

Condensed Financial Statements  
Teton Advisors, Inc.  
Quarterly Report for the Period Ended March 31, 2016

Teton Advisors, Inc.

Condensed Financial Statements

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Teton Advisors, Inc.  
Condensed Statements of Income  
(Unaudited)

|   | <b>Three months ended March 31,</b> |              |
|---|-------------------------------------|--------------|
|   | <b>2016</b>                         | <b>2015</b>  |
| <b>Revenues</b>                               |                                     |              |
| Investment advisory fees-mutual funds         | \$ 2,778,311                        | \$ 3,703,738 |
| Investment advisory fees-separate accounts    | 367,957                             | 708,256      |
| Distribution fees and other income            | 57,938                              | 130,035      |
| Total revenues                                | 3,204,206                           | 4,542,029    |
| <b>Expenses</b>                               |                                     |              |
| Compensation                                  | 1,172,798                           | 1,658,350    |
| Marketing and administrative fees             | 408,304                             | 500,956      |
| Distribution costs and expense reimbursements | 236,499                             | 361,184      |
| Advanced commissions                          | 34,354                              | 115,833      |
| Sub-advisory fees                             | 75,763                              | 83,263       |
| Other operating expenses                      | 214,151                             | 216,268      |
| Total expenses                                | 2,141,869                           | 2,935,854    |
| Income before income taxes                    | 1,062,337                           | 1,606,175    |
| Income taxes                                  | 393,065                             | 594,285      |
| Net income                                    | \$ 669,272                          | \$ 1,011,890 |
| <b>Net income per share:</b>                  |                                     |              |
| Basic   | \$ 0.61                             | \$ 0.92      |
| Fully diluted                                 | \$ 0.61                             | \$ 0.92      |
| <b>Weighted average shares outstanding:</b>   |                                     |              |
| Basic   | 1,095,988                           | 1,096,842    |
| Fully diluted                                 | 1,098,697                           | 1,098,316    |

*See accompanying notes.*

# Teton Advisors, Inc.

## Condensed Statements of Financial Condition

|  | <b>(Unaudited)</b>   |                      |
|--|----------------------|----------------------|
|  | <b>March 31,</b>     | <b>December 31,</b>  |
|  | <b>2016</b>          | <b>2015</b>          |
| <b>ASSETS</b>  |                      |                      |
| Cash and cash equivalents  | \$ 1,504,200         | \$ 10,255,698        |
| Investment advisory fees receivable  | 1,256,620            | 1,573,398            |
| Investment in securities   | 10,088,965           | 102,928              |
| Deferred taxes receivable  | 65,140               | 63,999               |
| Income tax receivable  | 52,808               | 52,808               |
| Receivable from affiliates   | 20,721               | 19,809               |
| Contingent deferred sales commission   | 76,188               | 94,615               |
| Other assets (net of accumulated depreciation of \$38,453 and \$36,505, respectively)  | 104,889              | 129,000              |
| Total assets   | <u>\$ 13,169,531</u> | <u>\$ 12,292,255</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                      |                      |
| Payable to affiliates  | \$ 571,783           | \$ 618,208           |
| Deferred taxes payable   | 15,031               | 46,452               |
| Income tax payable   | 389,818              | -                    |
| Dividends payable  | 2,750                | 2,375                |
| Compensation payable   | 62,862               | 182,177              |
| Distribution costs payable   | 203,139              | 177,339              |
| Accrued expenses and other liabilities   | 610,560              | 587,265              |
| Total liabilities  | <u>1,855,943</u>     | <u>1,613,816</u>     |
| Commitments and contingencies (Notes F and I)  |                      |                      |
| Stockholders' equity:  |                      |                      |
| Class A Common stock, \$0.001 par value; 1,200,000 shares authorized;<br>980,172 and 980,152 shares issued, respectively;<br>771,918 and 771,898 outstanding, respectively | 973                  | 973                  |
| Class B Common stock, \$0.001 par value; 800,000 shares authorized;<br>792,000 shares issued; 331,570 and 331,590 shares outstanding, respectively                         | 340                  | 340                  |
| Additional paid-in capital   | 719,503              | 698,452              |
| Treasury stock, at cost (208,254 class A shares and 8,000 class B shares<br>and 208,254 class A shares and 8,000 class B shares, respectively)                             | (2,299,567)          | (2,299,567)          |
| Retained earnings  | 12,892,339           | 12,278,241           |
| Total stockholders' equity   | <u>11,313,588</u>    | <u>10,678,439</u>    |
| Total liabilities and stockholders' equity   | <u>\$ 13,169,531</u> | <u>\$ 12,292,255</u> |

See accompanying notes.

Teton Advisors, Inc.  
Condensed Statements of Stockholders' Equity  
(Unaudited)  
For the Three Months Ended March 31, 2016

|                              | <b>Common<br/>Stock<br/>Class A</b> | <b>Common<br/>Stock<br/>Class B</b> | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Treasury<br/>Stock</b> | <b>Retained<br/>Earnings</b> | <b>Total</b>         |
|------------------------------|-------------------------------------|-------------------------------------|---|---------------------------|------------------------------|----------------------|
| Balance at December 31, 2015 | 973                                 | 340                                 | 698,452                                   | (2,299,567)               | 12,278,241                   | 10,678,439           |
| Net income                   | -                                   | -                                   | -   | -                         | 669,272                      | 669,272              |
| Stock based compensation     | -                                   | -                                   | 21,051                                    | -                         | -                            | 21,051               |
| Dividends declared           | -                                   | -                                   | -   | -                         | (55,174)                     | (55,174)             |
| Balance at March 31, 2016    | <u>\$ 973</u>                       | <u>\$ 340</u>                       | <u>\$ 719,503</u>                         | <u>\$ (2,299,567)</u>     | <u>\$ 12,892,339</u>         | <u>\$ 11,313,588</u> |

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Cash Flows

(Unaudited)

|   | <b>Three months ended March 31,</b> |                     |
|---|-------------------------------------|---------------------|
|   | <b>2016</b>                         | <b>2015</b>         |
| <b>Operating activities</b>   |                                     |                     |
| Net income  | \$ 669,272                          | \$ 1,011,890        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                     |                     |
| Depreciation  | 1,948                               | 2,719               |
| Deferred income tax   | (1,141)                             | (21,267)            |
| Amortization of deferred sales commission   | 33,425                              | 115,583             |
| Stock based compensation expense  | 21,051                              | 21,051              |
| (Increase) decrease in operating assets:  |                                     |                     |
| Investment advisory fees receivable   | 316,778                             | 132,572             |
| Investment in securities  | (9,986,037)                         | (2,496)             |
| Receivable from affiliates  | (912)                               | 8,664               |
| Contingent deferred sales commission  | (14,998)                            | (88,536)            |
| Other assets  | 22,163                              | (13,344)            |
| Increase (decrease) in operating liabilities:                                     |                                     |                     |
| Payable to affiliates   | (46,425)                            | (63,196)            |
| Deferred tax liability  | (31,421)                            | (10,140)            |
| Income tax payable  | 389,818                             | 496,502             |
| Compensation payable  | (119,315)                           | (114,346)           |
| Distribution costs payable  | 25,800                              | 49,538              |
| Accrued expenses and other liabilities  | 23,295                              | 39,863              |
| Total adjustments   | <u>(9,365,971)</u>                  | <u>553,167</u>      |
| Net cash (used in), provided by operating activities                              | (8,696,699)                         | 1,565,057           |
| <b>Financing activities</b>   |                                     |                     |
| Dividends paid  | (54,799)                            | (109,675)           |
| Stock repurchase  | -                                   | (24,946)            |
| Net cash used in financing activities   | (54,799)                            | (134,621)           |
| Net (decrease), increase in cash and cash equivalents                             | (8,751,498)                         | 1,430,436           |
| Cash and cash equivalents at beginning of period                                  | 10,255,698                          | 6,310,494           |
| Cash and cash equivalents at end of the period                                    | <u>\$ 1,504,200</u>                 | <u>\$ 7,740,930</u> |
| Supplemental disclosure of cash flow information:                                 |                                     |                     |
| Cash paid for income taxes  | <u>\$ 11,800</u>                    | <u>\$ 90,159</u>    |

See accompanying notes.

# Teton Advisors, Inc.

## Notes to Condensed Financial Statements

March 31, 2016

### **A. Significant Accounting Policies**

#### *Basis of Presentation*

Teton Advisors, Inc. (“Teton” or the “Company”) was incorporated in Texas as Teton Advisers LLC in December 1994. The Company serves as the investment adviser for the TETON Westwood Funds (“Funds”, individually “Fund”) and separate institutional accounts. The Company’s capital structure consists of 1,200,000 shares authorized of Class A common stock with one vote per share and 800,000 shares authorized of Class B common stock with ten votes per share.

#### *Use of Estimates*

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

#### *Nature of Operations*

Teton is a registered investment adviser under the Investment Advisers Act of 1940. Teton’s principal market is in the United States.

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they are not audited and do not include all of the information and notes required for complete financial statements. These condensed financial statements and notes should be read in conjunction with Teton’s audited financial statements and notes thereto included in Teton’s Annual Report for the year ended December 31, 2015. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months periods ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

#### *Investment in Securities*

Investment in Securities, at March 31, 2016, includes \$9,986,600 in US Treasury Bills, with original maturities of between three and six months.

## Teton Advisors, Inc.

### Notes to Condensed Financial Statements (continued)

#### **B. Related Party Transactions**

Teton invests the majority of its cash equivalents in a U.S. Treasury money market mutual fund managed by Gabelli Funds, LLC, an affiliate. At March 31, 2016 and December 31, 2015, Teton had \$1,387,776 and \$10,154,489, respectively, in this money market fund.

Distribution fees include distribution fees paid to the Company by G.distributors, LLC (“G.distributors”) on the class C Fund shares sold. Class C shares have a 12b-1 distribution plan with a service and distribution fee totaling 1%. The distributor will advance the first year’s commission at the time of the sale and collect the distribution fee monthly based on the daily average AUM over the first year. The Company has agreed to reimburse the distributor for the commissions advanced and receives the monthly service and distribution fee in return. Fees collected may be higher or lower than the amounts advanced as AUM increases or decreases during the period based on the Fund’s performance.

Teton paid GAMCO administration fees based on the average net assets of the Funds, amounting to \$408,304 and \$500,956 for the three month periods ended March 31, 2016 and March 31, 2015, respectively. Additionally, Teton paid GAMCO under an administrative and management services agreement \$75,000 for each of the three month periods ended March 31, 2016 and March 31, 2015. Teton also paid GAMCO reimbursement for compensation, which amounted to \$360,030 and \$501,623 for the three month periods ended March 31, 2016 and March 31, 2015, respectively.

The Company serves as the investment adviser for the Funds and earns advisory fees based on predetermined percentages of the net average daily assets of the Funds. The Company also manages separate accounts and earns fees quarterly based on the average of the ending account values for each month of the quarter or the account value as of the end of the preceding quarter. Advisory fees earned from the Funds were \$2,778,311 and \$3,703,738 for the three month periods ended March 31, 2016 and March 31, 2015, respectively and advisory fees earned from separate accounts were \$367,957 and \$708,256 for the three month periods ended March 31, 2016 and March 31, 2015, respectively. Advisory fees receivable were \$1,256,620 and \$1,573,398 at March 31, 2016 and December 31, 2015, respectively.

## Teton Advisors, Inc.

### Notes to Condensed Financial Statements (continued)

#### **B. Related Party Transactions (continued)**

Teton's receivables and payables to affiliates at March 31, 2016 and December 31, 2015 are non-interest bearing and are receivable and payable on demand. At March 31, 2016 and December 31, 2015, the amount payable to GAMCO was \$463,266 and \$493,385, respectively, and the amount payable relating to wholesaler payouts was \$103,958 and \$120,375, respectively. The amount receivable from Gabelli Securities, Inc. at March 31, 2016 and December 31, 2015 was \$5,975 and \$0, respectively. The amount receivable from G.distributors at March 31, 2016 and December 31, 2015 was \$14,746 and \$19,809, respectively. The amount payable to Gabelli Funds, LLC at March 31, 2016 and December 31, 2015 was \$4,559 and \$4,448, respectively.

#### **C. Indemnifications**

In the ordinary course of business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on its history and experience, the Company believes that the likelihood of any such event is remote.

## Teton Advisors, Inc.

### **MANAGEMENT’S DISCUSSION OF OPERATIONS**

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

#### **Introduction**

Our revenues are highly correlated to the level of assets under management (“AUM”) and fees associated with our various investment products, rather than our own corporate assets. AUM, which are directly influenced by the level and changes of the overall equity markets, can also fluctuate through acquisitions, the creation of new products, the addition of new accounts or the loss of existing accounts. Since various equity products have different fees, changes in our business mix may also affect revenues. At times, the performance of our equity products may differ markedly from popular market indices, and this can also impact our revenues. It is our belief that general stock market trends will have the greatest impact on our level of AUM and hence, revenues.

#### **Asset Highlights**

The following table sets forth total AUM by product type as of the dates shown:

|  | <u>3/15</u>            | <u>6/15</u>            | <u>9/15</u>            | <u>12/15</u>           | <u>3/16</u>            | <b>% Δ From</b> |               |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|-----------------|---------------|
|  |                        |                        |                        |                        |                        | <u>3/15</u>     | <u>12/15</u>  |
| Mutual Funds                           |                        |                        |                        |                        |                        |                 |               |
| Equities                               | \$ 1,543               | \$ 1,479               | \$ 1,261               | \$ 1,219               | \$ 1,162               | -24.7%          | -4.7%         |
| Fixed Income                           | 21                     | 19                     | 19                     | 19                     | 20                     | -4.8%           | 5.3%          |
| Separate accounts                      | 461                    | 477                    | 433                    | 237                    | 236                    | -48.8%          | -0.4%         |
| <b>Total Assets Under Management</b>   | <b><u>\$ 2,025</u></b> | <b><u>\$ 1,975</u></b> | <b><u>\$ 1,713</u></b> | <b><u>\$ 1,475</u></b> | <b><u>\$ 1,418</u></b> | <b>-30.0%</b>   | <b>-3.9%</b>  |
| <b>Average Assets Under Management</b> | <b><u>\$ 2,001</u></b> | <b><u>\$ 2,020</u></b> | <b><u>\$ 1,860</u></b> | <b><u>\$ 1,710</u></b> | <b><u>\$ 1,369</u></b> | <b>-31.6%</b>   | <b>-19.9%</b> |

AUM were \$1.42 billion at March 31, 2016 down from \$1.48 billion at December 31, 2015. This decrease was due to outflows of \$100 million, partially offset by inflows of \$41 million and market appreciation of \$2 million. This compares to the first quarter of 2015 outflows of \$216 million, partially offset by inflows of \$87 million and market appreciation of \$31 million. Average AUM was \$1.37 billion for the first quarter 2016, a decrease of 31.6% from \$2.0 billion in the first quarter 2015.

## Teton Advisors, Inc.

### Operating Results for the Three Months Ended March 31, 2016 as Compared to the Three Months Ended March 31, 2015

#### **Revenues**

Total revenues were \$3,204,206 in the first quarter of 2016, \$1,337,823 or 29.5% lower than the total revenues of \$4,542,029 in the first quarter of 2015. The change in total revenues by revenue component was as follows:

| (unaudited)                                | For the Three Months<br>ended March 31, |                     | Increase (decrease)   |        |
|--|---|---------------------|-----------------------|--------|
|  | 2016                                    | 2015                | \$                    | %      |
| Investment advisory fees-mutual funds      | \$ 2,778,311                            | \$ 3,703,738        | \$ (925,427)          | -25.0% |
| Investment advisory fees-separate accounts | 367,957                                 | 708,256             | (340,299)             | -48.0% |
| Distribution Fees and other income         | 57,938                                  | 130,035             | (72,097)              | -55.4% |
| Total revenues                             | <u>\$ 3,204,206</u>                     | <u>\$ 4,542,029</u> | <u>\$ (1,337,823)</u> | -29.5% |

**Investment Advisory Fees:** Investment advisory fees are directly influenced by the level and mix of assets under management (“AUM”). Teton earns advisory fees based on the average daily AUM in the Funds and the average month-end AUM during the quarter for the separate accounts. Average AUM for mutual funds were \$1.15 billion for the first quarter ended March 31, 2016 compared to \$1.54 billion for the quarter ended March 31, 2015, a decrease of 25.3%.

Average billable AUM for separate accounts were \$222.7 million for the period ended March 31, 2016 compared to \$465.8 million for the period ended March 31, 2015.

**Distribution fees:** Teton earns a distribution fee on the Class C shares of Funds sold over the first twelve months after the sale. Total sales of class C shares were \$20.5 million for the trailing twelve months ending March 31, 2016 and \$44.1 million for the trailing twelve months ending March 31, 2015.

#### **Expenses**

**Sub-advisory Fees:** Teton has currently retained a sub-adviser for three of the seven Funds. Sub-advisory fees, which are 35% of the net investment advisory revenues of the sub-advised funds and are recognized as expenses as the related services are performed, were \$75,763 for the first quarter of 2016, down from \$83,263 in the comparable prior year period. This decrease was primarily due to a 8.9% decline in investment advisory revenue from the three sub-advised Funds. Average AUM in the three sub-advised Funds was \$148.7 million for the first quarter of 2016, 9.5% lower than the prior year period average of \$164.3 million.

## Teton Advisors, Inc.

Marketing and Administrative Fees: Marketing and administrative fees, which are charges from GAMCO and paid by Teton for administration of the Fund activities performed by GAMCO on behalf of Teton, were \$408,304 for the three months ended March 31, 2016, an 18.5% decrease from \$500,956 in the comparable prior year period. Marketing and administrative fees are calculated on a tiered formula and are based on average AUM. Based on the tiered formula administration fees were approximately 14.3 basis points of the average Funds AUM for the first quarter 2016 versus 13.2 basis points of the average Funds AUM for the first quarter 2015. As Funds AUM grow these fees will decline as a percentage of the average Funds AUM.

Compensation: Compensation costs, which are largely variably based and include salaries and benefits, portfolio manager compensation and stock based compensation, were \$1,172,798 for the first quarter of 2016, a \$485,552 a decrease from \$1,658,350 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, increased to \$312,347 for the first quarter of 2016 from \$297,999 in the prior year period. Stock based compensation was \$21,051 for the three months ended March 31, 2016 and March 31, 2015. The remainder of the compensation expenses represents variable portfolio manager compensation that fluctuates with net investment advisory revenues, which is defined as advisory fees less certain expenses. For the 2016 period, portfolio manager compensation was \$839,400, a decrease from \$1,339,300 reported in the prior year period. Average AUM is the primary driver of investment advisory fees, on which portfolio manager compensation is based.

Distribution costs and expense reimbursements: Distribution costs, which are principally related to the sale of shares of open-end mutual funds, and expense reimbursements, were \$236,499 for the first quarter of 2016, a decrease of \$124,685 from \$361,184 in the prior year period.

Distribution costs include wholesaler payouts and payments made to third party distributors for Funds sold through them, including their no transaction fee programs. Distribution costs were \$178,777 during the 2016 period, a decrease of \$130,134 from the prior year amount of \$308,911.

Expense reimbursements to the Funds were \$57,722 for the first quarter of 2016, an increase of \$5,448 from the prior year period amount of \$52,273.

Advanced Commissions: Advanced commission expense decreased \$81,479 to \$34,354 in the first quarter of 2016 from \$115,833 in the 2015 period.

Other: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$214,151 for the first quarter of 2016, a decrease of \$2,117 from \$216,268 in the prior year.

## Teton Advisors, Inc.

### ***Income Taxes***

The effective tax rate was 37.0% for the quarter ended March 31, 2016 and the quarter ended March 31, 2015.

### ***Net Income***

Net income for the first quarter of 2016 was \$669,272 or \$0.61 per fully diluted share versus \$1,011,890 or \$0.92 per fully diluted share for the 2015 period.