Condensed Consolidated Financial Statements
Teton Advisors, Inc.
Quarterly Report for the Period Ended March 31, 2017

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Contents

Teton Advisors, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

	Three months ended March 31, 2017	2016
Revenues		
Investment advisory fees - mutual funds	$ 4,461,479	$ 2,778,311
Investment advisory fees - separate accounts	657,670	367,957
Distribution fees and other income	72,011	57,938
Total revenues	5,191,160	3,204,206
Operating expenses		
Compensation	1,654,181	1,172,798
Marketing and administrative fees	458,862	408,304
Distribution costs and expense reimbursements	618,922	236,499
Advanced commissions	44,911	34,354
Sub-advisory fees	399,788	75,763
Other operating expenses	409,790	212,203
Total operating expenses	3,586,454	2,139,921
Income before interest, taxes, depreciation and amortization	1,604,706	1,064,285
Depreciation and amortization	158,017	1,948
Interest expense	92,410	-
Income before income taxes	1,354,279	1,062,337
Income taxes	520,684	393,065
Net income	$ 833,595	$ 669,272
Net income per share:		
Basic	$ 0.72	$ 0.61
Fully diluted	$ 0.69	$ 0.61
Weighted average shares outstanding:		
Basic	1,128,833	1,095,988
Fully diluted	1,171,084	1,098,697

The accompanying notes are an integral part of these financial statements

Teton Advisors, Inc.

Condensed Consolidated Statements of Financial Condition

	(Unaudited) March 31, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 3,021,336	$ 13,270,301
Investment advisory fees receivable	3,198,844	1,313,412
Investment in securities	122,736	110,146
Deferred taxes receivable	121,029	97,091
Income tax receivable	-	60,767
Receivable from affiliates	10,003	17,072
Goodwill and other identifiable intangible assets (Note B)	22,806,761	79,878
Other assets (net of accumulated depreciation of $42,265 and $36,505, respectively)	568,976	124,925
Total assets	$ 29,849,685	$ 15,073,592
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payable to affiliates	$ 707,324	$ 502,239
Income tax payable	460,090	-
Compensation payable	296,750	306,801
Distribution costs payable	661,032	159,186
Accrued expenses and other liabilities	960,655	1,028,703
Dividends payable	1,050	55,818
Subtotal liabilities	3,086,901	2,052,747
Long - term debt	2,804,531	-
Total liabilities	5,891,432	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 $7,950,000)	5,520,121	-
Stockholders' equity:		
Class A Common stock, $0.001 par value; 1,200,000 shares authorized;		
975,669 and 975,403 shares issued, respectively;		
840,894 and 766,928 outstanding, respectively	974	974
Class B Common stock, $0.001 par value; 800,000 shares authorized;		
792,000 shares issued; 331,073 and 331,339 shares outstanding, respectively	339	339
Additional paid-in capital	4,737,160	644,628
Treasury stock, at cost (134,775 class A shares and 8,000 class B shares		
and 208,475 class A shares and 8,000 class B shares, respectively)	(1,654,843)	(2,308,830)
Retained earnings	15,354,502	14,683,734
Total stockholders' equity	18,438,132	13,020,845
Total liabilities and stockholders' equity	$ 29,849,685	$ 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 Three Months Ended March 31, 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	-	-	-	-	833,595	833,595
Stock based compensation	-	-	2,172	-	-	2,172
Stock buyback	-	-	-	(58,513)	-	(58,513)
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
Amortization of discount - preferred stock	-	-	-	-	(104,204)	(104,204)
Issuance of long - term debt and warrants	-	-	2,258,712	-	-	2,258,712
Dividends declared	-	-	-	-	(58,623)	(58,623)
Balance at March 31, 2017 (unaudited)	$ 974	$ 339	$ 4,737,160	$ (1,654,843)	$ 15,354,502	$ 18,438,132

The accompanying notes are an integral part of these financial statements

Teton Advisors, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended March 31, 2017	2016
Operating activities		
Net income	$ 833,595	$ 669,272
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,434	1,948
Amortization of intangible assets	154,583	-
Deferred income tax	(23,938)	(1,141)
Amortization of deferred sales commission	44,911	33,425
Amortization of debt discount	63,243	-
Stock based compensation expense	2,172	21,051
(Increase) decrease in operating assets:		
Investment advisory fees receivable	(1,885,432)	316,778
Investment in securities	(12,590)	(9,986,037)
Income tax receivable	60,767	-
Receivable from affiliates	7,069	(912)
Contingent deferred sales commission	(71,540)	(14,998)
Other assets	(302,322)	22,163
Increase (decrease) in operating liabilities:		
Payable to affiliates	205,085	(46,425)
Deferred taxes payable	-	(31,421)
Income tax payable	460,090	389,818
Compensation payable	(10,051)	(119,315)
Distribution costs payable	501,846	25,800
Accrued expenses and other liabilities	(68,048)	23,295
Total adjustments	(870,721)	(9,365,971)
Net cash used in operating activities	(37,126)	(8,696,699)
Investing activities		
Acquisition of KAMCO assets	(23,000,000)	-
Net cash used in investing activities	(23,000,000)	-
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	(113,391)	(54,799)
Stock repurchase	(58,513)	-
Net cash provided by, (used in) financing activities	12,788,161	(54,799)
Net decrease in cash and cash equivalents	(10,248,965)	(8,751,498)
Cash and cash equivalents at beginning of period	13,270,301	10,255,698
Cash and cash equivalents at end of the period	$ 3,021,336	$ 1,504,200
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ -	$ 11,800

The accompanying notes are an integral part of these financial statements

Teton Advisors, Inc.

Notes to Condensed Consolidated Financial Statements

March 31, 2017

A. Significant Accounting Policies

Basis of Presentation

Teton Advisors, Inc. was incorporated in Texas as Teton Advisers LLC in December 1994. Teton Advisors Inc. serves as the investment adviser for the TETON Westwood Funds and separate institutional accounts. In February 2017, Teton completed its acquisition of Keeley Asset Management Corp. ("KAMCO"), a pioneer in small and mid-cap value investing founded by John L. Keeley, Jr. in 1982. The combination offers an expanded product suite of twelve mutual funds under the TETON Westwood and KEELEY Funds brands, along with six separate account strategies. Keeley Teton Advisors LLC ("Keeley-Teton"), a wholly-owned subsidiary of Teton, served as the acquisition vehicle. Keeley-Teton serves as the investment advisor for the KEELEY Funds and separate accounts. Unless we have indicated otherwise, or the context otherwise requires, references in this report to "Teton," "the company," "we" or "us" refer to Teton Advisors, Inc. and it's subsidiary.

The Company's capital structure consists of 1,200,000 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 of Preferred Stock, including 75,000 shares of Series A Preferred Stock with 0.1333 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.

Reclassifications

Certain amounts in prior years have been reclassified to conform to the current year presentation.

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 consolidated 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, 2016. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The interim condensed consolidated financial statements include the accounts of Teton and its subsidiary, Keeley-Teton (beginning March 1, 2017). Intercompany balances and transactions have been eliminated. Operating results for the three month period ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

B. Acquisition

On November 14, 2016, Teton announced that it signed a definitive agreement to acquire the business of KAMCO. On February 28, 2017, Teton completed its acquisition of the business of KAMCO, a privately held active asset management organization headquartered in Chicago, IL with $2.4 billion in assets under management. The purchase price was $23 million. At closing, the assets of the acquired business were purchased by Keeley-Teton Advisors, LLC, a newly formed, wholly-owned subsidiary of Teton. This acquisition has created an active asset management organization with a combined $3.8 billion in AUM at March 31, 2017 under the Teton umbrella. Keeley-Teton is headquartered in Chicago in the office space previously occupied by KAMCO.

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.

Of the total purchase price of $23 million, $18.6 million was attributed to a customer relationship intangible asset, which will be amortized over 10 years. An indefinite lived trade name intangible asset was valued at $1.5 million. Tangible assets, primarily fixed and prepaid assets, were valued at $0.1 million. The remaining purchase price of $2.8 million was allocated to goodwill. 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 and trademarks annually, and when circumstances indicate that the carrying value may not be recoverable. 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 below.

Transaction expenses totaled approximately $375,000.

The following unaudited pro forma quarterly 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 Teton.

	Unaudited Pro Forma - Quarter Ended			
	March 31, 2017		March 31, 2016	
Revenues	$	8,240,000	$	8,085,000
Income before interest, taxes, depreciation and amortization	$	2,850,000	$	2,550,000
Net income	$	1,275,000	$	950,000

C. Long-Term Debt and Warrants

On February 23, 2017, in connection with the acquisition of the business of KAMCO, the Company 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. The relative fair value of the warrant of $2,258,712 was recorded as a discount against the stated value of the loan at the date of issuance. The discount is amortized to interest expense over the term of the loan. Unamortized discount as of March 31, 2017 was $2,195,469. Interest expense related to the debt discount for the quarter ended March 31, 2017 was $63,243. During the quarter ended March 31, 2017, the company incurred and paid cash interest of $29,167.

D. Preferred Stock

On February 23, 2017, in connection with the acquisition of the business of KAMCO, the Company 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, along with 65,000 shares of Teton Class A Common Stock. The Preferred Stock, which is cumulative, pays a dividend of 3% annually, 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 March 31, 2017, the redemption value was $7,950,000. 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 was classified as mezzanine equity since the shares were redeemable at the option of the holder beginning February 23, 2019. The relative fair value of the Teton Class A Common Stock of $2,002,053 was recorded as a discount against the stated value of the Preferred Stock at the date of issuance. 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

Teton invests the majority of its cash equivalents in a U.S. Treasury money market mutual fund managed by Gabelli Funds, LLC, an affiliate. At March 31, 2017 and December 31, 2016, Teton had $2,677,603 and $13,169,468, 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 $458,862 and $408,304 for the three month periods ended March 31, 2017 and March 31, 2016, respectively. Additionally, Teton paid GAMCO under an administrative and management services agreement $56,250 and $75,000, respectively, for the three month periods ended March 31, 2017 and March 31, 2016. Teton also paid GAMCO reimbursement for compensation, which amounted to $274,835 and $360,030 for the three month periods ended March 31, 2017 and March 31, 2016, 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 $4,461,479 and $2,778,311 for the three month periods ended March 31, 2017 and March 31, 2016, respectively. Advisory fees receivable from the funds were $2,185,561 and $1,085,807 at March 31, 2017 and December 31, 2016, respectively.

Teton's receivables and payables to affiliates at March 31, 2017 and December 31, 2016 are non-interest bearing and are receivable and payable on demand. At March 31, 2017 and December 31, 2016, the amount payable to GAMCO was $186,565 and $358,266, respectively, and the amount payable relating to wholesaler payouts was $152,836 and $143,563, respectively. The amount payable to Gabelli Funds, LLC at March 31, 2017 and December 31, 2016 was $322,307 and $410, respectively. The amount receivable from Gabelli & Company Investment Advisers, Inc. ("GCIA" f/k/a Gabelli Securities, Inc.), at March 31, 2017 and December 31, 2016 was $10,003 and $5,089, respectively. The amount payable to GAMCO Asset Management Inc. and subsidiary, a wholly owned subsidiary of GAMCO Investors, Inc., at March 31, 2017 was $45,616 and receivable at December 31, 2016 was $11,983.

The company paid GGCP $29,167 in interest in connection with the GGCP Note discussed above in Long-Term Debt and Warrants.

F. Earnings Per Share

	Three Months Ended March 31,			
	2017		2016	
Basic:				
Net income attributable to Teton Advisors, Inc.'s common shareholders	$	833,595	$	669,272
Less: Income attributable to Series A preferred stock		(23,125)		-
Total income attributable to Teton Advisors, Inc.'s common shareholders	$	810,470	$	669,272
Weighted average shares outstanding		1,128,833		1,095,988
Basic net income per share attributable to Teton				
Advisors, Inc.'s common shareholders	$	0.72	$	0.61
Diluted:				
Net income attributable to Teton Advisors, Inc.'s common shareholders	$	833,595	$	669,272
Less: Income attributable to Series A preferred stock		(23,125)		-
Total income attributable to Teton Advisors, Inc.'s common shareholders	$	810,470	$	669,272
Weighted average share outstanding		1,128,833		1,095,988
Assumed exercise of warrants		41,102		-
Restricted stock awards		1,149		2,709
Total		1,171,084		1,098,697
Diluted net income per share attributable to Teton				
Advisors, Inc.'s common shareholders	$	0.69	$	0.61

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 May 18, 2017 shareholders approved an increase in the number of shares of Class A Common Stock from 1,200,000 shares to 1,700,000 shares.

On May 18, 2017, the Board of Directors declared its regular quarterly dividend of $0.05 per share to all common shareholders payable on July 11, 2017 to shareholders of record on June 27, 2017, and $0.75 per share on Series A Preferred Stock payable on July 11, 2017 to shareholders of record on May 23, 2017.

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 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 From	
	3/16	6/16	9/16	12/16	3/17		3/16	12/16
Mutual Funds								
Equities	$ 1,162	$ 1,161	$ 1,215	$ 1,324	$ 2,743	*(a)*	136.1%	107.2%
Fixed Income	20	20	20	19	19		-5.0%	0.0%
Separate accounts	236	238	256	37	1,012	*(b)*	328.8%	2635.1%
Total Assets Under Management	$ 1,418	$ 1,419	$ 1,491	$ 1,380	$ 3,774		166.1%	173.5%
Average Assets Under Management	$ 1,369	$ 1,427	$ 1,471	$ 1,442	$ 2,220		62.2%	54.0%

(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 $3.77 billion at March 31, 2017 up from $1.38 billion at December 31, 2016. This increase was primarily due to the acquisition of the KAMCO assets of $2.39 billion on February 28, 2017, as well as inflows of $138 million and market appreciation of $41 million, offset by outflows of $176 million. This compares to the first quarter of 2016 outflows of $100 million, partially offset by inflows of $41 million and market appreciation of $2 million. Average AUM was $2.22 billion for the first quarter 2017, an increase of 62.2% from $1.37 billion in the first quarter 2016.

Operating Results for the Three Months Ended March 31, 2017 as Compared to the Three Months Ended March 31, 2016

Revenues

Total revenues were $5,191,160 in the first quarter of 2017, $1,986,954 or 62.0% higher than the total revenues of $3,204,206 in the first quarter of 2016. The change in total revenues by revenue component was as follows:

	For the Three Months ended March 31,		Increase (decrease)	
(unaudited)	2017 (1)	2016	$	%
Investment advisory fees-mutual funds	$ 4,461,479	$ 2,778,311	$ 1,683,168	60.6%
Investment advisory fees-separate accounts	657,670	367,957	289,713	78.7%
Distribution Fees and other income	72,011	57,938	14,073	24.3%
Total revenues	$ 5,191,160	$ 3,204,206	$ 1,986,954	62.0%

(1) Includes the results of the KAMCO acquisition beginning March 1, 2017.

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 $1.84 billion for the first quarter ended March 31, 2017 compared to $1.15 billion for the quarter ended March 31, 2016, an increase of 60.0%. This increase is 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 $375.2 million for the period ended March 31, 2017 compared to $222.7 million for the period ended March 31, 2016. This increase is primarily related to the acquisition of the KAMCO business.

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 $21.4 million for the trailing twelve months ending March 31, 2017 and $20.5 million for the trailing twelve months ending March 31, 2016.

Expenses

Sub-advisory Fees: Teton has currently retained a sub-adviser for five of the seven Teton Westwood Funds. All of the Keeley-Teton 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, were $399,788 for the first quarter of 2017, up from $75,763 in the comparable 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. Average AUM in sub-advised Funds was $560.7 million for the first quarter of 2017, 277.1% higher than the prior year period average of $148.7 million.

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 $458,862 for the three months ended March 31, 2017, a 12.4% increase from $408,304 in the comparable prior year period. Marketing and administrative fees are calculated on a tiered formula and are based on average AUM. Based on the tiered formula administration fees were approximately 13.5 basis points of the average Funds AUM for the first quarter 2017 versus 14.3 basis points of the average Funds AUM for the first quarter 2016. 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, were $1,654,181 for the first quarter of 2017, a $481,383 increase from $1,172,798 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, increased to $1,065,310 for the first quarter of 2017 from $312,347 in the prior year period, largely due to the KAMCO acquisition. Stock based compensation was $2,172 and $21,051 for the three months ended March 31, 2017 and March 31, 2016, respectively. 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 2017 period, portfolio manager compensation was $586,699, a decrease from $839,400 reported in 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.

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 $618,922 for the first quarter of 2017, an increase of $382,423 from $236,499 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 $434,485 during the 2017 period, an increase of $255,708 from the prior year amount of $178,777, primarily related to the acquisition of the KAMCO business.

Expense reimbursements to the Funds were $184,437 for the first quarter of 2017, an increase of $126,715 from the prior year period amount of $57,722, primarily related to the acquisition of the KAMCO business.

Advanced Commissions: Advanced commission expense increased $10,557 to $44,911 in the first quarter of 2017 from $34,354 in the 2016 period.

Other operating expenses: Other operating expenses, including those charged by GAMCO and incurred directly, were $409,790 for the first quarter of 2017, an increase of $197,587 from $212,203 in the prior year, primarily due to the additional operating costs related to the KAMCO business acquired of $132,490 in the first quarter of 2017, as well as acquisition related costs which were $66,640.

Income Taxes

The effective tax rate was 38.4% for the quarter ended March 31, 2017, and 37.0% for the quarter ended March 31, 2016.

Net Income

Net income for the first quarter of 2017 was $833,595, or $0.69 per fully diluted share, versus $669,272, or $0.61 per fully diluted share, for the 2016 period. These results include one month of operations from the assets acquired in the transaction with Keeley Asset Management Corp., which closed on February 28, 2017. The March contribution was approximately $249,000, or $0.16 per fully diluted share.