

Condensed Financial Statements
Teton Advisors, Inc.
Quarterly Report for the Period Ended June 30, 2013

Teton Advisors, Inc.

Condensed Financial Statements

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

	Three months ended June 30,	
	2013	2012
Revenues		
Investment advisory fees-mutual funds	\$ 2,338,265	\$ 1,911,797
Investment advisory fees-separate accounts	772,591	49,631
Distribution fees and other income	70,802	57,869
Total revenues	<u>3,181,658</u>	<u>2,019,297</u>
Expenses		
Compensation	1,202,114	591,661
Marketing and administrative fees	369,829	327,404
Distribution costs and expense reimbursements	345,502	223,072
Advanced commissions	65,181	52,749
Sub-advisory fees	93,569	101,304
Other operating expenses	199,913	151,985
Total expenses	<u>2,276,108</u>	<u>1,448,175</u>
Income before income taxes	905,550	571,122
Income taxes	341,044	215,313
Net income	<u>\$ 564,506</u>	<u>\$ 355,809</u>
Net income per share:		
Basic	<u>\$ 0.51</u>	<u>\$ 0.34</u>
Diluted	<u>\$ 0.51</u>	<u>\$ 0.31</u>
Weighted average shares outstanding:		
Basic	<u>1,104,242</u>	<u>1,042,528</u>
Diluted	<u>1,104,242</u>	<u>1,166,545</u>

See accompanying notes.

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

	Six months ended June 30,	
	2013	2012
Revenues		
Investment advisory fees-mutual funds	\$ 4,392,707	\$ 3,939,994
Investment advisory fees-separate accounts	1,511,921	95,951
Distribution fees and other income	123,283	184,871
Total revenues	<u>6,027,911</u>	<u>4,220,816</u>
Expenses		
Compensation	2,307,934	1,233,342
Marketing and administrative fees	699,816	653,588
Distribution costs and expense reimbursements	608,286	377,105
Advanced commissions	111,482	136,653
Sub-advisory fees	187,944	215,057
Other operating expenses	346,656	271,300
Total expenses	<u>4,262,118</u>	<u>2,887,045</u>
Income before income taxes	1,765,793	1,333,771
Income taxes	663,540	502,837
Net income	<u>\$ 1,102,253</u>	<u>\$ 830,934</u>
Net income per share:		
Basic	<u>\$ 1.00</u>	<u>\$ 0.77</u>
Diluted	<u>\$ 1.00</u>	<u>\$ 0.69</u>
Weighted average shares outstanding:		
Basic	<u>1,104,242</u>	<u>1,082,089</u>
Diluted	<u>1,104,242</u>	<u>1,205,574</u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Financial Condition

	June 30, 2013	December 31, 2012
	(Unaudited)	(Audited)
ASSETS		
Cash and cash equivalents	\$ 972,986	\$ 267,670
Investment advisory fees receivable	1,510,694	1,154,933
Investment in securities	1,946	-
Deferred taxes, net	-	6,343
Receivable from affiliates	28,365	17,231
Contingent deferred sales commission	201,090	77,409
Other assets (net of accumulated depreciation of \$16,979 and \$14,037, respectively)	58,232	83,045
Total assets	<u>2,773,313</u>	<u>1,606,631</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payable to affiliates	543,263	712,765
Deferred taxes, net	57,592	34,648
Income tax payable	13,009	37,444
Compensation payable	230,108	100,251
Distribution costs payable	141,313	120,091
Accrued expenses and other liabilities	241,862	157,519
Total liabilities	<u>1,227,147</u>	<u>1,162,718</u>
Stockholders' equity:		
Class A Common stock, \$0.001 par value; 1,200,000 shares authorized; 970,407 and 970,036 shares issued, respectively; 770,407 and 770,036 shares outstanding, respectively	971	971
Class B Common stock, \$0.001 par value; 800,000 shares authorized; 792,000 shares issued; 333,835 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	2,864,074	1,761,821
Total stockholders' equity	<u>1,546,166</u>	<u>443,913</u>
Total liabilities and stockholders' equity	<u>\$ 2,773,313</u>	<u>\$ 1,606,631</u>

See accompanying notes.

Teton Advisors, Inc.
Condensed Statements of Stockholders' Equity
(Unaudited)
For the Six Months Ended June 30, 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	-	-	-	-	1,102,253	1,102,253
Balance at June 30, 2013	<u>\$ 971</u>	<u>\$ 342</u>	<u>\$ 588,899</u>	<u>\$ (1,908,120)</u>	<u>\$ 2,864,074</u>	<u>\$ 1,546,166</u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Cash Flows

(Unaudited)

	Six months ended June 30,	
	2013	2012
Operating activities		
Net income	\$ 1,102,253	\$ 830,934
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,942	2,330
Deferred income tax	6,343	9,380
Amortization of deferred sales commission	111,482	136,653
Stock based compensation expense	-	46,322
(Increase) decrease in operating assets:		
Investment advisory fees receivable	(355,761)	56,352
Investment in securities	(1,946)	-
Income tax receivable	-	(113,580)
Receivable from affiliates	(11,134)	17,164
Contingent deferred sales commission	(235,163)	(90,937)
Other assets	21,871	62,496
Increase (decrease) in operating liabilities:		
Payable to affiliates	(169,502)	2,915
Deferred tax liability	22,944	(673,925)
Income tax payable	(24,435)	(37,419)
Compensation payable	129,857	21,737
Distribution costs payable	21,222	18,607
Accrued expenses and other liabilities	84,343	(43,442)
Total adjustments	<u>(396,937)</u>	<u>(585,347)</u>
Net cash provided by operating activities	705,316	245,587
Financing activities		
Stock repurchased	-	(950,000)
Dividends paid	-	(785,154)
Net cash used in financing activities	<u>-</u>	<u>(1,735,154)</u>
Net increase (decrease) in cash and cash equivalents	705,316	(1,489,567)
Cash and cash equivalents at beginning of year	267,670	2,715,895
Cash and cash equivalents at end of the period	<u>\$ 972,986</u>	<u>\$ 1,226,328</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 619,386</u>	<u>\$ 1,294,601</u>

See accompanying notes.

Teton Advisors, Inc.

Notes to Condensed Financial Statements

June 30, 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 TETON 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.

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.

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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 and six month periods ended June 30, 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 June 30, 2013 and December 31, 2012, Teton had \$972,063 and \$266,747, respectively, in this money market fund and earned \$36 and \$56 for the three month periods ended June 30, 2013 and June 30, 2012, respectively, and \$73 and \$56 for the six month periods ended June 30, 2013 and 2012, respectively, which are included in distribution fees and 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 \$369,829 and \$327,404 for the three month periods ended June 30, 2013 and

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Notes to Condensed Financial Statements (continued)

B. Related Party Transactions (continued)

June 30, 2012, respectively, and \$699,816 and \$653,588 for the six month periods ended June 30, 2013, and June 30, 2012, respectively. Teton also paid GAMCO reimbursement for compensation, which amounted to \$280,241 and \$215,046 for the three month periods ended June 30, 2013 and June 30, 2012, respectively, and \$523,161 and \$450,975 for the six month periods ended June 30, 2013 and June 30, 2012, respectively.

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 \$93,569 and \$101,304 for the three month periods ended June 30, 2013 and June 30, 2012, respectively, and \$187,944 and \$215,057 for the six month periods ended June 30, 2013 and June 30, 2012, respectively. Westwood Management Corporation is a wholly owned subsidiary of Westwood Holdings Group at June 30, 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 \$2,338,265 and \$1,911,797 for the three month periods ended June 30, 2013 and June 30, 2012, respectively, and \$4,392,707 and \$3,939,994 for the six month periods ended June 30, 2013 and June 30, 2012, respectively. Advisory fees receivable from the Funds were \$792,281 and \$630,765 at June 30, 2013 and December 31, 2012, respectively.

Teton's receivables and payables to affiliates at June 30, 2013 and December 31, 2012 are non-interest bearing and are receivable and payable on demand. At June 30, 2013 and December 31, 2012, the amount payable to GAMCO was \$356,151 and \$306,861, respectively, and the amount payable to Westwood Management Corporation was \$30,225 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.

Teton Advisors, Inc.

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 June 30, 2013 as Compared to the Quarter Ended June 30, 2012

Revenues

Total revenues were \$3,181,658 in the second quarter of 2013, \$1,162,361 or 57.6% higher than the total revenues of \$2,019,297 in the second quarter of 2012. The change in total revenues by revenue component was as follows:

(unaudited)	For the Three Months ended June 30,		Increase (decrease)	
	2013	2012	\$	%
Investment advisory fees-mutual funds	\$ 2,338,265	\$ 1,911,797	\$ 426,468	22.3%
Investment advisory fees-separate accounts	772,591	49,631	\$ 722,960	n/m
Distribution Fees and other income	70,802	57,869	12,933	22.3%
Total revenues	\$ 3,181,658	\$ 2,019,297	\$ 1,162,361	57.6%

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 \$2,338,265 for the period ended June 30, 2013 compared to \$1,911,797 for the period ended June 30, 2012, an increase of \$426,468 or 22.3%.

Investment advisory fees for separate accounts were \$772,591 for the period ended June 30, 2013 compared to \$49,631 for the period ended June 30, 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 \$1.5 billion at June 30, 2013 from \$1.4 billion at March 31, 2013. This increase was due to inflows of \$113 million and market appreciation of \$51 million, partially offset by outflows of \$49 million. Average AUM were \$1.5 billion for the second quarter 2013, an increase of 76.5% from \$839.9 million in the second quarter 2012.

AUM decreased to \$836.4 million at June 30, 2012 from \$894.8 million at March 31, 2012. This decrease was due to outflows of \$68.3 million and market depreciation of \$32.2 million, partially offset by inflows of \$42.1 million.

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Distribution fees and other income: 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 second quarter of 2013 and 2012 were \$70,766 and \$57,813, respectively. Other income principally represents interest earned on available cash balances.

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 \$93,569 for the second quarter of 2013, decreasing from \$101,304 in the comparable prior year period. This decrease was primarily due to a 6% 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 \$185.3 million for the second quarter of 2013, 5.1% lower than the prior year period average of \$195.2 million.

Administrative Fees: Administrative expenses, which are charges from GAMCO and paid by Teton for administration of the Fund activities performed by GAMCO on behalf of Teton, were \$369,829 for the three months ended June 30, 2013, a 13% increase from \$327,404 in the comparable prior year period. Administrative are calculated on a tiered formula. Based on the tiered formula administration fees were approximately 15.0 basis points of the average Funds AUM for the second quarter 2013 versus 15.6 basis points of the average Funds AUM for the second quarter 2012. As Funds AUM grow these fees will decline as a percentage of the average Funds AUM.

Compensation: Compensation costs, which include stock based compensation and salaries and portfolio manager compensation, was \$1,202,114 for the second quarter of 2013, an increase from \$591,661 in the year ago period. There was no stock based compensation for the second quarter of 2013, a decrease of \$23,161 from the second quarter of 2012. Fixed compensation costs increased to \$197,214 for the second quarter of 2013 from \$163,411 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 2013 period, portfolio manager compensation was \$1,004,900 an increase of \$599,811 from the \$405,089 in the prior year period. Average AUM is the primary driver of investment advisory fees, on which portfolio manager compensation is based.

Teton Advisors, Inc.

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 \$345,502 for the second quarter of 2013, an increase of \$122,430 from \$223,072 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 \$294,710 during the 2013 period, an increase of \$122,618 from the prior year amount of \$172,092. 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 June 30, 2013 and June 30, 2012, Gabelli & Company reimbursed Teton \$0 and \$258, respectively.

Expense reimbursements to the Funds were \$50,792 for the second quarter of 2013, a decrease of \$446 from the prior year period amount of \$51,238.

Other: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$199,913 for the second quarter of 2013, an increase of \$47,929 from the year ago amount of \$151,985.

Income Taxes

The effective tax rate was 37.7% for both the quarter ended June 30, 2013 and the quarter ended June 30, 2012.

Net Income

Net income for the second quarter of 2013 was \$564,506 or \$0.51 per fully diluted share versus \$355,809 or \$0.31 per fully diluted share for the 2012 period.

Teton Advisors, Inc.

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 Six Months Ended June 30, 2013 as Compared to the Six Months Ended June 30, 2012

Revenues

Total revenues were \$6,027,911 for the six months ended June 30, 2013, \$1,807,095 or 42.8% higher than the total revenues of \$4,220,816 for the six months ended June 30, 2012. The change in total revenues by revenue component was as follows:

(unaudited)	For the Six Months ended June 30,		Increase (decrease)	
	2013	2012	\$	%
Investment advisory fees-mutual funds	\$ 4,392,707	\$ 3,939,994	\$ 452,713	11.5%
Investment advisory fees-separate accounts	1,511,921	95,951	\$ 1,415,970	n/m
Distribution Fees and other income	123,283	184,871	(61,588)	-33.3%
Total revenues	<u>\$ 6,027,911</u>	<u>\$ 4,220,816</u>	<u>\$ 1,807,095</u>	42.8%

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 accounts. Investment advisory fees for mutual funds were \$4,392,707 for the Period Ended June 30, 2013 compared to \$3,939,994 for the period ended June 30, 2012, an increase of \$452,713, or 11.5%.

Investment advisory fees for separate accounts were \$1,511,921 for the period ended June 30, 2013 compared to \$95,951 for the period ended June 30, 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 \$1.5 billion as of June 30, 2013, 84% higher than June 30, 2012 AUM of \$836.4 million and 8% higher than March 31, 2013 AUM of \$1.4 billion. Average AUM were \$1.4 billion for the first half of 2013, compared to \$864.2 in the first half of 2012.

AUM was \$1.5 billion at June 30, 2013 \$281 million above the AUM level of \$1.2 billion at December 31, 2012. This increase was due to market appreciation of \$196 million and inflows of \$188 million, partially offset by outflows of \$103 million.

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AUM was \$836.4 million at June 30, 2012 \$9.1 million below the AUM level of \$845.5 million at December 31, 2011. This decrease was due to market appreciation of \$47.0 million and inflows of \$119.0 million, more than partially offset by outflows of \$175.1 million.

Distribution fees and other income: 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 2013 and 2012 were \$122,930 and \$184,815, respectively. Other income principally consists of interest earned on available cash balances.

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 \$187,944 for the first half of 2013, down from \$215,057 in the comparable prior year period. This decrease was primarily due to a 10.6% 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 \$186.0 million in the first half of 2013, 8.8% lower than the prior year period average of \$203.9 million.

Administrative Fees: Administrative expenses, which are charges from GAMCO and paid by Teton for administration of the Fund activities performed by GAMCO on behalf of Teton, were \$699,816 for the six months ended June 30, 2013, a 7.1% increase from \$653,588 in the comparable prior year period. Administrative are calculated on a tiered formula. Based on the tiered formula administration fees were approximately 15.0 basis points of the average Funds AUM for the second quarter 2013 versus 15.7 basis points of the average Funds AUM for the second quarter 2012. As Funds AUM grow these fees will decline as a percentage of the average Funds AUM.

Compensation: Compensation costs, which include stock based compensation and salaries and portfolio manager compensation, was \$2,307,934 for the six months ended June 30, 2013, an increase from \$1,233,342 in the year ago period. There was no stock based compensation the first half of 2013 a decrease of \$46,322. Fixed compensation costs increased to \$408,316 for the first half of 2013 from \$334,715 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 2013 period, portfolio manager compensation was \$1,899,618, an increase of \$1,047,313 from the \$852,305 in the prior year period. Average AUM is the primary driver of investment advisory fees, on which portfolio manager compensation is based.

Teton Advisors, Inc.

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 \$608,286 for the six months ended June 30, 2013, decreasing \$231,181 from \$377,105 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 expenses either paid to or reimbursed from Gabelli & Company for distribution of the Funds. Expenses paid to third parties were \$511,516 during the 2013 period, an increase of \$231,563 from the prior year amount of \$279,953. 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 six months ended June 30, 2013 and June 30, 2012, Gabelli & Company reimbursed Teton \$0 and \$497, respectively.

Expense reimbursements to the Funds were \$96,770 for the first half of 2013, a decrease of \$879 from the prior year period amount of \$97,649.

Other: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$346,656 for the six months ended June 30, 2013, an increase of \$75,356 from the year ago amount of \$271,300.

Income Taxes

The effective tax rate was 37.6% for the six months ended June 30, 2013, versus 37.7% for the six months ended June 30, 2012.

Net Income

Net income for the first half of 2013 was \$1,102,253 or \$1.00 per fully diluted share versus \$830,934 or \$0.69 per fully diluted share for the 2012 period.