

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

Teton Advisors, Inc.

Condensed Financial Statements

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

	Three months ended September 30,	
	2015	2014
Revenues		
Investment advisory fees-mutual funds	\$ 3,441,805	\$ 3,831,879
Investment advisory fees-separate accounts	720,439	828,902
Distribution fees and other income	67,881	223,277
Total revenues	<u>4,230,125</u>	<u>4,884,058</u>
Expenses		
Compensation	1,571,939	1,719,996
Marketing and administrative fees	477,439	516,980
Distribution costs and expense reimbursements	268,930	387,992
Advanced commissions	67,126	183,004
Sub-advisory fees	82,288	89,934
Other operating expenses	198,788	209,564
Total expenses	<u>2,666,510</u>	<u>3,107,470</u>
Income before income taxes	1,563,615	1,776,588
Income taxes	578,537	669,774
Net income	<u>\$ 985,078</u>	<u>\$ 1,106,814</u>
Net income per share:		
Basic	<u>\$ 0.90</u>	<u>\$ 1.00</u>
Diluted	<u>\$ 0.90</u>	<u>\$ 1.00</u>
Weighted average shares outstanding:		
Basic	<u>1,097,680</u>	<u>1,102,379</u>
Diluted	<u>1,099,289</u>	<u>1,102,731</u>

See accompanying notes.

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

	Nine months ended September 30,	
	2015	2014
Revenues		
Investment advisory fees-mutual funds	\$ 10,867,567	\$ 11,279,537
Investment advisory fees-separate accounts	2,164,842	2,488,375
Distribution fees and other income	301,952	697,949
Total revenues	13,334,361	14,465,861
Expenses		
Compensation	4,971,537	5,097,918
Marketing and administrative fees	1,483,601	1,524,814
Distribution costs and expense reimbursements	805,102	1,243,673
Advanced commissions	270,126	640,619
Sub-advisory fees	248,534	272,406
Other operating expenses	670,114	614,848
Total expenses	8,449,014	9,394,278
Income before income taxes	4,885,347	5,071,583
Income taxes	1,807,578	1,911,987
Net income	\$ 3,077,769	\$ 3,159,596
Net income per share:		
Basic	\$ 2.80	\$ 2.86
Diluted	\$ 2.80	\$ 2.86
Weighted average shares outstanding:		
Basic	1,097,974	1,102,855
Diluted	1,099,007	1,102,997

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Financial Condition

	(Unaudited)	
	September 30,	December 31,
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 9,262,930	\$ 6,310,494
Investment advisory fees receivable	1,695,611	2,041,623
Investment in securities	102,531	106,647
Deferred taxes receivable	58,085	63,848
Income tax receivable	19,818	-
Receivable from affiliates	21,427	51,162
Contingent deferred sales commission	121,065	202,473
Other assets (net of accumulated depreciation of \$49,589 and \$27,059, respectively)	142,674	132,573
Total assets	<u>\$ 11,424,141</u>	<u>\$ 8,908,820</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payable to affiliates	\$ 638,394	\$ 904,308
Deferred taxes payable	56,462	90,885
Income tax payable	-	64,317
Dividends payable	2,000	56,102
Compensation payable	255,983	260,978
Distribution costs payable	179,274	254,300
Accrued expenses and other liabilities	512,169	424,368
Total liabilities	<u>1,644,282</u>	<u>2,055,258</u>
Commitments and contingencies (Notes F and I)		
Stockholders' equity:		
Class A Common stock, \$0.001 par value; 1,200,000 shares authorized; 980,032 and 979,993 shares issued, respectively; 771,778 and 772,720 outstanding, respectively	972	971
Class B Common stock, \$0.001 par value; 800,000 shares authorized; 792,000 shares issued; 331,710 and 331,749 shares outstanding, respectively	340	342
Additional paid-in capital	677,403	614,251
Treasury stock, at cost (208,254 class A shares and 8,000 class B shares and 207,273 class A shares and 8,000 class B shares, respectively)	(2,299,567)	(2,250,211)
Retained earnings	11,400,711	8,488,209
Total stockholders' equity	<u>9,779,859</u>	<u>6,853,562</u>
Total liabilities and stockholders' equity	<u>\$ 11,424,141</u>	<u>\$ 8,908,820</u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Stockholders' Equity

(Unaudited)

For the Nine Months Ended September 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	-	-	-	-	3,077,769	3,077,769
Stock based compensation	-	-	63,151	-	-	63,151
Stock buyback	-	-	-	(49,356)	-	(49,356)
Restricted stock awards vested	(1)	-	1	-	-	-
Conversion of shares	2	(2)	-	-	-	-
Dividends declared	-	-	-	-	(165,267)	(165,267)
Balance at September 30, 2015	\$ 972	\$ 340	\$ 677,403	\$ (2,299,567)	\$ 11,400,711	\$ 9,779,859

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Cash Flows

(Unaudited)

	Nine months ended September 30,	
	2015	2014
Operating activities		
Net income	\$ 3,077,769	\$ 3,159,596
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,486	4,370
Deferred income tax	5,763	(13,478)
Amortization of deferred sales commission	270,126	640,619
Stock based compensation expense	63,151	13,751
(Increase) decrease in operating assets:		
Investment advisory fees receivable	346,012	(28,376)
Investment in securities	4,116	(102,208)
Income tax receivable	(19,818)	-
Receivable from affiliates	29,735	2,854
Contingent deferred sales commission	(188,718)	(466,836)
Other assets	(17,587)	(19,207)
Increase (decrease) in operating liabilities:		
Payable to affiliates	(265,914)	(101,658)
Income tax payable	(64,317)	26,521
Deferred tax liability	(34,423)	(65,414)
Compensation payable	(4,995)	(93,987)
Distribution costs payable	(75,026)	149,708
Dividends payable	(54,102)	-
Accrued expenses and other liabilities	87,801	20,759
Total adjustments	89,290	(32,582)
Net cash provided by operating activities	3,167,059	3,127,014
Financing activities		
Dividends paid	(165,267)	(165,425)
Stock repurchase	(49,356)	(54,222)
Net cash used in financing activities	(214,623)	(219,647)
Net increase in cash and cash equivalents	2,952,436	2,907,367
Cash and cash equivalents at beginning of period	6,310,494	2,502,851
Cash and cash equivalents at end of the period	\$ 9,262,930	\$ 5,410,218
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 1,801,659	\$ 1,938,882

See accompanying notes.

Teton Advisors, Inc.

Notes to Condensed Financial Statements

September 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 nine month periods ended September 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 September 30, 2015 and December 31, 2014, Teton had \$9,161,782 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 \$477,439 and \$516,980 for the three month periods ended September 30, 2015 and September 30, 2014, respectively, and \$1,483,601 and \$1,524,814 for the nine month periods ended September 30, 2015, and September 30, 2014, respectively. Additionally, Teton paid GAMCO under an administrative and management services agreement \$75,000 for both the three month periods ended September 30, 2015 and September 30, 2014 and \$225,000 and \$195,000 for the nine month periods ended September 30, 2015 and 2014, respectively. Teton also paid GAMCO reimbursement for compensation, which amounted to \$472,023 and \$500,275 for the three month periods ended September 30, 2015 and September 30, 2014, respectively, and \$1,506,252 and \$1,503,798 for the nine month periods ended September 30, 2015 and September 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 \$3,441,805 and \$3,831,879 for the three month periods ended September 30, 2015 and September 30, 2014, respectively, and \$10,867,567 and \$11,279,537 for the nine month periods ended September 30, 2015 and September 30, 2014, respectively. Advisory fees receivable from the Funds were \$1,044,615 and \$1,261,486 at September 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 September 30, 2015 and December 31, 2014 are non-interest bearing and are receivable and payable on demand. At September 30, 2015 and December 31, 2014, the amount payable to GAMCO was \$500,371 and \$580,734, respectively, and the amount payable relating to wholesaler payouts was \$133,587 and \$319,198, respectively. The amount receivable from G.distributors at September 30, 2015 and December 31, 2014 was \$21,427 and \$51,162, respectively. The amount payable to Gabelli Funds, LLC at September 30, 2015 and December 31, 2014 was \$4,437 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>9/14</u>	<u>12/14</u>	<u>3/15</u>	<u>6/15</u>	<u>9/15</u>	<u>% Δ</u>	
						<u>9/14</u>	<u>6/15</u>
Mutual Funds							
Equities	\$ 1,471	\$ 1,551	\$ 1,543	\$ 1,479	\$ 1,261	(14.3%)	(14.7%)
Fixed Income	21	21	21	19	19	(9.5)	-
Separate accounts	528	551	461	477	433	(18.0)	(9.2)
Total Assets Under Management	<u>\$ 2,020</u>	<u>\$ 2,123</u>	<u>\$ 2,025</u>	<u>\$ 1,975</u>	<u>\$ 1,713</u>	(15.2)	(13.3)
Average Assets Under Management	<u>\$ 2,094</u>	<u>\$ 2,066</u>	<u>\$ 2,001</u>	<u>\$ 2,020</u>	<u>\$ 1,860</u>	(11.2)	(7.9)

AUM were \$1.71 billion at September 30, 2015 down from \$1.98 billion at June 30, 2015. This decrease was due to outflows of \$123 million and market depreciation of \$181 million, partially offset by inflows of \$43 million. This compares to outflows of \$237 million and market depreciation of \$112 million, partially offset by inflows of \$209 million in the third quarter of 2014. Average AUM were \$1.86 billion for the third quarter 2015, a decrease of 11.2% from \$2.09 billion in the third quarter 2014.

Teton Advisors, Inc.

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

Revenues

Total revenues were \$4,230,125 in the third quarter of 2015, \$653,933 or 13.4% lower than the total revenues of \$4,884,058 in the third quarter of 2014. The change in total revenues by revenue component was as follows:

(unaudited)	For the Three Months ended September 30,		Increase (decrease)	
	2015	2014	\$	%
Investment advisory fees-mutual funds	\$ 3,441,805	\$ 3,831,879	\$ (390,074)	(10.2)
Investment advisory fees-separate accounts	720,439	828,902	(108,463)	(13.1)
Distribution Fees and other income	67,881	223,277	(155,396)	(69.6)
Total revenues	<u>\$ 4,230,125</u>	<u>\$ 4,884,058</u>	<u>\$ (653,933)</u>	(13.4)

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 \$1.40 billion for the third quarter ended September 30, 2015 compared to \$1.56 billion for the quarter ended September 30, 2014, a decrease of 10.3%.

Average billable AUM for separate accounts were \$461.7 million for the quarter ended September 30, 2015 compared to \$539.1 million for the quarter ended September 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 \$38.7 million for the trailing twelve months ending September 30, 2015 down from \$78.1 million for the trailing twelve months ending September 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 \$82,288 for the third quarter of 2015, down from \$89,934 in the comparable prior year period. This decrease was primarily due to a 10.5% decline in investment advisory revenue from the three sub-advised Funds. Average AUM in the three sub-advised Funds was \$155.6 million for the third quarter of 2015, 11.1% lower than the prior year period average of \$175.0 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 \$477,439 for the three months ended September 30, 2015, a 7.6% decrease from \$516,980 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 13.6 and 13.2 basis points of the average Funds AUM for the third quarter 2015 and 2014, respectively. 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 \$1,571,939 for the third quarter of 2015, a \$148,057 decrease from \$1,719,996 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, decreased to \$236,648 for the third quarter of 2015 from \$253,429 in the prior year period. Stock based compensation was \$21,050 for the three months ended September 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 \$1,314,241, down from \$1,461,983 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 \$268,930 for the third quarter of 2015, a decrease of \$119,062 from \$387,992 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 \$205,687 during the 2015 period, a decrease of \$111,325 from the prior year amount of \$317,012.

Expense reimbursements to the Funds were \$63,243 for the third quarter of 2015, a decrease of \$7,737 from the prior year period amount of \$70,980.

Advanced Commissions: Advanced commission expense decreased \$115,878 to \$67,126 in the third quarter of 2015 from \$183,004 in the 2014 period.

Teton Advisors, Inc.

Other: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$198,788 for the third quarter of 2015, an decrease of \$10,776 from the year ago amount of \$209,564.

Income Taxes

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

Net Income

Net income for the third quarter of 2015 was \$985,078 or \$0.90 per fully diluted share versus \$1,106,814 or \$1.00 per fully diluted share for the 2014 period.

Operating Results for the Nine Months Ended September 30, 2015 as Compared to the Nine Months Ended September 30, 2014

Revenues

Total revenues were \$13,334,361 for the nine months ended September 30, 2015, \$1,131,500 or 7.8% lower than the total revenues of \$14,465,861 for the nine months ended September 30, 2014. The change in total revenues by revenue component was as follows:

(unaudited)	For the Nine Months ended September 30,		Increase (decrease)	
	2015	2014	\$	%
Investment advisory fees-mutual funds	\$ 10,867,567	\$ 11,279,537	\$ (411,970)	(3.7)
Investment advisory fees-separate accounts	2,164,842	2,488,375	(323,533)	(13.0)
Distribution Fees and other income	301,952	697,949	(395,997)	(56.7)
Total revenues	\$ 13,334,361	\$ 14,465,861	\$ (1,131,500)	(7.8)

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 \$1.49 billion for the period ended September 30, 2015 compared to \$1.54 billion for the period ended September 30, 2014, a decrease of 3.2%.

Average billable AUM for separate accounts were \$465.1 million for the period ended September 30, 2015 compared to \$537.9 million for the period ended September 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 nine months ended September 30, of 2015 and 2014 were \$306,031 and \$697,912, 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 \$248,534 for the first nine months of 2015, down from \$272,406 in the comparable prior year period. This decrease was primarily due to a 9.2% decline in investment advisory revenue from the three sub-advised Funds. Average AUM in the three sub-advised Funds was \$160.7 million in the first nine months of 2015, 9.6% lower than the prior year period average of \$177.8 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 \$1,483,601 for the nine months ended September 30, 2015, a 2.7% decrease from \$1,524,814 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 13.3 and 13.2 basis points of the average Funds AUM for the first nine months of 2015 and 2014, respectively. 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 \$4,971,537 for the first nine months of 2015, a \$126,381 decrease from \$5,097,918 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, increased to \$813,147 for the first nine months of 2015 from \$721,187 in the prior year period. Stock based compensation was \$63,151 for the nine months ended September 30, 2015, up from \$13,751 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 \$4,095,239, trailing the \$4,362,980 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 \$805,102 for the nine months ended September 30, 2015, a decrease of \$438,571 from \$1,243,673 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 \$630,846 during the 2015 period, a decrease of \$418,600 from the prior year amount of \$1,049,446.

Expense reimbursements to the Funds were \$174,256 for the first nine months of 2015, a decrease of \$19,971 from the prior year period amount of \$194,227.

Advanced Commissions: Advanced commission expense decreased \$370,493 to \$270,126 in the first nine months of 2015 from \$640,619 in the 2014 period.

Other: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$670,114 for the nine months ended September 30, 2015, an increase of \$55,266 from \$614,848 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 nine months ended September 30, 2015, versus 37.7% for the nine months ended September 30, 2014.

Net Income

Net income for the first nine months of 2015 was \$3,077,769 or \$2.80 per fully diluted share versus \$3,159,596 or \$2.86 per fully diluted share for the 2014 period.