Condensed Consolidated Financial Statements

Teton Advisors, Inc.

Quarterly Report for the Period Ended March 31, 2019

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, 2019	2018
Revenues		
Investment advisory fees - mutual funds, net	$ 4,806,049	$ 6,319,236
Investment advisory fees - separate accounts	655,269	968,437
Distribution fees and other income	70,851	38,342
Total revenues	5,532,169	7,326,015
Operating expenses		
Compensation	1,449,235	1,942,627
Sub-advisory fees	1,001,290	1,179,139
Distribution costs	627,598	608,162
Marketing and administrative fees	455,609	510,235
Advanced commissions	27,471	51,943
Other operating expenses	499,655	524,094
Total operating expenses	4,060,858	4,816,200
Income before interest, taxes, depreciation and amortization	1,471,311	2,509,815
Depreciation and amortization	210,200	211,689
Interest expense	426,822	42,533
Income before income taxes	834,289	2,255,593
Income taxes	159,841	568,181
Net income	$ 674,448	$ 1,687,412
Net income per share:		
Basic	$ 0.53	$ 1.27
Fully diluted	$ 0.53	$ 1.17
Weighted average shares outstanding:		
Basic	1,262,931	1,165,383
Fully diluted	1,262,931	1,270,069

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, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 3,660,629	$ 5,192,582
Investment advisory fees receivable	1,853,831	1,830,343
Investment in securities	129,011	111,198
Deferred taxes receivable, net	191,774	260,545
Income tax receivable	137,484	244,505
Distribution and shareholder service expense reimbursement receivable	75,416	74,128
Goodwill and other identifiable intangible assets (Note B)	19,183,296	19,387,741
Operating lease assets	1,403,543	-
Contingent deferred sales commissions	46,761	64,428
Receivable from affiliates	10,668	14,484
Other assets (net of accumulated depreciation of $41,774 and $70,406 respectively)	415,067	536,653
Total assets	$ 27,107,480	$ 27,716,607
LIABILITIES AND STOCKHOLDERS' EQUITY		
Compensation payable	$ 210,710	$ 900,553
Payable to affiliates	658,555	734,938
Distribution costs payable	335,975	361,022
Operating lease liabilities	1,450,142	-
Accrued expenses and other liabilities	1,144,827	1,336,939
Subtotal liabilities	3,800,209	3,333,452
Long-term debt, net of discount (Note C)	-	1,574,411
Total liabilities	3,800,209	4,907,863
Stockholders' equity:		
Class A Common stock, $0.001 par value; 1,700,000 shares authorized;		
976,511 and 976,144 shares issued, respectively;		
932,200 and 932,789 outstanding, respectively	974	974
Class B Common stock, $0.001 par value; 800,000 shares authorized;		
792,000 shares issued; 330,231 and 330,598 shares outstanding, respectively	339	339
Additional paid-in capital	4,031,674	4,031,674
Treasury stock, at cost (44,311 class A shares and 8,000 class B shares		
and 43,355 class A shares and 8,000 class B shares, respectively)	(1,115,603)	(1,066,021)
Retained earnings	20,389,887	19,841,778
Total stockholders' equity	23,307,271	22,808,744
Total liabilities and stockholders' equity	$ 27,107,480	$ 27,716,607

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

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

For the Three Months Ended March 31, 2019

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
Balance at December 31, 2018	$ 974	$ 339	$ 4,031,674	$ (1,066,021)	$ 19,841,778	$ 22,808,744
Net income	-	-	-	-	674,448	674,448
Stock buy back	-	-	-	(49,582)	-	(49,582)
Dividends declared	-	-	-	-	(126,339)	(126,339)
Balance at March 31, 2019 (unaudited)	$ 974	$ 339	$ 4,031,674	$ (1,115,603)	$ 20,389,887	$ 23,307,271

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, 2019	2018
Cash Flow from Operating Activities		
Net income	$ 674,448	$ 1,687,412
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Amortization of intangible assets	204,445	204,444
Amortization of deferred sales commission	27,471	51,943
Amortization of debt discount	425,589	(32,467)
Depreciation and amortization - other	5,756	7,245
Mark-to-market - forward contract	-	47,373
Deferred taxes	68,771	49,535
Unrealized gain on investments	(17,813)	(4,329)
Stock based compensation expense	-	26,555
Operating lease assets	(1,403,543)	-
Operating lease liabilities	1,450,142	-
(Increase) decrease in operating assets:		
Investment advisory fees receivable	(23,488)	179,007
Distribution and shareholder service expense reimbursement receivable	(1,288)	9,432
Income tax receivable	107,021	-
Contingent deferred sales commission	(9,804)	(59,885)
Receivable from affiliates	3,816	(846)
Other assets	115,830	3,878
Increase (decrease) in operating liabilities:		
Compensation payable	(689,843)	225,000
Payable to affiliates	(76,383)	44,815
Distribution costs payable	(25,047)	(113,696)
Income tax payable	-	503,104
Accrued expenses and other liabilities	(192,112)	(61,004)
Total adjustments	(30,480)	1,080,104
Net cash provided by operating activities	643,968	2,767,516
Cash Flows from Financing Activities		
Repayment of long-term debt	(2,000,000)	-
Dividends paid	(126,339)	(207,347)
Stock repurchase	(49,582)	-
Net cash used in financing activities	(2,175,921)	(207,347)
Net increase (decrease) in cash and cash equivalents	(1,531,953)	2,560,169
Cash and cash equivalents:		
Beginning of year	5,192,582	6,570,913
End of period	$ 3,660,629	$ 9,131,082
Supplemental disclosures of cash flow information:		
Interest payments	$ 31,233	$ 75,000
Federal and State income tax payments	$ 29,147	$ 6,325

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

A. Significant Accounting Policies

Basis of Presentation

Teton Advisors, Inc. (“Teton”) was formed in Texas as Teton Advisors, LLC in December 1994. Teton currently serves as the investment adviser for the TETON Westwood Funds and separately managed accounts. On February 28, 2017, Teton acquired the assets of Keeley Asset Management Corp. (“KAMCO”) in a newly formed, wholly-owned subsidiary, Keeley-Teton Advisors, LLC (“Keeley-Teton”). Keeley-Teton serves as the investment advisor for the KEELEY Funds and separately managed accounts. The acquisition expanded Teton’s product suite to twelve mutual funds under the TETON Westwood and KEELEY Funds brands (collectively referred to herein as the “Funds”), along with various separately managed account strategies. Unless we have indicated otherwise, or the context otherwise requires, references in this report to “the Company,” “we” or “us” collectively refer to Teton and Keeley-Teton. The Company’s capital structure consists of 1,700,000 shares authorized of Class A common stock with one vote per share, 800,000 shares authorized of Class B common stock with ten votes per share, and 80,000 shares authorized of Preferred Stock, including 75,000 shares of Series A Preferred Stock with 0.1333 votes per share.

The unaudited interim condensed consolidated financial statements of the Company included herein have been prepared in conformity with U.S. Generally Accepted Accounting Principles (“GAAP”) in the United States for interim financial information. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of financial position, results of operations and cash flows of Teton for the interim periods presented and are not necessarily indicative of a full year’s results. The interim condensed consolidated financial statements include the accounts of Teton and Keeley-Teton. Intercompany accounts and transactions have been eliminated. Operating results for the three month period ended March 31, 2019 is not necessarily indicative of the results that may be expected for the year ending December 31, 2019. Additionally, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in Teton’s Annual Report for the year ended December 31, 2018.

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. Their principal markets of operations are the United States.

Recent Accounting Developments

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in the ASC Topic 605, "Revenue Recognition", and most industry-specific guidance throughout the industry topics of the codification. The core principle of the new ASU No. 2014-09 is for companies to recognize revenue from the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. The Company adopted this guidance on January 1, 2018 and adopted the full retrospective approach. The Company's implementation analysis has been completed, and we have identified similar performance obligations under this guidance as compared with deliverables and separate units of account previously identified under Topic 605. As a result, the timing of the recognition of our revenue remains the same as under Topic 605, and therefore the adoption does not have any effect on the timing of the recognition of revenue. However, the adoption does affect the presentation of certain revenues on a net basis. See Note G Revenues for disclosures required by ASU 2014-09.

We adopted Accounting Standards Update No. 2016-02 — Leases (Topic 842) on January 1, 2019. The update required the recognition of right-of-use lease assets and liabilities on the balance sheet and the disclosure of qualitative and quantitative information about leasing arrangements. We adopted this standard using a modified retrospective approach. We elected the package of practical expedients permitted under this guidance which, among other things, allowed us to carry-forward the historical lease classification and determine whether initial direct costs related to existing leases should be capitalized under this guidance. On January 1, 2019, we recognized operating lease assets totaling $1.5 million and corresponding operating lease liabilities of $1.5 million related primarily to our real estate leases. The adoption did not have a material impact on our results of operations; however, the initial recognition of our operating lease assets and operating lease liabilities on January 1, 2019, represented a noncash investing activity that affected the amount reported in other changes in assets and liabilities within our unaudited condensed consolidated statements of cash flows. Additional information on our operating leases is included in Note E. Leases.

In January 2017, the FASB issued ASU 2017-04 to simplify the process used to test for goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The Company has adopted this new guidance with its most recent annual impairment test.

B. Acquisition

On February 28, 2017, Teton, through Keeley-Teton, completed the acquisition of the assets of KAMCO, a privately held active asset management organization headquartered in Chicago, IL. The Company had combined AUM of $3.8 billion at March 31, 2017. The transaction was accounted for as a business combination pursuant to ASC 805, Business Combinations. The purchase price was allocated to KAMCO's net tangible and intangible assets based upon their relative fair values as of February 28, 2017. The excess purchase price over the value of net tangible and identifiable intangible assets was recorded as goodwill. The primary contributor to the recognition of goodwill was the acquired workforce.

The $23 million purchase price was allocated as follows: i) $7.4 million was attributed to a customer relationship intangible asset, which will be amortized over 9 years; ii) $12.6 million was attributed to an indefinite lived mutual fund management contract intangible asset; iii) $1.3 million was attributed to an indefinite lived trade name intangible asset; iv) $0.3 million was attributed to tangible fixed and prepaid assets; and v) the remaining $1.4 million was allocated to goodwill. These amounts were updated and finalized during the second quarter of 2017. In accordance with ASC 350, Intangibles – Goodwill and Other, goodwill and other intangible assets determined to have indefinite useful lives are not amortized. Instead, impairment tests will be conducted on our goodwill, management contracts and trademarks annually, and when circumstances indicate that the carrying value may not be recoverable. If it is determined that an impairment exists, the carrying value will be reduced accordingly. Effective December 31, 2018, all goodwill was written off. There were no indicators of impairment for the remaining other intangible assets, for the three months ended March 31, 2019, and as such, there was no impairment analysis performed or charge recorded. For tax purposes, all intangible assets, including goodwill, will be amortized over 15 years.

In connection with this acquisition, Teton entered into separate financing agreements with John L. Keeley, Jr. Enterprises ("Keeley Enterprises") and with Teton's controlling shareholder, GGCP, Inc. ("GGCP"). Both financing agreements are discussed in detail below.

Transaction expenses totaled approximately $375,000.

C. Long-Term Debt and Warrants

On February 23, 2017, in connection with the acquisition of the business of KAMCO, Teton issued a $5,000,000 promissory note (the "GGCP Note") payable to its controlling shareholder, GGCP. The GGCP Note bears interest at 6% per annum, payable quarterly. The original principal amount has a maturity date of February 23, 2022. For the first two years of the loan, the Company is only obligated to pay interest. During the third through fifth year of the term of the loan, in addition to quarterly interest payments, the Company will make payments to amortize the principal of the loan on a straight line basis at a rate of $416,667 per quarter. The Company may prepay the loan at any time without penalty. In connection with the financing, the Company issued GGCP a warrant to purchase 100,000 shares of Teton Class A Common Stock at a purchase price of $0.01 per share. The term of the warrant is ten years, expiring on February 23, 2027, and may be exercised at any time in whole or in part. The relative fair value of the warrant of $2,402,460 was recorded as a discount against the stated value of the loan at the date of issuance. The discount was determined based upon the relative fair value of the proceeds. The discount is amortized as interest expense over the life of the loan.

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

On January 3, 2019, the Company made a principal payment of $2,000,000, paying off the GGCP Note. The total amount paid was $2,031,233 which included accrued interest. The Company wrote-off the remaining related discount associated with the principal payments of $425,589 which was recorded as interest expense.

D. Preferred Stock

On February 23, 2017, in connection with the acquisition of the business of KAMCO, Teton entered into a financing agreement with Keeley Enterprises, whereby Keeley Enterprises provided $7,500,000 in financing in exchange for 75,000 shares of Teton Series A Preferred Stock ("Preferred Stock"), par value $.001 per share, and 65,000 shares of Teton Class A Common Stock, par value $0.001 per share. The Preferred Stock, which is cumulative, has an annual dividend of 3% which is payable quarterly.

Each share of Preferred Stock has voting rights equal to 0.1333 shares of Teton Class A Common Stock and participates in common dividends at that same rate. The Preferred Stock includes a redemption feature whereby each share of Preferred Stock is redeemable for $100 per share plus the then fair market value of 0.1333 shares of Teton's Class A Common Stock. At issuance, the full redemption value was $7,951,500. The Preferred Stock is redeemable by the Company in whole or in part at any time, and may be redeemed by the holder at any time after February 23, 2019. The Company determined that the Preferred Stock was a hybrid financial instrument and that a cash-settled forward on the Company's Common Stock should be bifurcated from the Preferred Stock and accounted for as a non-option derivative. The strike price of the forward was determined such that the forward had no fair value at the date of issuance of the Preferred Stock. Any changes in the fair value of the derivative since issuance will be recognized currently in income.

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

In the fourth quarter of 2018, the Company redeemed the remaining 60,000 shares (principal amount equals $6,000,000) of the Series A Preferred Stock pursuant to terms of the stock agreement. In connection with the redemption, the company paid a redemption premium totaling $376,000. In connection with the redemption, the company accelerated the amortization of the discount associated with the redemption. The accelerated discount and stock accretion, which was charged to retained earnings (and treated as a reduction of earnings available to common stockholders for purposes of computing earnings per share), amounted to $613,235.

E. 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 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, 2019, the weighted-average remaining lease term on these leases is approximately six years and the weighted-average discount rate used to measure the lease liabilities is 6.0%.

Our operating lease expense for the three months ended March 31, 2019 and 2018, was $73,244 and $87,224, respectively.

We made lease payments of $28,041 during the three months ended March 31, 2019. Our future undiscounted cash flows related to our operating leases and the reconciliation to the operating lease liability as of March 31, 2019, are as follows:

	March 31, 2019
2019 (excluding the first quarter ended March 31, 2019)	$ 167,222
2020	310,890
2021	315,994
2022	312,975
2023	314,252
Thereafter	334,555
Total future undiscounted cash flows	1,755,888
Less: imputed interest to be recognized in lease expense	(305,748)
Operating lease liabilities, as reported	$ 1,450,140

F. Related Party Transactions

The Company invests the majority of its cash equivalents in a U.S. Treasury money market mutual fund managed by Gabelli Funds, LLC. At March 31, 2019 and December 31, 2018, Teton had $3,520,149 and $4,591,121, respectively, in this money market fund.

The Company pays GAMCO marketing and administration fees based on the average net assets of the TETON Westwood Funds. Marketing and administration fees were $455,609 and $510,235 for the quarters-ended ended March 31, 2019 and 2018, 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, 2019 and 2018, respectively.

The Company pays GAMCO a sub-advisory fee at an annualized rate of between 0.32% and 0.35% of the average net assets of the TETON Westwood Mighty Mites Fund and the TETON Westwood Convertible Securities Fund. The sub-advisory fees were $935,450 and $1,103,919, for the quarters ended March 31, 2019 and 2018, respectively.

At March 31, 2019 and December 31, 2018, the amounts payable to GAMCO for the services described above were $494,452 and $527,076, respectively. The amounts are included in the payable to affiliates on the Condensed Consolidated Statement of Financial Condition.

Distribution costs include certain amounts paid to G.distributors for wholesaler and platform commissions, 3rd party distribution costs, certain expense reimbursements, and a fixed administrative services charge based on a contractual agreement with Keeley-Teton. These costs were $440,177 and $407,652, for the three-month periods ended March 31, 2019 and 2018, respectively.

At March 31, 2019 and December 31, 2018, the amounts payable to G.distributors for the items described above were $164,103 and $207,861, respectively. The amounts are included in the payable to affiliates on the Condensed Consolidated Statement of Financial Condition. The Company's receivables and payables to affiliates are non-interest bearing and are receivable and payable on demand.

The Company made interest payments to GGCP of $1,233 during the three month period ended March 31, 2019 in connection with the GGCP Note discussed above in Long-Term Debt and Warrants.

G. Earnings Per Share

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

	Three Months Ended March 31, 2019	2018
Basic:		
Net income	$ 674,448	$ 1,687,412
Deduct preferred stock - cash dividends	-	45,400
Deduct preferred stock - constructive dividends (a)	-	161,932
Income attributable to Teton shareholders	$ 674,448	$ 1,480,080
Weighted average shares outstanding	1,262,931	1,165,383
Basic net income per share	$ 0.53	$ 1.27
Fully diluted:		
Net income	$ 674,448	$ 1,687,412
Deduct preferred stock - cash dividends	-	45,400
Deduct preferred stock - constructive dividends (a)	-	161,932
Income attributable to Teton shareholders	$ 674,448	$ 1,480,080
Weighted average shares outstanding	1,262,931	1,165,383
Assumed conversion of common stock warrants	-	99,980
Dilutive restricted stock awards	-	4,706
Total	1,262,931	1,270,069
Fully diluted net income per share	$ 0.53	$ 1.17

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

H. Revenue

On January 1, 2018, the Company adopted ASU 2014-09 using the retrospective method.

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

Revenue Recognition

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

Advisory Fee Revenues

Our advisory fees are generated by Teton Advisors and Keeley-Teton Advisors, which manage client accounts under investment advisory agreements. Advisory fees are typically calculated based on a percentage of assets under management and are paid in accordance with the terms of the agreements. For mutual 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 totaling $392,314 and $346,532, respectively, for the three-month periods ended March 31, 2019 and 2018.

Revenue Disaggregated

The following table presents our revenue disaggregated by account type:

(Unaudited)	For The Three Months Ended March 31, 2019	2018	Increase (decrease) $	%
Investment advisory fees				
Open-end mutual funds, net	$ 4,806,049	$ 6,319,236	$ (1,513,187)	-23.9%
Institutional	249,511	453,629	(204,118)	-45.0%
Private client	308,236	323,591	(15,355)	-4.7%
Wrap	97,522	191,217	(93,695)	-49.0%
Total separate accounts	655,269	968,437	(313,168)	-32.3%
Total investment advisory fees	5,461,318	7,287,673	(1,826,355)	-25.1%
Distribution fees	32,996	56,031	(23,035)	-41.1%
Other income, net	37,855	(17,689)	55,544	-314.0%
Total revenues	$ 5,532,169	$ 7,326,015	$ (1,793,846)	-24.5%

I. 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.

J. Subsequent Events

On May 10, 2019, the Board of Directors declared its regular quarterly dividend of $0.05 per share to all common shareholders payable on June 25, 2019 to shareholders of record on June 11, 2019.

MANAGEMENT'S DISCUSSION OF OPERATIONS

The following discussion should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and the notes thereto included in this report. The results below include the contribution associated with the KAMCO acquisition on March 1, 2017.

Introduction

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

Assets Under Management Highlights

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

						% Δ From	
($ in millions)	**3/18**	**6/18**	**9/18**	**12/18**	**3/19**	**3/18**	**12/18**
Mutual Funds							
Equities	$ 2,635	$ 2,718	$ 2,702	$ 2,008	$ 2,132	-19.1%	6.2%
Fixed Income	8	7	7	7	8	0.0%	14.3%
Institutional, Private Client & Wrap	608	513	498	420	471	-22.5%	12.1%
Total Assets Under Management	$ 3,251	$ 3,238	$ 3,207	$ 2,435	$ 2,611	-19.7%	7.2%
Average Assets Under Management	$ 3,315	$ 3,277	$ 3,264	$ 2,836	$ 2,604	-21.4%	-8.2%

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

($ in millions)	**January 1, 2019**	**Appreciation / (depreciation)**	**Net flows**	**March 31, 2019**
Mutual Funds				
Equities	$ 2,008	$ 230	$ (106)	$ 2,132
Fixed Income	7	1	-	8
Institutional, Private Client & Wrap	420	$ 54	(3)	471
	$ 2,435	$ 285	$ (109)	$ 2,611

AUM was $2.61 billion at March 31, 2019 versus $2.44 billion at December 31, 2018. The increase was primarily due to market appreciation of $285 million, inflows of $92 million, partly off-set by outflows of $201 million. This compares to the first quarter of 2018 outflows of $205 million, partly offset by inflows of $139 million and market depreciation of $62 million. Average AUM was $2.60 billion for the first quarter 2019, a decrease of 21.4% from $3.32 billion in the first quarter 2018.

Operating Results for the Three Months Ended March 31, 2019 as Compared to the Three Months Ended March 31, 2018

Revenues

Total revenues were $5,532,169 in the first quarter of 2019, a decrease of 24.5% from the total revenues of $7,326,015 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)	2019	2018	$	%
Investment advisory fees				
Open-end mutual funds, net	$ 4,806,049	$ 6,319,236	$ (1,513,187)	-23.9%
Institutional	249,511	453,629	(204,118)	-45.0%
Private client	308,236	323,591	(15,355)	-4.7%
Wrap	97,522	191,217	(93,695)	-49.0%
Total separate accounts	655,269	968,437	(313,168)	-32.3%
Total investment advisory fees	5,461,318	7,287,673	(1,826,355)	-25.1%
Distribution fees	32,996	56,031	(23,035)	-41.1%
Other income, net	37,855	(17,689)	55,544	-314.0%
Total revenues	$ 5,532,169	$ 7,326,015	$ (1,793,846)	-24.5%

Investment Advisory Fees: Investment advisory fees are directly influenced by the level and mix of AUM. The Company earns advisory fees based on the average daily AUM in the Funds and the account value as of the end of the preceding quarter for institutional, private clients and wrap accounts. Average AUM for the Funds were $2.15 billion for the first quarter ended March 31, 2019 compared to $2.66 billion for the quarter ended March 31, 2018.

Average billable AUM for institutional, private clients and wrap accounts were $455.8 million for the period ended March 31, 2019 compared to $621.0 million for the period ended March 31, 2018, a decrease of 26.6%.

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, 2019 and 2018 were $32,996 and $56,031, respectively. Total sales of class C shares were $13.4 million for the trailing twelve months ending March 31, 2019 and $19.9 million for the trailing twelve months ending March 31, 2018.

Other Income, Net: Other income, net includes realized and unrealized net gains (losses) from investments and interest income earned from cash equivalents that were invested in a money market mutual fund managed by Gabelli Funds, LLC, a subsidiary of GAMCO, and cash held at a bank. Other income, net for the three months ended March 31, 2019 and March 31, 2018 were $37,855 and ($17,685), respectively. The increase was due to the prior year period recording of an unrealized loss of $47,373 associated with bifurcated forward contract relating to the Preferred Stock financing.

Expenses

Compensation: Compensation costs, which include salaries, bonuses, benefits and stock based compensation, were $1,449,235 for the first quarter of 2019, a decrease of 25% from $1,942,627 in the prior year period. Fixed compensation costs, which include salary and benefits, was $1,118,402 for the first quarter of 2019, a decrease of 23% from $1,457,555 in the prior year period. This decrease was due to a reduction in staff. Stock based compensation was zero for the first quarter of 2019, a decrease of $26,555 from the prior year 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 2019, variable compensation was $330,833, a decrease of 25% from $458,517 the prior year period. The decrease in variable compensation is directly related to the reduction of company discretionary bonuses.

Sub-advisory Fees: The Company has currently retained a sub-adviser for four of the seven TETON Westwood Funds. All of the Keeley-Teton funds are managed in-house. Sub-advisory fees, which range from 32% to 35% of the net investment advisory revenues of the sub-advised funds, which are recognized as expenses as the related services are performed, were $1,001,290 for the first quarter of 2019, a decrease of 15% from $1,179,139 in the prior year period. The decrease was due to lower average AUM. Average AUM in sub-advised funds was $1.30 billion for the first quarter of 2019, a decrease of 15.0% from $1.529 billion in the prior year period.

Distribution Costs: Distribution costs, which are primarily related to the sale of shares of the Funds, net of related reimbursements, include wholesaler payouts and payments made to third party distributors for funds sold through their platforms, including their no transaction fee programs. These costs were $627,598 for the first quarter of 2019, an increase of 3% from $608,162 in the prior year period. The increase was directly related to increased costs paid to third party distributors.

Marketing and Administrative Fees: Marketing and administrative fees, which are charges from GAMCO and paid by Teton for administration of certain activities performed by GAMCO for the TETON Westwood Funds on behalf of Teton, were $455,609 for the three months ended March 31, 2019, a decrease of 11% from $510,235 in the prior year period. Marketing and administrative fees are calculated on a tiered formula and are based on average AUM. Based on the tiered formula administration fees were approximately 14.0 basis points of the average AUM of the TETON Westwood Funds for the first quarter 2019 versus 13.4 basis points of such average AUM for the first quarter 2018. As the AUM of the TETON Westwood Funds grows, these fees will decline as a percentage of average AUM.

Advanced Commissions: Advanced commission expenses were $27,471 for the first quarter of 2019, a decrease of $24,472 from $51,943 in the prior year period.

Other Operating Expenses: Other operating expenses, including those charged by GAMCO and incurred directly, were $499,655 for the first quarter of 2019, a decrease of $24,439 from $524,094 in the prior year period.

Depreciation and amortization: Depreciation and amortization expense was $210,200 for the first quarter of 2019, which was approximately the same as the prior year period.

Interest expense: Interest expense was $426,822 for the first quarter of 2019, an increase of $384,289 from $42,533 in the prior year period. Interest expense includes cash interest paid on the GGCP debt, as well as the amortization of debt discount associated with the debt issuance. The increase in interest expense is primarily attributable to the write-off of debt discount of $425,589 from a $2,000,000 pre-payment of debt made to GGCP on January 3, 2019.

Income Taxes

The effective tax rate was 19.2% for the quarter ended March 31, 2019, and 25.2% for the quarter ended March 31, 2018. The reduction is due to the release of prior years FIN 48 accrual which decreased the March 31, 2019 effective tax rate by 6.93%.

Net Income

Net income for the first quarter of 2019 was $674,448, or $0.53 per fully diluted share, versus $1,687,412, or $1.17 per fully diluted share, for the comparable period in 2018.

Supplemental Financial Information

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

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

Teton Advisors, Inc. and Subsidiary

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

	For the Quarter Ended,			
	March 31, 2019		March 31, 2018	
Net income	$	674,448	$	1,687,412
Add: Debt discount amortization		425,589		(32,467)
Add: Intangible amortization		204,444		204,444
Cash Earnings	$	1,304,481	$	1,859,389
Cash Earnings Per Fully Diluted Share (a)	$	1.03	$	1.43

(a) - Cash Earnings Per Fully Diluted Share reflects reductions for cash dividends paid on Series A Preferred Stock totaling zero and $45,400 in the first quarter 2019 and in the prior year quarter, respectively. It does not include reductions for non-cash constructive dividends totaling zero and $161,932 in the first quarter 2019 and in the prior year quarter, respectively.