Condensed Consolidated Financial Statements

Teton Advisors, Inc.

Quarterly Report for the Period Ended March 31, 2021

Teton Advisors, Inc. and Subsidiary

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Contents

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

	Three months ended March 31, 2021	2020
Revenues		
Investment advisory fees - mutual funds, net	$ 3,190,521	$ 3,578,887
Investment advisory fees - separate accounts	675,731	638,922
Distribution fees and other income	7,877	45,333
Total revenues	3,874,129	4,263,142
Operating expenses		
Compensation	1,296,632	1,307,730
Sub-advisory fees	677,379	796,380
Distribution costs	434,772	471,897
Marketing and administrative fees	350,021	387,523
Advanced commissions	(1,733)	17,531
Other operating expenses	341,445	414,887
Total operating expenses	3,098,516	3,395,948
Income before interest, taxes, depreciation, amortization and impairment	775,613	867,194
Depreciation and amortization	86,023	198,087
Impairment of intangible assets	-	800,000
Income (loss) before income taxes	689,590	(130,893)
Income tax provision (benefit)	36,158	(199,575)
Net income	$ 653,432	$ 68,682
Net income per share:		
Basic	$ 0.52	$ 0.05
Fully diluted	$ 0.51	$ 0.05
Weighted average shares outstanding:		
Basic	1,260,988	1,262,217
Fully diluted	1,270,642	1,268,062

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

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

	(Unaudited) March 31, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents	$ 10,306,408	$ 9,556,418
Investment advisory fees receivable	1,349,722	1,156,033
Deferred tax asset	3,603,362	3,667,321
Distribution and shareholder service expense reimbursement receivable	54,077	47,767
Income tax receivable	36,851	156,841
Intangible assets, net (Note B)	3,944,332	4,025,807
Right-of-use assets	994,762	1,054,287
Contingent deferred sales commissions	9,423	8,061
Receivable from affiliates	27,567	6,202
Other assets (net of accumulated depreciation of $68,098 and $63,550 respectively)	319,600	395,507
Total assets	$ 20,646,104	$ 20,074,244
LIABILITIES AND STOCKHOLDERS' EQUITY		
Compensation payable	$ 218,295	$ 131,779
Payable to affiliates	440,069	434,416
Distribution costs payable	211,566	209,793
Lease liabilities	1,074,232	1,139,543
Accrued expenses and other liabilities	1,013,915	1,250,622
Total liabilities	2,958,077	3,166,153
Stockholders' equity:		
Class A Common stock, $0.001 par value; 1,700,000 shares authorized; 1,019,093 and 1,019,042 shares issued, respectively; 973,782 and 973,731 outstanding, respectively	974	974
Class B Common stock, $0.001 par value; 800,000 shares authorized; 792,000 shares issued; 329,206 and 329,257 shares outstanding, respectively	339	339
Additional paid-in capital	4,918,416	4,791,912
Treasury stock, at cost (45,311 class A shares and 443 class B shares and 45,311 class A shares and 443 class B shares, respectively)	(1,185,409)	(1,185,409)
Retained earnings	13,953,707	13,300,275
Total stockholders' equity	17,688,027	16,908,091
Total liabilities and stockholders' equity	$ 20,646,104	$ 20,074,244

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

Teton Advisors, Inc. and Subsidiary
Condensed Consolidated Statements of Stockholders' Equity
For the Three Months Ended March 31, 2021
(Unaudited)

	Common Stock Class A	**Common Stock Class B**	**Additional Paid-in Capital**	**Treasury Stock**	**Retained Earnings**	**Total**
Balance at December 31, 2020	$ 974	$ 339	$ 4,791,912	$ (1,185,409)	$ 13,300,275	$ 16,908,091
Net income	-	-	-	-	653,432	653,432
Stock based compensation	-	-	126,504	-	-	126,504
Balance at March 31, 2021 (unaudited)	$ 974	$ 339	$ 4,918,416	$ (1,185,409)	$ 13,953,707	$ 17,688,027

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

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

	Three months ended March 31, 2021	2020
Cash Flow from Operating Activities		
Net income	$ 653,432	$ 68,682
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	81,475	193,539
Amortization of deferred sales commission	(1,733)	17,531
Depreciation and amortization - other	4,548	4,548
Deferred taxes	63,959	(254,014)
Stock based compensation expense	126,505	128,129
Intangible asset impairments	-	800,000
(Increase) decrease in operating assets:		
Investment advisory fees receivable	(193,689)	508,934
Distribution and shareholder service expense reimbursement receivable	(6,310)	20,295
Income tax receivable	119,990	-
Right-of-use assets	59,525	56,049
Contingent deferred sales commission	371	(9,402)
Receivable from affiliates	(21,365)	3,019
Other assets	71,358	69,325
Increase (decrease) in operating liabilities:		
Compensation payable	86,516	(567,854)
Payable to affiliates	5,653	(141,315)
Distribution costs payable	1,773	(21,435)
Income tax payable	-	131,581
Lease liability	(65,311)	(60,558)
Accrued expenses and other liabilities	(236,707)	(136,407)
Total adjustments	96,558	741,965
Net cash provided by operating activities	749,990	810,647
Cash Flows from Financing Activities		
Dividends paid	-	(63,114)
Net cash used in financing activities	-	(63,114)
Net increase in cash and cash equivalents	749,990	747,533
Cash and cash equivalents:		
Beginning of year	9,556,418	7,866,308
End of period	$ 10,306,408	$ 8,613,841
Supplemental disclosure of cash flow information:		
Federal and State income tax payments	$ 3,925	$ 6,263

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

Teton Advisors, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
March 31, 2021
(Unaudited)

A. Significant Accounting Policies

Basis of Presentation

Teton Advisors, Inc. ("Teton") was formed in Texas as Teton Advisors, LLC in December 1994. Teton 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 eleven mutual funds (currently eight) under the TETON Westwood and KEELEY Funds brands (collectively referred to herein as the "Funds"), along with various separately managed account strategies. On March 1, 2021, Keeley-Teton merged with Skyline Asset Management, L.P. which consisted of a Small Cap equity portfolio team with approximately $86.2 million in assets. 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 authorized of preferred stock.

The unaudited interim condensed consolidated financial statements of the Company included herein have been prepared in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") in the United States for interim financial information. As interim financial statements, they do not include all the information and footnotes required by 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 the Company 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. Intercompany accounts and transactions have been eliminated. Additionally, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report for the year ended December 31, 2020.

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 may 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. The Company's principal market is the United States.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held at banks, an affiliated money market mutual fund, which is highly liquid, and U.S Treasury Bills with maturities of three months or less at the time of purchase.

Recent Accounting Developments

In June 2016, the FASB issued ASU 2016-13, *Accounting for Financial Instruments - Credit Losses (Topic 326)* ("ASU 2016-13"), which requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Currently, U.S. GAAP requires an "incurred loss" methodology that delays recognition until it is probable a loss has been incurred. Under ASU 2016-13, the allowance for credit losses must be deducted from the amortized cost of the financial asset to present the net amount expected to be collected. The consolidated statement of income will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. In November 2019, the FASB issued ASU 2019-10, which deferred the effective date of this guidance for smaller reporting companies for three years. This guidance is effective for the Company on January 1, 2023 and requires a modified retrospective transition method, which will result in a cumulative-effect adjustment in retained earnings upon adoption. Early adoption is permitted. The Company is currently assessing the potential impact of this new guidance on the Company's consolidated financial statements.

B. Intangible Assets

Included in our acquisition of assets from KAMCO were certain intangible assets. These assets are comprised of customer relationships, mutual fund management contracts and trade name. These intangible assets are held at the acquisition date fair value net of any amortization and impairment, where applicable. The Company performs perodic (at least annual) assessments of its intangible assets to determine if an impairment charge is necessary. The following is a summary of the intangible assets:

	As of March 31, 2021				
	Weighted Average Amortization Period (years)	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Customer relationships	9	$ 7,360,000	$ (3,172,668)	$ (2,585,000)	$ 1,602,332
Mutual fund management contracts	-	12,600,000	-	(10,600,000)	2,000,000
Trade name	-	1,520,000	-	(1,178,000)	342,000
		$ 21,480,000	$ (3,172,668)	$ (14,363,000)	$ 3,944,332

Amortization expense for customer relationships for the quarters ended March 31, 2021 and 2020 are $81,475 and $193,539, respectively.

Estimated amortization expense for customer relationships over the next five years and thereafter is as follows:

For the year ended December 31,	Estimated Amortization Expense
2021 (excluding the first three months ended March 31)	244,424
2022	325,898
2023	325,898
2024	325,898
2025	325,898
Thereafter	54,316
Total	$ 1,602,332

C. Leases

We review new arrangements at inception to evaluate whether we obtain substantially all the economic benefits of and have the right to control the use of an asset. If we determine that an arrangement qualifies as a lease, we recognize a lease liability and a corresponding right-of-use asset on the lease's commencement date. The lease liability is initially measured at the present value of the future minimum lease payments over the lease term using the rate implicit in the arrangement or, if not available, our incremental borrowing rate. An operating lease asset is measured initially at the value of the lease liability but excludes initial direct costs incurred. Additionally, certain of our leases contain options to extend or terminate the lease term that, if exercised, would result in the remeasurement of the operating lease liability.

Our operating leases contain both lease and non-lease components. Non-lease components are distinct elements of a contract that are not related to securing the use of the lease assets, such as common area maintenance and other management costs. We elected for our real estate operating leases to measure the lease liability by combining the lease and non-lease components as a single lease component. As such, we included the fixed payments and any payments that depend on a rate or index that relate to our lease and non-lease components in the measurement of the operating lease liability.

We recognize lease expense on a straight-line basis over the lease term. Operating lease expense is recognized as part of other operating expenses costs in our unaudited condensed consolidated statements of income.

All of our leases are operating leases and primarily consist of real estate leases for our corporate offices in Rye, NY and Chicago, IL. As of March 31, 2021, the weighted-average remaining lease term on these leases is approximately five years and the weighted-average discount rate used to measure the lease liabilities ranges from 4.63% to 5.63%.

Our operating lease expense for the three months ended March 31, 2021 and 2020, was $74,750 and $74,750, respectively.

We made lease payments of $80,535 and $79,259 during the three months ended March 31, 2021 and 2020, respectively.

Our future undiscounted cash flows related to our operating leases and the reconciliation to the operating lease liability as of March 31, 2021, are as follows:

	March 31, 2021
2021 (excluding the first three months ended March 31)	241,605
2022	319,121
2023	320,399
2024	71,521
2025	66,911
Thereafter	200,221
Total future undiscounted cash flows	1,219,778
Less: imputed interest to be recognized in lease expense	(145,546)
Operating lease liabilities, as reported	$ 1,074,232

D. Equity

Teton has two classes of common stock: Class A and Class B.

Voting Rights

The holders of Class A common stock and Class B common stock have identical rights except that (i) holders of Class A common stock are entitled to one vote per share, while holders of Class B common stock are entitled to ten votes per share on all matters to be voted on by stockholders in general, and

(ii) holders of Class A common stock are not eligible to vote on matters relating exclusively to Class B common stock and vice versa. Class B holders are entitled to convert their shares into Class A shares at any time on a one-for-one basis.

Stock Based Compensation

In the second quarter of 2019, the Company issued 17,500 restricted stock awards ("RSAs") at a grant date fair value of $51.32 per share, 40% to vest in three years and 60% in five years. In the second quarter of 2020, 500 of these RSAs were forfeited. Previously recognized compensation cost of $7,042 related to these forfeited RSAs have been reversed in the second quarter of 2020.

In the third quarter of 2019, the Company issued 25,000 RSAs at a grant date fair value of $45.00 per share, 40% to vest in three years and 60% in five years.

For the three months ended March 31, 2021 and 2020, the Company recorded stock based compensation expense related to RSAs of $126,505 and $128,129, respectively.

E. Related Party Transactions

Mario J. Gabelli ("Mr. Gabelli") is the controlling stockholder of Teton through the shares he owns in his name and through his control of GGCP Holdings LLC, a wholly owned subsidiary of GGCP, Inc. Mr Gabelli owned approximately 23.2% of Teton's Class A and B shares and GGCP Holdings LLC owned approximately 30.6% of Teton's Class A and B shares as of March 31, 2021.

The Company invests a portion of its cash equivalents in a U.S. Treasury money market mutual fund managed by Gabelli Funds, LLC, an affiliate of GAMCO. GAMCO is majority-owned and controlled by the majority owner of the Company. At March 31, 2021 and December 31, 2020, Teton had $586,661 and $8,761,351, respectively, in this money market fund.

The Company pays GAMCO a sub-advisory fee at an annualized rate of 0.32% of the average net assets of the TETON Westwood Mighty Mites Fund and the TETON Westwood Convertible Securities Fund. The sub-advisory fees were $615,661 and $732,142 for the quarters ended March 31, 2021 and 2020, respectively.

The Company pays GAMCO marketing and administration fees based on the average net assets of the TETON Westwood Funds. Marketing and administration fees were $350,021 and $387,523 for the quarters ended March 31, 2021 and 2020, respectively.

The Company pays GAMCO a fixed administrative and management services fee pursuant to a contractual agreement. The amounts paid were $12,500, for the quarters ended March 31, 2021 and 2020, respectively.

The Company subleases office space located at One Corporate Center, Rye, New York from GAMCO and an affiliate. These sublease payments totaled $25,459 and $21,669 for the quarters ended March 31, 2021 and 2020, respectively.

At March 31, 2021 and December 31, 2020, the amounts payable to GAMCO for the services described above were $345,441 and $312,681, 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, an affiliate of GAMCO, 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. These costs were $157,203 and $168,946 for the quarters ended March 31, 2021 and 2020, respectively.

At March 31, 2021 and December 31, 2020, the amounts payable to G.distributors for the items described above were $94,628 and $121,735, 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.

F. Earnings Per Share

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Basic:		
Net income attributable to Teton shareholders	$ 653,432	$ 68,682
Weighted average shares outstanding	1,260,988	1,262,217
Basic net income per share	$ 0.52	$ 0.05
Fully diluted:		
Net income attributable to Teton shareholders	$ 653,432	$ 68,682
Weighted average shares outstanding	1,270,642	1,268,062
Fully diluted net income per share	$ 0.51	$ 0.05

G. Revenue

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 is satisfied 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 month or 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 funds, 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 reimbursements. Fund reimbursements for the three months ended March 31, 2021 and 2020 were $407,636 and $457,412, respectively.

Revenue Disaggregated

The following table presents our revenue disaggregated by account type:

(Unaudited)	For The Three Months Ended March 31, 2021	2020	Increase (decrease) $	%
Investment advisory fees				
Open-end mutual funds, net	$ 3,190,521	$ 3,578,887	$ (388,366)	-10.9%
Institutional	255,574	214,414	41,160	19.2%
Private client	375,872	344,998	30,874	8.9%
Wrap	44,284	79,510	(35,226)	-44.3%
Total separate accounts	675,730	638,922	36,808	5.8%
Total investment advisory fees	3,866,251	4,217,809	(351,558)	-8.3%
Distribution fees	7,151	17,818	(10,667)	-59.9%
Other income, net	727	27,515	(26,788)	-97.4%
Total revenues	$ 3,874,129	$ 4,263,142	$ (389,013)	-9.1%

H. Commitments and Contingencies

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.

The COVID-19 pandemic continues to significantly impact global economies, resulting in workforce and travel restrictions, supply chain and production disruptions and market volatility. The impact of the COVID-19 outbreak continues to evolve and has been marked by rapid changes and developments. As such, its outcome cannot be accurately predicted. If the disruptions posed by COVID-19 continue for an extensive period of time, our business may be materially adversely affected.

I. Subsequent Events

There were no subsequent events or transactions that occurred after the balance sheet date but before May 20, 2021, the date the financial statements were available to be issued, which warrant disclosure.

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.

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.

Risk Factors

The risk factor set forth below updates the risk factors in our Annual Report for the year ended December 31, 2020.

The COVID-19 pandemic has significantly impacted global economies, resulting in workforce and travel restrictions, supply chain and production disruptions.

AUM has been adversely impacted by the COVID-19 pandemic. We are also facing increased operational challenges from the need to protect employee health and safety while limiting workplace disruptions. The ultimate impact of the pandemic cannot be accurately predicted. If the disruptions posed by COVID-19 continue for an extensive period of time, our business may be materially adversely affected.

Assets Under Management Highlights

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

						% Δ From	
($ in millions)	3/20	6/20	9/20	12/20	3/21	3/20	12/20
Mutual Funds							
Equities	$ 1,168	$ 1,238	$ 1,174	$ 1,410	$ 1,539	31.8%	9.1%
Fixed Income	5	-	-	-	-	-100.0%	N/A
Institutional, Private Client & Wrap	318	350	346	419	493	55.0%	17.7%
Total Assets Under Management	$ 1,491	$ 1,588	$ 1,520	$ 1,829	$ 2,032	36.3%	11.1%
Quarterly Average Assets Under Management	$ 2,077	$ 1,552	$ 1,582	$ 1,671	$ 1,905	-8.3%	14.0%

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

($ in millions)	January 1, 2021	Appreciation / (depreciation)	Net flows	March 31, 2021
Mutual Funds	$ 1,410	$ 188	$ (59)	$ 1,539
Institutional, Private Client & Wrap	419	28	46	493
	$ 1,829	$ 216	$ (13)	$ 2,032

AUM was $2.03 billion at March 31, 2021 versus $1.83 billion at December 31, 2020. The increase was due to inflows of $157.9 million and market appreciation of $216 million partly off-set by redemptions of $170.6 million. Average AUM was $1.91 billion for the first quarter 2021, a decrease of 9.05% from $2.1 billion in the first quarter 2020.

Operating Results for the Three Months Ended March 31, 2021 as Compared to the Three Months Ended March 31, 2020

Revenues

Total revenues were $3,874,129 in the first quarter of 2021, a decrease of 9.1% from the total revenues of $4,263,142 for the same period in the prior year. The change in total revenues by revenue component was as follows:

	For The Three Months Ended March 31,		Increase (decrease)	
(Unaudited)	2021	2020	$	%
Investment advisory fees				
Open-end mutual funds, net	$ 3,190,521	$ 3,578,887	$ (388,366)	-10.9%
Institutional	255,574	214,414	41,160	19.2%
Private client	375,872	344,998	30,874	8.9%
Wrap	44,284	79,510	(35,226)	-44.3%
Total separate accounts	675,730	638,922	36,808	5.8%
Total investment advisory fees	3,866,251	4,217,809	(351,558)	-8.3%
Distribution fees	7,151	17,818	(10,667)	-59.9%
Other income, net	727	27,515	(26,788)	-97.4%
Total revenues	$ 3,874,129	$ 4,263,142	$ (389,013)	-9.1%

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 $1.49 billion for the first quarter ended March 31, 2021 compared to $1.67 billion for the quarter ended March 31, 2020, a decrease of 10.8%.

Average billable AUM for institutional, private clients and wrap accounts were $410 million for the three months ended March 31, 2021 compared to $411 million for the three months ended March 31, 2020, a decrease of 0.24%.

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 March 31, 2021 and 2020 were $7,151 and $17,818, respectively. Total sales of class C shares were $2.4 million for the trailing twelve months ending March 31, 2021 and $7.5 million for the trailing twelve months ending March 31, 2020.

Other Income, Net: Other income, net includes 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 interest earned from cash held at banks. Other income, net for the three months ended March 31, 2021 and 2020 was $727 and $27,515, respectively. The decrease from the prior year period of $26,788 was due to the decrease of the balance held in the GAMCO money market as well as a decrease of 72% in the money market yield.

Expenses

Compensation: Compensation costs, which include salaries, bonuses, benefits and stock-based compensation, were $1,296,632 for the first quarter of 2021, a decrease of $11,098 from $1,307,730 in the prior year comparative period. Fixed compensation costs, which include salary and benefits, were $847,181 for the first quarter of 2021, a decrease of 13.0% from $973,613 in the prior year comparative period. This decrease was due to a reduction in staff and staff salaries. Stock based compensation was $126,505 for the first quarter of 2021, compared to $128,130 in the prior year comparative period. The remainder of the compensation expenses represents variable compensation that includes bonuses and revenue sharing that fluctuates with net investment advisory revenues. For the first quarter of 2021, variable compensation was $322,946, an increase of 56.8% from $205,987 in the prior year comparative period. The increase in variable compensation is primarily related to the increase of Company discretionary bonuses.

Sub-advisory Fees: The Company retains a sub-adviser for four of the six 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, which are recognized as expenses as the related services are performed, were $677,379 for the first quarter of 2021, a decrease of 14.9% from $796,380 in the prior year comparative period. The decrease was due to lower average AUM in the funds. Specifically, average AUM in sub-advised funds was $886.4 million for the first quarter of 2021, a decrease of 13.9% from $1.03 billion in the prior year comparative period.

Distribution Costs: Distribution, intermediary and shareholder service costs, which are primarily related to the sale of shares of the Funds, net of related reimbursements, were $434,772 for the first quarter of 2021, a decrease of 7.9% from $471,897 in the prior year comparative period.

Distribution costs include wholesaler payouts and payments made to third party distributors for Funds sold through them, including their no transaction fee programs. These distribution costs were $387,802 for the first quarter of 2021, a decrease of 8.8% from the prior year comparative period amount of $425,145. The decrease was due to lower mutual fund AUM from the prior year comparative period.

Marketing and Administrative Fees: Marketing and administrative fees are charges from GAMCO and paid by Teton for administration of the mutual fund activities performed by GAMCO on behalf of the TETON Westwood funds, based on the average AUM in the Funds. These fees were $350,021 for the quarter ended March 31, 2021 compared to $387,523 for the quarter ended March 31, 2020, a decrease of $37,502 from the prior year period. Average AUM in the TETON Westwood Funds for the first quarter of 2021 was $936.3 million, a decrease of $133.7 million from the prior year comparative period average of $1.03 billion. Fees are 20 basis points on the first $370 million of average net assets, 12 basis points on average net assets from $370 million to $1.0 billion and 10 basis points on average net assets greater than $1.0 billion. During 2021 and 2020, the first quarter effective rate was 15.0 basis points and 14.5 basis points, respectively of the average AUM. As the average AUM of the TETON Westwood Funds increases, these fees will decrease as a percentage of average AUM. Conversely, as the average AUM of the TETON Westwood Funds declines, these fees will increase as a percentage of average AUM.

Advanced Commissions: Advanced commission expense was a credit of ($1,733) for the first quarter of 2021, a decrease of $19,264 from $17,531 in the prior year comparative period. The decrease was due to a prior year adjustment due to an early withdrawl of class C shares related to the advanced commissions.

Other Operating Expenses: Other operating expenses, including those charged by GAMCO and incurred directly, were $341,445 for the first quarter of 2021, a decrease of 17.7% from $414,887 in the prior year comparative period. The decrease is due to the renegotiation of major service contracts.

Depreciation and amortization: Depreciation and amortization expense was $86,023 for the first quarter of 2021, a decrease of $112,064 from $198,087 for the prior year comparative period. The decrease related to lower quarterly amortization of the intangible asset – customer relationships due to the impairment of the intangible asset in the prior year.

Impairment of intangible assets: There were no impairments of intangible assets in the first quarter ended March 31, 2021 compared to $800,000 in the prior year comparative period which related to the write down of mutual fund management contracts.

Income Taxes

The effective tax rate was 5.24% for the quarter ended March 31, 2021, and 152.47% for the quarter ended March 31, 2020. The decrease is largely due to the first quarter release of prior years' FIN 48 accruals of approximately $160,000.

Net Income

Net income for the first quarter of 2021 was $653,432 or $0.51 per fully diluted share, versus $68,682 or $0.05 per fully diluted share, for the comparable period in 2020.

Teton Advisors, Inc. and Subsidiary

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 or net loss 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 quarterly Cash Earnings, we add back to net income (loss) the non-cash expense associated with intangible amortization expense. In addition, as a result of an assessment of the carrying value of the intangible assets acquired in the Keeley acquisition, the Company recognized a non-cash impairment charge of $800,000 in the first quarter of 2020. For purposes of calculating Cash Earnings, the Company added back the after-tax amounts associated with these impairment charges of $560,400 for 2020. Although depreciation on property & equipment and amortization of leaseholds are also non-cash expenses, we do not add it 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,	
	March 31, 2021	**March 31, 2020**
Net income	$ 653,432	$ 68,682
Add: Intangible amortization	81,475	193,539
Add: Intangible asset impairment (net of tax impact)	-	560,400
Cash Earnings	$ 734,907	$ 822,621
Cash Earnings Per Fully Diluted Share	$ 0.58	$ 0.65