Condensed Consolidated Financial Statements

Teton Advisors, Inc.

Quarterly Report for the Period Ended September 30, 2017

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Contents

Teton Advisors, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

	Three months ended September 30,	
	2017	2016
Revenues		
Investment advisory fees - mutual funds	$ 6,647,542	$ 2,989,865
Investment advisory fees - separate accounts	1,527,582	412,454
Distribution fees and other income	75,172	58,254
Total revenues	8,250,296	3,460,573
Operating expenses		
Compensation	2,410,394	1,289,240
Marketing and administrative fees	487,878	431,286
Distribution costs and expense reimbursements	774,191	271,609
Advanced commissions	50,043	36,895
Sub-advisory fees	1,096,728	74,118
Other operating expenses	501,036	298,333
Total operating expenses	5,320,270	2,401,481
Income before interest, taxes, depreciation and amortization	2,930,026	1,059,092
Depreciation and amortization	211,426	-
Interest expense	252,082	-
Income before income taxes	2,466,518	1,059,092
Income taxes	945,679	391,864
Net income	$ 1,520,839	$ 667,228
Net income per share:		
Basic	$ 1.26	$ 0.61
Fully diluted	$ 1.16	$ 0.61
Weighted average shares outstanding:		
Basic	1,165,792	1,095,867
Fully diluted	1,267,026	1,098,917

The accompanying notes are an integral part of these financial statements

Teton Advisors, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

	Nine months ended September 30, 2017	2016
Revenues		
Investment advisory fees - mutual funds	$ 17,767,552	$ 8,642,990
Investment advisory fees - separate accounts	3,857,636	1,176,288
Distribution fees and other income	213,343	174,146
Total revenues	21,838,531	9,993,424
Operating expenses		
Compensation	6,450,815	3,658,512
Marketing and administrative fees	1,420,318	1,257,881
Distribution costs and expense reimbursements	2,472,392	733,809
Advanced commissions	144,333	112,447
Sub-advisory fees	2,544,803	227,859
Other operating expenses	1,575,094	759,170
Total operating expenses	14,607,755	6,749,678
Income before interest, taxes, depreciation and amortization	7,230,776	3,243,746
Depreciation and amortization	494,435	-
Interest expense	582,117	-
Income before income taxes	6,154,224	3,243,746
Income taxes	2,387,490	1,200,186
Net income	$ 3,766,734	$ 2,043,560
Net income per share:		
Basic	$ 3.14	$ 1.86
Fully diluted	$ 2.94	$ 1.86
Weighted average shares outstanding:		
Basic	1,154,499	1,095,942
Fully diluted	1,236,257	1,098,731

The accompanying notes are an integral part of these financial statements

Teton Advisors, Inc.

Condensed Consolidated Statements of Financial Condition

	(Unaudited) September 30, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 7,640,412	$ 13,270,301
Investment advisory fees receivable	3,009,220	1,313,412
Investment in securities	138,478	110,146
Deferred tax asset	120,876	97,091
Distribution and shareholder service expense reimbursement receivable	118,157	-
Income tax receivable	-	60,767
Goodwill and other identifiable intangible assets (Note B)	22,367,802	-
Contingent deferred sales commissions	90,136	79,878
Receivable from affiliates	19,473	17,072
Other assets (net of accumulated depreciation of $35,874 and $44,012 respectively)	330,266	124,925
Total assets	$ 33,834,820	$ 15,073,592
LIABILITIES AND STOCKHOLDERS' EQUITY		
Compensation payable	$ 1,629,450	$ 306,801
Payable to affiliates	685,729	502,239
Distribution costs payable	535,187	159,186
Income tax payable	289,012	-
Dividends payable	1,700	55,818
Deferred tax liability	162,933	-
Accrued expenses and other liabilities	902,901	1,028,703
Subtotal liabilities	4,206,912	2,052,747
Long - term debt	3,129,781	-
Total liabilities	7,336,693	2,052,747
Commitments and contingencies (Note D)		
Series A redeemable preferred stock, $0.001 par value;		
75,000 shares authorized; 75,000 and zero shares issued,		
75,000 and zero shares outstanding (Liquidation preference of $7,895,000)	6,159,642	-
Stockholders' equity:		
Class A Common stock, $0.001 par value; 1,700,000 shares authorized;		
975,802 and 975,403 shares issued, respectively;		
834,627 and 766,928 outstanding, respectively	974	974
Class B Common stock, $0.001 par value; 800,000 shares authorized;		
792,000 shares issued; 330,940 and 331,339 shares outstanding, respectively	339	339
Additional paid-in capital	4,749,630	644,628
Treasury stock, at cost (139,675 class A shares and 8,000 class B shares		
and 208,475 class A shares and 8,000 class B shares, respectively)	(1,829,542)	(2,308,830)
Retained earnings	17,417,084	14,683,734
Total stockholders' equity	20,338,485	13,020,845
Total liabilities and stockholders' equity	$ 33,834,820	$ 15,073,592

The accompanying notes are an integral part of these financial statements

Teton Advisors, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(Unaudited)

For the Nine Months September 30, 2017

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
Balance at December 31, 2016	974	339	644,628	(2,308,830)	14,683,734	13,020,845
Net income	-	-	-	-	3,766,734	3,766,734
Stock based compensation	-	-	14,642	-	-	14,642
Stock buyback	-	-	-	(233,212)	-	(233,212)
Proceeds from reissuance of treasury stock	-	-	365,000	95,000	-	460,000
Issuance of preferred stock and common stock	-	-	1,466,648	617,500	-	2,084,148
Issuance of long-term debt and warrants	-	-	2,258,712	-	-	2,258,712
Amortization of discount - preferred stock	-	-	-	-	(625,225)	(625,225)
Accretion of stock - preferred stock	-	-	-	-	(118,500)	(118,500)
Dividends declared	-	-	-	-	(289,659)	(289,659)
Balance at September 30, 2017 (unaudited)	$ 974	$ 339	$ 4,749,630	$ (1,829,542)	$ 17,417,084	$ 20,338,485

The accompanying notes are an integral part of these financial statements

Teton Advisors, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended September 30, 2017	2016
Cash Flow from Operating Activities		
Net income	$ 3,766,734	$ 2,043,560
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Amortization of intangible assets	477,037	-
Amortization of deferred sales commission	144,333	109,176
Amortization of debt discount	388,493	-
Depreciation and amortization - other	17,398	
Deferred taxes	139,148	(4,740)
Stock based compensation expense	14,642	63,152
(Increase) decrease in operating assets:		-
Investment advisory fees receivable	(1,695,808)	260,550
Investment in securities	(28,332)	(8,528)
Distribution and shareholder service expense reimbursement receivable	(118,157)	-
Income tax receivable	60,767	52,808
Contingent deferred sales commission	(154,591)	(85,715)
Receivable from affiliates	(2,401)	(982)
Other assets	(67,648)	(17,857)
Increase (decrease) in operating liabilities:		-
Compensation payable	1,322,649	(38,115)
Payable to affiliates	183,490	(89,356)
Distribution costs payable	376,001	(21,160)
Deferred taxes payable	-	(9,075)
Income tax payable	289,012	754
Accrued expenses and other liabilities	(125,802)	126,509
Net cash provided by (used in) operating activities	1,220,231	337,421
Cash Flows from Investing Activities		
Acquisition of KAMCO assets	(23,000,000)	-
Net cash used in investing activities	(23,000,000)	-
Cash Flows from Financing Activities		
Proceeds from issuance of preferred and common stock	7,500,065	-
Proceeds from issuance of long - term debt and warrants	5,000,000	-
Proceeds from reissuance of treasury stock	460,000	-
Dividends paid	(343,707)	(164,391)
Stock repurchase	(233,212)	(5,162)
Net cash provided by (used in) financing activities	12,383,146	(169,553)
Net decrease in cash and cash equivalents	(9,396,623)	167,868
Cash and cash equivalents:		
Beginning of year	13,270,301	10,255,698
End of period	$ 7,640,412	$ 12,467,126
Supplemental disclosures of cash flow information:		
Interest payments	$ 193,624	$ -
Federal and State income tax payments	$ 1,822,500	$ 1,095,000

The accompanying notes are an integral part of these financial statements

Teton Advisors, Inc.

Notes to Condensed Consolidated Financial Statements

September 30, 2017

A. Significant Accounting Policies

Basis of Presentation

Teton Advisors, Inc. ("Teton") was incorporated in Texas as Teton Advisors, LLC in December 1994. Teton currently serves as the investment adviser for the TETON Westwood Funds and separately managed accounts. On February 28, 2017, Teton acquired the assets of Keeley Asset Management Corp. ("KAMCO") in a newly formed, wholly-owned subsidiary, Keeley-Teton Advisors, LLC ("Keeley-Teton"). Keeley-Teton serves as the investment advisor for the KEELEY Funds and separately managed accounts. The acquisition expanded Teton's product suite to twelve mutual funds under the TETON Westwood and KEELEY Funds brands (collectively referred to herein as the "Funds"), along with various separately managed account strategies. Unless we have indicated otherwise, or the context otherwise requires, references in this report to "the Company," "we" or "us" collectively refer to Teton and Keeley-Teton.

The unaudited interim condensed consolidated financial statements of the Company included herein have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States for interim financial information. Accordingly, they do not include all the information and footnotes required by U.S. Generally Accepted Accounting Principles ("GAAP") for complete financial statements. In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of financial position, results of operations and cash flows of Teton for the interim periods presented and are not necessarily indicative of a full year's results. The interim condensed consolidated financial statements include the accounts of Teton and Keeley-Teton (beginning March 1, 2017). Intercompany accounts and transactions have been eliminated. Operating results for the three and nine month periods ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. Additionally, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in Teton's Annual Report for the year ended December 31, 2016.

The Company's capital structure consists of 1,700,000 shares authorized of Class A common stock with one vote per share, 800,000 shares authorized of Class B common stock with ten votes per share, and 80,000 shares authorized of Preferred Stock, including 75,000 shares authorized of Series A Preferred Stock with 0.1333 votes per share.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts in prior periods may have been reclassified to conform to the current period presentation.

Nature of Operations

Teton and Keeley-Teton are both SEC registered investment advisors under the Investment Advisers Act of 1940. Their principal market of operations is the United States.

Recent Accounting Developments

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-04 to simplify the process used to test for goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This new guidance will be effective for the Company's first quarter of 2020. The Company is currently evaluating the potential effect of this new guidance on its condensed consolidated financial statements and related disclosures.

B. Acquisition

On February 28, 2017, Teton, through Keeley-Teton, completed the acquisition of the assets of KAMCO, a privately held active asset management organization headquartered in Chicago, IL. The Company had combined AUM of $3.8 billion at March 31, 2017.

The transaction was accounted for as a business combination pursuant to ASC 805, Business Combinations. The purchase price was allocated to KAMCO's net tangible and intangible assets based upon their relative fair values as of February 28, 2017. The excess purchase price over the value of net tangible and identifiable intangible assets was recorded as goodwill. Goodwill represents the excess of the purchase price over the fair value of the underlying acquired tangible and intangible assets. The primary contributor to the recognition of goodwill was the acquired workforce.

The $23 million purchase price was allocated as follows: i) $7.4 million was attributed to a customer relationship intangible asset, which will be amortized over 9 years; ii) $12.6 million was attributed to an indefinite lived mutual fund management contract intangible asset; iii) $1.5 million was attributed to an indefinite lived trade name intangible asset; iv) $0.1 million was attributed to tangible fixed and prepaid assets; and v) the remaining $1.4 million was allocated to goodwill. These amounts were updated and finalized during the second quarter of 2017. In accordance with ASC 350, Intangibles – Goodwill and Other, goodwill and other intangible assets determined to have indefinite useful lives are not amortized. Instead, impairment tests will be conducted on our goodwill, management contract and trademarks annually, and when circumstances indicate that the carrying value may not be recoverable. If it is determined that an impairment exists, the carrying value will be reduced accordingly. There were no indicators of impairment for the three months ended September 30, 2017, and as such, there was no impairment analysis performed or charge recorded. For tax purposes, all intangible assets, including goodwill, will be amortized over 15 years.

In connection with this acquisition, Teton entered into separate financing agreements with John L. Keeley, Jr. Enterprises ("Keeley Enterprises") and with Teton's controlling shareholder, GGCP, Inc. ("GGCP"). Both financing agreements are discussed in detail below.

Transaction expenses totaled approximately $375,000.

The following unaudited pro forma financial information presents the consolidated results of the operations of Teton and the acquired business assets of KAMCO as if the acquisition had occurred as of January 1, 2016. It also includes the impact of discount amortization as well as the impact of the amortization of intangible assets acquired in the transaction, shown on a pro forma basis. The pro forma information has been included for comparative purposes and is not necessarily indicative of what the results of operations actually would have been had the acquisition been completed as of January 1, 2016. In addition, the unaudited pro forma financial information is not indicative of, nor does it purport to project, the future operating results of the Company.

	Unaudited Pro Forma - Nine Months Ended	
	September 30, 2017	September 30, 2016
Revenues	$ 25,300,000	$ 24,600,000
Income before interest, taxes, depreciation and amortizatic	$ 8,400,000	$ 7,700,000
Net income	$ 4,200,000	$ 4,000,000

C. Long-Term Debt and Warrants

On February 23, 2017, in connection with the acquisition of the business of KAMCO, Teton issued a $5,000,000 promissory note (the "GGCP Note") payable to its controlling shareholder, GGCP. The GGCP Note bears interest at 6% per annum, payable quarterly. The original principal amount has a maturity date of February 23, 2022. For the first two years of the loan, the Company is only obligated to pay interest. During the third through fifth years of the term of the loan, in addition to quarterly interest payments, the Company will make payments to amortize the principal of the loan on a straight line basis at a rate of $416,667 per quarter. The Company may prepay the loan at any time without penalty. In connection with the financing, the Company issued GGCP a warrant to purchase 100,000 shares of Teton Class A Common Stock at a purchase price of $0.01 per share. The term of the warrant is ten years, expiring on February 23, 2027, and may be exercised at any time in whole or in part. A discount of $2,258,712 was recorded against the stated value of the loan at the date of issuance. The discount was determined based upon the relative fair value allocation of the proceeds. The discount is amortized as interest expense over the term of the loan. Unamortized discount as of September 30, 2017 was $1,870,219. The interest expense related to the amortization of the debt discount for the three and nine month periods ended September 30, 2017 were $162,625 and $388,493, respectively. For the three and nine month periods ended September 30, 2017, the company incurred and paid cash interest of $75,000 and $179,167, respectively. As of September 30, 2017, no part of the warrant had been exercised.

D. Preferred Stock

On February 23, 2017, in connection with the acquisition of the business of KAMCO, Teton entered into a financing agreement with Keeley Enterprises, whereby Keeley Enterprises provided $7,500,000 million in financing in exchange for 75,000 shares of Teton Series A Preferred Stock ("Preferred Stock"), par value $100 per share, and 65,000 shares of Teton Class A Common Stock, par value $0.01 per share. The Preferred Stock, which is cumulative, has an annual dividend of 3% which is payable quarterly. Each share of Preferred Stock has voting rights equal to 0.1333 shares of Teton Class A Common Stock. The Preferred Stock includes a redemption feature whereby each share of Preferred Stock is redeemable for par value plus the then fair market value of 0.1333 shares of Teton's Class A Common Stock. As of September 30, 2017, the full redemption value was $7,895,000. The Preferred Stock is redeemable by the Company in whole or in part at any time, and may be redeemed by the holder at any time after February 23, 2019. The Preferred Stock is classified as mezzanine equity since the shares are redeemable at the option of the holder beginning February 23, 2019. A discount of $2,084,083 was recorded against the stated value of the Preferred Stock at the date of issuance. The discount was determined based upon the relative fair value allocation of the proceeds. The discount, along with accretion of the redemption premium, is being amortized to retained earnings over the two year term of the Preferred Stock to its full redemption value since the Preferred Stock is considered outstanding shares.

E. Related Party Transactions

The Company invests the majority of its cash equivalents in a U.S. Treasury money market mutual fund managed by Gabelli Funds, LLC. At September 30, 2017 and December 31, 2016, Teton had $7,138,354 and $13,169,468, respectively, in this money market fund.

The Company pays GAMCO marketing and administration fees based on the average net assets of the TETON Westwood Funds. Marketing and administration fees were $487,878 and $431,286 for the quarters-ended ended September 30, 2017 and September 30, 2016, respectively, and $1,420,318 and $1,257,881 for the nine month periods ended September 30, 2017 and September 30, 2016, respectively.

The Company pays GAMCO a fixed administrative and management services fee pursuant to a contractual agreement. The amounts paid were $12,500 and $75,000, for the quarters ended September 30, 2017 and September 30, 2016, respectively, and $110,417 and $225,000, for the nine month periods ended September 30, 2017 and September 30, 2016, respectively.

The Company pays GAMCO a sub-advisory fee at an annualized rate of between 0.32% and 0.35% of the average net assets of the TETON Westwood Mighty Mites Fund and the TETON Westwood Convertible Securities Fund. The sub-advisory fees were $1,024,339 and $0, for the quarters ended September 30, 2017 and September 30, 2016, respectively; and $2,321,065 and $0, for the nine month periods ended September 30, 2017 and September 30, 2016, respectively.

The Company paid GAMCO a reimbursement for compensation which amounted to $0 and $391,967 for the quarters ended September 30, 2017 and September 30, 2016, respectively, and $274,835 and $1,128,007 for the nine month periods ended September 30, 2017 and September 30, 2016, respectively.

At September 30, 2017 and December 31, 2016, the amounts payable to GAMCO for the services described above were $506,635 and $451,383, respectively. The amounts are included in the payable to affiliates on the Condensed Statement of Financial Condition.

Distribution costs include amounts paid to G.distributors for wholesaler and platform commissions, 3rd party distribution costs, certain expense reimbursements, and a fixed administrative services charge based on a contractual agreement with Keeley-Teton. The costs were $389,546 and $216,866 for the three-month periods ended September 30, 2017 and September 30, 2016, respectively, and $1,137,144 and $637,483 for the nine month periods ended September 30, 2017 and September 30, 2016, respectively.

At September 30, 2017 and December 31, 2016, the amounts payable to G.distributors for the items described above were $375,680 and $249,951, respectively. The amounts are included in the payable to affiliates on the Condensed Statement of Financial Condition. The Company's receivables and payables to affiliates are non-interest bearing and are receivable and payable on demand.

The Company made interest payments to GGCP of $75,000 and $179,167 during the three month and nine month periods ended September 30, 2017 in connection with the GGCP Note discussed above in Long-Term Debt and Warrants.

F. Earnings Per Share

The computations of basic and fully diluted net income per share are as follows:

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Basic:				
Net income	$ 1,520,839	$ 667,228	$ 3,766,734	$ 2,043,560
Less: Income attributable to Series A preferred stock	(56,750)	-	(136,625)	-
Income attributable to Teton Advisors, Inc.'s common shareholders	$ 1,464,089	$ 667,228	$ 3,630,109	$ 2,043,560
Weighted average shares outstanding	1,165,792	1,095,867	1,154,499	1,095,942
Basic net income per share attributable to Teton Advisors, Inc.'s common shareholders	$ 1.26	$ 0.61	$ 3.14	$ 1.86
Fully diluted:				
Net income	$ 1,520,839	$ 667,228	$ 3,766,734	$ 2,043,560
Less: Income attributable to Series A preferred stock	(56,750)	-	(136,625)	-
Income attributable to Teton Advisors, Inc.'s common shareholders	$ 1,464,089	$ 667,228	$ 3,630,109	$ 2,043,560
Weighted average share outstanding	1,165,792	1,095,867	1,154,499	1,095,942
Assumed exercise of warrants	99,974	-	80,560	-
Restricted stock awards	1,260	3,050	1,192	2,789
Total	1,267,026	1,098,917	1,236,251	1,098,731
Fully diluted net income per share attributable to Teton Advisors, Inc.'s common shareholders	$ 1.16	$ 0.61	$ 2.94	$ 1.86

G. 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.

H. Subsequent Events

On November 20, 2017, the Board of Directors declared its regular quarterly dividend of $0.05 per share to all common shareholders payable on January 15, 2018 to shareholders of record on December 16, 2017, and $0.75 per share on Series A Preferred Stock payable on January 15, 2018 to shareholders of record on November 23, 2017.

On October 17, 2017, Teton redeemed 15,000 shares of Series A Preferred Stock. The total redemption amount was $1,585,638, including the par value and related redemption premium, plus accrued dividends. After this redemption, 60,000 shares of Series A Preferred Stock remain outstanding.

MANAGEMENT'S DISCUSSION OF OPERATIONS

The following discussion should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and the notes thereto included in this report. The results below include the contribution associated with the KAMCO acquisition beginning March 1, 2017.

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 is directly influenced by the level of and changes in the overall equity markets, can also fluctuate through acquisitions, the creation of new products, and 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:

						% Δ From	
	9/16	12/16	3/17	6/17	9/17	9/16	6/17
Mutual Funds							
Equities	$ 1,215	$ 1,324	$ 2,743 *(a)*	$ 2,661	$ 2,774	128.3%	4.3%
Fixed Income	20	19	19	24	8	-59.0%	-65.8%
Separate accounts	256	37	1,012 *(b)*	999	802	213.3%	-19.7%
Total Assets Under Management	$ 1,491	$ 1,380	$ 3,774	$ 3,684	$ 3,585	140.4%	-2.7%
Average Assets Under Management	$ 1,423	$ 1,442	$ 2,220	$ 3,712	$ 3,602	153.2%	-3.0%

(a) Includes $1,410 from the acquisition of KAMCO on February 28, 2017
(b) Includes $982 from the acquisition of KAMCO on February 28, 2017

AUM was $3.59 billion at September 30, 2017, down from $3.68 billion at June 30, 2017. This decrease was primarily due to outflows of $409 million, partially off-set by inflows of $113 million and market appreciation of $197 million. This compares to the third quarter of 2016 outflows of $60 million, more than offset by inflows of $45 million and market appreciation of $86 million. Average AUM was $3.60 billion for the third quarter 2017, an increase of 145% from $1.47 billion in the third quarter 2016. This increase is primarily the result of the KAMCO acquisition.

Operating Results for the Three Months Ended September 30, 2017 as Compared to the Three Months Ended September 30, 2016

Revenues

Total revenues were $8,250,296 in the third quarter of 2017, an increase of 138.4% from the total revenues of $3,460,573 for the same period in the prior year. The change in total revenues by revenue component was as follows:

	For the Three Months ended September 30,		Increase (decrease)	
(unaudited)	**2017**	**2016**	**$**	**%**
Investment advisory fees-mutual funds	$ 6,647,542	$ 2,989,865	$ 3,657,677	122.3%
Investment advisory fees-separate accounts	1,527,582	412,454	1,115,128	270.4%
Distribution Fees and other income	75,172	58,254	16,918	29.0%
Total revenues	$ 8,250,296	$ 3,460,573	$ 4,789,723	138.4%

<u>Investment Advisory Fees</u>: Investment advisory fees are directly influenced by the level and mix of AUM. The Company 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 the Funds were $2.68 billion for the third quarter ended September 30, 2017 compared to $1.22 billion for the quarter ended September 30, 2016, an increase of 120%. This increase was primarily related to the acquisition of the KAMCO business.

Separate accounts include institutional and private client accounts, as well as fees associated with wrap fee products. Average billable AUM for separate accounts were $929.9 million for the period ended September 30, 2017 compared to $251.5 million for the period ended September 30, 2016. This increase was primarily related to the acquisition of the KAMCO business.

<u>Distribution Fees</u>: The Company earns a distribution fee on the Class C shares of Funds sold over the first twelve months after the sale. Distribution fees for the three months ended September 30, 2017 and 2016 were $58,505 and $43,444, respectively. Total sales of class C shares were $21.8 million for the trailing twelve months ending September 30, 2017 and $16.9 million for the trailing twelve months ending September 30, 2016.

Expenses

<u>Sub-advisory Fees</u>: The Company has currently retained a sub-adviser for four of the seven TETON Westwood Funds. All of the KEELEY funds are managed in-house. Sub-advisory fees, which range from 32% to 35% of the net investment advisory revenues of the sub-advised funds, are recognized as expenses as the related services are performed, were $1,096,728 for the third quarter of 2017, up $1,022,610 from $74,118 in the prior year period. This increase was primarily due to new sub-advisory agreements between the Company and GAMCO for the TETON Convertible Securities Fund commencing on February 1, 2017 and the TETON Westwood Mighty Mites Fund commencing on March 1, 2017. Effective September 1, 2017, the TETON Westwood Intermediate Bond Fund was brought in-house and is no longer sub-advised. Average AUM in sub-advised Funds was $1.41 billion for the third quarter of 2017, an increase of 847% from $148.4 million in the prior year period.

<u>Marketing and Administrative Fees</u>: Marketing and administrative fees, which are charges from GAMCO and paid by Teton for administration of certain activities performed by GAMCO for the TETON Westwood Funds on behalf of Teton, were $487,878 for the three months ended September 30, 2017, a 13.1% increase from $431,286 in the prior year period. Marketing and administrative fees are calculated on a tiered formula and are based on average AUM. Based on the tiered formula marketing and administrative fees were approximately 13.6 basis points of the average AUM of the TETON Westwood Funds for the third quarter 2017 versus 14.1 basis points of such average AUM for the third quarter 2016. As the AUM of the TETON Westwood Funds grows these fees will decline as a percentage of average AUM.

<u>Compensation</u>: Compensation costs, which include salaries and benefits, portfolio manager compensation and stock based compensation, were $2,410,394 for the third quarter of 2017, an increase of 87% from $1,289,240 in the prior year period. Fixed compensation costs, which include salary, bonus and benefits, were $2,298,299 for the third quarter of 2017, an increase of 618% from $320,183 in the prior year period. This increase was due to the KAMCO acquisition. Stock based compensation was $10,299 for the third quarter of 2017, a decrease of 51% from $21,051 for in the prior year period. The remainder of the compensation expenses represents variable compensation that fluctuates with net investment advisory revenues. For the third quarter of 2017, variable compensation was $101,796, a decrease of 89% from $948,006 the prior year period. This decline in variable portfolio manager compensation was primarily the result of the TETON Westwood Mighty Mites fund moving to a sub-advisory relationship effective March 1, 2017. Average AUM is the primary driver of investment advisory fees on which portfolio manager compensation is based.

<u>Distribution Costs and Expense Reimbursements</u>: Distribution, intermediary and shareholder service costs, which are primarily related to the sale of shares of the Funds, net of related reimbursements, were $774,191 for the third quarter of 2017, an increase of 185% from $271,609 in the prior year period. This increase is primarily attributable to the acquisition of KAMCO.

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 $529,951 during the third quarter of 2017, an increase of $349,980 from the prior year amount of $179,971. This increase was primarily related to the acquisition of the KAMCO business.

Expense reimbursements to the Funds were $244,241 for the third quarter of 2017, an increase of $152,603 from the prior year period amount of $91,638. This increase was primarily related to the acquisition of the KAMCO business.

Advanced Commissions: Advanced commission expense was $50,043 for the third quarter of 2017, an increase of $13,148 from $36,895 in the prior year period.

Other Operating Expenses: Other operating expenses, including those charged by GAMCO and incurred directly, were $501,036 for the third quarter of 2017, an increase of $202,703 from $298,333 in the prior year period. This increase is primarily due to the additional operating costs related to the KAMCO business.

Income Taxes

The effective tax rate was 38.3% for the quarter ended September 30, 2017, and 37.0% for the quarter ended September 30, 2016.

Net Income

Net income for the third quarter of 2017 was $1,520,839, or $1.16 per fully diluted share, versus $667,228, or $0.61 per fully diluted share, for the comparable period in 2016. These results include three months of operations from the assets acquired in the transaction with KAMCO, which closed on February 28, 2017. The third quarter 2017 contribution from the KAMCO acquisition was approximately $840,000, or $0.53 per fully diluted share.

Operating Results for the Nine Months Ended September 30, 2017 as Compared to the Nine Months Ended September 30, 2016

Revenues

Total revenues were $21,838,531 for the nine months ended September 30, 2017, $11,845,107 or 119% higher than the total revenues of $9,993,424 for the same period in the prior year. The change in total revenues by revenue component was as follows:

(unaudited)	For the Nine Months ended September 30, 2017	2016	Increase (decrease) $	%
Investment advisory fees - mutual funds	$ 17,767,552	$ 8,642,990	$ 9,124,562	105.6%
Investment advisory fees - separate accounts	3,857,636	1,176,288	2,681,348	227.9%
Distribution Fees and other income	213,343	174,146	39,197	22.5%
Total revenues	$ 21,838,531	$ 9,993,424	$ 11,845,107	118.5%

Investment Advisory Fees: Investment advisory fees are directly influenced by the level and mix of AUM. The Company 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 in the Funds were $2.34 billion for the period ended September 30, 2017 compared to $1.18 billion for the period ended September 30, 2016, an increase of 98%. The increase was primarily related to the acquisition of the KAMCO business.

Separate accounts include institutional, wrap and private client accounts. Average billable AUM for separate accounts was $771.8 million for the period ended September 30, 2017 compared to $238.3 million for the period ended September 30, 2016. This increase is primarily related to the acquisition of the KAMCO business.

Distribution Fees: The Company 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 2017 and 2016 were $158,062 and $137,728, respectively.

Expenses

Sub-advisory Fees: The Company has currently retained a sub-adviser for four of the seven TETON Westwood Funds. All of the KEELEY funds are managed in-house. Sub-advisory fees, which range from 32% to 35% of the net investment advisory revenues of the sub-advised funds, and are recognized as expenses as the related services are performed. Sub advisory fees were $2,544,803 for the nine months of 2017, up from $227,859 in the prior year period. This increase was primarily due to new sub-advisory agreements between the Company and GAMCO for the TETON Convertible Securities Fund commencing on February 1, 2017 and the TETON Westwood Mighty Mites Fund commencing on March 1, 2017. Effective September 1, 2017, the TETON Westwood Intermediate

Bond Fund was brought in-house and is no longer sub-advised. Average AUM in sub-advised Funds was $977.9 million in the nine months of 2017, 509% higher than the prior year period average of $160.7 million.

Marketing and Administrative Fees: Marketing and administrative fees, which are charges from GAMCO and paid by the Company for administration of certain activities performed by GAMCO for the TETON Westwood Funds on behalf of Teton, were $1,420,318 for the nine months ended September 30, 2017, a 12.9% increase from $1,257,881 in the prior year period.

Marketing and administrative fees are calculated on a tiered formula. Based on the tiered formula, marketing and administrative fees were approximately 13.5 basis points of the average AUM of the TETON Westwood Funds for the nine months of 2017, versus 14.2 basis points of the average AUM for the nine months of 2016. As the AUM of the TETON Westwood Funds grow these fees will decline as a percentage of average AUM.

Compensation: Compensation costs, which include salaries and benefits, portfolio manager compensation and stock based compensation, were $6,450,815 for the first nine months of 2017, an increase of $2,792,303 from $3,658,512 in the prior year period. Fixed compensation costs, which include salary, bonus and benefits, increased to $5,682,206 for the first nine months of 2017 from $909,066 in the prior year period. Stock based compensation was $14,642 for the nine months ended September 30, 2017, and $63,152 for the nine months ended September 30, 2016. 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 first nine months of 2017, variable compensation was $753,967, a decrease of $1,932,327 from the $2,686,294 reported in the prior year period. The decrease in variable portfolio manager compensation was primarily the result of the Teton Westwood Mighty Mites fund moving to a sub-advisory relationship effective March 1, 2017. Average AUM is the primary driver of investment advisory fees, on which portfolio manager compensation is based.

Distribution Costs and Expense Reimbursements: Distribution, intermediary and shareholder servicing costs, which are primarily related to the sale of shares of the Funds, net of related expense reimbursements, were $2,472,392 for the nine months ended September 30, 2017, an increase of $1,738,583 from $733,809 in the prior year period. This increase is primarily related to the acquisition of KAMCO.

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 $1,694,614 during the 2017 period, an increase of $1,169,577 from the prior year amount of $525,037. The increase was primarily related to the acquisition of the KAMCO business.

Expense reimbursements to the Funds were $777,778 for the first nine months of 2017, an increase of $569,005 from the prior year period amount of $208,773. The increase was primarily related to the acquisition of the KAMCO business.

Advanced Commissions: Advanced commission expense was $144,333, an increase of $31,886 from $112,447 in the prior year period.

Other Operating Expenses: Other operating expenses, including those charged by GAMCO and incurred directly, were $1,575,094 for the nine months ended September 30, 2017, an increase of $815,924 from $759,170 in the prior year. The increase was primarily related to the acquisition of the KAMCO business. This increase also includes $141,640 related to one-time acquisition and contract settlement costs.

Income Taxes

The effective tax rate was 38.8% for the nine months ended September 30, 2017, and 37.0% for the nine months ended September 30, 2016.

Net Income

Net income for the first nine months of 2017 was $3,766,734 or $2.94 per fully diluted share, versus $2,043,560 or $1.86 per fully diluted share for the 2016 period. These results include seven months of operations from the assets acquired in the transaction with KAMCO, which closed on February 28, 2017. The year-to-date contribution from the KAMCO acquisition was approximately $1,935,000, or $1.24 per fully diluted share.