 per share dividend on December 15, 2009 and in accordance with the terms of the 2018 Note, the conversion price of the 2018 Note was adjusted to \$66.89 per share.

Our credit ratings affect our borrowing costs.

Our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings. A reduction in our credit ratings could increase our borrowing costs and may limit our access to increased capital resources.

We face exposure to litigation and arbitration claims within our business.

The volume of litigation and arbitration claims against financial services firms and the amount of damages claimed has increased over the past several years. The types of claims that we may face are varied. For example, we may face claims against us for purchasing securities that are inconsistent with a client’s investment objectives or guidelines, in connection with the operation of the Funds or arising from an employment dispute. The risk of litigation is difficult to assess or quantify, and may occur years after the activities or events at issue. Even if we prevail in a legal action brought against us, the costs alone of defending against the action could have a material adverse effect on us.

Compliance failures and changes in regulation could adversely affect us.

Our investment management activities are subject to client guidelines, and our Mutual Fund business involves compliance with numerous investment, asset valuation, distribution and tax requirements. A failure to adhere to these guidelines or satisfy these requirements could result in losses which could be recovered by the client from us in certain circumstances. There can be no assurance that the precautions and procedures that we have instituted and installed or

the insurance we maintain to protect ourselves in case of client losses will protect us from potential liabilities.

Our businesses are subject to extensive regulation in the United States, including by the SEC and FINRA. We are also subject to the laws of non-U.S. jurisdictions and non-U.S. regulatory agencies or bodies. Our failure to comply with applicable laws or regulations could result in fines, suspensions of personnel or other sanctions, including revocation of our subsidiaries' registrations as an investment advisor or broker-dealer. Changes in laws or regulations or in governmental policies could have a material adverse effect on us. The regulatory matters described in the "Regulatory Matters" section above or other regulatory or compliance matters could also have a material adverse effect on us.

Our reputation is critical to our success.

Our reputation is critical to maintaining and developing relationships with our clients, Mutual Fund shareholders and third-party intermediaries. In recent years, there have been a number of well-publicized cases involving fraud, conflicts of interest or other misconduct by individuals in the financial services industry. Misconduct by our staff, or even unsubstantiated allegations, could result not only in direct financial harm but also harm to our reputation, causing injury to the value of our brands and our ability to retain or attract AUM. In addition, in certain circumstances, misconduct on the part of our clients or other parties could damage our reputation. Harm to our reputation could have a material adverse effect on us.

We face strong competition from numerous and sometimes larger companies.

We compete with numerous investment management companies, stock brokerage and investment banking firms, insurance companies, banks, savings and loan associations and other financial institutions. Continuing consolidation in the financial services industry has created stronger competitors with greater financial resources and broader distribution channels than our own. Additionally, competing securities dealers whom we rely upon to distribute our mutual funds also sell their own proprietary funds and investment products, which could limit the distribution of our investment products. To the extent that existing or potential customers, including securities dealers, decide to invest in or distribute the products of our competitors, the sales of our products as well as our market share, revenues and net income could decline.

Fee pressures could reduce our profit margins.

There has been a trend toward lower fees in some segments of the investment management industry. In order for us to maintain our fee structure in a competitive environment, we must be able to provide clients with investment returns and service that will encourage them to be willing to pay such fees. Accordingly, there can be no assurance that we will be able to maintain our current fee structure. Fee reductions on existing or future new business could have an adverse impact on our profit margins and results of operations.

#### Risks Related to the Company

The disparity in the voting rights among the classes of shares may have a potential adverse effect on the price of our class A common stock.

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. The differential in voting rights and the ability of our company to issue additional class B common stock could adversely affect the value of the class A common stock to the extent the investors, or any potential future purchaser of our company, view the superior voting rights of the class B common stock to have value. On November 30, 2007, class A common stock shareholders approved that the Board of Directors should consider the conversion and reclassification of our shares of class B common stock into class A common stock at a ratio of 1.15 shares of class A common stock for each share of class B common stock. The Board of Directors has yet to take action.

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

We may sell additional shares of class A common stock in subsequent public offerings. We also may issue additional shares of class A common stock or convertible debt securities. In addition, sales by our current shareholders could be perceived negatively.

No prediction can be made as to the effect, if any, that future sales or distributions of class B common stock owned by GGCP will have on the market price of the class A common stock prevailing from time to time. Sales or distributions of substantial amounts of class A or class B common stock, or the perception that such sales or distributions could occur, could adversely affect the prevailing market price for the class A common stock.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

At December 31, 2009, we leased our principal offices which consisted of a single 60,000 square foot building located at 401 Theodore Fremd Avenue, Rye, New York which expires on December 31, 2023. The lease was extended for 15 years out in October 2008. This building was leased in December 1997 (prior to our 1999 IPO) from an entity controlled by members of Mr. Gabelli's immediate family. For 2009, 2008 and 2007 we paid approximately \$1,080,000, \$890,000 and \$856,000, respectively, or \$18.00, \$14.83 and \$14.27 per square foot, respectively, under this lease. 5,000 square feet was subleased to affiliates. We receive rental payments under the sublease agreements, which totaled approximately \$181,000, in 2009 and were used to offset operating expenses incurred for the property. The lease is a net net lease, which provides that in addition to the lease payments, all operating expenses related to the property, which are estimated at \$740,000 annually, are to be paid by us.

We have also entered into leases for office space in both the U.S. and overseas principally for portfolio management, research, sales and marketing personnel. These offices are generally less than 4,000 square feet and leased for periods of five years or less.

ITEM 3: LEGAL PROCEEDINGS

In the normal course of business, the Company has been, and may continue to be, named in legal actions, including a recently-filed FINRA arbitration claim. These claims may seek substantial compensatory as well as punitive damages. At this point, the Company cannot predict the ultimate outcome of these claims nor can it estimate a possible loss amount, if any. However, in the opinion of management, the resolution of such claims will not be material to the financial condition of the Company.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Reserved.



## PART II

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

Our shares of class A common stock are traded on the NYSE under the symbol GBL.

As of March 1, 2010, there were 226 class A common stockholders of record and 17 class B common stockholders of record. These figures do not include stockholders with shares held under beneficial ownership in nominee name, which are estimated to be approximately 35,000.

The following table sets forth the high and low prices of our class A common stock for each quarter of 2009 and 2008 as reported by the NYSE.

Quarter Ended	High	Low
March 31, 2009	\$36.38	\$25.13
June 30, 2009	55.25	31.93
September 30, 2009	49.37	42.56
December 31, 2009	53.00	41.62
March 31, 2008	73.36	47.06
June 30, 2008	60.01	45.06
September 30, 2008	68.52	36.84
December 31, 2008	\$59.00	\$21.66

In 2007, we paid \$1.12 per share in dividends to our common shareholders. This included four quarterly dividends of \$0.03 per share on March 28, 2007, June 28, 2007, September 28, 2007, and December 28, 2007, respectively, to all shareholders of record on March 15, 2007, June 15, 2007, September 14, 2007, and December 14, 2007, respectively.

We also paid a special dividend of \$1.00 per share to all of our shareholders, payable on July 30, 2007 to shareholders of record on July 23, 2007.

In 2008, we paid \$2.02 per share in dividends to our common shareholders. This included four quarterly dividends of \$0.03 per share on March 28, 2008, June 27, 2008, September 30, 2008, and December 30, 2008, respectively, to all shareholders of record on March 14, 2008, June 13, 2008, September 16, 2008, and December 16, 2008, respectively.

We also paid special dividends of \$1.00 and \$0.90 per share, respectively, to all of our shareholders, payable on September 16, 2008 and December 23, 2008, respectively, to shareholders of record on September 2, 2008 and December 9, 2008, respectively.

In 2009, we paid \$2.13 per share in dividends to our common shareholders. This included four quarterly dividends of \$0.03 per share on March 31, 2009, June 30, 2009, September 29, 2009, and December 29, 2009, respectively, to all shareholders of record on March 17, 2009, June 16, 2009, September 15, 2009, and December 15, 2009, respectively. We also paid a special dividend of \$2.00 per share to all of our shareholders, payable on December 15, 2009 to shareholders of record on December 1, 2009. Additionally, we distributed the shares of Teton that the Company owned on March 20, 2009 to shareholders of record on March 10, 2009 that had a value of approximately \$0.01 per GBL share.

As of December 31, 2009, since the IPO, we have returned \$445.8 million in total to shareholders of which \$204.3 million was in the form of dividends and \$241.5 million was through buybacks.

The following table provides information with respect to the shares of our class A common stock we repurchased during the three months ended December 31, 2009:

Period	(a) Total Number of Shares Repurchased	(b) Average Price Paid Per Share, net of Commissions	(c) Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares (or Approximate Dollar Value) That May Yet Be Purchased Under the Plans or Programs
10/01/09 – 10/31/09	9,500	\$ 42.71	9,500	735,936
11/01/09 – 11/30/09	14,400	42.97	14,400	721,536
12/01/09 – 12/31/09	13,200	45.68	13,200	708,336
Totals	37,100	\$ 43.87	37,100	

Our stock repurchase program is not subject to an expiration date.

We are required to provide a comparison of the cumulative total return on our class A common stock as of December 31, 2009 with that of a broad equity market index and either a published industry index or a peer group index selected by us. The following chart compares the return on the class A common stock with the return on the S&P 500 Index and an index comprised of public asset managers (“Peer group index”). The comparison assumes that \$100 was invested in the class A common stock and in each of the named indices, including the reinvestment of dividends, on December 31, 2004. This chart is not intended to forecast future performance of our common stock.

	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009
GAMCO Investors, Inc.	100.00	89.89	79.66	146.21	61.08	113.08
Peer group index	100.00	127.18	147.49	167.89	79.79	129.44
S&P 500 Index	100.00	104.91	121.48	128.16	80.74	102.11

The following table shows information regarding outstanding options and shares reserved for future issuance under our equity compensation plans as of December 31, 2009.

Plan Category	Number of Securities to be Issued upon Exercise of		Weighted-Average Price of Outstanding Options, Warrants and Rights
	Outstanding Options, Warrants and Rights	Outstanding Options, Warrants and Rights	
Equity compensation plans approved by security holders:			
Stock options	144,750	\$	34.17
Restricted stock awards	360,100		n/a
Equity compensation plans not approved by security holders	-0-		-0-
Total	504,850		

The number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column above) are 878,675. All stock options and restricted stock awards (“RSAs”) are recommended by the Company’s Chairman, whom has never received either stock options or RSAs since the Company went public.

## ITEM 6: SELECTED FINANCIAL DATA

## General

The selected historical financial data presented below has been derived in part from, and should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Item 7 and “Financial Statements and Supplementary Data” included in Item 8 of this report.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
<b>Income Statement Data</b>					
(in thousands)					
(unaudited)					
Revenues:					
Investment advisory and incentive fees	\$ 178,713	\$ 204,293	\$ 250,410	\$ 227,005	\$ 220,464
Institutional research services	16,715	16,129	15,729	12,619	12,195
Distribution fees and other income	22,686	24,590	26,230	21,839	20,673
Total revenues	218,114	245,012	292,369	261,463	253,332
Expenses:					
Compensation costs	92,859	102,840	120,036	102,411	106,585
Management fee	9,758	4,086	14,463	13,236	11,462
Distribution costs	24,339	25,090	28,500	25,366	21,073
Other operating expenses	18,948	27,979	26,203	44,103	26,665
Total expenses	145,904	159,995	189,202	185,116	165,785
Operating income	72,210	85,017	103,167	76,347	87,547
Other income (expense), net:					
Net gain/(loss) from investments	25,558	(52,299)	6,147	35,613	10,912
Interest and dividend income	3,425	13,136	32,497	35,506	18,483
Interest expense	(13,290)	(9,441)	(12,040)	(14,477)	(14,025)
Total other income (expense), net	15,693	(48,604)	26,604	56,642	15,370
Income before income taxes	87,903	36,413	129,771	132,989	102,917
Income tax provision	31,761	12,323	49,548	50,848	38,685
Net income	56,142	24,090	80,223	82,141	64,232
Net income (loss) attributable to noncontrolling interests					
	609	(776)	654	10,214	290
Net income attributable to GAMCO Investors, Inc.’s shareholders					
	\$ 55,533	\$ 24,866	\$ 79,569	\$ 71,927	\$ 63,942

**Weighted average shares  
outstanding:**

Basic	27,345	27,805	28,142	28,542	29,805
Diluted	28,214	27,841	29,129	29,525	31,155

**Net income attributable  
to GAMCO Investors,**
**Inc.'s shareholders per  
share:**

Basic	\$ 2.03	\$ 0.89	\$ 2.83	\$ 2.52	\$ 2.15
Diluted	\$ 2.02	\$ 0.89	\$ 2.79	\$ 2.49	\$ 2.11

**Actual shares (a)  
outstanding at December**

31st	27,605	27,746 (a)	28,446(a)	28,241	29,543
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Dividends declared	\$ 2.13	\$ 2.02	\$ 1.12	\$ 0.12	\$ 0.09
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(a) Includes unvested RSAs of 360,100, 369,900 and 382,400 at December 31, 2009, 2008 and 2007, respectively.

	December 31,				
	2009	2008	2007	2006	2005
Balance Sheet Data (in thousands) (unaudited)					
Total assets	\$ 707,809	\$697,634	\$ 757,580	\$837,231	\$728,138
Long-term obligations	204,116	204,095	152,133	234,593	235,300
Other liabilities and noncontrolling interest	60,032	48,598	98,342	145,659	63,710
Total liabilities and noncontrolling interest	264,148	252,693	250,475	380,252	299,010
Total equity	\$ 443,661	\$444,941	\$ 507,105		