

Condensed Financial Statements
Teton Advisors, Inc.
Quarterly Report for the Period Ended March 31, 2014

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

	Three months ended March 31,	
	2014	2013
Revenues		
Investment advisory fees-mutual funds	\$ 3,635,003	\$ 2,054,442
Investment advisory fees-separate accounts	836,881	739,330
Distribution fees and other income	228,436	52,481
Total revenues	4,700,320	2,846,253
Expenses		
Compensation	1,689,022	1,105,820
Marketing and administrative fees	494,562	329,987
Distribution costs and expense reimbursements	430,828	262,784
Advanced commissions	217,086	46,301
Sub-advisory fees	91,141	94,375
Other operating expenses	169,353	146,743
Total expenses	3,091,992	1,986,010
Income before income taxes	1,608,328	860,243
Income taxes	606,340	322,496
Net income	\$ 1,001,988	\$ 537,747
Net income per share:		
Basic	\$ 0.91	\$ 0.49
Diluted	\$ 0.91	\$ 0.49
Weighted average shares outstanding:		
Basic	1,103,251	1,104,242
Diluted	1,103,251	1,104,242

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Financial Condition

	(Unaudited) March 31, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	\$ 3,491,537	\$ 2,502,851
Investment advisory fees receivable	2,054,012	1,951,158
Investment in securities	100,714	-
Deferred taxes receivable	76,144	57,034
Receivable from affiliates	89,069	70,339
Contingent deferred sales commission	474,878	449,503
Other assets (net of accumulated depreciation of \$21,418 and \$19,969, respectively)	76,688	81,341
Total assets	\$ 6,363,042	\$ 5,112,226
LIABILITIES AND STOCKHOLDERS' EQUITY		
Payable to affiliates	\$ 974,027	\$ 918,832
Deferred taxes payable	180,381	171,456
Income tax payable	571,646	211,479
Compensation payable	162,309	332,316
Distribution costs payable	104,246	88,741
Accrued expenses and other liabilities	326,683	293,526
Total liabilities	2,319,292	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; 973,098 and 974,083 shares issued, respectively; 773,269 and 773,098 outstanding, respectively	971	971
Class B Common stock, \$0.001 par value; 800,000 shares authorized; 792,000 shares issued; 332,387 and 332,659 shares outstanding, respectively	342	342
Additional paid-in capital	595,011	590,427
Treasury stock, at cost (201,086 class A shares and 8,000 class B shares and 200,985 class A shares and 8,000 class B shares, respectively)	(1,940,252)	(1,936,716)
Retained earnings	5,387,678	4,440,852
Total stockholders' equity	4,043,750	3,095,876
Total liabilities and stockholders' equity	\$ 6,363,042	\$ 5,112,226

See accompanying notes.

Teton Advisors, Inc.
Condensed Statements of Stockholders' Equity
(Unaudited)
For the Three Months Ended March 31, 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	-	-	-	-	1,001,988	1,001,988
Stock based compensation	-	-	4,584	-	-	4,584
Stock buyback	-	-	-	(3,536)	-	(3,536)
Dividends declared	-	-	-	-	(55,162)	(55,162)
Balance at March 31, 2014	\$ 971	\$ 342	\$ 595,011	\$ (1,940,252)	\$ 5,387,678	\$ 4,043,750

See accompanying notes.

Teton Advisors, Inc.

Condensed Statements of Cash Flows

(Unaudited)

	Three months ended March 31,	
	2014	2013
Operating activities		
Net income	\$ 1,001,988	\$ 537,747
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,448	1,471
Deferred income tax	(19,110)	(4,585)
Amortization of deferred sales commission	217,086	46,301
Stock based compensation expense	4,584	-
(Increase) decrease in operating assets:		
Investment advisory fees receivable	(102,854)	(254,807)
Investment in securities	(100,714)	-
Receivable from affiliates	(18,730)	(668)
Contingent deferred sales commission	(242,461)	(87,777)
Other assets	3,205	(5,778)
Increase (decrease) in operating liabilities:		
Payable to affiliates	55,195	(170,284)
Income tax payable	360,167	246,135
Deferred tax liability	8,925	15,744
Compensation payable	(170,007)	70,142
Distribution costs payable	15,505	5,333
Accrued expenses and other liabilities	33,157	65,884
Total adjustments	45,396	(72,889)
Net cash provided by operating activities	1,047,384	464,858
Financing activities		
Dividends paid	(55,162)	-
Stock repurchase	(3,536)	-
Net cash used in financing activities	(58,698)	-
Net increase in cash and cash equivalents	988,686	464,858
Cash and cash equivalents at beginning of period	2,502,851	267,670
Cash and cash equivalents at end of the period	<u>\$ 3,491,537</u>	<u>\$ 732,528</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 230,882</u>	<u>\$ 48,986</u>

See accompanying notes.

Teton Advisors, Inc.

Notes to Condensed Financial Statements

March 31, 2014
(Unaudited)

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 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.

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Notes to Condensed Financial Statements (continued)

A. Significant Accounting Policies (continued)

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 month period ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

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, 2014 and December 31, 2013, Teton had \$3,394,014 and \$2,401,883, respectively, in this money market fund and earned \$0 and \$37 for the three month periods ended March 31, 2014 and March 31, 2013, respectively, which are included in 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 \$494,562 and \$329,987 for the three month periods ended March 31, 2014 and March 31, 2013, respectively. Teton also paid GAMCO reimbursement for compensation, which amounted to \$493,115 and \$242,920 for the three month periods ended March 31, 2014 and 2013, respectively.

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Notes to Condensed Financial Statements (continued)

B. Related Party Transactions (continued)

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 \$3,635,003 and \$2,054,442 for the three month periods ended March 31, 2014 and March 31, 2013, respectively. Advisory fees receivable from the Funds were \$1,282,621 and \$1,169,253 at March 31, 2014 and December 31, 2013, respectively.

Teton's receivables and payables to affiliates at March 31, 2014 and December 31, 2013 are non-interest bearing and are receivable and payable on demand, except the GGCP, Inc. loan of \$300,000 that was interest bearing at 1% and was repaid on February 28, 2013. At March 31, 2014 and December 31, 2013, the amount payable to GAMCO was \$564,929 and \$514,135, respectively, and the amount payable relating to wholesaler payouts was \$404,746 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 March 31, 2014. The amount receivable from G.distributors at March 31, 2014 and December 31, 2013 was \$89,069 and \$70,339, respectively. The amount payable to Gabelli Funds, LLC at March 31, 2014 and December 31, 2013 was \$4,352 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.

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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, 2014 as Compared to the Quarter Ended March 31, 2013

Revenues

Total revenues were \$4,700,320 in the first quarter of 2014, \$1,854,067 or 65.1% higher than the total revenues of \$2,846,253 in the first quarter of 2013. The change in total revenues by revenue component was as follows:

(unaudited)	For the Three Months ended March 31,		Increase (decrease)	
	2014	2013	\$	%
Investment advisory fees-mutual funds	\$ 3,635,003	\$ 2,054,442	\$ 1,580,561	76.9%
Investment advisory fees-separate accounts	836,881	739,330	97,551	13.2%
Distribution Fees	228,424	52,164	176,260	337.9%
Other income	12	317	(305)	n/m
Total revenues	\$ 4,700,320	\$ 2,846,253	\$ 1,854,067	65.1%

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 average month-end AUM during the quarter for the separate accounts. Investment advisory fees for mutual funds were \$3,635,003 for the period ended March 31, 2014 compared to \$2,054,442 for the period ended March 31, 2013, an increase of \$1,580,561 or 76.9%.

Investment advisory fees for separate accounts were \$836,881 for the period ended March 31, 2014 compared to \$739,330 for the period ended March 31, 2013, an increase of \$97,551 or 13.2%.

AUM increased to \$2.1 billion at March 31, 2014 from \$2.0 billion at December 31, 2013. This increase was due to market appreciation of \$17 million and inflows of \$153 million, offset by outflows of \$73 million. This compares with market appreciation of \$144 million and inflows of \$75 million, offset by outflows of \$53 million in the first quarter of 2013. Average AUM were \$2.1 billion for the first quarter 2014, an increase of \$0.7 billion from \$1.4 billion in the first quarter 2013.

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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 2014 and 2013 were \$228,424 and \$52,164, respectively.

Expenses

Sub-advisory Fees: Teton has currently retained a sub-adviser for three of its 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 \$91,141 for the first quarter of 2014, down from \$94,375 in the comparable prior year period. This decrease was primarily due to a 2.9% 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 \$179.5 million in the first quarter of 2014, 3.9% lower than the prior year period average of \$186.8 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 \$494,562 for the three months ended March 31, 2014, a 49.9% increase from \$329,987 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 13.3 basis points of the average Funds AUM for the first quarter 2014 versus 15.2 basis points of the average Funds AUM for the first quarter 2013. As Funds AUM grow these fees will decline as a percentage of the average Funds AUM.

Compensation: Compensation costs, which are largely variable based and include salaries and benefits, portfolio manager compensation and stock based compensation was \$1,689,022 for the first quarter of 2014, a \$583,203 increase from \$1,105,820 in the year ago period. Fixed compensation costs, which include salary, bonus and benefits, increased to \$254,593 for the first quarter of 2014 from \$211,102 in the prior year period. Stock based compensation was \$4,584 for the three months ended March 31, 2014, there was no stock based compensation for the three months ended March 31, 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 \$1,429,845, ahead of the \$894,718 reported in the prior year period. Average AUM is the primary driver of investment advisory fees, on which portfolio manager compensation is based.

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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 \$430,828 for the first quarter of 2014, an increase of \$168,044 from \$262,784 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 \$379,901 during the 2014 period, an increase of \$163,095 from the prior year amount of \$216,806.

Expense reimbursements to the Funds were \$50,927 for the first quarter of 2014, an increase of \$4,948 from the prior year period amount of \$45,978.

Advanced Commissions: Advanced commission expense increased \$170,785 to \$217,086 in the first quarter of 2014 from \$46,301 in the 2013 period.

Other: General and administrative expenses, including those charged by GAMCO and incurred directly, were \$169,353 for the first quarter of 2014, an increase of \$22,610 from the year ago amount of \$146,743

Income Taxes

The effective tax rate was 37.7% for the quarter ended March 31, 2014 versus 37.5% for the quarter ended March 31, 2013.

Net Income

Net income for the first quarter of 2014 was \$1,001,988 or \$0.91 per fully diluted share versus \$537,747 or \$0.49 per fully diluted share for the 2013 period.