

Condensed Financial Statements
Teton Advisors, Inc.
Quarterly Report for the Period Ended June 30, 2016

Teton Advisors, Inc.

Condensed Financial Statements

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

	Three months ended June 30,	
	2016	2015
Revenues		
Investment advisory fees-mutual funds	\$ 2,874,814	\$ 3,722,024
Investment advisory fees-separate accounts	395,877	736,147
Distribution fees and other income	57,954	104,036
Total revenues	3,328,645	4,562,207
Expenses		
Compensation	1,196,474	1,741,248
Marketing and administrative fees	418,291	505,206
Distribution costs and expense reimbursements	225,701	174,988
Advanced commissions	41,198	87,167
Sub-advisory fees	77,978	82,983
Other operating expenses	246,686	255,058
Total expenses	2,206,328	2,846,650
Income before income taxes	1,122,317	1,715,557
Income taxes	415,257	634,756
Net income	\$ 707,060	\$ 1,080,801
Net income per share:		
Basic	\$ 0.65	\$ 0.99
Fully diluted	\$ 0.64	\$ 0.99
Weighted average shares outstanding:		
Basic	1,095,971	1,094,453
Fully diluted	1,098,578	1,096,221

See accompanying notes.

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

	Six months ended June 30,	
	2016	2015
Revenues		
Investment advisory fees-mutual funds	\$ 5,653,125	\$ 7,425,762
Investment advisory fees-separate accounts	763,834	1,444,403
Distribution fees and other income	115,892	234,071
Total revenues	6,532,851	9,104,236
Expenses		
Compensation	2,369,272	3,399,598
Marketing and administrative fees	826,595	1,006,162
Distribution costs and expense reimbursements	462,200	536,172
Advanced commissions	75,552	203,000
Sub-advisory fees	153,741	166,246
Other operating expenses	460,837	471,326
Total expenses	4,348,197	5,782,504
Income before income taxes	2,184,654	3,321,732
Income taxes	808,322	1,229,041
Net income	\$ 1,376,332	\$ 2,092,691
Net income per share:		
Basic	\$ 1.26	\$ 1.91
Fully diluted	\$ 1.25	\$ 1.91
Weighted average shares outstanding:		
Basic	1,095,980	1,094,646
Fully diluted	1,098,638	1,096,285

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Financial Condition

	(Unaudited)	
	June 30,	December 31,
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 5,720,393	\$ 10,255,698
Investment advisory fees receivable	1,275,542	1,573,398
Investment in securities	6,100,617	102,928
Deferred taxes receivable	66,981	63,999
Income tax receivable	29,180	52,808
Receivable from affiliates	21,897	19,809
Contingent deferred sales commission	73,699	94,615
Other assets (net of accumulated depreciation of \$40,380 and \$36,505, respectively)	110,434	129,000
Total assets	\$ 13,398,743	\$ 12,292,255
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payable to affiliates	\$ 525,523	\$ 618,208
Deferred taxes payable	37,452	46,452
Dividends payable	3,125	2,375
Compensation payable	73,008	182,177
Distribution costs payable	154,362	177,339
Accrued expenses and other liabilities	623,910	587,265
Total liabilities	1,417,380	1,613,816
Commitments and contingencies (Notes F and I)		
Stockholders' equity:		
Class A Common stock, \$0.001 par value; 1,200,000 shares authorized; 980,254 and 980,152 shares issued, respectively; 771,879 and 771,898 outstanding, respectively	973	973
Class B Common stock, \$0.001 par value; 800,000 shares authorized; 792,000 shares issued; 331,488 and 331,590 shares outstanding, respectively	340	340
Additional paid-in capital	740,553	698,452
Treasury stock, at cost (208,375 class A shares and 8,000 class B shares and 208,254 class A shares and 8,000 class B shares, respectively)	(2,304,729)	(2,299,567)
Retained earnings	13,544,226	12,278,241
Total stockholders' equity	11,981,363	10,678,439
Total liabilities and stockholders' equity	\$ 13,398,743	\$ 12,292,255

See accompanying notes.

Teton Advisors, Inc.
Condensed Statements of Stockholders' Equity
(Unaudited)
For the Six Months Ended June 30, 2016

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
Balance at December 31, 2015	973	340	698,452	(2,299,567)	12,278,241	10,678,439
Net income	-	-	-	-	1,376,332	1,376,332
Stock based compensation	-	-	42,101	-	-	42,101
Stock buyback	-	-	-	(5,162)	-	(5,162)
Dividends declared	-	-	-	-	(110,347)	(110,347)
Balance at June 30, 2016	<u>\$ 973</u>	<u>\$ 340</u>	<u>\$ 740,553</u>	<u>\$ (2,304,729)</u>	<u>\$ 13,544,226</u>	<u>\$ 11,981,363</u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Cash Flows

(Unaudited)

	Six months ended June 30,	
	2016	2015
Operating activities		
Net income	\$ 1,376,332	\$ 2,092,691
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,875	5,438
Deferred income tax	(2,982)	5,548
Amortization of deferred sales commission	73,473	203,000
Stock based compensation expense	42,101	42,102
(Increase) decrease in operating assets:		
Investment advisory fees receivable	297,856	179,140
Investment in securities	(5,997,689)	(6,060)
Income tax receivable	23,628	-
Receivable from affiliates	(2,088)	24,931
Contingent deferred sales commission	(52,557)	(150,969)
Other assets	14,691	22,436
Increase (decrease) in operating liabilities:		
Payable to affiliates	(92,685)	(169,369)
Deferred tax liability	(9,000)	(19,677)
Income tax payable	-	(27,708)
Compensation payable	(109,169)	(39,867)
Distribution costs payable	(22,977)	(70,004)
Dividends payable	-	(54,352)
Accrued expenses and other liabilities	36,645	50,538
Total adjustments	(5,796,878)	(4,873)
Net cash (used in), provided by operating activities	(4,420,546)	2,087,818
Financing activities		
Dividends paid	(109,597)	(110,218)
Stock repurchase	(5,162)	(29,843)
Net cash used in financing activities	(114,759)	(140,061)
Net (decrease), increase in cash and cash equivalents	(4,535,305)	1,947,757
Cash and cash equivalents at beginning of period	10,255,698	6,310,494
Cash and cash equivalents at end of the period	<u>\$ 5,720,393</u>	<u>\$ 8,258,251</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 735,500</u>	<u>\$ 1,190,159</u>

See accompanying notes.

Teton Advisors, Inc.

Notes to Condensed Financial Statements

June 30, 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 and six month periods ended June 30, 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 June 30, 2016, includes \$5,996,400 in US Treasury Bills, with an original maturity of 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 June 30, 2016 and December 31, 2015, Teton had \$1,625,518 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 \$418,291 and \$505,206 for the three month periods ended June 30, 2016 and June 30, 2015, respectively, and \$826,595 and \$1,006,162 for the six month periods ended June 30, 2016 and June 30, 2015, respectively. Additionally, Teton paid GAMCO under an administrative and management services agreement \$75,000 for each of the three month periods ended June 30, 2016 and June 30, 2015 and \$150,000 for both of the six month periods ended June 30, 2016 and 2015. Teton also paid GAMCO reimbursement for compensation, which amounted to \$376,010 and \$532,606 for the three month periods ended June 30, 2016 and June 30, 2015, respectively, and \$736,040 and \$1,034,229 for the six month periods ended June 30, 2016 and June 30, 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. Advisory fees earned from the Funds were \$2,874,814 and \$3,722,024 for the three month periods ended June 30, 2016 and June 30, 2015, respectively, and \$5,653,125 and \$7,425,762 for the six month periods ended June 30, 2016 and June 30, 2015, respectively. Advisory fees receivable from the funds were \$935,311 and \$1,024,452 at June 30, 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 June 30, 2016 and December 31, 2015 are non-interest bearing and are receivable and payable on demand. At June 30, 2016 and December 31, 2015, the amount payable to GAMCO was \$438,863 and \$493,385, respectively, and the amount payable relating to wholesaler payouts was \$81,252 and \$120,375, respectively. The amount receivable from Gabelli Securities, Inc. at June 30, 2016 and December 31, 2015 was \$6,458 and \$0, respectively. The amount receivable from G.distributors at June 30, 2016 and December 31, 2015 was \$15,439 and \$19,809, respectively. The amount payable to Gabelli Funds, LLC at June 30, 2016 and December 31, 2015 was \$5,408 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>6/15</u>	<u>9/15</u>	<u>12/15</u>	<u>3/16</u>	<u>6/16</u>	% Δ From	
						<u>6/15</u>	<u>3/16</u>
Mutual Funds							
Equities	\$ 1,479	\$ 1,261	\$ 1,219	\$ 1,162	\$ 1,161	-21.5%	-0.1%
Fixed Income	19	19	19	20	20	5.3%	0.0%
Separate accounts	477	433	237	236	238	-50.1%	0.8%
Total Assets Under Management	<u>\$ 1,975</u>	<u>\$ 1,713</u>	<u>\$ 1,475</u>	<u>\$ 1,418</u>	<u>\$ 1,419</u>	-28.2%	0.1%
Average Assets Under Management	<u>\$ 2,020</u>	<u>\$ 1,860</u>	<u>\$ 1,710</u>	<u>\$ 1,369</u>	<u>\$ 1,427</u>	-29.4%	4.2%

AUM was \$1.42 billion at June 30, 2016 virtually unchanged from \$1.42 billion at March 31, 2016. This was due to outflows of \$93 million, completely offset by inflows of \$38 million and market appreciation of \$56 million. This compares to the second quarter of 2015 outflows of \$115 million, partially offset by inflows of \$53 million and market appreciation of \$11 million. Average AUM was \$1.43 billion for the second quarter 2016, a decrease of 29.4% from \$2.0 billion in the second quarter 2015.

Teton Advisors, Inc.

Operating Results for the Three Months Ended June 30, 2016 as Compared to the Three Months Ended June 30, 2015

Revenues

Total revenues were \$3,328,645 in the second quarter of 2016, \$1,233,562 or 27.0% lower than the total revenues of \$4,562,207 in the second quarter of 2015. The change in total revenues by revenue component was as follows:

(unaudited)	For the Three Months ended June 30,		Increase (decrease)	
	2016	2015	\$	%
Investment advisory fees-mutual funds	\$ 2,874,814	\$ 3,722,024	\$ (847,210)	-22.8%
Investment advisory fees-separate accounts	395,877	736,147	(340,270)	-46.2%
Distribution Fees and other income	57,954	104,036	(46,082)	-44.3%
Total revenues	<u>\$ 3,328,645</u>	<u>\$ 4,562,207</u>	<u>\$ (1,233,562)</u>	-27.0%

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 \$1.19 billion for the second quarter ended June 30, 2016 compared to \$1.55 billion for the quarter ended June 30, 2015, a decrease of 23.2%.

Average billable AUM for separate accounts were \$240.6 million for the period ended June 30, 2016 compared to \$473.1 million for the period ended June 30, 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 \$17.9 million for the trailing twelve months ending June 30, 2016 and \$34.4 million for the trailing twelve months ending June 30, 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 \$77,978 for the second quarter of 2016, down from \$82,983 in the comparable prior year period. This decrease was primarily due to a 6.3% decline in investment advisory revenue from the three sub-advised Funds. Average AUM in the three sub-advised Funds was \$153.3 million for the second quarter of 2016, 5.5% lower than the prior year period average of \$162.2 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 \$418,291 for the three months ended June 30, 2016, a 17.2% decrease from \$505,206 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 14.2 basis points of the average Funds AUM for the second quarter 2016 versus 13.2 basis points of the average Funds AUM for the second quarter 2015. As Funds AUM grow these fees will decline as a percentage of the average Funds AUM.

Compensation: Compensation costs, which are largely variable-based and include salaries and benefits, portfolio manager compensation and stock based compensation, were \$1,196,474 for the second quarter of 2016, a \$544,774 decrease from \$1,741,248 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, decreased to \$276,536 for the second quarter of 2016 from \$278,500 in the prior year period. Stock based compensation was \$21,050 for the three months ended June 30, 2016 and June 30, 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 \$898,888, a decrease from \$1,441,698 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 \$225,701 for the second quarter of 2016, an increase of \$50,713 from \$174,988 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 \$166,288 during the 2016 period, an increase of \$50,040 from the prior year amount of \$116,248 due to a change in estimate in the prior year period.

Expense reimbursements to the Funds were \$59,413 for the second quarter of 2016, an increase of \$673 from the prior year period amount of \$58,740.

Advanced Commissions: Advanced commission expense decreased \$45,969 to \$41,198 in the second quarter of 2016 from \$87,167 in the 2015 period.

Other operating expenses: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$246,686 for the second quarter of 2016, a decrease of \$8,372 from \$255,058 in the prior year.

Teton Advisors, Inc.

Income Taxes

The effective tax rate was 37.0% for the quarter ended June 30, 2016 and the quarter ended June 30, 2015.

Net Income

Net income for the second quarter of 2016 was \$707,060 or \$0.64 per fully diluted share versus \$1,080,801 or \$0.99 per fully diluted share for the 2015 period.

Operating Results for the Six Months Ended June 30, 2016 as Compared to the Six Months Ended June 30, 2015

Revenues

Total revenues were \$6,532,851 for the six months ended June 30, 2016, \$2,571,385 or 28.2% lower than the total revenues of \$9,104,236 for the six months ended June 30, 2015. The change in total revenues by revenue component was as follows:

(unaudited)	For the Six Months ended June 30,		Increase (decrease)	
	2016	2015	\$	%
Investment advisory fees-mutual funds	\$ 5,653,125	\$ 7,425,762	\$ (1,772,637)	-23.9%
Investment advisory fees-separate accounts	763,834	1,444,403	(680,569)	-47.1%
Distribution Fees and other income	115,892	234,071	(118,179)	-50.5%
Total revenues	<u>\$ 6,532,851</u>	<u>\$ 9,104,236</u>	<u>\$ (2,571,385)</u>	-28.2%

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 \$1.17 billion for the period ended June 30, 2016 compared to \$1.53 billion for the period ended June 30, 2015, a decrease of 23.5%.

Average billable AUM for separate accounts were \$231.7 million for the period ended June 30, 2016 compared to \$466.9 million for the period ended June 30, 2015.

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 2016 and 2015 were \$94,284 and \$227,986, respectively.

Teton Advisors, Inc.

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 \$153,741 for the first half of 2016, down from \$166,246 in the comparable prior year period. This decrease was primarily due to a 7.6% decline in investment advisory revenue from the three sub-advised Funds. Average AUM in the three sub-advised Funds was \$151.0 million in the first half of 2016, 7.5% lower than the prior year period average of \$163.3 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 \$826,595 for the six months ended June 30, 2016, a 17.8% decrease from \$1,006,162 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 14.3 basis points of the average Funds AUM for the first half of 2016 versus 13.2 basis points of the average Funds AUM for the first half of 2015. As Funds AUM grow these fees will decline as a percentage of the average Funds AUM.

Compensation: Compensation costs, which are largely variable-based and include salaries and benefits, portfolio manager compensation and stock based compensation, were \$2,369,272 for the first half of 2016, a \$1,030,326 decrease from \$3,399,598 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, increased to \$588,883 for the first half of 2016 from \$576,499 in the prior year period. Stock based compensation was \$42,101 for the six months ended June 30, 2016 and June 30, 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 \$1,738,288, trailing the \$2,780,998 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 \$462,200 for the six months ended June 30, 2016, a decrease of \$73,972 from \$536,172 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 \$345,065 during the 2016 period, a decrease of \$80,094 from the prior year amount of \$425,159.

Expense reimbursements to the Funds were \$117,135 for the first half of 2016, an increase of \$6,122 from the prior year period amount of \$111,013.

Teton Advisors, Inc.

Advanced Commissions: Advanced commission expense decreased \$127,448 to \$75,552 in the first half of 2016 from \$203,000 in the 2015 period.

Other operating expenses: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$460,837 for the six months ended June 30, 2016, a decrease of \$10,489 from \$471,326 in the prior year.

Income Taxes

The effective tax rate was 37.0% for the six months ended June 30, 2016 and June 30, 2015.

Net Income

Net income for the first half of 2016 was \$1,376,332 or \$1.25 per fully diluted share versus \$2,092,691 or \$1.91 per fully diluted share for the 2015 period.