

Condensed Financial Statements
Teton Advisors, Inc.
Quarterly Report for the Period Ended March 31, 2015

Teton Advisors, Inc.

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

	Three months ended March 31,	
	2015	2014
Revenues		
Investment advisory fees-mutual funds	\$ 3,703,738	\$ 3,635,003
Investment advisory fees-separate accounts	708,256	836,881
Distribution fees and other income	130,035	228,436
Total revenues	4,542,029	4,700,320
Expenses		
Compensation	1,658,350	1,689,022
Marketing and administrative fees	500,956	494,562
Distribution costs and expense reimbursements	361,184	430,828
Advanced commissions	115,833	217,086
Sub-advisory fees	83,263	91,141
Other operating expenses	216,268	169,353
Total expenses	2,935,854	3,091,992
Income before income taxes	1,606,175	1,608,328
Income taxes	594,285	606,340
Net income	<u>\$ 1,011,890</u>	<u>\$ 1,001,988</u>
Net income per share:		
Basic	<u>\$ 0.92</u>	<u>\$ 0.91</u>
Diluted	<u>\$ 0.92</u>	<u>\$ 0.91</u>
Weighted average shares outstanding:		
Basic	<u>1,096,842</u>	<u>1,103,251</u>
Diluted	<u>1,098,316</u>	<u>1,103,251</u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Financial Condition

	(Unaudited)	
	March 31,	December 31,
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 7,740,930	\$ 6,310,494
Investment advisory fees receivable	1,909,051	2,041,623
Investment in securities	109,143	106,647
Deferred taxes receivable	85,115	63,848
Receivable from affiliates	42,498	51,162
Contingent deferred sales commission	175,426	202,473
Other assets (net of accumulated depreciation of \$29,778 and \$27,059, respectively)	143,198	132,573
Total assets	\$ 10,205,361	\$ 8,908,820
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payable to affiliates	\$ 841,112	\$ 904,308
Deferred taxes payable	80,745	90,885
Income tax payable	560,819	64,317
Dividends payable	1,375	56,102
Compensation payable	146,632	260,978
Distribution costs payable	303,838	254,300
Accrued expenses and other liabilities	464,231	424,368
Total liabilities	2,398,752	2,055,258
Commitments and contingencies (Notes F and I)		
Stockholders' equity:		
Class A Common stock, \$0.001 par value; 1,200,000 shares authorized; 979,468 and 979,993 shares issued, respectively; 772,253 and 772,720 outstanding, respectively	971	971
Class B Common stock, \$0.001 par value; 800,000 shares authorized; 792,000 shares issued; 331,737 and 331,749 shares outstanding, respectively	342	342
Additional paid-in capital	635,302	614,251
Treasury stock, at cost (207,752 class A shares and 8,000 class B shares and 207,273 class A shares and 8,000 class B shares, respectively)	(2,275,157)	(2,250,211)
Retained earnings	9,445,151	8,488,209
Total stockholders' equity	7,806,609	6,853,562
Total liabilities and stockholders' equity	\$ 10,205,361	\$ 8,908,820

See accompanying notes.

Teton Advisors, Inc.
Condensed Statements of Stockholders' Equity
(Unaudited)
For the Three Months Ended March 31, 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	-	-	-	-	1,011,890	1,011,890
Stock based compensation	-	-	21,051	-	-	21,051
Stock buyback	-	-	-	(24,946)	-	(24,946)
Dividends declared	-	-	-	-	(54,948)	(54,948)
Balance at March 31, 2015	\$ 971	\$ 342	\$ 635,302	\$ (2,275,157)	\$ 9,445,151	\$ 7,806,609

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Cash Flows

(Unaudited)

	Three months ended March 31,	
	2015	2014
Operating activities		
Net income	\$ 1,011,890	\$ 1,001,988
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,719	1,448
Deferred income tax	(21,267)	(19,110)
Amortization of deferred sales commission	115,583	217,086
Stock based compensation expense	21,051	4,584
(Increase) decrease in operating assets:		
Investment advisory fees receivable	132,572	(102,854)
Investment in securities	(2,496)	(100,714)
Receivable from affiliates	8,664	(18,730)
Contingent deferred sales commission	(88,536)	(242,461)
Other assets	(13,344)	3,205
Increase (decrease) in operating liabilities:		
Payable to affiliates	(63,196)	55,195
Income tax payable	496,502	360,167
Deferred tax liability	(10,140)	8,925
Compensation payable	(114,346)	(170,007)
Distribution costs payable	49,538	15,505
Accrued expenses and other liabilities	39,863	33,157
Total adjustments	553,167	45,396
Net cash provided by operating activities	1,565,057	1,047,384
Financing activities		
Dividends paid	(109,675)	(55,162)
Stock repurchase	(24,946)	(3,536)
Net cash used in financing activities	(134,621)	(58,698)
Net increase in cash and cash equivalents	1,430,436	988,686
Cash and cash equivalents at beginning of period	6,310,494	2,502,851
Cash and cash equivalents at end of the period	<u>\$ 7,740,930</u>	<u>\$ 3,491,537</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 90,159</u>	<u>\$ 48,986</u>

See accompanying notes.

Teton Advisors, Inc.

Notes to Condensed Financial Statements

March 31, 2015

A. Significant Accounting Policies

Basis of Presentation

Teton Advisors, Inc. (“Teton” or the “Company”) was incorporated 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 months periods ended March 31, 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 March 31, 2015 and December 31, 2014, Teton had \$7,640,889 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 \$500,956 and \$494,562 for the three month periods ended March 31, 2015 and March 31, 2014, respectively. Additionally, Teton paid GAMCO under an administrative and management services agreement \$75,000 and \$45,000 for the three month periods ended March 31, 2015 and March 31, 2014, respectively. Teton also paid GAMCO reimbursement for compensation, which amounted to \$501,623 and \$493,115 for the three month periods ended March 31, 2015 and March 31, 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 \$3,703,738 and \$3,635,003 for the three month periods ended March 31, 2015 and March 31, 2014, respectively. Advisory fees receivable from the Funds were \$1,266,348 and \$1,261,486 at March 31, 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 March 31, 2015 and December 31, 2014 are non-interest bearing and are receivable and payable on demand. At March 31, 2015 and December 31, 2014, the amount payable to GAMCO was \$568,001 and \$580,734, respectively, and the amount payable relating to wholesaler payouts was \$268,756 and \$319,198, respectively. There was no receivable or payable from G.research at March 31, 2015 and December 31, 2014. The amount receivable from G.distributors at March 31, 2015 and December 31, 2014 was \$42,498 and \$51,162, respectively. The amount payable to Gabelli Funds, LLC at March 31, 2015 and December 31, 2014 was \$4,355 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:

						% Δ	
	3/14	6/14	9/14	12/14	3/15	3/14	12/14
Mutual Funds							
Equities	\$ 1,553	\$ 1,591	\$ 1,471	\$ 1,551	\$ 1,543	-0.6%	-0.5%
Fixed Income	22	22	21	21	21	(4.5)	-
Separate accounts	547	546	528	551	461	(15.7)	(16.3)
Total Assets Under Management	\$ 2,122	\$ 2,159	\$ 2,020	\$ 2,123	\$ 2,025	-4.6%	-4.6%
Average Assets Under Management	\$ 2,051	\$ 2,095	\$ 2,094	\$ 2,066	\$ 2,001	-2.4%	-3.1%

AUM were \$2.03 billion at March 31, 2015 down from \$2.12 billion at December 31, 2014. This decrease was due to outflows of \$216 million, partially offset by inflows of \$87 million and market appreciation of \$31 million. This compares to the first quarter of 2014 market appreciation of \$17 million and inflows of \$153 million, offset partially by outflows of \$73 million. Average AUM was \$2.0 billion for the first quarter 2015, a decrease of 4.8% from \$2.1 billion in the first quarter 2014.

Teton Advisors, Inc.

Operating Results for the Quarter Ended March 31, 2015 as Compared to the Quarter Ended March 31, 2014

Revenues

Total revenues were \$4,542,029 in the first quarter of 2015, \$158,291 or 3.4% lower than the total revenues of \$4,700,320 in the first quarter of 2014. The change in total revenues by revenue component was as follows:

(unaudited)	For the Three Months ended March 31,		Increase (decrease)	
	2015	2014	\$	%
Investment advisory fees-mutual funds	\$ 3,703,738	\$ 3,635,003	\$ 68,735	1.9%
Investment advisory fees-separate accounts	708,256	836,881	(128,625)	-15.4%
Distribution Fees and other income	130,035	228,436	(98,401)	-43.1%
Total revenues	<u>\$ 4,542,029</u>	<u>\$ 4,700,320</u>	<u>\$ (158,291)</u>	-3.4%

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 \$1.54 billion for the first quarter ended March 31, 2015 compared to \$1.51 billion for the quarter ended March 31, 2014, an increase of 2.0%.

Average billable AUM for separate accounts were \$465.8 million for the period ended March 31, 2015 compared to \$541.9 million for the period ended March 31, 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 \$44.1 million for the trailing twelve months ending March 31, 2015 and \$94.2 million for the trailing twelve months ending March 31, 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 \$83,263 for the first quarter of 2015, down from \$91,141 in the comparable prior year period. This decrease was primarily due to a 8.3% decline in investment advisory revenue from the three sub-advised Funds. Average AUM in the three sub-advised Funds was \$164.3 million for the first quarter of 2015, 8.5% lower than the prior year period average of \$179.5 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 \$500,956 for the three months ended March 31, 2015, a 1.3% increase from \$494,562 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 13.2 basis points of the average Funds AUM for the first quarter 2015 versus 13.3 basis points of the average Funds AUM for the first quarter 2014. As Funds AUM grow these fees will decline as a percentage of the average Funds AUM.

Compensation: Compensation costs, which are largely variably based and include salaries and benefits, portfolio manager compensation and stock based compensation, were \$1,658,350 for the first quarter of 2015, a \$30,672 decrease from \$1,689,022 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, increased to \$297,999 for the first quarter of 2015 from \$254,593 in the prior year period. Stock based compensation was \$21,051 for the three months ended March 31, 2015, 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 \$1,339,300, a decrease from \$1,429,845 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 \$361,184 for the first quarter of 2015, a decrease of \$69,644 from \$430,828 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 \$308,911 during the 2015 period, a decrease of \$70,990 from the prior year amount of \$379,901.

Expense reimbursements to the Funds were \$52,273 for the first quarter of 2015, an increase of \$1,346 from the prior year period amount of \$50,927.

Advanced Commissions: Advanced commission expense decreased \$101,253 to \$115,833 in the first quarter of 2015 from \$217,086 in the 2014 period.

Teton Advisors, Inc.

Other: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$216,268 for the first quarter of 2015, an increase of \$46,915 from \$166,353 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 quarter ended March 31, 2015 versus 37.7% for the quarter ended March 31, 2014.

Net Income

Net income for the first quarter of 2015 was \$1,011,890 or \$.92 per fully diluted share versus \$1,001,988 or \$0.91 per fully diluted share for the 2014 period.