Condensed Consolidated Financial Statements

Teton Advisors, Inc.

Quarterly Report for the Period Ended June 30, 2018

Teton Advisors, Inc. and Subsidiary

Condensed Consolidated Financial Statements

Quarterly Report for Period Ended June 30, 2018

Contents

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

	Three months ended June 30, 2018	2017
Revenues		
Investment advisory fees - mutual funds	$ 6,324,838	$ 6,309,430
Investment advisory fees - separate accounts	838,069	1,672,385
Distribution fees and other income	100,699	66,161
Total revenues	7,263,606	8,047,976
Operating expenses		
Compensation	1,677,006	2,398,484
Sub-advisory fees	1,209,890	1,048,287
Distribution costs	699,177	630,817
Marketing and administrative fees	521,348	473,577
Advanced commissions	49,240	49,379
Other operating expenses	572,415	751,384
Total operating expenses	4,729,076	5,351,928
Income before interest, taxes, depreciation and amortization	2,534,530	2,696,048
Depreciation and amortization	211,689	124,991
Interest expense	737,907	237,625
Income before income taxes	1,584,934	2,333,432
Income taxes	453,619	921,127
Net income	$ 1,131,315	$ 1,412,305
Net income per share:		
Basic	$ 0.66	$ 0.88
Fully diluted	$ 0.65	$ 0.81
Weighted average shares outstanding:		
Basic	1,236,812	1,168,465
Fully diluted	1,270,585	1,269,606

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

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

	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenues		
Investment advisory fees - mutual funds	$ 12,644,073	$ 10,586,473
Investment advisory fees - separate accounts	1,806,505	2,330,055
Distribution fees and other income	139,041	138,172
Total revenues	14,589,619	13,054,700
Operating expenses		
Compensation	3,619,633	4,041,308
Sub-advisory fees	2,389,029	1,448,076
Distribution costs	1,294,839	1,066,747
Marketing and administrative fees	1,031,583	932,440
Advanced commissions	101,183	94,290
Other operating expenses	1,109,009	1,171,085
Total operating expenses	9,545,276	8,753,946
Income before interest, taxes, depreciation and amortization	5,044,343	4,300,754
Depreciation and amortization	423,377	283,008
Interest expense	780,440	330,035
Income before income taxes	3,840,526	3,687,711
Income taxes	1,021,800	1,441,811
Net income	$ 2,818,726	$ 2,245,900
Net income per share:		
Basic	$ 1.92	$ 1.51
Fully diluted	$ 1.81	$ 1.42
Weighted average shares outstanding:		
Basic	1,201,295	1,148,758
Fully diluted	1,269,960	1,220,625

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

Teton Advisors, Inc. and Subsidiary
Condensed Consolidated Statements of Financial Condition

	(Unaudited) June 30, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$ 9,418,551	$ 6,570,913
Investment advisory fees receivable	2,319,831	2,620,591
Investment in securities	144,641	138,298
Income tax receivable	179,073	-
Distribution and shareholder service expense reimbursement receivable	105,582	119,381
Goodwill and other identifiable intangible assets (Note B)	21,552,469	21,961,358
Contingent deferred sales commissions	97,802	97,759
Receivable from affiliates	17,048	20,453
Other assets (net of accumulated depreciation of $56,350 and $41,862 respectively)	319,936	393,207
Total assets	$ 34,154,933	$ 31,921,960
LIABILITIES AND STOCKHOLDERS' EQUITY		
Compensation payable	$ 536,000	$ 69,000
Payable to affiliates	822,574	732,491
Distribution costs payable	338,617	456,863
Income tax payable	-	35,449
Dividends payable	3,425	105,953
Deferred taxes payable, net	130,269	35,569
Accrued expenses and other liabilities	1,256,981	1,230,623
Subtotal liabilities	3,087,866	2,665,948
Long - term debt	2,335,440	3,183,733
Total liabilities	5,423,306	5,849,681
Commitments and contingencies (Note D)		
Series A redeemable preferred stock, $0.001 par value;		
75,000 shares authorized; 75,000 shares issued,		
60,000 shares outstanding (Liquidation preference of $6,400,000)	5,581,805	5,155,088
Stockholders' equity:		
Class A Common stock, $0.001 par value; 1,700,000 shares authorized;		
986,086 and 985,825 shares issued, respectively;		
946,227 and 845,966 outstanding, respectively	974	974
Class B Common stock, $0.001 par value; 800,000 shares authorized;		
792,000 shares issued; 330,656 and 330,917 shares outstanding, respectively	339	339
Additional paid-in capital	4,109,333	5,005,224
Treasury stock, at cost (39,859 class A shares and 8,000 class B shares		
and 139,859 class A shares and 8,000 class B shares, respectively)	(887,826)	(1,837,826)
Retained earnings	19,927,002	17,748,480
Total stockholders' equity	23,149,822	20,917,191
Total liabilities and stockholders' equity	$ 34,154,933	$ 31,921,960

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

Teton Advisors, Inc. and Subsidiary
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

For the Six Months June 30, 2018

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
Balance at December 31, 2017	$ 974	$ 339	$ 5,005,224	$ (1,837,826)	$ 17,748,480	$ 20,917,191
Net income	-	-	-	-	2,818,726	2,818,726
Stock based compensation	-	-	53,109	-	-	53,109
Amortization of discount - preferred stock	-	-	-	-	(357,844)	(357,844)
Accretion of stock - preferred stock	-	-	-	-	(68,872)	(68,872)
Exercised stock warrants	-	-	(949,000)	950,000	-	1,000
Dividends declared	-	-	-	-	(213,488)	(213,488)
Balance at June 30, 2018 (unaudited)	$ 974	$ 339	$ 4,109,333	$ (887,826)	$ 19,927,002	$ 23,149,822

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

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

	Six months ended June, 2018	2017
Cash Flow from Operating Activities		
Net income	$ 2,818,726	$ 2,245,900
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Amortization of intangible assets	408,889	272,593
Amortization of deferred sales commission	101,183	94,290
Amortization of debt discount	651,707	225,868
Depreciation and amortization - other	14,488	10,415
Mark-to-market - forward contract	36,210	-
Deferred taxes	94,700	79,277
Unrealized gain on investments	(6,343)	(13,900)
Stock based compensation expense	53,110	4,343
(Increase) decrease in operating assets:		
Investment advisory fees receivable	300,760	(1,756,875)
Distribution and shareholder service expense reimbursement receivable	13,799	(124,138)
Income tax receivable	(179,073)	60,767
Contingent deferred sales commission	(101,226)	(123,257)
Receivable from affiliates	3,405	(3,303)
Other assets	58,783	(17,747)
Increase (decrease) in operating liabilities:		
Compensation payable	467,000	692,599
Payable to affiliates	90,083	202,442
Distribution costs payable	(118,246)	437,898
Income tax payable	(35,449)	259,811
Accrued expenses and other liabilities	(9,852)	(133,265)
Total adjustments	1,843,928	167,818
Net cash provided by operating activities	4,662,654	2,413,718
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
Repayment of long-term debt	(1,500,000)	-
Proceeds from the reissuance of treasury stock		460,000
Proceeds from exercise of stock warrants	1,000	-
Dividends paid	(316,016)	(113,391)
Stock repurchase	-	(221,359)
Net cash provided by (used in) financing activities	(1,815,016)	12,625,315
Net increase (decrease) in cash and cash equivalents	2,847,638	(7,960,967)
Cash and cash equivalents:		
Beginning of year	6,570,913	13,270,301
End of period	$ 9,418,551	$ 5,309,334
Supplemental disclosures of cash flow information:		
Interest payments	$ 76,233	$ 104,166
Federal and State income tax payments	$ 1,091,325	$ 980,200

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

Teton Advisors, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
June 30, 2018

A. Significant Accounting Policies

Basis of Presentation

Teton Advisors, Inc. ("Teton") was formed 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 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.

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, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. 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, 2017.

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 May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in the Accounting Standards Codification ("Codification") Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the Codification. The core principle of the new ASU No. 2014-09 is for companies to recognize revenue from the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled to receive in exchange for those goods or services. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. In March 2016, the FASB issued revised guidance which clarifies the guidance related to (a) determining the appropriate unit of account under the revenue standard's principal versus agent guidance and (b) applying the indicators of whether an entity is a principal or an agent in accordance with the revenue standard's control principle. In April 2016, the FASB issued an amendment to provide more detailed guidance including additional implementation guidance and examples related to (a) identifying performance obligations and (b) licenses of intellectual property. In May 2016, the FASB amended the standard to clarify the guidance on (a) assessing collectability, (b) presenting sales taxes, (c) measuring noncash consideration, and (d) certain transition matters. The Company adopted this guidance on January 1, 2018 and elected to use the retrospective method, which required the restatement of prior period amounts. The Company's implementation analysis has been completed, and we have identified similar performance obligations under this guidance as compared with deliverables and separate units of account previously identified under Topic 605. As a result, the timing of the recognition of our revenue remains the same as under Topic 605, and therefore the adoption does not have any effect on the timing of the recognition of revenue. However, the adoption does affect the presentation of certain revenues on a net basis.

The adoption of the new revenue standard resulted in the following changes to the Company's previously reported results for the three and six month periods ended June 30, 2017:

Three months ended June 30, 2017	As Previously Reported	Adjustments Due to New Revenue Standard	As Adjusted
Revenue:			
Investment advisory fees - mutual funds	$ 6,658,530	$ (349,100)	$ 6,309,430
Expenses:			
Distribution costs and expense reimbursements *	$ 979,917	$ (349,100)	$ 630,817

* - Labeled distribution costs in 2Q18

Six months ended June 30, 2017	As Previously Reported	Adjustments Due to New Revenue Standard	As Adjusted
Revenue:			
Investment advisory fees - mutual funds	$ 11,120,010	$ (533,537)	$ 10,586,473
Expenses:			
Distribution costs and expense reimbursements *	$ 1,600,284	$ (533,537)	$ 1,066,747

* - Labeled distribution costs in 2Q18

See Note G. Revenue for the disclosures required by ASU 2014-09.

In February 2016, the FASB issued ASU 2016-02, which amends the guidance in U.S. GAAP for the accounting for leases. ASU 2016-02 requires a lessee to recognize assets and liabilities arising from most operating leases in the condensed consolidated statement of financial position. It requires these operating leases to be recorded on the balance sheet as right of use assets and offsetting lease liability obligations. This new guidance will be effective for the Company's first quarter of 2019. The Company is currently evaluating this guidance and the impact it will have on its consolidated financial statements and related disclosures.

In January 2017, the 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 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. 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) $12.6 million was attributed to an indefinite lived mutual fund management contract intangible asset; iii) $1.3 million was attributed to an indefinite lived trade name intangible asset; iv) $0.3 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 contracts and trademarks annually, and when circumstances indicate that the carrying value may not be recoverable. If it is determined that an impairment exists, the carrying value will be reduced accordingly. There were no indicators of impairment for the three months ended June 30, 2018, 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, 2017. 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, 2017. 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
Revenues	$ 17,085,000
Income before interest, taxes, depreciation and amortization	$ 5,690,000
Net income	$ 2,800,000

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 $2,402,460 was recorded as a discount against the stated value of the loan at the date of issuance. The discount was determined based upon the relative fair value of the proceeds. The discount is amortized as interest expense over the life of the loan.

On April 4, 2018, the Company made a principal payment of $1,500,000 on the GGCP Note. The total amount paid was $1,501,223, which included accrued interest. The Company wrote-off the related discount associated with the principal payment of $551,713 which was recorded as interest expense. The total interest expense related to the amortization and write-off of the debt discount for the three month period ended June 30, 2018 was $684,174. Unamortized discount as of June 30, 2018 was $1,164,560. For the three month period ended June 30, 2018, the company incurred interest expense of $53,732, of which, $52,500 remains payable at quarter end.

On April 27, 2018, the warrant was exercised in whole by GGCP. The total proceeds received by the Company were $1,000.

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 in financing in exchange for 75,000 shares of Teton Series A Preferred Stock ("Preferred Stock"), par value $.001 per share, and 65,000 shares of Teton Class A Common Stock, par value $0.001 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 and participates in common dividends at that same rate. The Preferred Stock includes a redemption feature whereby each share of Preferred Stock is redeemable for $100 per share plus the then fair market value of 0.1333 shares of Teton's Class A Common Stock. At issuance, the full redemption value was $7,951,500. 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 Company determined that the Preferred Stock was a hybrid financial instrument and that a cash-settled forward (the "Forward") on the Company's Common Stock should be bifurcated from the Preferred Stock and accounted for as a non-option derivative. The strike price of the Forward was determined such that the Forward had no fair value at the date of issuance of the Preferred Stock. Any changes in the fair value of the derivative since issuance will be recognized currently in income.

The Preferred Stock, excluding the bifurcated Forward, is classified as mezzanine equity since the shares are redeemable at the option of the holder beginning February 23, 2019. A discount of $2,609,913 was recorded against the full redemption value of the Preferred Stock at the date of issuance. The discount was determined based upon the relative fair value allocation of the proceeds. The discount is being amortized to retained earnings (as well as being treated as a preferred stock dividend for purposes of computing earnings available to common stockholder when computing earnings per share) over the two-year term of the Preferred Stock to its full redemption value since the Preferred Stock is considered outstanding shares.

On October 17, 2017, the Company redeemed 15,000 shares (principal amount equals $1,500,000) of the Series A Preferred Stock pursuant to terms of the stock agreement. In connection with the redemption, the company paid a redemption premium equal to the then fair value of $39.50 per share on 2,000 shares of the company's Class A Common Stock (0.1333 shares of common per preferred share redeemed). The premium totaled $78,980. In connection with the redemption, the company wrote-off the related discount associated with the partial redemption. The write-off of the discount and stock accretion associated with this pre-payment, which was charged to retained earnings (and treated as a reduction of earnings available to common stockholders for purposes of computing earnings per share), amounted to $347,594.

As of June 30, 2018, the full redemption value of the remaining Series A Preferred Stock was $6,400,000.

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. At June 30, 2018 and December 31, 2017, Teton had $8,951,451 and $5,944,959, respectively, in this money market fund.

The Company pays GAMCO marketing and administration fees based on the average net assets of the TETON Westwood Funds. Marketing and administration fees were $521,348 and $473,577, respectively, for the quarters-ended ended June 30, 2018 and June 30, 2017.

The Company pays GAMCO a fixed administrative and management services fee pursuant to a contractual agreement. The amounts paid were $12,500 and $41,667, respectively, for the quarters ended June 30, 2018 and June 30, 2017.

The Company pays GAMCO a sub-advisory fee at an annualized rate of between 0.32% and 0.35% of the average net assets of the TETON Westwood Mighty Mites Fund and the TETON Westwood Convertible Securities Fund. The sub-advisory fees were $1,137,268 and $972,916, respectively, for the quarters ended June 30, 2018 and June 30, 2017.

At June 30, 2018 and December 31, 2017, the amounts payable to GAMCO for the services described above were $562,932 and $556,034, respectively. The amounts are included in the payable to affiliates on the Condensed Consolidated Statement of Financial Condition.

Distribution costs include certain amounts paid to G.distributors for wholesaler and platform commissions, 3rd party distribution costs, certain expense reimbursements, and a fixed administrative services charge based on a contractual agreement with Keeley-Teton. The costs were $480,845 and $321,341, respectively, for the quarters ended June 30, 2018 and June 30, 2017.

At June 30, 2018 and December 31, 2017, the amounts payable to G.distributors for the items described above were $259,642 and $189,993, respectively. The amounts are included in the payable to affiliates on the Condensed Consolidated Statement of Financial Condition. The Company's receivables and payables to affiliates are non-interest bearing and are receivable and payable on demand.

The Company made interest payments to GGCP of $1,233 and $76,233, respectfully, during the three and six-month periods ended June 30, 2018 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,	
	2018	2017	2018	2017
Basic:				
Net income	$ 1,131,315	$ 1,412,305	$ 2,818,726	$ 2,245,900
Deduct preferred stock - cash dividends	45,400	56,750	90,800	79,875
Deduct preferred stock - constructive dividends (a)	264,984	323,511	426,716	427,715
Income attributable to Teton shareholders	$ 820,931	$ 1,032,044	$ 2,301,210	$ 1,738,310
Weighted average shares outstanding	1,236,812	1,168,465	1,201,295	1,148,758
Basic net income per share	$ 0.66	$ 0.88	$ 1.92	$ 1.51
Fully diluted:				
Net income	$ 1,131,315	$ 1,412,305	$ 2,818,726	$ 2,245,900
Deduct preferred stock - cash dividends	45,400	56,750	90,800	79,875
Deduct preferred stock - constructive dividends (a)	264,984	323,511	426,716	427,715
Income attributable to Teton shareholders	$ 820,931	$ 1,032,044	$ 2,301,210	$ 1,738,310
Weighted average shares outstanding	1,236,812	1,168,465	1,201,295	1,148,758
Assumed conversion of common stock warrants	28,565	99,975	64,076	70,701
Dilutive restricted stock awards	5,208	1,166	2,590	1,166
Total	1,270,585	1,269,606	1,267,961	1,220,625
Fully diluted net income per share	$ 0.65	$ 0.81	$ 1.81	$ 1.42

(a) - Constructive dividends reflect the preferred stock discount amortization and stock value accretion associated with the Series A Preferred Stock. See footnote D for further discussion.

G. Revenue

On January 1, 2018, the Company adopted ASU 2016-09 using the retrospective method.

The revenue streams in the discussion below include those within the scope of ASU 2014-09. Those revenue streams deemed out of scope and excluded are: investment gains, dividends, and interest income, which are all included in distribution fees and other income.

Revenue Recognition

Revenues are recognized when the performance obligation (the investment management and advisory services provided to the client) defined by the investment advisory agreement is satisfied. For each performance obligation, we determine at contract inception whether the revenue satisfies over time or at a point in time. We derive our revenues from investment advisory fees, distribution fees and other income. Advisory fees are calculated based on a percentage of assets under management and the performance obligation is realized over the current calendar quarter. Once clients receive our investment advisory services we have an enforceable right to payment.

Advisory Fee Revenues

Our advisory fees are generated by Teton Advisors and Keeley-Teton Advisors, which manage client accounts under investment advisory agreements. Advisory fees are typically calculated based on a percentage of assets under management and are paid in accordance with the terms of the agreements. For mutual fund, advisory fees are accrued daily based upon each mutual fund's daily net assets. For other accounts, advisory fees are paid either quarterly in advance based on assets under management on the last day of the preceding quarter, or quarterly in arrears based on assets under management on the last day of the quarter just ended, subject to adjustment. We recognize advisory fee revenues as services are rendered. Since our advance paying clients' billing periods coincide with the calendar quarter to which such payments relate, revenue is recognized within the quarter and our condensed consolidated financial statements contain no deferred advisory fee revenues. Advisory clients typically consist of institutional and mutual fund accounts.

Institutional investor accounts typically consist of corporate pension and profit sharing plans, public employee retirement funds, Taft Hartley plans, endowments, foundations and individuals. Mutual funds include the TETON Westwood Funds, a family of mutual funds for which Teton Advisors serves as advisor, and the KEELEY Funds, a family of mutual funds for which Keeley-Teton Advisors serves as advisor. These funds are available to individual investors, as well as offered as part of our investment strategies for institutional investors and private wealth accounts.

Mutual fund advisory fee revenue is net of related fund expense reimbursements totaling $367,090 and $713,622, respectively, for the three and six month periods ended June 30, 2018.

Revenue Disaggregated

The following table presents our revenue disaggregated by account type:

	For the Three Months ended June 30,		Increase (decrease)	
(Unaudited)	2018	2017	$	%
Investment advisory fees				
Open-end mutual funds	$ 6,324,838	$ 6,309,430	$ 15,408	0.2%
Institutional	386,955	1,112,214	(725,259)	-65.2%
Private client	301,992	295,749	6,243	2.1%
Wrap	149,122	264,422	(115,300)	-43.6%
Total separate accounts	838,069	1,672,385	(834,316)	-49.9%
Total investment advisory fees	7,162,907	7,981,815	(818,908)	-10.3%
Distribution fees	51,327	54,241	(2,914)	-5.4%
Other income, net	49,372	11,920	37,452	314.2%
Total revenues	$ 7,263,606	$ 8,047,976	$ (784,370)	-9.7%

	For the Six Months ended June 30,		Increase (decrease)	
(Unaudited)	2018	2017[(1)]	$	%
Investment advisory fees				
Open-end mutual funds	$ 12,644,073	$ 10,586,473	$ 2,057,600	19.4%
Institutional	840,583	1,769,884	(929,301)	-52.5%
Private client	625,583	295,749	329,834	111.5%
Wrap	340,339	264,422	75,917	28.7%
Total separate accounts	1,806,505	2,330,055	(523,550)	-22.5%
Total investment advisory fees	14,450,578	12,916,528	1,534,050	11.9%
Distribution fees	107,358	101,558	5,800	5.7%
Other income, net	31,683	36,614	(4,931)	-13.5%
Total revenues	$ 14,589,619	$ 13,054,700	$ 1,534,919	11.8%

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

H. 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.

I. Subsequent Events

On July 3, 2018, the Company paid-down an additional $1,500,000 on the 6% GGCP Note. The total amount paid was $1,500,740, including accrued interest.

On August 23, 2018, the Board of Directors declared its regular quarterly dividend of $0.05 per share to all common shareholders payable on September 25, 2018 to shareholders of record on September 10, 2018, and $0.75 per share on Series A Preferred Stock payable on September 25, 2018 to shareholders of record on August 23, 2018.

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 Under Management Highlights

The following table sets forth total AUM by product type as of the dates shown:

						% Δ From	
($ in millions)	**6/17**	**9/17**	**12/17**	**3/18**	**6/18**	**6/17**	**3/18**
Mutual Funds							
Equities	$ 2,661	$ 2,760	$ 2,730	$ 2,618	$ 2,698	1.4%	3.1%
Fixed Income	24	22	23	25	27	13.8%	9.2%
Institutional, Private Client & Wrap	999	802	626	608	513	-48.6%	-15.6%
Total Assets Under Management	$ 3,684	$ 3,584	$ 3,379	$ 3,251	$ 3,238	-12.1%	-0.4%
Average Assets Under Management	$ 3,712	$ 3,634	$ 3,482	$ 3,315	$ 3,277	-11.7%	-1.1%

The following table sets forth asset appreciation and flows for the period shown:

($ in millions)	April 1, 2018	Appreciation / (depreciation)	Net flows	June 30, 2018
Mutual Funds				
Equities	$ 2,618	$ 121	$ (41)	$ 2,698
Fixed Income	25	-	2	27
Institutional, Private Client & Wrap	608	25	(120)	513
	$ 3,251	$ 146	$ (159)	$ 3,238

($ in millions)	January 1, 2018	Appreciation / (depreciation)	Net flows	June 30, 2018
Mutual Funds				
Equities	$ 2,730	$ 67	$ (99)	$ 2,698
Fixed Income	23	1	3	27
Institutional, Private Client & Wrap	626	16	(129)	513
	$ 3,379	$ 84	$ (225)	$ 3,238

AUM was $3.24 billion at June 30, 2018, versus $3.25 billion at March 31, 2018. Outflows of $351 million were largely off-set by inflows of $192 million and market appreciation of $146 million. This compares to the second quarter of 2017 outflows of $232 million, offset by inflows of $107 million and market appreciation of $19 million. Average AUM was $3.28 billion for the second quarter 2018, a decrease of 11.7% from $3.71 billion in the second quarter 2017.

Operating Results for the Three Months Ended June 30, 2018 as Compared to the Three Months Ended June 30, 2017

Revenues

Total revenues were $7,263,606 in the second quarter of 2018, a decrease of 9.7% from the total revenues of $8,047,976 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)	2018	2017	$	%
Investment advisory fees				
Open-end mutual funds	$ 6,324,838	$ 6,309,430	$ 15,408	0.2%
Institutional	386,955	1,112,214	(725,259)	-65.2%
Private client	301,992	295,749	6,243	2.1%
Wrap	149,122	264,422	(115,300)	-43.6%
Total separate accounts	838,069	1,672,385	(834,316)	-49.9%
Total investment advisory fees	7,162,907	7,981,815	(818,908)	-10.3%
Distribution fees	51,327	54,241	(2,914)	-5.4%
Other income, net	49,372	11,920	37,452	314.2%
Total revenues	$ 7,263,606	$ 8,047,976	$ (784,370)	-9.7%

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 account value as of the end of the preceding quarter for institutional, private clients and wrap accounts. Average AUM for the Funds were $2.71 billion for the second quarter ended June 30, 2018 flat to $2.71 billion for the quarter ended June 30, 2017.

Average billable AUM for institutional, private clients and wrap accounts were $569.0 million for the period ended June 30, 2018 compared to $1.0 billion for the period ended June 30, 2017, a decrease of 43.1%.

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 three months ended June 30, 2018 and 2017 were $51,327 and $54,241, respectively. Total sales of class C shares were $19.6 million for the trailing twelve months ending June 30, 2018 and $22.1 million for the trailing twelve months ending June 30, 2017.

Other Income, Net: Other income, net includes realized and unrealized net gains, (losses) from investments and interest income earned from cash equivalents that were invested in a money market mutual fund managed by Gabelli Funds, LLC, a subsidiary of GAMCO, and cash held at a bank. Other income, net for the three months ended June 30, 2018 and June 30, 2017 were $49,372 and $11,920, respectively. The increase was primarily due to higher average balances of cash and cash equivalents held during the quarter.

Expenses

Compensation: Compensation costs, which include salaries and benefits and stock based compensation, were $1,677,006 for the second quarter of 2018, a decrease of 30% from $2,398,484 in the prior year period. Fixed compensation costs, which include salary and benefits, were $1,248,626 for the second quarter of 2018, a decrease of 26% from $1,693,663 in the prior year period. This decrease was primarily due to a reduction in staff. Stock based compensation was $26,555 for the second quarter of 2018, an increase of $24,384 from $2,171 for in the prior year period. The remainder of the compensation expenses represents variable compensation that fluctuates with net investment advisory revenues or company performance. For the second quarter of 2018, variable compensation was $401,826, a decrease of 43% from $702,650 the prior year period.

Sub-advisory Fees: The Company has currently retained a sub-adviser for four 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 $1,209,890 for the second quarter of 2018, up $161,603 from $1,048,287 in the prior year period. The increase was due to higher average AUM. Average AUM in sub-advised funds was $1.55 billion for the second quarter of 2018, an increase of 13.1% from $1.37 billion in the prior year period.

Distribution Costs: Distribution costs, which are primarily related to the sale of shares of the Funds, net of related reimbursements, include wholesaler payouts and payments made to third party distributors for funds sold through their platforms, including their no transaction fee programs. These costs were $699,177 for the second quarter of 2018, an increase of 11% from $630,816 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 $521,348 for the three months ended June 30, 2018, a 10% increase from $473,577 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 12.7 basis points of the average AUM of the TETON Westwood Funds for the second quarter 2018 versus 13.1 basis points of such average AUM for the second quarter 2017. As the AUM of the TETON Westwood Funds grows these fees will decline as a percentage of average AUM.

Advanced Commissions: Advanced commission expense was $49,240 for the second quarter of 2018, essentially unchanged from the prior year period.

Other Operating Expenses: Other operating expenses, including those charged by GAMCO and incurred directly, were $572,415 for the second quarter of 2018, a decrease of $178,969 from $751,384 in the prior year period. This decrease is primarily due to the reduction of legal expenses in the current period, and a $75,000 one-time charge due to a contract settlement in the prior year period.

Depreciation and amortization: Depreciation and amortization expense was $211,689 for the second quarter of 2018, an increase of $86,698 from $124,991 in the prior year period. The increase is primarily due to increased intangible asset amortization related to the acquisition of the KAMCO business.

Interest expense: Interest expense was $737,907 for the second quarter of 2018, an increase of $500,282 from $237,625 in the prior year period. Interest expense includes cash interest paid on the GGCP debt, as well as the amortization of debt discount associated with the debt issuance. The increase in interest expense is primarily attributable to the write-off of debt discount of $551,713, from a $1,500,000 pre-payment of debt made to GGCP on April 5, 2018.

Income Taxes

The effective tax rate was 28.6% for the quarter ended June 30, 2018, and 39.5% for the quarter ended June 30, 2017. The reduction is due to the passage of the Tax Cut and Jobs Act which was signed into law on December 22, 2017.

Net Income

Net income for the second quarter of 2018 was $1,131,315, or $0.65 per fully diluted share, versus $1,412,305, or $0.81 per fully diluted share, for the comparable period in 2017.

Supplemental Financial Information
As supplemental information, we provide a non-U.S. generally accepted accounting principles on ("non-GAAP") performance measure that we refer to as Cash Earnings. We provide this measure in addition to, but not as a substitute for, net income reported on a U.S. generally accepted accounting principles ("GAAP") basis. Our management and the Board of Directors review Cash Earnings to evaluate our ongoing performance, allocate resources and review our dividend policy. We believe that this non-GAAP performance measure is useful for management and investors when evaluating our underlying operating and financial performance and our available resources. We do not advocate that investors consider this non-GAAP measure without considering financial information prepared in accordance with GAAP.

In calculating Cash Earnings, we add back to net income the non-cash expense associated with the amortization of debt discount and intangible amortization expense incurred in connection with the KAMCO acquisition. Although depreciation on property & equipment and amortization of leaseholds are also non-cash expenses, we do not add these back when calculating Cash Earnings because those charges represent a decline in the value of the related assets that will ultimately require replacement.

The following table provides a reconciliation of net income to Cash Earnings for the periods presented:

	For the Quarter Ended,	
	June 30, 2018	June 30, 2017
Net income	$ 1,131,315	$ 1,412,305
Add: Debt discount amortization	684,174	162,625
Add: Intangible amortization	204,444	116,863
Cash Earnings	$ 2,019,933	$ 1,691,793
Cash Earnings Per Fully Diluted Share (a)	$ 1.55	$ 1.29

(a) - Cash Earnings Per Fully Diluted Share reflects reductions for cash dividends paid on Series A Preferred Stock totaling $45,400 and $56,596 in the second quarter 2018 and in the prior year quarter, respectively. It does not include reductions for non-cash constructive dividends totaling $264,984 and $323,511 in the second quarter 2018 and in the prior year quarter,

Operating Results for the Six Months Ended June 30, 2018 as Compared to the Six Months Ended June 30, 2017

Revenues

Total revenues were $14,589,619 in the second quarter of 2018, an increase of 11.8% from the total revenues of $13,054,700 for the same period in the prior year. The change in total revenues by revenue component was as follows:

	For the Six Months ended June 30,				Increase (decrease)		
(Unaudited)		2018		2017(1)		$	%
Investment advisory fees							
Open-end mutual funds	$	12,644,073	$	10,586,473	$	2,057,600	19.4%
Institutional		840,583		1,769,884		(929,301)	-52.5%
Private client		625,583		295,749		329,834	111.5%
Wrap		340,339		264,422		75,917	28.7%
Total separate accounts		1,806,505		2,330,055		(523,550)	-22.5%
Total investment advisory fees		14,450,578		12,916,528		1,534,050	11.9%
Distribution fees		107,358		101,558		5,800	5.7%
Other income, net		31,683		36,614		(4,931)	-13.5%
Total revenues	$	14,589,619	$	13,054,700	$	1,534,919	11.8%

(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 account value as of the end of the preceding quarter for institutional, private clients and wrap accounts. Average AUM for the Funds were $2.71 billion for the period ended June 30, 2018 compared to $2.28 billion for the period ended June 30, 2017, an increase of 18.9%.

Average billable AUM for institutional, private clients and wrap accounts were $594.9 million for the period ended June 30, 2018 compared to $533.1 billion for the period ended June 30, 2017, an increase of 11.6%.

Teton acquired the assets of KAMCO on March 1, 2017.

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, 2018 and 2017 were $107,358 and $101,558, respectively. Total sales of class C shares were $19.6 million for the trailing twelve months ending June 30, 2018 and $22.1 million for the trailing twelve months ending June 30, 2017.

Other Income, Net: Other income, net includes realized and unrealized net gains, (losses) from investments and interest income earned from cash equivalents that were invested in a money market mutual fund managed by Gabelli Funds, LLC, a subsidiary of GAMCO, and cash held at a bank. Other income, net for the six months ended June 30, 2018 and June 30, 2017 were $31,683 and $36,614, respectively.

Expenses

Compensation: Compensation costs, which include salaries and benefits and stock based compensation, were $3,619,633 for the first half of 2018, a decrease of 10.4% from $4,041,308 in the prior year period. Fixed compensation costs, which include salary and benefits, were $2,706,181 for the second quarter of 2018, an increase of 8.9% from $2,485,395 in the prior year period. This increase was primarily due the acquisition of KAMCO on March 1, 2017. Stock based compensation was $53,109 for the first half of 2018, an increase of $48,767 from $4,343 for in the prior year period. The remainder of the compensation expenses represents variable compensation that fluctuates with net investment advisory revenues or company performance. For the second quarter of 2018, variable compensation was $863,343, a decrease of 44% from $1,551,570 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, as well as a decline in anticipated variable compensation.

Sub-advisory Fees: The Company has currently retained a sub-adviser for four 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 $2,389,029 for the first half of 2018, up $940,953 from $1,448,076 in the prior year period. The increase was due to Teton Westwood Mighty Mites fund moving to a sub-advisory relationship effective March 1, 2017. Average AUM in sub-advised Funds was $1.54 billion for the first half of 2018, an increase of 59.4% from $966.0 million in the prior year period.

Distribution Costs: Distribution costs, which are primarily related to the sale of shares of the Funds, net of related reimbursements, include wholesaler payouts and payments made to third party distributors for funds sold through their platforms, including their no transaction fee programs. These costs were $1,294,839 for the first six months of 2018, an increase of 21% from $1,066,747 in the prior year period. The increase was primarily due to increased wholesaler commissions on TETON Westwood Mighty Mites fund.

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 $1,031,583 for the six months ended June 30, 2018, an 11% increase from $932,440 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 12.7 basis points of the average AUM of the TETON Westwood Funds for the first half of 2018 versus 13.5 basis points of such average AUM for the first half of 2017. As the AUM of the TETON Westwood Funds grows these fees will decline as a percentage of average AUM.

Advanced Commissions: Advanced commission expense was $101,183 for the first half of 2018, an increase of 7% from $94,290 from the prior year period.

Other Operating Expenses: Other operating expenses, including those charged by GAMCO and incurred directly, were $1,109,009 for the first half of 2018, a decrease of $62,079 from $1,171,088 in the prior year period. Lower legal and accounting expenses associated with the KAMCO acquisition were partly offset higher expense levels as a result of the acquisition of the KAMCO assets on March 1, 2017.

Depreciation and amortization: Depreciation and amortization expense was $423,377 for the first half of 2018, an increase of $140,369 from $283,008 in the prior year period. The increase is primarily due to increased intangible asset amortization related to the acquisition of the KAMCO business.

Interest expense: Interest expense was $780,440 for the first half of 2018, an increase of $450,405 from $330,035 in the prior year period. Interest expense includes cash interest paid on the GGCP debt, as well as the amortization of debt discount associated with the debt issuance. The increase in interest expense primarily attributable to the write-off of the debt discount of $551,713, from the principal payment made to GGCP on April 5, 2018.

Income Taxes

The effective tax rate was 26.6% for the six months ended June 30, 2018, and 39.1% for the six months ended June 30, 2017. The reduction is due to the passage of the Tax Cut and Jobs Act which was signed into law on December 22, 2017.

Net Income

Net income for the first half of 2018 was $2,818,726, or $1.81 per fully diluted share, versus $2,245,900, or $1.42 per fully diluted share, for the comparable period in 2017.

Supplemental Financial Information

As supplemental information, we provide a non-U.S. generally accepted accounting principles on ("non-GAAP") performance measure that we refer to as Cash Earnings. We provide this measure in addition to, but not as a substitute for, net income reported on a U.S. generally accepted accounting principles ("GAAP") basis. Our management and the Board of Directors review Cash Earnings to evaluate our ongoing performance, allocate resources and review our dividend policy. We believe that this non-GAAP performance measure is useful for management and investors when evaluating our underlying operating and financial performance and our available resources. We do not advocate that investors consider this non-GAAP measure without considering financial information prepared in accordance with GAAP.

In calculating Cash Earnings, we add back to net income the non-cash expense associated with the amortization of debt discount and intangible amortization expense incurred in connection with the KAMCO acquisition. Although depreciation on property & equipment and amortization of leaseholds are also non-cash expenses, we do not add these back when calculating Cash Earnings because those charges represent a decline in the value of the related assets that will ultimately require replacement.

The following table provides a reconciliation of net income to Cash Earnings for the periods presented:

	For the Six Month Period Ended,	
	June 30, 2018	June 30, 2017
Net income	$ 2,818,726	$ 2,245,900
Add: Debt discount amortization	651,707	225,868
Add: Intangible amortization	408,889	272,593
Cash Earnings	$ 3,879,322	$ 2,744,361
Cash Earnings Per Fully Diluted Share (a)	$ 2.99	$ 2.18

(a) - Cash Earnings Per Fully Diluted Share reflects reductions for cash dividends paid on Series A Preferred Stock totaling $90,800 and $79,875 in the six month period ended June 30, 2018 and in the prior year period, respectively. It does not include reductions for non-cash constructive dividends totaling $426,716 and $427,715 in the six month period ended June 30, 2018 and in the prior year period, respectively.