

Condensed Financial Statements
Teton Advisors, Inc.
Quarterly Report for the Period Ended March 31, 2013

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

	Three months ended March 31,	
	2013	2012
Revenues		
Investment advisory fees-mutual funds	\$ 2,054,442	\$ 2,028,197
Investment advisory fees-separate accounts	739,330	46,320
Distribution fees	52,164	127,002
Other income	317	-
Total revenues	<u>2,846,253</u>	<u>2,201,519</u>
Expenses		
Compensation	1,105,820	641,681
Marketing and administrative fees	329,987	326,184
Distribution costs and expense reimbursements	262,784	154,033
Advanced commissions	46,301	83,904
Sub-advisory fees	94,375	113,753
Other operating expenses	146,743	119,315
Total expenses	<u>1,986,010</u>	<u>1,438,870</u>
Income before income taxes	860,243	762,649
Income taxes	322,496	287,524
Net income	<u>\$ 537,747</u>	<u>\$ 475,125</u>
Net income per share:		
Basic	<u>\$ 0.49</u>	<u>\$ 0.42</u>
Diluted	<u>\$ 0.49</u>	<u>\$ 0.38</u>
Weighted average shares outstanding:		
Basic	<u>1,104,242</u>	<u>1,121,649</u>
Diluted	<u>1,104,242</u>	<u>1,244,603</u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Financial Condition

	March 31,	December 31,
	2013	2012
ASSETS	(Unaudited)	(Audited)
Cash and cash equivalents	\$ 732,528	\$ 267,670
Investment advisory fees receivable	1,409,740	1,154,933
Deferred tax, net	10,928	6,343
Receivable from affiliates	17,899	17,231
Contingent deferred sales commission	118,885	77,409
Other assets (net of accumulated depreciation of \$15,508 and \$14,037, respectively)	87,352	83,045
Total assets	2,377,332	1,606,631
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payable to affiliates	542,481	712,765
Deferred taxes, net	50,392	34,648
Income tax payable	283,579	37,444
Compensation payable	170,393	100,251
Distribution costs payable	125,424	120,091
Accrued expenses and other liabilities	223,403	157,519
Total liabilities	1,395,672	1,162,718
Stockholders' equity:		
Class A Common stock, \$0.001 par value; 1,200,000 shares authorized; 970,080 and 970,036 shares issued, respectively; 770,080 and 770,036 shares outstanding, respectively	971	971
Class B Common stock, \$0.001 par value; 800,000 shares authorized; 792,000 shares issued; 334,162 and 334,206 shares outstanding, respectively	342	342
Additional paid-in capital	588,899	588,899
Treasury stock, at cost (200,000 shares class A shares and 8,000 class B shares)	(1,908,120)	(1,908,120)
Retained earnings	2,299,568	1,761,821
Total stockholders' equity	981,660	443,913
Total liabilities and stockholders' equity	\$ 2,377,332	\$ 1,606,631

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Stockholders' Equity

(Unaudited)

For the Three Months Ended March 31, 2013

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
Balance at December 31, 2012	\$ 971	\$ 342	\$ 588,899	\$ (1,908,120)	\$ 1,761,821	\$ 443,913
Net income	-	-	-	-	537,747	537,747
Balance at March 31, 2013	<u>\$ 971</u>	<u>\$ 342</u>	<u>\$ 588,899</u>	<u>\$ (1,908,120)</u>	<u>\$ 2,299,568</u>	<u>\$ 981,660</u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Cash Flows

(Unaudited)

	Three months ended March 31,	
	2013	2012
Operating activities		
Net income	\$ 537,747	\$ 475,125
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,471	1,154
Deferred income tax	(4,585)	(165,125)
Amortization of deferred sales commission	46,301	83,904
Stock based compensation expense	-	23,161
(Increase) decrease in operating assets:		
Investment advisory fees receivable	(254,807)	(32,361)
Receivable from affiliates	(668)	(21,874)
Contingent deferred sales commission	(87,777)	(48,448)
Other assets	(5,778)	38,416
Increase (decrease) in operating liabilities:		
Payable to affiliates	(170,284)	59,818
Income tax payable	246,135	(437,571)
Deferred tax liability	15,744	145,040
Compensation payable	70,142	10,831
Distribution costs payable	5,333	5,298
Accrued expenses and other liabilities	65,884	(13,531)
Total adjustments	(72,889)	(351,288)
Net cash provided by operating activities	464,858	123,837
Financing activities		
Dividends paid	-	(785,154)
Net cash used in financing activities	-	(785,154)
Net increase (decrease) in cash and cash equivalents	464,858	(661,317)
Cash and cash equivalents at beginning of year	267,670	2,715,895
Cash and cash equivalents at end of the period	\$ 732,528	\$ 2,054,578
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 48,986	\$ 721,401

See accompanying notes.

Teton Advisors, Inc.

Notes to Condensed Financial Statements

March 31, 2013

A. Significant Accounting Policies

Basis of Presentation

Teton Advisors, Inc. (“Teton” or the “Company”) was formed in Texas as Teton Advisors LLC in December 1994. On March 2, 1998, Teton Advisors LLC was renamed Gabelli Advisors LLC and, on the same date, merged into Gabelli Advisors, Inc., a Delaware corporation. On January 25, 2008, Gabelli Advisors, Inc. was renamed Teton Advisors, Inc. Prior to the March 20, 2009 spin-off, the Company was a 42%-owned subsidiary of GAMCO Investors, Inc. (“GAMCO”). The Company serves as the investment adviser for the GAMCO Westwood Funds (“Funds”, individually “Fund”). 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. At the date of incorporation, 200,000 shares of the Class A shares were issued to Westwood Management Corporation (“WMC”) and 800,000 shares of Class B shares were issued to GAMCO and its affiliates. In addition, certain shareholders exercised warrants to purchase 59,394 shares of the Class A common stock for \$5 per share on December 31, 2001.

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.

Teton Advisors, Inc.

Notes to Condensed Financial Statements (continued)

A. Significant Accounting Policies (continued)

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, 2012. 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 month period ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

B. Related Party Transactions

Teton has invested all of its cash equivalents in a money market mutual fund managed by Gabelli Funds, LLC, an affiliate. At March 31, 2013 and December 31, 2012, Teton had \$730,604 and \$266,747, respectively, in this money market fund and earned \$37 and \$0 for the three month periods ended March 31, 2013 and March 31, 2012, respectively, which are included in other income.

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 \$329,987 and \$326,184 for the three month periods ended March 31, 2013 and March 31, 2012, respectively. Teton also paid GAMCO reimbursement for compensation, which amounted to \$242,920 and \$235,929 for the three month periods ended March 31, 2013 and 2012, respectively.

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Notes to Condensed Financial Statements (continued)

B. Related Party Transactions (continued)

Teton pays Westwood Management Corp a sub-advisory fee of 35% of net revenues of Funds for which Westwood acts as the sub-advisor. The percentage of net revenues is defined as advisory fees less 20 basis points for administrative fees, after certain expenses are paid by Teton to the Funds. The fees amounted to \$94,375 and \$113,753 for the three month periods ended March 31, 2013 and March 31, 2012, respectively. Westwood Management Corporation is a wholly owned subsidiary of Westwood Holdings Group at March 31, 2013.

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 \$2,054,442 and \$2,028,197 for the three month periods ended March 31, 2013 and March 31, 2012, respectively. Advisory fees receivable from the Funds were \$719,071 and \$630,765 at March 31, 2013 and December 31, 2012, respectively.

Teton's receivables and payables to affiliates at March 31, 2013 and December 31, 2012 are non-interest bearing and are receivable and payable on demand. At March 31, 2013 and December 31, 2012, the amount payable to GAMCO was \$309,363 and \$306,861, respectively, and the amount payable to Westwood Management Corporation was \$32,217 and \$32,310, 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.

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MANAGEMENT'S DISCUSSION OF OPERATIONS

The following discussion should be read in conjunction with the condensed financial statements and the notes thereto.

Operating Results for the Quarter Ended March 31, 2013 as Compared to the Quarter Ended March 31, 2012

Revenues

Total revenues were \$2,846,253 in the first quarter of 2013, \$644,734 or 29.3% higher than the total revenues of were \$2,201,519 in the first quarter of 2012. The change in total revenues by revenue component was as follows:

(unaudited)	For the Three Months ended March 31,		Increase (decrease)	
	2013	2012	\$	%
Investment advisory fees-mutual funds	\$ 2,054,442	\$ 2,028,197	\$ 26,245	1.3%
Investment advisory fees-separate accounts	739,330	46,320	\$ 693,010	n/m
Distribution Fees	52,164	127,002	(74,838)	-58.9%
Other income	317	-	317	n/m
Total revenues	<u>\$ 2,846,253</u>	<u>\$ 2,201,519</u>	<u>\$ 644,734</u>	29.3%

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 AUM in the Funds and the average month-end AUM during the quarter for the separate account. Investment advisory fees for mutual funds were \$2,054,442 for the period ended March 31, 2013 compared to \$2,028,197 for the period ended March 31, 2012, an increase of \$26,245 or 1.3%.

Investment advisory fees for separate accounts were \$739,330 for the period ended March 31, 2013 compared to \$46,320 for the period ended March 31, 2012, this increase was primarily due to the addition of a new separate account that started on October 15, 2012 with an initial portfolio of \$400 million.

AUM increased to \$1.4 billion at March 31, 2013 from \$1.3 billion at December 31, 2012. This increase was due to market appreciation of \$144 million and inflows of \$75 million, offset partially by outflows of \$53 million. Average AUM were \$1.4 billion for the first quarter 2013, an increase of \$504 million from \$888 million in the first quarter 2012.

AUM increased to \$894.8 million at March 31, 2012 from \$845.5 million at December 31, 2011. This increase was due to market appreciation of \$79.1 million and inflows of \$77.0 million, offset partially by outflows of \$106.8 million.

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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 first quarter of 2013 and 2012 were \$52,164 and \$127,002, respectively.

Other income: Other income in 2013 was a combination of interest earned on available cash balances and a tax refund.

Expenses

Sub-advisory Fees: Teton has currently retained a sub-adviser for three of its six 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 \$94,375 for the first quarter of 2013, down from \$113,753 in the comparable prior year period. This decrease was primarily due to a 14.8% decline in investment advisory revenue from the three sub-advised Funds. Average AUM in the three sub-advised Funds, the key driver to investment advisory revenue, was \$186.8 million in the first quarter of 2013, 12.1% lower than the prior year period average of \$212.5 million.

Administrative Fees: Administrative expenses, which are charges from GAMCO and paid by Teton for administration of the mutual fund activities performed by GAMCO on behalf of Teton, were \$329,987 for the three months ended March 31, 2013, a 1.2% increase from \$326,184 in the comparable prior year period. Administrative are calculated on a tiered formula. Based on the tiered formula administration fees were approximately 15.2 basis points of the average Funds AUM for the first quarter 2013 versus 15.3 basis points of the average Funds AUM for the first quarter 2012. As Funds AUM grow these fees will decline as a percentage of the average Funds AUM.

Compensation: Compensation costs, which include salaries and benefits, portfolio manager compensation and stock based compensation was \$1,105,820 for the first quarter of 2013, a \$464,139 increase from \$641,681 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, increased to \$211,102 for the first quarter of 2013 from \$171,303 in the prior year period. There was no stock based compensation for the three months ended March 31, 2013, a decrease from the \$23,161 for the three months ended March 31, 2012. 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 2013 period, portfolio manager compensation was \$894,718, ahead of the \$447,217 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 \$262,784 for the first quarter of 2013, an increase of \$108,751 from \$154,033 in the prior year period.

Distribution costs are broken down into two categories, payments made to third party distributors for Funds sold through them, including their no transaction fee programs, and, prior to August 1, 2011, expenses either paid to or reimbursed from Gabelli & Co. for distribution of the Funds. Expenses paid to third party distributors, including wholesale payouts, were \$216,806 during the 2013 period, an increase of \$108,944 from the prior year amount of \$107,862. The distribution arrangement required Teton to reimburse Gabelli & Co. for any distribution costs incurred in excess of distribution revenues earned on a Fund-by-Fund basis. Conversely, if the distribution revenues exceeded the costs, such excess was reimbursed to Teton on a Fund-by-Fund basis. For the three months ended March 31, 2013 and March 31, 2012, Gabelli & Company reimbursed Teton \$0 and \$239, respectively.

Expense reimbursements to the Funds were \$45,978 for the first quarter of 2013, a decrease of \$432 from the prior year period amount of \$46,410.

Advanced Commissions: Advanced commission expense decreased \$37,603 to \$46,301 in the first quarter of 2013 from \$83,904 in the 2012 period.

Other: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$146,743 for the first quarter of 2013, an increase of \$27,428 from the year ago amount of \$119,315

Income Taxes

The effective tax rate was 37.5% for the quarter ended March 31, 2013 versus 37.7% for the quarter ended March, 2012.

Net Income

Net income for the first quarter of 2013 was \$537,747 or \$0.49 per fully diluted share versus \$475,125 or \$0.38 per fully diluted share for the 2012 period.