Condensed Consolidated Financial Statements

Teton Advisors, Inc.

Quarterly Report for the Period Ended June 30, 2017

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Contents

Teton Advisors, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

	Three months ended June 30, 2017	2016
Revenues		
Investment advisory fees - mutual funds	$ 6,658,530	$ 2,874,814
Investment advisory fees - separate accounts	1,672,385	395,877
Distribution fees and other income	66,161	57,954
Total revenues	8,397,076	3,328,645
Operating expenses		
Compensation	2,417,022	1,196,474
Marketing and administrative fees	473,577	418,291
Distribution costs and expense reimbursements	979,917	225,701
Advanced commissions	49,379	41,198
Sub-advisory fees	1,048,287	77,978
Other operating expenses	732,846	244,738
Total operating expenses	5,701,028	2,204,380
Income before interest, taxes, depreciation and amortization	2,696,048	1,124,265
Depreciation and amortization	124,991	1,948
Interest expense	237,625	-
Income before income taxes	2,333,432	1,122,317
Income taxes	921,127	415,257
Net income	$ 1,412,305	$ 707,060
Net income per share:		
Basic	$ 1.16	$ 0.65
Fully diluted	$ 1.07	$ 0.64
Weighted average shares outstanding:		
Basic	1,168,465	1,095,971
Fully diluted	1,269,606	1,098,578

The accompanying notes are an integral part of these financial statements.

Teton Advisors, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

	Six months ended June 30, 2017	2016
Revenues		
Investment advisory fees - mutual funds	$ 11,120,010	$ 5,653,125
Investment advisory fees - separate accounts	2,330,055	763,834
Distribution fees and other income	138,172	115,892
Total revenues	13,588,237	6,532,851
Operating expenses		
Compensation	4,066,877	2,369,272
Marketing and administrative fees	932,440	826,595
Distribution costs and expense reimbursements	1,600,284	462,200
Advanced commissions	94,290	75,552
Sub-advisory fees	1,448,076	153,741
Other operating expenses	1,145,516	456,941
Total operating expenses	9,287,483	4,344,301
Income before interest, taxes, depreciation and amortization	4,300,754	2,188,550
Depreciation and amortization	283,008	3,896
Interest expense	330,035	-
Income before income taxes	3,687,711	2,184,654
Income taxes	1,441,811	808,322
Net income	$ 2,245,900	$ 1,376,332
Net income per share:		
Basic	$ 1.89	$ 1.26
Fully diluted	$ 1.77	$ 1.25
Weighted average shares outstanding:		
Basic	1,148,758	1,095,980
Fully diluted	1,220,625	1,098,638

The accompanying notes are an integral part of these financial statements.

Teton Advisors, Inc.

Condensed Consolidated Statements of Financial Condition

	(Unaudited) June 30, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 5,309,334	$ 13,270,301
Investment advisory fees receivable	3,070,287	1,313,412
Investment in securities	124,046	110,146
Distribution and shareholder service expense reimbursement receivable	124,138	-
Deferred tax asset (net of deferred tax liability of $93,079 and $0, respectively)	17,814	97,091
Income tax receivable	-	60,767
Goodwill and other identifiable intangible assets (Note B)	22,572,247	-
Contingent deferred sales commissions	108,845	79,878
Receivable from affiliates	20,375	17,072
Other assets (net of accumulated depreciation of $28,892 and $40,380, respectively)	287,417	124,925
Total assets	$ 31,634,503	$ 15,073,592
LIABILITIES AND STOCKHOLDERS' EQUITY		
Compensation payable	$ 999,400	$ 306,801
Payable to affiliates	704,681	502,239
Distribution costs payable	597,084	159,186
Income tax payable	259,811	-
Dividends payable	116,398	55,818
Accrued expenses and other liabilities	895,438	1,028,703
Subtotal liabilities	3,572,812	2,052,747
Long - term debt	2,967,156	-
Total liabilities	6,539,968	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 $7,860,000)	5,843,632	-
Stockholders' equity:		
Class A Common stock, $0.001 par value; 1,700,000 shares authorized;		
975,788 and 975,403 shares issued, respectively;		
836,413 and 766,928 outstanding, respectively	974	974
Class B Common stock, $0.001 par value; 800,000 shares authorized;		
792,000 shares issued; 330,946 and 331,339 shares outstanding, respectively	339	339
Additional paid-in capital	4,739,330	644,628
Treasury stock, at cost (139,375 class A shares and 8,000 class B shares		
and 208,475 class A shares and 8,000 class B shares, respectively)	(1,817,689)	(2,308,830)
Retained earnings	16,327,949	14,683,734
Total stockholders' equity	19,250,903	13,020,845
Total liabilities and stockholders' equity	$ 31,634,503	$ 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 Six Months June 30, 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	-	-	-	-	2,245,900	2,245,900
Stock based compensation	-	-	4,342	-	-	4,342
Stock buyback	-	-	-	(221,359)	-	(221,359)
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
Issuance of long-term debt and warrants	-	-	2,258,712	-	-	2,258,712
Amortization of discount - preferred stock	-	-	-	-	(364,714)	(364,714)
Accretion to redemption value - preferred stock	-	-	-	-	(63,000)	(63,000)
Dividends declared	-	-	-	-	(173,971)	(173,971)
Balance at June 30, 2017 (unaudited)	$ 974	$ 339	$ 4,739,330	$ (1,817,689)	$ 16,327,949	$ 19,250,903

The accompanying notes are an integral part of these financial statements.

Teton Advisors, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended June 30, 2017	2016
Cash Flow from Operating Activities		
Net income	$ 2,245,900	$ 1,376,332
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Depreciation	10,415	3,875
Amortization of intangible assets	272,593	-
Amortization of deferred sales commission	94,290	73,473
Amortization of debt discount	225,868	-
Deferred tax assets	(13,802)	(11,982)
Deferred tax liabilities	93,079	-
Stock based compensation expense	4,343	42,101
(Increase) decrease in operating assets:		
Investment advisory fees receivable	(1,756,875)	297,856
Investment in securities	(13,900)	(5,997,689)
Distribution and shareholder service expense reimbursement receivable	(124,138)	-
Income tax receivable	60,767	23,628
Contingent deferred sales commission	(123,257)	(52,557)
Receivable from affiliates	(3,303)	(2,088)
Other assets	(17,747)	14,691
Increase (decrease) in operating liabilities:		
Compensation payable	692,599	(109,169)
Payable to affiliates	202,442	(92,685)
Distribution costs payable	437,898	(22,977)
Income tax payable	259,811	-
Accrued expenses and other liabilities	(133,265)	36,645
Total Adjustments	167,818	(5,796,878)
Net cash provided by (used in) operating activities	2,413,718	(4,420,546)
Cash Flows from Investing Activities		
Acquisition of KAMCO assets	(23,000,000)	-
Net cash used in investing activities	(23,000,000)	-
Cash Flows from 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)	(109,597)
Stock repurchase	(221,359)	(5,162)
Net cash provided by (used in) financing activities	12,625,315	(114,759)
Net decrease in cash and cash equivalents	(7,960,967)	(4,535,305)
Cash and cash equivalents:		
Beginning of year	13,270,301	10,255,698
End of period	$ 5,309,334	$ 5,720,393
Supplemental disclosures of cash flow information:		
Interest payments	$ 104,166	$ -
Federal and State income tax payments	$ 980,200	$ 735,500

The accompanying notes are an integral part of these financial statements.

Teton Advisors, Inc.

Notes to Condensed Consolidated Financial Statements

June 30, 2017

A. Significant Accounting Policies

Basis of Presentation

Teton Advisors, Inc. ("Teton") was incorporated in Texas as Teton Advisors, LLC in December 1994. Teton currently serves as the investment adviser for the TETON Westwood Funds and separately managed accounts. On February 28, 2017, Teton acquired the assets of Keeley Asset Management Corp. ("KAMCO") in a newly formed, wholly-owned subsidiary, Keeley-Teton Advisors, LLC ("Keeley-Teton"). Keeley-Teton serves as the investment advisor for the KEELEY Funds and separately managed accounts. The acquisition expanded Teton's product suite to twelve mutual funds under the TETON Westwood and KEELEY Funds brands (collectively referred to herein as the "Funds"), along with various separately managed account strategies. Unless we have indicated otherwise, or the context otherwise requires, references in this report to "the Company," "we" or "us" collectively refer to Teton and Keeley-Teton.

The unaudited interim condensed consolidated financial statements of the Company included herein have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States for interim financial information. Accordingly, they do not include all the information and footnotes required by U.S. Generally Accepted Accounting Principles ("GAAP") for complete financial statements. In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of financial position, results of operations and cash flows of Teton for the interim periods presented and are not necessarily indicative of a full year's results. The interim condensed consolidated financial statements include the accounts of Teton and Keeley-Teton (beginning March 1, 2017). Intercompany accounts and transactions have been eliminated. Operating results for the three and six month periods ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. Additionally, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in Teton's Annual Report for the year ended December 31, 2016.

The Company's capital structure consists of 1,700,000 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 GAAP requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts in prior periods have been reclassified to conform to the current period presentation.

Nature of Operations

Teton and Keeley-Teton are both SEC registered investment advisors under the Investment Advisers Act of 1940. Their principal markets of operations are the United States.

Recent Accounting Developments

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-04 to simplify the process used to test for goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This new guidance will be effective for the Company's first quarter of 2020. The Company is currently evaluating the potential effect of this new guidance on its condensed consolidated financial statements and related disclosures.

B. Acquisition

On February 28, 2017, Teton, through Keeley-Teton, completed the acquisition of the assets of KAMCO, a privately held active asset management organization headquartered in Chicago, IL. The Company had combined AUM of $3.8 billion at March 31, 2017.

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.

The $23 million purchase price was allocated as follows: i) $7.4 million was attributed to a customer relationship intangible asset, which will be amortized over 9 years; ii) $12.5 million was attributed to an indefinite lived mutual fund management contract intangible asset; iii) $1.5 million was attributed to an indefinite lived trade name intangible asset; iv) $0.1 million was attributed to tangible fixed and prepaid assets; and v) the remaining $1.4 million was allocated to goodwill. These amounts were updated and finalized during the second quarter of 2017. 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, management contract and trademarks annually, and when circumstances indicate that the carrying value may not be recoverable. There were no indicators of impairment for the three months ended June 30, 2017, and as such, there was no impairment analysis performed or charge recorded. 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 in detail 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 the Company.

	Unaudited Pro Forma - Six Months Ended	
	June 30, 2017	June 30, 2016
Revenues	$ 17,085,000	$ 16,300,000
Income before interest, taxes, depreciation and amortization	$ 5,690,000	$ 5,130,000
Net income	$ 2,800,000	$ 2,725,000

C. Long-Term Debt and Warrants

On February 23, 2017, in connection with the acquisition of the business of KAMCO, Teton 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 year 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 as interest expense over the term of the loan. Unamortized discount as of June 30, 2017 was $2,032,844. The interest expense related to the amortization of the debt discount for the three and six month periods ended June 30, 2017 were $162,625 and $225,868, respectively. For the three and six month periods ended June 30, 2017, the company incurred and paid cash interest of $75,000 and $104,167, respectively.

D. Preferred Stock

On February 23, 2017, in connection with the acquisition of the business of KAMCO, Teton 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, and 65,000 shares of Teton Class A Common Stock, par value $0.01 per share. The Preferred Stock, which is cumulative, has an annual dividend of 3%, which is 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 June 30, 2017, the redemption value was $7,860,000. 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 is 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 was $2,002,053, which 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

The Company invests the majority of its cash equivalents in a U.S. Treasury money market mutual fund managed by Gabelli Funds, LLC, an affiliate. At June 30, 2017 and December 31, 2016, Teton had $4,770,913 and $13,169,468, respectively, in this money market fund.

Distribution fees include fees paid to the Company by G.distributors, LLC ("G.distributors"), the distributor of the Funds, 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.

The Company paid Gabelli Asset Management Corp. ("GAMCO"), an affiliate, marketing and administration fees based on the average net assets of the Funds, amounting to $473,577 and $418,291 for the three month periods ended June 30, 2017 and June 30, 2016, respectively, and $932,440 and $826,595 for the six month periods ended June 30, 2017 and June 30, 2016, respectively. The Company paid GAMCO an administrative and management service fee based upon a contractual agreement. The amounts paid were $41,667 and $75,000, respectively, for the three month periods ended June 30, 2017 and June 30, 2016, and $97,917 and $150,000, respectively, for the six month periods ended June 30, 2017 and June 30, 2016. The Company also paid GAMCO a reimbursement for compensation, which amounted to $0 and $376,010 for the three month periods ended June 30, 2017 and June 30, 2016, respectively, and $274,835 and $736,040 for the six month periods ended June 30, 2017 and June 30, 2016, respectively.

The Company's receivables and payables to affiliates are non-interest bearing and are receivable and payable on demand. At June 30, 2017 and December 31, 2016, the amounts payable to GAMCO and its subsidiaries for the services described above was $704,681 and $502,239, respectively. At June 30, 2017 and December 31, 2016, the amounts receivable from GAMCO were $1,415 and $11,983, respectively. The amount receivable from G.distributors at June 30, 2017 and December 31, 2016 was $18,960 and $5,089, respectively.

The Company made interest payments to GGCP of $75,000 and $104,167 during the three month and six month periods ended June 30, 2017 in connection with the GGCP Note discussed above in Long-Term Debt and Warrants.

F. Earnings Per Share

The computations of basic and fully diluted net income per share are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Basic:				
Net income	$ 1,412,305	$ 707,060	$ 2,245,900	$ 1,376,332
Less: Income attributable to Series A preferred stock	(56,750)	-	(79,875)	-
Income attributable to Teton Advisors, Inc.'s common shareholders	$ 1,355,555	$ 707,060	$ 2,166,025	$ 1,376,332
Weighted average shares outstanding	1,168,465	1,095,971	1,148,758	1,095,980
Basic net income per share attributable to Teton Advisors, Inc.'s common shareholders	$ 1.16	$ 0.65	$ 1.89	$ 1.26
Fully diluted:				
Net income	$ 1,412,305	$ 707,060	$ 2,245,900	$ 1,376,332
Less: Income attributable to Series A preferred stock	(56,750)	-	(79,875)	-
Income attributable to Teton Advisors, Inc.'s common shareholders	$ 1,355,555	$ 707,060	$ 2,166,025	$ 1,376,332
Weighted average share outstanding	1,168,465	1,095,971	1,148,758	1,095,980
Assumed exercise of warrants	99,975	-	70,701	-
Restricted stock awards	1,166	2,607	1,166	2,658
Total	1,269,606	1,098,578	1,220,625	1,098,638
Fully diluted net income per share attributable to Teton Advisors, Inc.'s common shareholders	$ 1.07	$ 0.64	$ 1.77	$ 1.25

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 August 28, 2017, the Board of Directors declared its regular quarterly dividend of $0.05 per share to all common shareholders payable on September 26, 2017 to shareholders of record on September 12, 2017, and $0.75 per share on Series A Preferred Stock payable on September 26, 2017 to shareholders of record on August 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 is 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	
	6/16	**9/16**	**12/16**	**3/17**	**6/17**	**6/16**	**3/17**
Mutual Funds							
Equities	$ 1,161	$ 1,215	$ 1,324	$ 2,743 *(a)*	$ 2,661	129.2%	-3.0%
Fixed Income	20	20	19	19	24	20.0%	26.3%
Separate accounts	238	256	37	1,012 *(b)*	999	319.7%	-1.3%
Total Assets Under Management	$ 1,419	$ 1,491	$ 1,380	$ 3,774	$ 3,684	159.6%	-2.4%
Average Assets Under Management	$ 1,427	$ 1,471	$ 1,442	$ 2,220	$ 3,712	160.1%	67.2%

(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 $3.67 billion at June 30, 2017, down from $3.77 billion at March 31, 2017. This decrease was primarily due to outflows of $232 million, off-set by inflows of $107 million and market appreciation of $19 million. This compares to the second quarter of 2016 outflows of $93 million, offset by inflows of $38 million and market appreciation of $56 million. Average AUM was $3.71 billion for the second quarter 2017, an increase of 160% from $1.43 billion in the second quarter 2016. This increase is primarily the result of the KAMCO acquisition.

Operating Results for the Three Months Ended June 30, 2017 as Compared to the Three Months Ended June 30, 2016

Revenues

Total revenues were $8,397,076 in the second quarter of 2017, an increase of 152.3% from the total revenues of $3,328,645 for the same period in the prior year. The change in total revenues by revenue component was as follows:

	For the Three Months ended June 30,		Increase (decrease)	
(unaudited)	**2017**	**2016**	**$**	**%**
Investment advisory fees-mutual funds	$ 6,658,530	$ 2,874,814	$ 3,783,716	131.6%
Investment advisory fees-separate accounts	1,672,385	395,877	1,276,508	322.5%
Distribution Fees and other income	66,161	57,954	8,207	14.2%
Total revenues	$ 8,397,076	$ 3,328,645	$ 5,068,431	152.3%

Investment Advisory Fees: Investment advisory fees are directly influenced by the level and mix of AUM. The Company 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 the Funds were $2.71 billion for the second quarter ended June 30, 2017 compared to $1.19 billion for the quarter ended June 30, 2016, an increase of 128%. This increase was 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 $1.0 billion for the period ended June 30, 2017 compared to $240.6 million for the period ended June 30, 2016. This increase was primarily related to the acquisition of the KAMCO business.

Distribution Fees: The Company 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, 2017 and 2016 were $54,241 and $45,054, respectively. Total sales of class C shares were $22.1 million for the trailing twelve months ending June 30, 2017 and $17.9 million for the trailing twelve months ending June 30, 2016.

Expenses

Sub-advisory Fees: The Company 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, are recognized as expenses as the related services are performed, were $1,048,287 for the second quarter of 2017, up $970,309 from $77,978 in the 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 $1.367 billion for the second quarter of 2017, an increase of 792% from $153.3 million in the prior year period.

Marketing and Administrative Fees: Marketing and administrative fees, which are charges from GAMCO and paid by Teton for administration of certain activities performed by GAMCO for the TETON Westwood Funds on behalf of Teton, were $473,577 for the three months ended June 30, 2017, a 13.2% increase from $418,291 in the 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 13.1 basis points of the average AUM of the TETON Westwood Funds for the second quarter 2017 versus 14.2 basis points of such averageAUM for the second quarter 2016. As the AUM of the TETON Westwood Funds grows these fees will decline as a percentage of average AUM.

Compensation: Compensation costs, which include salaries and benefits, portfolio manager compensation and stock based compensation, were $2,417,022 for the second quarter of 2017, an increase of 102% from $1,196,474 in the prior year period. Fixed compensation costs, which include salary, bonus and benefits, were $2,323,813 for the second quarter of 2017, an increase of 740% from $276,536 in the prior year period. This increase was due to the KAMCO acquisition. Stock based compensation was $2,171 for the second quarter of 2017, a decrease of 90% from $21,050 for in the prior year period. The remainder of the compensation expenses represents variable compensation that fluctuates with net investment advisory revenues. For the second quarter of 2017, variable compensation was $91,038, a decrease of 90% from $898,889 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, intermediary and shareholder service costs, which are primarily related to the sale of shares of the Funds, net of related reimbursements, were $979,917 for the second quarter of 2017, an increase of 334% from $225,701 in the prior year period. This increase is primarily attributable to the acquisition of KAMCO.

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 $630,816 during the second quarter of 2017, an increase of $464,528 from the prior year amount of $166,288. This increase was primarily related to the acquisition of the KAMCO business.

Expense reimbursements to the Funds were $349,101 for the second quarter of 2017, an increase of $289,688 from the prior year period amount of $59,413. This increase was primarily related to the acquisition of the KAMCO business.

Advanced Commissions: Advanced commission expense was $49,379 for the second quarter of 2017, an increase of $8,181 from $41,198 in the prior year period.

Other Operating Expenses: Other operating expenses, including those charged by GAMCO and incurred directly, were $732,846 for the second quarter of 2017, an increase of $488,108 from $244,738 in the prior year period. This increase is primarily due to the additional operating costs related to the KAMCO business. This increase also includes a one-time charge of $75,000 related to a contract settlement.

Income Taxes

The effective tax rate was 39.5% for the quarter ended June 30, 2017, and 37.0% for the quarter ended June 30, 2016.

Net Income

Net income for the second quarter of 2017 was $1,412,305, or $1.07 per fully diluted share, versus $707,060, or $0.64 per fully diluted share, for the comparable period in 2016. These results include three months of operations from the assets acquired in the transaction with Keeley Asset Management Corp. which closed on February 28, 2017. The second quarter 2017 contribution was approximately $845,000, or $0.55 per fully diluted share.

Operating Results for the Six Months Ended June 30, 2017 as Compared to the Six Months Ended June 30, 2016

Revenues

Total revenues were $13,588,237 for the six months ended June 30, 2017, $7,055,386 or 108% higher than the total revenues of $6,532,851 for the same period in the prior year. The change in total revenues by revenue component was as follows:

(unaudited)	For the Six Months ended June 30, 2017 (1)	2016	Increase (decrease) $	%
Investment advisory fees-mutual funds	$ 11,120,010	$ 5,653,125	$ 5,466,885	96.7%
Investment advisory fees-separate accounts	2,330,055	763,834	1,566,221	205.0%
Distribution Fees and other income	138,172	115,892	22,280	19.2%
Total revenues	$ 13,588,237	$ 6,532,851	$ 7,055,386	108.0%

(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 AUM. The Company 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 in the Funds were $2.28 billion for the period ended June 30, 2017 compared to $1.17 billion for the period ended June 30, 2016, an increase of 95%. The increase was primarily related to the acquisition of the KAMCO business.

Separate accounts include institutional, wrap and private client accounts. Average billable AUM for separate accounts was $533.1 million for the period ended June 30, 2017 compared to $231.7 million for the period ended June 30, 2016. This increase is primarily related to the acquisition of the KAMCO business.

Distribution Fees: The Company 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 2017 and 2016 were $101,558 and $94,284, respectively.

Expenses

Sub-advisory Fees: The Company 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. Sub advisory fees were $1,448,076 for the first half of 2017, up from $153,741 in the 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 $966.0 million in the first half of 2017, 490% higher than the prior year period average of $163.3 million.

Marketing and Administrative Fees: Marketing and administrative fees, which are charges from GAMCO and paid by the Company for administration of certain activities performed by GAMCO for the TETON Westwood Funds on behalf of Teton, were $932,440 for the six months ended June 30, 2017, a 12.8% increase from $826,595 in the prior year period. Marketing and administrative fees are calculated on a tiered formula. Based on the tiered formula, administration fees were approximately 13.5 basis points of the average AUM of the TETON

Westwood Funds for the first half of 2017, versus 14.3 basis points of the average AUM for the first half of 2016. As the AUM of the TETON Westwood Funds grow these fees will decline as a percentage of average AUM.

Compensation: Compensation costs, which include salaries and benefits, portfolio manager compensation and stock based compensation, were $4,066,877 for the first half of 2017, an increase of $1,697,605 from $2,369,272 in the prior year period. Fixed compensation costs, which include salary, bonus and benefits, increased to $3,384,796 for the first half of 2017 from $588,883 in the prior year period. Stock based compensation was $4,342 for the six months ended June 30, 2017, and $42,101 for the six months ended June 30, 2016. 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 first six months of 2017, variable compensation was $677,738, a decrease of $1,060,550 from the $1,738,288 reported in the prior year period. The decrease 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, intermediary and shareholder servicing costs, which are primarily related to the sale of shares of the Funds, net of related expense reimbursements, were $1,600,284 for the six months ended June 30, 2017, an increase of $1,138,084 from $462,200 in the prior year period. This increase is priamirily related to the acquisition of KAMCO.

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 $1,066,747 during the 2017 period, an increase of $721,682 from the prior year amount of $345,065. The increase was primarily related to the acquisition of the KAMCO business.

Expense reimbursements to the Funds were $533,537 for the first half of 2017, an increase of $416,403 from the prior year period amount of $117,135. The increase was primarily related to the acquisition of the KAMCO business.

Advanced Commissions: Advanced commission expense was $94,290, an increase of $18,738 from $75,552 in the prior year period.

Other Operating Expenses: General and administrative expenses, including those charged by GAMCO and incurred directly, were $1,145,516 for the six months ended June 30, 2017, an increase of $688,575 from $456,941 in the prior year. The increase was primarily related to the acquisition of the KAMCO business. This increase also includes $141,640 related to one-time acquisition and contract settlement costs.

Income Taxes

The effective tax rate was 39.1% for the six months ended June 30, 2017, and 37.0% for the six months ended June 30, 2016.

Net Income

Net income for the first half of 2017 was $2,245,900 or $1.77 per fully diluted share, versus $1,376,332 or $1.25 per fully diluted share for the 2016 period. These results include four months of operations from the assets acquired in the transaction with Keeley Asset Management Corp. which closed on February 28, 2017. The contribution towards year-to-date results was approximately $1,094,000, or $0.71 per fully diluted share.