

Condensed Financial Statements
Teton Advisors, Inc.
Quarterly Report for the Period Ended June 30, 2015

Teton Advisors, Inc.

Condensed Financial Statements

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

	Three months ended June 30,	
	2015	2014
Revenues		
Investment advisory fees-mutual funds	\$ 3,722,024	\$ 3,812,654
Investment advisory fees-separate accounts	736,147	822,592
Distribution fees and other income	104,036	246,237
Total revenues	<u>4,562,207</u>	<u>4,881,483</u>
Expenses		
Compensation	1,741,248	1,688,900
Marketing and administrative fees	505,206	513,272
Distribution costs and expense reimbursements	174,988	424,853
Advanced commissions	87,167	240,529
Sub-advisory fees	82,983	91,331
Other operating expenses	255,058	235,931
Total expenses	<u>2,846,650</u>	<u>3,194,816</u>
Income before income taxes	1,715,557	1,686,667
Income taxes	634,756	635,873
Net income	<u>\$ 1,080,801</u>	<u>\$ 1,050,794</u>
Net income per share:		
Basic	<u>\$ 0.99</u>	<u>\$ 0.95</u>
Diluted	<u>\$ 0.99</u>	<u>\$ 0.95</u>
Weighted average shares outstanding:		
Basic	<u>1,094,453</u>	<u>1,103,218</u>
Diluted	<u>1,096,221</u>	<u>1,103,218</u>

See accompanying notes.

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

	Six months ended June 30,	
	2015	2014
Revenues		
Investment advisory fees-mutual funds	\$ 7,425,762	\$ 7,447,657
Investment advisory fees-separate accounts	1,444,403	1,659,473
Distribution fees and other income	234,071	474,673
Total revenues	<u>9,104,236</u>	<u>9,581,803</u>
Expenses		
Compensation	3,399,598	3,377,922
Marketing and administrative fees	1,006,162	1,007,834
Distribution costs and expense reimbursements	536,172	855,681
Advanced commissions	203,000	457,615
Sub-advisory fees	166,246	182,472
Other operating expenses	471,326	405,284
Total expenses	<u>5,782,504</u>	<u>6,286,808</u>
Income before income taxes	3,321,732	3,294,995
Income taxes	1,229,041	1,242,213
Net income	<u>\$ 2,092,691</u>	<u>\$ 2,052,782</u>
Net income per share:		
Basic	<u>\$ 1.91</u>	<u>\$ 1.86</u>
Diluted	<u>\$ 1.91</u>	<u>\$ 1.86</u>
Weighted average shares outstanding:		
Basic	<u>1,094,646</u>	<u>1,103,235</u>
Diluted	<u>1,096,285</u>	<u>1,103,235</u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Financial Condition

	(Unaudited)	
	June 30,	December 31,
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 8,258,251	\$ 6,310,494
Investment advisory fees receivable	1,862,483	2,041,623
Investment in securities	112,707	106,647
Deferred taxes receivable	58,300	63,848
Receivable from affiliates	26,231	51,162
Contingent deferred sales commission	150,442	202,473
Other assets (net of accumulated depreciation of \$32,497 and \$27,059, respectively)	104,699	132,573
Total assets	\$ 10,573,113	\$ 8,908,820
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payable to affiliates	\$ 734,939	\$ 904,308
Deferred taxes payable	71,208	90,885
Income tax payable	36,609	64,317
Dividends payable	1,750	56,102
Compensation payable	221,111	260,978
Distribution costs payable	184,296	254,300
Accrued expenses and other liabilities	474,906	424,368
Total liabilities	1,724,819	2,055,258
Commitments and contingencies (Notes F and I)		
Stockholders' equity:		
Class A Common stock, \$0.001 par value; 1,200,000 shares authorized; 979,377 and 979,993 shares issued, respectively; 772,162 and 772,720 outstanding, respectively	971	971
Class B Common stock, \$0.001 par value; 800,000 shares authorized; 792,000 shares issued; 331,726 and 331,749 shares outstanding, respectively	342	342
Additional paid-in capital	656,353	614,251
Treasury stock, at cost (207,854 class A shares and 8,000 class B shares and 207,273 class A shares and 8,000 class B shares, respectively)	(2,280,054)	(2,250,211)
Retained earnings	10,470,682	8,488,209
Total stockholders' equity	8,848,294	6,853,562
Total liabilities and stockholders' equity	\$ 10,573,113	\$ 8,908,820

See accompanying notes.

Teton Advisors, Inc.
Condensed Statements of Stockholders' Equity
(Unaudited)
For the Six Months Ended June 30, 2015

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
Balance at December 31, 2014	971	342	614,251	(2,250,211)	8,488,209	6,853,562
Net income	-	-	-	-	2,092,691	2,092,691
Stock based compensation	-	-	42,102	-	-	42,102
Stock buyback	-	-	-	(29,843)	-	(29,843)
Dividends declared	-	-	-	-	(110,218)	(110,218)
Balance at June 30, 2015	<u>\$ 971</u>	<u>\$ 342</u>	<u>\$ 656,353</u>	<u>\$ (2,280,054)</u>	<u>\$ 10,470,682</u>	<u>\$ 8,848,294</u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Cash Flows

(Unaudited)

	Six months ended June 30,	
	2015	2014
Operating activities		
Net income	\$ 2,092,691	\$ 2,052,782
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,438	2,896
Deferred income tax	5,548	(29,379)
Amortization of deferred sales commission	203,000	457,615
Stock based compensation expense	42,102	9,168
(Increase) decrease in operating assets:		
Investment advisory fees receivable	179,140	(833,696)
Investment in securities	(6,060)	(103,078)
Receivable from affiliates	24,931	(14,212)
Contingent deferred sales commission	(150,969)	(414,431)
Other assets	22,436	18,249
Increase (decrease) in operating liabilities:		
Payable to affiliates	(169,369)	53,214
Income tax payable	(27,708)	(31,583)
Deferred tax liability	(19,677)	(60,183)
Compensation payable	(39,867)	(134,989)
Distribution costs payable	(70,004)	200,844
Dividends payable	(54,352)	-
Accrued expenses and other liabilities	50,538	(163,333)
Total adjustments	(4,873)	(1,042,898)
Net cash provided by operating activities	2,087,818	1,009,884
Financing activities		
Dividends paid	(110,218)	(110,321)
Stock repurchase	(29,843)	(6,417)
Net cash used in financing activities	(140,061)	(116,738)
Net increase in cash and cash equivalents	1,947,757	893,146
Cash and cash equivalents at beginning of period	6,310,494	2,502,851
Cash and cash equivalents at end of the period	<u>\$ 8,258,251</u>	<u>\$ 3,395,997</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 1,190,159</u>	<u>\$ 1,337,882</u>

See accompanying notes.

Teton Advisors, Inc.

Notes to Condensed Financial Statements

June 30, 2015

A. Significant Accounting Policies

Basis of Presentation

Teton Advisors, Inc. (“Teton” or the “Company”) was formed 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, 2014. 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 and six month periods ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

Teton Advisors, Inc.

Notes to Condensed Financial Statements (continued)

B. Related Party Transactions

Teton has invested all of its cash equivalents in a U.S. Treasury money market mutual fund managed by Gabelli Funds, LLC, an affiliate. At June 30, 2015 and December 31, 2014, Teton had \$8,157,136 and \$6,209,996, 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 \$505,206 and \$513,272 for the three month periods ended June 30, 2015 and June 30, 2014, respectively, and \$1,006,162 and \$1,007,834 for the six month periods ended June 30, 2015, and June 30, 2014, respectively. Additionally, Teton paid GAMCO under an administrative and management services agreement \$75,000 for both the three month periods ended June 30, 2015 and June 30, 2014 and \$150,000 and \$120,000 for the six month periods ended June 30, 2015 and 2014, respectively. Teton also paid GAMCO reimbursement for compensation, which amounted to \$532,606 and \$510,408 for the three month periods ended June 30, 2015 and June 30, 2014, respectively, and \$1,034,229 and \$1,003,524 for the six month periods ended June 30, 2015 and June 30, 2014, 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. Advisory fees earned from the Funds were \$3,722,024 and \$3,812,654 for the three month periods ended June 30, 2015 and June 30, 2014, respectively, and \$7,425,762 and \$7,447,657 for the six month periods ended June 30, 2015 and June 30, 2014, respectively. Advisory fees receivable from the Funds were \$1,194,648 and \$1,261,486 at June 30, 2015 and December 31, 2014, respectively.

Teton Advisors, Inc.

Notes to Condensed Financial Statements (continued)

B. Related Party Transactions (continued)

Teton's receivables and payables to affiliates at June 30, 2015 and December 31, 2014 are non-interest bearing and are receivable and payable on demand. At June 30, 2015 and December 31, 2014, the amount payable to GAMCO was \$559,860 and \$580,734, respectively, and the amount payable relating to wholesaler payouts was \$170,732 and \$319,198, respectively. There was no receivable or payable from G.research at June 30, 2015 and December 31, 2014. The amount receivable from G.distributors at June 30, 2015 and December 31, 2014 was \$26,231 and \$51,162, respectively. The amount payable to Gabelli Funds, LLC at June 30, 2015 and December 31, 2014 was \$4,347 and \$4,376 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.

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>6/14</u>	<u>9/14</u>	<u>12/14</u>	<u>3/15</u>	<u>6/15</u>	% Δ	
						<u>6/14</u>	<u>03/15</u>
Mutual Funds							
Equities	\$ 1,591	\$ 1,471	\$ 1,551	\$ 1,543	\$ 1,479	(7.0%)	(4.1%)
Fixed Income	22	21	21	21	19	(13.6)	(9.5)
Separate accounts	546	528	551	461	477	(12.6)	3.5
Total Assets Under Management	<u>\$ 2,159</u>	<u>\$ 2,020</u>	<u>\$ 2,123</u>	<u>\$ 2,025</u>	<u>\$ 1,975</u>	(8.5)	(2.5)
Average Assets Under Management	<u>\$ 2,095</u>	<u>\$ 2,094</u>	<u>\$ 2,066</u>	<u>\$ 2,001</u>	<u>\$ 2,020</u>	(3.6)	0.9

AUM were \$1.98 billion at June 30, 2015 down from \$2.03 billion at March 31, 2015. This decrease was due to outflows of \$115 million, partially offset by inflows of \$53.4 million and market appreciation of \$11 million. This compares to inflows of \$108 million and market appreciation of \$35 million, partially offset by outflows of \$106 million in the second quarter of 2014. Average AUM were \$2.0 billion for the second quarter 2015, a decrease of 3.6% from \$2.1 billion in the second quarter 2014.

Teton Advisors, Inc.

Operating Results for the Quarter Ended June 30, 2015 as Compared to the Quarter Ended June 30, 2014

Revenues

Total revenues were \$4,562,207 in the second quarter of 2015, \$319,276 or 6.5% lower than the total revenues of \$4,881,483 in the second quarter of 2014. The change in total revenues by revenue component was as follows:

(unaudited)	For the Three Months ended June 30,		Increase (decrease)	
	2015	2014	\$	%
Investment advisory fees-mutual funds	\$ 3,722,024	\$ 3,812,654	\$ (90,630)	-2.4%
Investment advisory fees-separate accounts	736,147	822,592	\$ (86,445)	-10.5%
Distribution Fees and other income	104,036	246,237	(142,201)	-57.7%
Total revenues	<u>\$ 4,562,207</u>	<u>\$ 4,881,483</u>	<u>\$ (319,276)</u>	-6.5%

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 \$1.55 billion for the second quarter ended June 30, 2015 compared to \$1.56 billion for the quarter ended June 30, 2014, a decrease of 0.6%.

Average billable AUM for separate accounts were \$473.1 million for the quarter ended June 30, 2015 compared to \$532.7 million for the quarter ended June 30, 2014.

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 \$34.4 million for the trailing twelve months ending June 30, 2015 down from \$95.8 million for the trailing twelve months ending June 30, 2014.

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 \$82,983 for the second quarter of 2015, down from \$91,331 in the comparable prior year period. This decrease was primarily due to a 8.8% decline in investment advisory revenue from the three sub-advised Funds. Average AUM in the three sub-advised Funds was \$162.2 million for the second quarter of 2015, 9.4% lower than the prior year period average of \$179.0 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 \$505,206 for the three months ended June 30, 2015, a 1.6% decrease from \$513,272 in the comparable prior year period. Marketing and administrative fees are calculated on a tiered formula. Based on the tiered formula administration fees were approximately 13.2 basis points of the average Funds AUM for the second quarter 2015 and 2014. As Funds AUM grow these fees will decline as a percentage of the average Funds AUM.

Compensation: Compensation costs, which are largely variable and include salaries and benefits, portfolio manager compensation and stock based compensation, were \$1,741,248 for the second quarter of 2015, a \$52,348 increase from \$1,688,900 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, increased to \$278,500 for the second quarter of 2015 from \$213,164 in the prior year period. Stock based compensation was \$21,050 for the three months ended June 30, 2015, up from \$4,584 in the prior year period. 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 2015 period, portfolio manager compensation was \$1,441,698, down from \$1,471,152 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 \$174,988 for the second quarter of 2015, a decrease of \$249,865 from \$424,853 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 \$116,248 during the 2015 period, a decrease of \$236,285 from the prior year amount of \$352,533.

Expense reimbursements to the Funds were \$58,740 for the second quarter of 2015, a decrease of \$13,580 from the prior year period amount of \$72,320.

Advanced Commissions: Advanced commission expense decreased \$153,362 to \$87,167 in the second quarter of 2015 from \$240,529 in the 2014 period.

Teton Advisors, Inc.

Other: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$255,058 for the second quarter of 2015, an increase of \$19,127 from the year ago amount of \$235,931.

Income Taxes

The effective tax rate was 37.0% for the quarter ended June 30, 2015 versus 37.7% for the quarter ended June 30, 2014.

Net Income

Net income for the second quarter of 2015 was \$1,080,801 or \$0.99 per fully diluted share versus \$1,050,794 or \$0.95 per fully diluted share for the 2014 period.

Operating Results for the Six Months Ended June 30, 2015 as Compared to the Six Months Ended June 30, 2014

Revenues

Total revenues were \$9,104,236 for the six months ended June 30, 2015, \$477,567 or 5.0% lower than the total revenues of \$9,581,803 for the six months ended June 30, 2014. The change in total revenues by revenue component was as follows:

(unaudited)	For the Six Months ended June 30,		Increase (decrease)	
	2015	2014	\$	%
Investment advisory fees-mutual funds	\$ 7,425,762	\$ 7,447,657	\$ (21,895)	-0.3%
Investment advisory fees-separate accounts	1,444,403	1,659,473	\$ (215,070)	(13.0)
Distribution Fees and other income	234,071	474,673	(240,602)	(50.7)
Total revenues	<u>\$ 9,104,236</u>	<u>\$ 9,581,803</u>	<u>\$ (477,567)</u>	(5.0)

Teton Advisors, Inc.

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 \$1.53 billion for the period ended June 30, 2015 compared to \$1.54 billion for the period ended June 30, 2014, a decrease of 0.6%.

Average billable AUM for separate accounts were \$466.9 million for the period ended June 30, 2015 compared to \$537.3 million for the period ended June 30, 2014.

Distribution fees: Teton earns a distribution fee on the Class C shares of Funds sold over the first twelve months after the sale. Distribution fees for the six months ended June 30, of 2015 and 2014 were \$227,986 and \$474,648, respectively.

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 \$166,246 for the first half of 2015, down from \$182,472 in the comparable prior year period. This decrease was primarily due to an 8.6% decline in investment advisory revenue from the three sub-advised Funds. Average AUM in the three sub-advised Funds was \$163.3 million in the first half of 2015, 8.9% lower than the prior year period average of \$179.3 million.

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 \$1,006,162 for the six months ended June 30, 2015, a 0.2% decrease from \$1,007,834 in the comparable prior year period. Marketing and administrative fees are calculated on a tiered formula. Based on the tiered formula administration fees were approximately 13.2 basis points of the average Funds AUM for the first half of 2015 and 2014. As Funds AUM grow these fees will decline as a percentage of the average Funds AUM.

Teton Advisors, Inc.

Compensation: Compensation costs, which are largely variable and include salaries and benefits, portfolio manager compensation and stock based compensation were \$3,399,598 for the first half of 2015, a \$21,676 increase from \$3,377,922 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, increased to \$576,499 for the first half of 2015 from \$467,757 in the prior year period. Stock based compensation was \$42,101 for the six months ended June 30, 2015, up from \$9,168 in the prior year period. 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 2015 period, portfolio manager compensation was \$2,780,998, trailing the \$2,900,997 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 \$536,172 for the six months ended June 30, 2015, a decrease of \$319,509 from \$855,681 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 \$425,159 during the 2015 period, a decrease of \$307,275 from the prior year amount of \$732,434.

Expense reimbursements to the Funds were \$111,013 for the first half of 2015, a decrease of \$12,234 from the prior year period amount of \$123,247.

Advanced Commissions: Advanced commission expense decreased \$254,615 to \$203,000 in the first half of 2015 from \$457,615 in the 2014 period.

Other: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$471,326 for the six months ended June 30, 2015, an increase of \$66,042 from \$405,284 in the prior year largely from increased fees paid under its administrative agreement with GAMCO.

Income Taxes

The effective tax rate was 37.0% for the six months ended June 30, 2015, versus 37.7% for the six months ended June 30, 2014.

Net Income

Net income for the first half of 2015 was \$2,092,691 or \$1.91 per fully diluted share versus \$2,052,782 or \$1.86 per fully diluted share for the 2014 period.