

Condensed Financial Statements
Teton Advisors, Inc.
Quarterly Report for the Period Ended September 30, 2014

Teton Advisors, Inc.

Condensed Financial Statements

Quarterly Report for Period Ended September 30, 2014

Contents

Condensed Statements of Income.....	1
Condensed Statements of Financial Condition	3
Condensed Statements of Stockholders' Equity	4
Condensed Statements of Cash Flows.....	5
Notes to Condensed Financial Statements	6
Management's Discussion of Operations.....	9

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

	Three months ended September 30,	
	2014	2013
Revenues		
Investment advisory fees-mutual funds	\$ 3,831,879	\$ 2,835,626
Investment advisory fees-separate accounts	828,902	771,923
Distribution fees and other income	223,277	124,079
Total revenues	<u>4,884,058</u>	<u>3,731,628</u>
Expenses		
Compensation	1,719,996	1,376,215
Marketing and administrative fees	516,980	420,095
Distribution costs and expense reimbursements	387,992	556,280
Advanced commissions	183,004	116,143
Sub-advisory fees	89,934	90,878
Other operating expenses	209,564	141,421
Total expenses	<u>3,107,470</u>	<u>2,701,032</u>
Income before income taxes	1,776,588	1,030,596
Income taxes	669,774	388,535
Net income	<u>\$ 1,106,814</u>	<u>\$ 642,061</u>
Net income per share:		
Basic	<u>\$ 1.00</u>	<u>\$ 0.58</u>
Diluted	<u>\$ 1.00</u>	<u>\$ 0.58</u>
Weighted average shares outstanding:		
Basic	<u>1,102,379</u>	<u>1,104,242</u>
Diluted	<u>1,102,731</u>	<u>1,104,242</u>

See accompanying notes.

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

	Nine months ended September 30,	
	2014	2013
Revenues		
Investment advisory fees-mutual funds	\$ 11,279,537	\$ 7,228,333
Investment advisory fees-separate accounts	2,488,375	2,283,844
Distribution fees and other income	697,949	247,362
Total revenues	<u>14,465,861</u>	<u>9,759,539</u>
Expenses		
Compensation	5,097,918	3,684,149
Marketing and administrative fees	1,524,814	1,119,911
Distribution costs and expense reimbursements	1,243,673	1,164,566
Advanced commissions	640,619	227,625
Sub-advisory fees	272,406	278,822
Other operating expenses	614,848	488,076
Total expenses	<u>9,394,278</u>	<u>6,963,149</u>
Income before income taxes	5,071,583	2,796,390
Income taxes	1,911,987	1,052,075
Net income	<u>\$ 3,159,596</u>	<u>\$ 1,744,315</u>
Net income per share:		
Basic	<u>\$ 2.86</u>	<u>\$ 1.58</u>
Diluted	<u>\$ 2.86</u>	<u>\$ 1.58</u>
Weighted average shares outstanding:		
Basic	<u>1,102,855</u>	<u>1,104,242</u>
Diluted	<u>1,102,997</u>	<u>1,104,242</u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Financial Condition

	(Unaudited)	
	September 30,	December 31,
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 5,410,218	\$ 2,502,851
Investment advisory fees receivable	1,979,534	1,951,158
Investment in securities	102,208	-
Deferred taxes receivable	70,512	57,034
Receivable from affiliates	67,485	70,339
Contingent deferred sales commission	275,720	449,503
Other assets (net of accumulated depreciation of \$24,339 and \$19,969, respectively)	96,178	81,341
Total assets	\$ 8,001,855	\$ 5,112,226
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payable to affiliates	\$ 817,174	\$ 918,832
Deferred taxes payable	106,042	171,456
Income tax payable	238,000	211,479
Compensation payable	238,329	332,316
Distribution costs payable	238,449	88,741
Accrued expenses and other liabilities	314,285	293,526
Total liabilities	1,952,279	2,016,350
Commitments and contingencies (Notes F and I)		
Stockholders' equity:		
Class A Common stock, \$0.001 par value; 1,200,000 shares authorized;		
974,884 and 974,083 shares issued, respectively;		
	772,669 and 773,098 outstanding, respectively	971 971
Class B Common stock, \$0.001 par value; 800,000 shares authorized;		
792,000 shares issued; 331,858 and 332,659 shares outstanding, respectively		
	342	342
Additional paid-in capital	604,178	590,427
Treasury stock, at cost (202,215 class A shares and 8,000 class B shares		
and 200,985 class A shares and 8,000 class B shares, respectively)		
	(1,990,938)	(1,936,716)
Retained earnings	7,435,023	4,440,852
Total stockholders' equity	6,049,576	3,095,876
Total liabilities and stockholders' equity	\$ 8,001,855	\$ 5,112,226

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Stockholders' Equity

(Unaudited)

For the Nine Months Ended September 30, 2014

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
Balance at December 31, 2013	971	342	590,427	(1,936,716)	4,440,852	3,095,876
Net income	-	-	-	-	3,159,596	3,159,596
Stock based compensation	-	-	13,751	-	-	13,751
Stock buyback	-	-	-	(54,222)	-	(54,222)
Dividends declared	-	-	-	-	(165,425)	(165,425)
Balance at September 30, 2014	<u>\$ 971</u>	<u>\$ 342</u>	<u>\$ 604,178</u>	<u>\$ (1,990,938)</u>	<u>\$ 7,435,023</u>	<u>\$ 6,049,576</u>

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Cash Flows

(Unaudited)

	Nine months ended September 30,	
	2014	2013
Operating activities		
Net income	\$ 3,159,596	\$ 1,744,315
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,370	4,412
Deferred income tax	(13,478)	(35,634)
Amortization of deferred sales commission	640,619	227,625
Stock based compensation expense	13,751	-
(Increase) decrease in operating assets:		
Investment advisory fees receivable	(28,376)	(515,842)
Investment in securities	(102,208)	(2,092)
Receivable from affiliates	2,854	(31,591)
Contingent deferred sales commission	(466,836)	(506,415)
Other assets	(19,207)	(6,886)
Increase (decrease) in operating liabilities:		
Payable to affiliates	(101,658)	71,606
Income tax payable	26,521	38,892
Deferred tax liability	(65,414)	102,945
Compensation payable	(93,987)	200,016
Distribution costs payable	149,708	78,556
Accrued expenses and other liabilities	20,759	91,686
Total adjustments	(32,582)	(282,722)
Net cash provided by operating activities	3,127,014	1,461,593
Financing activities		
Dividends paid	(165,425)	-
Stock repurchase	(54,222)	-
Net cash used in financing activities	(219,647)	-
Net increase in cash and cash equivalents	2,907,367	1,461,593
Cash and cash equivalents at beginning of period	2,502,851	267,670
Cash and cash equivalents at end of the period	<u>\$ 5,410,218</u>	<u>\$ 1,729,263</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 1,938,882</u>	<u>\$ 909,386</u>

See accompanying notes.

Teton Advisors, Inc.

Notes to Condensed Financial Statements

September 30, 2014

A. Significant Accounting Policies

Basis of Presentation

Teton Advisors, Inc. (“Teton” or the “Company”) was incorporated in Texas as Teton Advisers LLC in December 1994. The Company serves as the investment adviser for the TETON Westwood Funds (“Funds”, individually “Fund”) and separate institutional accounts. The Company’s capital structure consists of 1,200,000 shares authorized of Class A common stock with one vote per share and 800,000 shares authorized of Class B common stock with ten votes per share.

Use of Estimates

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

Nature of Operations

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

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they are not audited and do not include all of the information and notes required for complete financial statements. These condensed financial statements and notes should be read in conjunction with Teton’s audited financial statements and notes thereto included in Teton’s Annual Report for the year ended December 31, 2013. 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 and nine months periods ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

Teton Advisors, Inc.

Notes to Condensed Financial Statements (continued)

B. Related Party Transactions

Teton has invested all of its cash equivalents in a U.S. Treasury money market mutual fund managed by Gabelli Funds, LLC, an affiliate. At September 30, 2014 and December 31, 2013, Teton had \$5,309,170 and \$2,401,883, respectively, in this money market fund and earned \$0 and \$20 for the three month periods ended September 30, 2014 and September 30, 2013, respectively, and \$0 and \$100 for the nine month periods ended September 30, 2014 and 2013, respectively, which are included in distribution fees and other income.

Distribution fees include distribution fees paid to the Company by G.distributors, LLC (“G.distributors”) on the class C Fund shares sold. Class C shares have a 12b-1 distribution plan with a service and distribution fee totaling 1%. The distributor will advance the first year’s commission at the time of the sale and collect the distribution fee monthly based on the daily average AUM over the first year. The Company has agreed to reimburse the distributor for the commissions advanced and receives the monthly service and distribution fee in return. Fees collected may be higher or lower than the amounts advanced as AUM increases or decreases during the period based on the Fund’s performance.

Teton paid GAMCO administration fees based on the average net assets of the Funds, amounting to \$516,980 and \$420,095 for the three month periods ended September 30, 2014 and September 30, 2013, respectively, and \$1,524,814 and \$1,119,911 for the nine month periods ended September 30, 2014, and September 30, 2013, respectively. Teton also paid GAMCO reimbursement for compensation, which amounted to \$500,275 and \$348,809 for the three month periods ended September 30, 2014 and September 30, 2013, respectively, and \$1,503,798 and \$871,970 for the nine month periods ended September 30, 2014 and September 30, 2013, respectively.

The Company serves as the investment adviser for the Funds and earns advisory fees based on predetermined percentages of the net average daily assets of the Funds. Advisory fees earned from the Funds were \$3,831,879 and \$2,835,626 for the three month periods ended September 30, 2014 and September 30, 2013, respectively, and \$11,279,537 and \$7,228,333 for the nine month periods ended September 30, 2014 and September 30, 2013, respectively. Advisory fees receivable from the Funds were \$1,217,899 and \$1,169,253 at September 30, 2014 and December 31, 2013, respectively.

Teton Advisors, Inc.

Notes to Condensed Financial Statements (continued)

B. Related Party Transactions (continued)

Teton's receivables and payables to affiliates at September 30, 2014 and December 31, 2013 are non-interest bearing and are receivable and payable on demand. At September 30, 2014 and December 31, 2013, the amount payable to GAMCO was \$548,181 and \$514,135, respectively, and the amount payable relating to wholesaler payouts was \$264,646 and \$381,254, respectively. At December 31, 2013 the amount payable to G.research was \$19,205. There was no receivable or payable from G.research at September 30, 2014. The amount receivable from G.distributors at September 30, 2014 and December 31, 2013 was \$67,485 and \$70,339, respectively. The amount payable to Gabelli Funds, LLC at September 30, 2014 and December 31, 2013 was \$4,347 and \$4,238 respectively.

C. Indemnifications

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

Teton Advisors, Inc.

MANAGEMENT'S DISCUSSION OF OPERATIONS

The following discussion should be read in conjunction with the unaudited Condensed Financial Statements and the notes thereto.

Introduction

Our revenues are highly correlated to the level of assets under management ("AUM") and fees associated with our various investment products, rather than our own corporate assets. AUM, which are directly influenced by the level and changes of the overall equity markets, can also fluctuate through acquisitions, the creation of new products, the addition of new accounts or the loss of existing accounts. Since various equity products have different fees, changes in our business mix may also affect revenues. At times, the performance of our equity products may differ markedly from popular market indices, and this can also impact our revenues. It is our belief that general stock market trends will have the greatest impact on our level of AUM and hence, revenues.

Asset Highlights

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

	9/13	12/13	3/14	6/14	9/14	% Δ	
						9/13	6/14
Mutual Funds							
Equities	\$ 1,262	\$ 1,465	\$ 1,553	\$ 1,591	\$ 1,471	16.6%	-7.5%
Fixed Income	23	22	22	22	21	(8.7)	(4.5)
Separate accounts	539	538	547	546	528	(2.0)	(3.3)
Total Assets Under Management	<u>\$ 1,824</u>	<u>\$ 2,025</u>	<u>\$ 2,122</u>	<u>\$ 2,159</u>	<u>\$ 2,020</u>	10.7%	-6.4%

AUM were \$2.02 billion at September 30, 2014 down from \$2.16 billion at June 30, 2014. This decrease was due to outflows of \$237 million and market depreciation of \$112 million, partially offset by inflows of \$209 million. This compares with inflows of \$201 million and market appreciation of \$130 million, partially offset by outflows of \$49 million in the third quarter of 2013. Average AUM was \$2.1 billion for the third quarter 2014, an increase of 23.5% from \$1.7 billion in the third quarter 2013.

Teton Advisors, Inc.

Operating Results for the Quarter Ended September 30, 2014 as Compared to the Quarter Ended September 30, 2013

Revenues

Total revenues were \$4,884,058 in the third quarter of 2014, \$1,152,430 or 30.9% higher than the total revenues of \$3,731,628 in the third quarter of 2013. The change in total revenues by revenue component was as follows:

(unaudited)	For the Three Months ended September 30,		Increase (decrease)	
	2014	2013	\$	%
Investment advisory fees-mutual funds	\$ 3,831,879	\$ 2,835,626	\$ 996,253	35.1%
Investment advisory fees-separate accounts	828,902	771,923	56,979	7.4%
Distribution Fees and other income	223,277	124,079	99,198	79.9%
Total revenues	<u>\$ 4,884,058</u>	<u>\$ 3,731,628</u>	<u>\$ 1,152,430</u>	30.9%

Investment Advisory Fees: Investment advisory fees are directly influenced by the level and mix of assets under management (“AUM”). Teton earns advisory fees based on the average daily AUM in the Funds and the average month-end AUM during the quarter for the separate accounts. Average AUM for mutual funds were \$1.6 billion for the quarter ended September 30, 2014 compared to \$1.2 billion for the quarter ended September 30, 2013, an increase of 33.3%.

Average billable AUM for separate accounts were \$539.1 million for the period ended September 30, 2014 compared to \$519.4 million for the period ended September 30, 2013, an increase of 3.8%.

Distribution fees: Teton earns a distribution fee on the Class C shares of Funds sold over the first twelve months after the sale. Total sales of class C shares were \$78.1 million for the trailing twelve months ending September 30, 2014 and \$54.1 million for the trailing twelve months ending September 30, 2013.

Expenses

Sub-advisory Fees: Teton has currently retained a sub-adviser for three of the seven Funds. Sub-advisory fees, which are 35% of the net investment advisory revenues of the sub-advised funds and are recognized as expenses as the related services are performed, were \$89,934 for the third quarter of 2014, down from \$90,878 in the comparable prior year period. This decrease was primarily due to a 3.5% decline in investment advisory revenue from the three sub-advised Funds. Average AUM in the three sub-advised Funds was \$175.0 million for the third quarter of 2014, 3.5% lower than the prior year period average of \$181.3 million.

Teton Advisors, Inc.

Marketing and Administrative Fees: Marketing and administrative fees, which are charges from GAMCO and paid by Teton for administration of the Fund activities performed by GAMCO on behalf of Teton, were \$516,980 for the three months ended September 30, 2014, a 23.1% increase from \$420,095 in the comparable prior year period. Marketing and administrative fees are calculated on a tiered formula. Based on the tiered formula administration fees were approximately 13.2 basis points of the average Funds AUM for the third quarter 2014 versus 14.2 basis points of the average Funds AUM for the third quarter 2013. As Funds AUM grow these fees will decline as a percentage of the average Funds AUM.

Compensation: Compensation costs, which are largely variably based and include salaries and benefits, portfolio manager compensation and stock based compensation, were \$1,719,996 for the third quarter of 2014, a \$343,781 increase from \$1,376,215 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, increased to \$253,429 for the third quarter of 2014 from \$198,169 in the prior year period. Stock based compensation was \$4,584 for the three months ended September 30, 2014, there was no stock based compensation for the three months ended September 30, 2013. 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 2014 period, portfolio manager compensation was \$1,461,983, ahead of the \$1,178,046 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 \$387,992 for the third quarter of 2014, a decrease of \$168,288 from \$556,280 in the prior year period.

Distribution costs include wholesaler payouts and payments made to third party distributors for Funds sold through them, including their no transaction fee programs. Distribution costs were \$317,012 during the 2014 period, a decrease of \$155,483 from the prior year amount of \$472,495.

Expense reimbursements to the Funds were \$70,980 for the third quarter of 2014, a decrease of \$12,805 from the prior year period amount of \$83,785.

Advanced Commissions: Advanced commission expense increased \$66,861 to \$183,004 in the third quarter of 2014 from \$116,143 in the 2013 period.

Teton Advisors, Inc.

Other: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$209,564 for the third quarter of 2014, an increase of \$68,143 from the year ago amount of \$141,421.

Income Taxes

The effective tax rate was 37.7% for both the quarter ended September 30, 2014 and the quarter ended September 30, 2013.

Net Income

Net income for the third quarter of 2014 was \$1,106,814 or \$1.00 per fully diluted share versus \$642,061 or \$0.58 per fully diluted share for the 2013 period.

Operating Results for the Nine months Ended September 30, 2014 as Compared to the Nine months Ended September 30, 2013

Asset Highlights

AUM were \$2.0 billion as of September 30, 2014, 10.7% higher than September 30, 2013 AUM of \$1.8 billion. The change in AUM for the nine months ended September 30, 2014 of \$5 million consisted of inflows totaling \$471 million partially offset by market depreciation of \$59 million and outflows of \$417 million. This compares with a net change of \$562 million for the comparable period in 2013 consisting of market appreciation of \$325 million, inflows of \$389 million and outflows of \$152 million. Average AUM was \$2.1 billion in the first nine months of 2014, compared to \$1.5 billion in the first nine months of 2013.

Revenues

Total revenues were \$14,465,861 for the nine months ended September 30, 2014, \$4,706,322 or 48.2% higher than the total revenues of \$9,759,539 for the nine months ended September 30, 2013. The change in total revenues by revenue component was as follows:

(unaudited)	For the Nine Months ended September 30,		Increase (decrease)	
	2014	2013	\$	%
Investment advisory fees-mutual funds	\$ 11,279,537	\$ 7,228,333	\$ 4,051,204	56.0%
Investment advisory fees-separate accounts	2,488,375	2,283,844	204,531	9.0%
Distribution Fees and other income	697,949	247,362	450,587	182.2%
Total revenues	<u>\$ 14,465,861</u>	<u>\$ 9,759,539</u>	<u>\$ 4,706,322</u>	48.2%

Teton Advisors, Inc.

Investment Advisory Fees: Investment advisory fees are directly influenced by the level and mix of assets under management (“AUM”). Teton earns advisory fees based on the average daily AUM in the Funds and the average month-end AUM during the quarter for the separate accounts. Average AUM for mutual funds were \$1.5 billion for the period ended September 30, 2014 compared to \$1.0 billion for the period ended September 30, 2013, an increase of 50.0%.

Average billable AUM for separate accounts were \$537.9 million for the period ended September 30, 2014 compared to \$495.5 million for the period ended September 30, 2013, an increase of 8.6%.

Distribution fees: Teton earns a distribution fee on the Class C shares of Funds sold over the first twelve months after the sale. Total sales of class C shares were \$78.1 million for the trailing twelve months ending September 30, 2014 and \$54.1 million for the trailing twelve months ending September 30, 2013.

Expenses

Sub-advisory Fees: Teton has currently retained a sub-adviser for three of the seven Funds. Sub-advisory fees, which are 35% of the net investment advisory revenues of the sub-advised funds and are recognized as expenses as the related services are performed, were \$272,406 for nine months ended of 2014, down from \$278,822 in the comparable prior year period. This decrease was primarily due to a 3.1% decline in investment advisory revenue from the three sub-advised Funds. Average AUM in the three sub-advised Funds was \$177.8 million for nine months ended of 2014, 3.6% lower than the prior year period average of \$184.4 million.

Marketing and Administrative Fees: Marketing and administrative fees, which are charges from GAMCO and paid by Teton for administration of the Fund activities performed by GAMCO on behalf of Teton, were \$1,524,814 for the nine months ended September 30, 2014, a 36.2% increase from \$1,119,911 in the comparable prior year period. Marketing and administrative fees are calculated on a tiered formula. Based on the tiered formula administration fees were approximately 13.2 basis points of the average Funds AUM for the nine months ended of 2014 versus 14.8 basis points of the average Funds AUM for the nine months ended of 2013. As Funds AUM grow these fees will decline as a percentage of the average Funds AUM.

Teton Advisors, Inc.

Compensation: Compensation costs, which are largely variably based and include salaries and benefits, portfolio manager compensation and stock based compensation, were \$5,097,918 for the nine months ended of 2014, a \$1,413,769 increase from \$3,684,149 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, increased to \$721,187 for the nine months ended of 2014 from \$606,485 in the prior year period. Stock based compensation was \$13,751 for the nine months ended September 30, 2014, there was no stock based compensation for the nine months ended September 30, 2013. 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 2014 period, portfolio manager compensation was \$4,362,980, ahead of the \$3,077,664 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 \$1,243,673 for the nine months ended September 30, 2014, an increase of \$79,107 from \$1,164,566 in the prior year period.

Distribution costs include wholesaler payouts and payments made to third party distributors for Funds sold through them, including their no transaction fee programs. Distribution costs were \$1,049,446 during the 2014 period, an increase of \$65,435 from the prior year amount of \$984,011.

Expense reimbursements to the Funds were \$194,227 for the nine months ended of 2014, an increase of \$13,672 from the prior year period amount of \$180,555.

Advanced Commissions: Advanced commission expense increased \$412,994 to \$640,619 in the nine months ended of 2014 from \$227,625 in the 2013 period.

Other: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$614,848 for the nine months ended September 30, 2014, an increase of \$126,772 from the year ago amount of \$488,076.

Income Taxes

The effective tax rate was 37.7% for the nine months ended September 30, 2014, versus 37.6% for the nine months ended September 30, 2013.

Net Income

Net income for the nine months ended September 30, 2014 was \$3,159,596 or \$2.86 per fully diluted share versus \$1,744,315 or \$1.58 per fully diluted share for the 2013 period.