October 18, 2010

Interim Letter to Shareholders

Dear Shareholders:

When Teton Advisors, Inc. (PINK SHEETS:TETAA) was spun off from GAMCO Investors, Inc. (NYSE:GBL) on March 20, 2009, the world was engulfed in the worst financial and economic crisis since the 1930s. At that time, our assets under management AUM were $374 million. As of September 30, 2010 our six GAMCO Westwood Mutual Funds and separate account assets grew to $667 million, mainly attributable to inflows into our micro cap and small cap equity investment strategies. The growth in AUM since the spinoff is as follows: March 2009: $386 million; December 2009: $561 million; June 2010: $580 million; September 2010: $667 million.

While investment performance and client service remain our highest priority at Teton Advisors, we will continue to build out our asset management platform by broadening retail distribution of our mutual funds, combined with a focused effort to attract endowment, defined contribution, institutional, sovereign wealth and sub advisory mandates. Moreover, we are also engaged in seeking out strategic partnerships and mutual fund adoptions similar to the merger on March 27, 2009 of the Bjurman, Barry Micro-Cap Growth Fund into our GAMCO Westwood Mighty Mites℠ Fund (WEMMX). To broaden our mutual fund distribution into the broker dealer channel, we recently forged a third party marketing agreement with TS Capital, LLC. This will supplement our wholesaler marketing effort with Gabelli and Company. Needless to say, building an asset manager in the current environment is not without significant challenges. However, our unique capability in the small and micro cap equities asset class should afford us the opportunity for continued growth amidst the ever challenging investment landscape. Our family of six GAMCO Westwood Mutual Funds (WEMMX; WESCX; WESRX; WESWX; WEBAX; WEIBX) have compiled solid long term investment results and stand to attract significant inflows as retail investors shift their preference back to equities from bonds.

Thanks to a boost from massive global fiscal and monetary stimulus, the U.S. economy has emerged from the crisis only to face the headwinds of sluggish economic growth, high unemployment and the specter of deflation. The challenge for policy makers will be to do whatever is required to avoid deflation. At its late September meeting, the Federal Reserve's Federal Open Market Committee (FOMC) opened the door to further quantitative easing by changing its policy statement. The FOMC said that it "is prepared to provide additional accommodation if needed to support the economic recovery." Fed officials are considering using the Federal Reserve's balance sheet to drive down interest rates and stimulate an economy not growing fast enough to reduce unemployment. This follows a deceleration in GDP to an annualized pace of 1.6% in the second quarter of 2010.

The implications of this policy shift are generally positive for equities. A very accommodative monetary policy has historically been benign for equities and has presaged economic recovery. Given recent data on housing, corporate earnings and the economy, fears of a double dip recession appear overblown. As a result of the market pullback, most pronounced in May and August, stocks are at decade low valuations, affording investors the opportunity to achieve outsized risk adjusted returns over the next three to five year period. U.S. stock prices are attractive relative to alternatives like corporate bonds and U.S. Treasuries. The Standard & Poor's 500 Index (S&P 500) trades at 11.5x year ahead earnings expectations and at 14x current earnings. The S&P 500 has an earnings yield of 7.7% against corporate bond yields of 5.45% and Treasury yield below 3%.

Small capitalization equities are especially attractive given inefficiencies created in the most recent market downturn. The wave of merger activity sweeping the financial services industry over the past two years has resulted in significantly reduced research coverage for small to midsized companies. The reduced coverage has led to mispricings in valuations exacerbated by the stock market decline and economic slowdown. Not surprisingly, these cheap prices are attracting the attention of both strategic and financial buyers, as witnessed by the recent accelerating trend of corporate takeovers. The September quarter was the busiest in two years, with $563 billion of announced transactions. During the quarter, five of our small cap portfolio holdings held in the GAMCO Westwood SmallCap Equity Fund (WESCX) were acquired at attractive premiums and thirteen of our companies held in the GAMCO Westwood Mighty Mites℠ Fund (WEMMX) have been acquired in 2010.

As bottom up, research driven, value investors, we employ many of the same private market value (PMV) metrics in the valuation of our portfolio holdings as criteria used by strategic corporate buyers, and private equity outfits. Consequently, we stand to benefit from this renewed acquisition activity. In our portfolios, we continue to search for the stocks of undervalued companies with attractive business models and solid fundamentals, run by top notch management teams.

At Teton, we remain focused on creating shareholder value by building a boutique asset manager intent on delivering excellent risk adjusted returns for our clients over the long run. We appreciate your confidence and trust.

Sincerely,

Nicholas F. Galluccio
President and Chief Executive Officer
Teton Advisors, Inc.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Our disclosure and analysis in this press release contain some forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements because they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” and other words and terms of similar meaning. They also appear in any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance of our products, expenses, the outcome of any legal proceedings, and financial results. Although we believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know about our business and operations, there can be no assurance that our actual results will not differ materially from what we expect or believe. Some of the factors that could cause our actual results to differ from our expectations or beliefs include, without limitation: the adverse effect from a decline in the securities markets; a decline in the performance of our products; a general downturn in the economy; changes in government policy or regulation; changes in our ability to attract or retain key employees; and unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations. We direct your attention to the cautionary statements set forth in documents on Teton’s website. We do not undertake to update publicly any forward-looking statements if we subsequently learn that we are unlikely to achieve our expectations or if we receive any additional information relating to the subject matters of our forward-looking statements.

Mighty Mites is a service mark of GAMCO Investors, Inc.