

Condensed Financial Statements
Teton Advisors, Inc.
Quarterly Report for the Period Ended March 31, 2012

Teton Advisors, Inc.

Condensed Financial Statements

Quarterly Report for Period Ended March 31, 2012

Contents

Condensed Statements of Income.....	1
Condensed Statements of Financial Condition	2
Condensed Statements of Stockholders' Equity	3
Condensed Statements of Cash Flows.....	4
Notes to Condensed Financial Statements	5
Management's Discussion of Operations.....	8

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

	Three months ended March 31,	
	2012	2011
Revenues		
Investment advisory fees	\$ 2,074,517	\$ 2,096,955
Distribution fees	127,002	66,490
Other income	-	1,555
Total revenues	<u>2,201,519</u>	<u>2,165,000</u>
Expenses		
Compensation	641,681	665,416
Marketing and administrative fees	326,184	328,583
Distribution costs and expense reimbursements	154,033	186,315
Advanced commissions	83,904	99,252
Sub-advisory fees	113,753	134,887
Other operating expenses	119,315	117,411
Total expenses	<u>1,438,870</u>	<u>1,531,864</u>
Income before income taxes	762,649	633,136
Income taxes	287,524	225,560
Net income	<u>\$ 475,125</u>	<u>\$ 407,576</u>
Net income per share:		
Basic	<u>\$ 0.42</u>	<u>\$ 0.39</u>
Diluted	<u>\$ 0.38</u>	<u>\$ 0.34</u>
Weighted average shares outstanding:		
Basic	<u>1,121,649</u>	<u>1,043,394</u>
Diluted	<u>1,244,603</u>	<u>1,210,242</u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Financial Condition

	March 31, 2012	December 31, 2011
ASSETS	(Unaudited)	(Audited)
Cash and cash equivalents	\$ 2,054,578	\$ 2,715,895
Investment advisory fees receivable	679,654	647,293
Deferred tax asset	174,505	9,380
Receivable from affiliates	62,718	40,844
Contingent deferred sales commission	97,483	132,939
Other assets (net of accumulated depreciation of \$10,255 and \$9,101, respectively)	<u>86,755</u>	<u>126,325</u>
Total assets	<u><u>3,155,693</u></u>	<u><u>3,672,676</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payable to affiliates	433,006	373,188
Deferred tax liability	248,495	103,455
Income tax payable	236,354	673,925
Compensation payable	11,266	435
Dividends payable	220,135	1,005,289
Distribution costs payable	203,759	198,461
Professional fees payable	34,550	31,560
Accrued expenses and other liabilities	<u>45,093</u>	<u>61,614</u>
Total liabilities	1,432,658	2,447,927
Stockholders' equity:		
Class A Common stock, \$0.001 par value; 1,200,000 shares authorized; 971,347 and 971,315 shares issued and outstanding, respectively	789	789
Class B Common stock, \$0.001 par value; 800,000 shares authorized; 792,000 shares issued; 332,895 and 332,927 shares outstanding, respectively	341	341
Additional paid-in capital	468,795	445,634
Treasury stock, Class B, at cost (8,000 shares)	(8,120)	(8,120)
Retained earnings	<u>1,261,230</u>	<u>786,105</u>
Total stockholders' equity	<u><u>1,723,035</u></u>	<u><u>1,224,749</u></u>
Total liabilities and stockholders' equity	<u><u>\$ 3,155,693</u></u>	<u><u>\$ 3,672,676</u></u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Stockholders' Equity

(Unaudited)

For the Three Months Ended March 31, 2012

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
Balance at December 31, 2011	\$ 789	\$ 341	\$ 445,634	\$ (8,120)	\$ 786,105	\$ 1,224,749
Net income	-	-	-	-	475,125	475,125
Stock based compensation	-	-	23,161	-	-	23,161
Balance at March 31, 2012	<u>\$ 789</u>	<u>\$ 341</u>	<u>\$ 468,795</u>	<u>\$ (8,120)</u>	<u>\$ 1,261,230</u>	<u>\$ 1,723,035</u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Cash Flows

(Unaudited)

	Three months ended March 31,	
	2012	2011
Operating activities		
Net income	\$ 475,125	\$ 407,576
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,154	722
Deferred income tax	(165,125)	51,526
Amortization of deferred sales commission	83,904	99,252
Stock based compensation expense	23,161	41,595
(Increase) decrease in operating assets:		
Investment advisory fees receivable	(32,361)	(137,596)
Income tax receivable	-	56,317
Receivable from affiliates	(21,874)	7,339
Contingent deferred sales commission	(48,448)	(279,154)
Other assets	38,416	(28,838)
Increase (decrease) in operating liabilities:		
Payable to affiliates	59,818	(192,263)
Income tax payable	(437,571)	110,425
Deferred tax liability	145,040	-
Compensation payable	10,831	185,151
Distribution costs payable	5,298	32,998
Professional fees payable	2,990	9,020
Accrued expenses and other liabilities	(16,521)	244
Total adjustments	(351,288)	(43,262)
Net cash provided by operating activities	123,837	364,314
Increase (decrease) in financing activities:		
Dividends paid	(785,154)	-
Net increase in cash and cash equivalents	(661,317)	364,314
Cash and cash equivalents at beginning of year	2,715,895	283,119
Cash and cash equivalents at end of the period	<u>\$ 2,054,578</u>	<u>\$ 647,433</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 721,401</u>	<u>\$ -</u>

See accompanying notes.

Teton Advisors, Inc.

Notes to Condensed Financial Statements

March 31, 2012

A. Significant Accounting Policies

Basis of Presentation

Teton Advisors, Inc. (“Teton” or the “Company”) was formed in Texas as Teton Advisers LLC in December 1994. On March 2, 1998, Teton Advisers LLC was renamed Gabelli Advisers LLC and, on the same date, merged into Gabelli Advisers, Inc., a Delaware corporation. On January 25, 2008, Gabelli Advisers, Inc. was renamed Teton Advisors, Inc. Prior to the March 20, 2009 spin-off, the Company was a 42%-owned subsidiary of GAMCO Investors, Inc. (“GAMCO”). The Company serves as the investment adviser for the GAMCO Westwood Funds (“Funds”, individually “Fund”). The Company’s capital structure consists of 1,200,000 shares authorized of Class A common stock with one vote per share and 800,000 shares authorized of Class B common stock with ten votes per share. At the date of incorporation, 200,000 shares of the Class A shares were issued to Westwood Management Corporation (“WMC”) and 800,000 shares of Class B shares were issued to GAMCO and its affiliates. In addition, certain shareholders exercised warrants to purchase 59,394 shares of the Class A common stock for \$5 per share on December 31, 2001.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Nature of Operations

Teton is a registered investment adviser under the Investment Advisers Act of 1940. Teton’s principal market is in the United States.

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they are not audited and do not include all of the information and notes required for complete financial statements. These condensed financial statements and notes should be read in conjunction with Teton’s audited financial statements and notes thereto included in Teton’s Annual Report for the year ended December 31, 2011. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2012 are not necessarily indicative of the

Teton Advisors, Inc.

Notes to Condensed Financial Statements (continued)

A. Significant Accounting Policies (continued)

results that may be expected for the year ending December 31, 2012.

B. Related Party Transactions

Teton has invested all of its cash equivalents in a money market mutual fund managed by Gabelli Funds, LLC, an affiliate. At March 31, 2012 and December 31, 2011, Teton had \$2,053,578 and \$2,714,895, respectively, in this money market fund and earned \$0 and \$164 for the three month periods ended March 31, 2012 and March 31, 2011, respectively, which are included in other income.

Effective August 1, 2011, G.distributors, LLC (“G.distributors”), an affiliate of Teton, serves as the principal distributor for the Funds. As distributor, G.distributors incurs certain promotional and distribution costs, which are expensed as incurred, related to the sale of Fund shares. Gabelli & Company, Inc. (“Gabelli & Co.”), also an affiliate of Teton, was the distributor for the Funds until July 31, 2011, received reimbursements from Teton in connection with these distribution activities to the extent such costs exceed distribution fees received from the Funds managed by Teton on a fund-by-fund basis. In connection with its role as distributor, Teton received from Gabelli & Co. \$239 and \$592 for the three months ended March 31, 2012 and March 31, 2011, respectively, of previously paid reimbursed distribution expenses which is included in distribution costs and expense reimbursements in the condensed statements of operations. As of March 31, 2012 and December 31, 2011, there was \$142,226 and \$142,465, respectively, contingently receivable by Teton from Gabelli & Co., representing the net accumulated reimbursements paid by Teton to Gabelli & Co. since the inception of each of the Funds calculated on an individual Fund basis.

Teton paid GAMCO administration fees based on the average net assets of the Funds, amounting to \$326,184 and \$328,583 for the three month periods ended March 31, 2012 and March 31, 2011, respectively. Teton also paid GAMCO reimbursement for compensation, which amounted to \$235,929 and \$235,978 for the three month periods ended March 31, 2012 and 2011, respectively.

Teton Advisors, Inc.

Notes to Condensed Financial Statements (continued)

B. Related Party Transactions (continued)

Teton pays Westwood Management Corp a sub-advisory fee of 35% of net revenues of Funds for which Westwood acts as the sub-advisor. The percentage of net revenues is defined as advisory fees less 20 basis points for administrative fees, after certain expenses are paid by Teton to the Funds. The fees amounted to \$113,753 and \$134,887 for the three month periods ended March 31, 2012 and March 31, 2011, respectively. Westwood Management Corporation is a wholly owned subsidiary of Westwood Holdings Group at March 31, 2012.

The Company serves as the investment adviser for the Funds and separate accounts and earns advisory fees based on predetermined percentages of the net average daily assets of the Funds and the net assets at the beginning of the quarter for the separate accounts. Advisory fees earned from the Funds and separate accounts were \$2,074,517 and \$2,096,955 for the three month periods ended March 31, 2012 and March 31, 2011, respectively. Advisory fees receivable from the Funds were \$679,654 and \$647,293 at March 31, 2012 and December 31, 2011, respectively.

The Company has receivables from the Funds of \$13,713 and \$50,503, which are included in other assets in the condensed statements of financial condition, at March 31, 2012 and December 31, 2011, respectively, relating to reimbursement of shareholder servicing costs associated with No Transaction Fee (“NTF”) programs.

Teton’s receivables and payables to affiliates at March 31, 2012 and December 31, 2011 are non-interest bearing and are receivable and payable on demand. At March 31, 2012 and December 31, 2011, the amount payable to GAMCO was \$331,182 and \$277,546, respectively, and the amount payable to Westwood Management Corporation was \$38,482 and \$37,826, respectively.

C. Indemnifications

In the ordinary course of business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on its history and experience, the Company believes that the likelihood of any such event is remote.

D. Subsequent Event

On April 20, 2012, the Board of Directors entered into a Stock Repurchase and Option agreement (“Agreement”), with Westwood Holdings Group, Inc. (“Westwood”). Under the terms of the Agreement, Teton will repurchase 100,000 shares of its stock from Westwood at a price of \$9.50 per share. Further, Westwood has granted Teton the right (option) to purchase an additional 100,000 shares, held by Westwood, at a price of \$9.50 per share anytime on or before December 31, 2012.

Teton Advisors, Inc.

MANAGEMENT'S DISCUSSION OF OPERATIONS

The following discussion should be read in conjunction with the condensed financial statements and the notes thereto.

Operating Results for the Quarter Ended March 31, 2012 as Compared to the Quarter Ended March 31, 2011

Revenues

Total revenues were \$2,201,519 in the first quarter of 2012, \$36,519 or 1.7% higher than the total revenues of \$2,165,000 in the first quarter of 2011. The change in total revenues by revenue component was as follows:

(unaudited)	For the Three Months ended March 31,		Increase (decrease)	
	2012	2011	\$	%
Investment advisory fees	\$ 2,074,517	\$ 2,096,955	\$ (22,438)	-1.1%
Distribution Fees	127,002	66,490	60,512	91.0%
Other income	-	1,555	(1,555)	n/m
Total revenues	<u>\$ 2,201,519</u>	<u>\$ 2,165,000</u>	<u>\$ 36,519</u>	1.7%

Investment Advisory Fees: Investment advisory fees are directly influenced by the level and mix of assets under management ("AUM"). Teton earns advisory fees based on the average AUM in the Funds and the AUM at the beginning of the quarter for the separate account. Investment advisory fees were \$2,074,517 for the period ended March 31, 2012 compared to \$2,096,955 for the period ended March 31, 2011, a decrease of \$22,438, or 1.1%.

AUM increased to \$894.8 million at March 31, 2012 from \$845.5 million at December 31, 2011. This increase was due to market appreciation of \$79.1 million and inflows of \$77.0 million, offset partially by outflows of \$106.8 million. Average AUM were \$888.4 million for the first quarter 2012, a decrease of 1.8% from \$905.0 million in the first quarter 2011.

AUM increased to \$983.1 million at March 31, 2011 from \$819.8 million at December 31, 2011. This increase was due to market appreciation of \$44.5 million and inflows of \$181.2 million, offset partially by outflows of \$62.4 million.

Teton Advisors, Inc.

Distribution fees: Teton earns a distribution fee on the Class C shares of Funds sold over the first twelve months after the sale. Distribution fees for the first quarter of 2012 and 2011 were \$127,002 and \$66,490, respectively.

Other income: Other income in 2011 was a combination of interest earned on available cash balances and a tax refund.

Expenses

Sub-advisory Fees: Teton has currently retained a sub-adviser for three of its six Funds. Sub-advisory fees, which are 35% of the net investment advisory revenues of the sub-advised funds and are recognized as expenses as the related services are performed, were \$113,753 for the first quarter of 2012, down from \$134,887 in the comparable prior year period. This decrease was primarily due to a 15.3% decline in investment advisory revenue from the three sub-advised Funds. Average AUM in the three sub-advised Funds, the key driver to investment advisory revenue, was \$212.5 million in the first quarter of 2012, 15% lower than the prior year period average of \$250.0 million.

Administrative Fees: Administrative expenses, which are charges from GAMCO and paid by Teton for administration of the mutual fund activities performed by GAMCO on behalf of Teton, were \$326,184 for the three months ended March 31, 2012, a 0.7% decrease from \$328,583 in the comparable prior year period. Effective January 1, 2011, the Company and GAMCO renegotiated the sub-administration contract to be based on a tiered formula from a previously established fixed rate. Based on the tiered formula administration fees were approximately 15.3 basis points of the average AUM for the first quarter 2012 versus 15.6 basis points of the average AUM for the first quarter 2011. As AUM grow these fees will decline as a percentage of the average AUM.

Compensation: Compensation costs, which include salaries and benefits, portfolio manager compensation and stock based compensation was \$641,681 for the first quarter of 2012, a 3.6% decrease from \$665,416 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, decreased to \$171,303 for the first quarter of 2012 from \$176,865 in the prior year period. Stock based compensation was \$23,161 for the three months ended March 31, 2012, a decrease of \$18,434 from the \$41,595 for the three months ended March 31, 2011. 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 2012 period, portfolio manager compensation was \$447,217, slightly ahead of the \$446,956 reported in the prior year period. Average AUM is the primary driver of investment advisory fees, on which portfolio manager compensation is based.

Distribution costs and expense reimbursements: Distribution costs, which are principally related to the sale of shares of open-end mutual funds, and expense reimbursements were \$154,033 for the first quarter of 2012, decreasing \$32,282 from \$186,315 in the prior year period.

Distribution costs are broken down into two categories, payments made to third party distributors for Funds sold through them, including their no transaction fee programs, and, prior to August 1, 2011, expenses either paid to or reimbursed from Gabelli & Co. for distribution of the Funds. Expenses paid to third party distributors, including wholesale payouts, were \$107,862 during the 2012 period, a decrease of \$36,045 from the prior year amount of \$143,907. The distribution arrangement required Teton to reimburse Gabelli & Co. for any distribution costs incurred in excess of distribution revenues earned on a Fund-by-Fund basis. Conversely, if the distribution revenues exceeded the costs, such excess was reimbursed to Teton on a Fund-by-Fund basis. For the three months ended March 31, 2012 and March 31, 2011, Gabelli & Company reimbursed Teton \$239 and \$592, respectively, a decrease of \$353.

Expense reimbursements to the Funds were \$46,410 for the first quarter of 2012, an increase of \$3,410 from the prior year period amount of \$43,000.

Advanced Commissions: Advanced commission expense decreased \$15,348 to \$83,904 in the first quarter of 2012 from \$99,252 in the 2011 period.

Other: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$119,315 for the first quarter of 2012, an increase of \$1,904 from the year ago amount of \$117,411.

Income Taxes

The effective tax rate was 37.7% for the quarter ended March 31, 2012, versus 35.6% for the quarter ended March 31, 2011.

Net Income

Net income for the first quarter of 2012 was \$475,125 or \$0.38 per fully diluted share versus \$407,576 or \$0.34 per fully diluted share for the 2011 period.