Condensed Consolidated Financial Statements

Teton Advisors, Inc.

Quarterly Report for the Period Ended September 30, 2022

Teton Advisors, Inc. and Subsidiaries

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Contents

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

	Three months ended September 30, 2022	Three months ended September 30, 2021
Revenues		
Investment advisory fees - mutual funds, net	$ 2,552,374	$ 3,396,179
Investment advisory fees - separate accounts	665,800	802,234
Distribution fees and other income, net	78,393	8,558
Total revenues	3,296,567	4,206,971
Operating expenses		
Compensation	1,352,338	1,451,450
Sub-advisory fees	509,313	701,200
Distribution costs	334,156	408,800
Marketing and administrative fees	49,939	361,751
Advanced commissions	4,690	6,307
Other operating expenses	452,857	393,919
Total operating expenses	2,703,293	3,323,427
Income before interest, taxes, depreciation and amortization	593,274	883,544
Depreciation and amortization	84,116	86,023
Income before income taxes	509,158	797,521
Income tax provision	213,063	271,728
Net income	$ 296,095	$ 525,793
Net income per share:		
Basic	$ 0.23	$ 0.42
Fully diluted	$ 0.23	$ 0.41
Weighted average shares outstanding:		
Basic	1,302,684	1,260,988
Fully diluted	1,302,684	1,267,362

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

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

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenues		
Investment advisory fees - mutual funds, net	$ 8,242,742	$ 10,035,429
Investment advisory fees - separate accounts	2,262,561	2,296,345
Distribution fees and other income, net	81,996	24,069
Total revenues	10,587,299	12,355,843
Operating expenses		
Compensation	4,472,166	4,196,274
Sub-advisory fees	1,670,572	2,093,211
Distribution costs	1,237,535	1,293,268
Marketing and administrative fees	119,148	1,078,337
Advanced commissions	17,959	10,385
Other operating expenses	1,359,071	1,148,816
Total operating expenses	8,876,451	9,820,291
Income before interest, taxes, depreciation and amortization	1,710,848	2,535,552
Depreciation and amortization	252,798	258,069
Income before income taxes	1,458,050	2,277,483
Income tax provision	282,674	485,652
Net income	$ 1,175,376	$ 1,791,831
Net income per share:		
Basic	$ 0.92	$ 1.42
Fully diluted	$ 0.92	$ 1.41
Weighted average shares outstanding:		
Basic	1,276,030	1,260,988
Fully diluted	1,279,351	1,269,732

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

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

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	(Unaudited) September 30, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	$ 17,975,955	$ 21,506,861
Investment advisory fees receivable	1,022,554	1,374,135
Distribution and shareholder service expense reimbursement receivable	42,472	53,086
Receivable from affiliates	1,800	2,800
Investment in securities	2,495,594	-
Income tax receivable	79,116	-
Contingent deferred sales commissions	7,766	17,827
Deferred tax asset	3,268,303	3,452,913
Intangible assets, net (Note C)	3,455,485	3,699,909
Right-of-use assets	270,327	385,352
Other assets (net of accumulated depreciation of $41,183 and $46,326 respectively)	331,398	276,039
Total assets	$ 28,950,770	$ 30,768,922
LIABILITIES AND STOCKHOLDERS' EQUITY		
Due to broker	$ -	$ 7,999,316
Compensation payable	895,808	707,926
Payable to affiliates	228,746	395,745
Distribution costs payable	232,656	233,409
Income tax payable	-	23,225
Lease liabilities	311,173	447,469
Accrued expenses and other liabilities	1,194,116	1,205,724
Total liabilities	2,862,499	11,012,814
Stockholders' equity:		
Preferred stock, $0.001 par value; 350,000 and 80,000 shares authorized; none issued and outstanding	-	-
Class A Common stock, $0.001 par value; 5,150,000 and 1,700,000 shares authorized; respectively		
1,362,084 and 1,036,706 shares issued, respectively;		
1,315,276 and 991,395 outstanding, respectively	1,304	974
Class B Common stock, $0.001 par value; 2,000,000 and 800,000 shares authorized; respectively		
792,000 shares issued; 329,064 and 329,092 shares outstanding, respectively	339	339
Additional paid-in capital	10,487,936	5,297,930
Treasury stock, at cost (46,808 class A shares and 443 class B shares		
and 45,311 class A shares and 443 class B shares, respectively)	(1,218,958)	(1,185,409)
Retained earnings	16,817,650	15,642,274
Total stockholders' equity	26,088,271	19,756,108
Total liabilities and stockholders' equity	$ 28,950,770	$ 30,768,922

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

Teton Advisors, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
For the Nine Months Ended September 30, 2022
(Unaudited)

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
Balance at December 31, 2021	$ 974	$ 339	$ 5,297,930	$ (1,185,409)	$ 15,642,274	$ 19,756,108
Net income	-	-	-	-	1,175,376	1,175,376
Issuance of common stock - Rights Offering (Note G)	325	-	4,811,152	-	-	4,811,477
Vesting of restricted share grants	5	-	(5)	-	-	-
Stock repurchase	-	-	-	(33,549)	-	(33,549)
Stock based compensation	-	-	378,859	-	-	378,859
Balance at September 30, 2022 (unaudited)	$ 1,304	$ 339	$ 10,487,936	$ (1,218,958)	$ 16,817,650	$ 26,088,271

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

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

	Nine months ended September 30, 2022	2021
Cash Flow from Operating Activities		
Net income	$ 1,175,376	$ 1,791,831
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Amortization of intangible assets	244,424	244,424
Amortization of deferred sales commission	17,959	10,385
Depreciation and amortization - other	8,374	13,645
Deferred taxes	184,610	166,491
Unrealized loss on investment in securities	4,406	-
Stock based compensation expense	378,859	379,514
(Increase) decrease in operating assets:		
Investment advisory fees receivable	351,581	(326,164)
Distribution and shareholder service expense reimbursement receivable	10,614	(2,371)
Receivable from affiliates	1,000	825
Income tax receivable	(79,116)	122,547
Contingent deferred sales commission	(7,898)	(17,579)
Right-of-use assets	115,025	181,333
Other assets	(63,733)	64,412
Increase (decrease) in operating liabilities:		
Due to broker	(7,999,316)	-
Compensation payable	187,882	501,760
Payable to affiliates	(166,999)	(40,469)
Distribution costs payable	(753)	2,122
Income tax payable	(23,225)	-
Lease liability	(136,296)	(198,687)
Accrued expenses and other liabilities	(10,248)	(157,705)
Total adjustments	(6,982,850)	944,483
Net cash (used in) provided by operating activities	(5,807,474)	2,736,314
Cash Flow from Investing Activities		
Purchases of securities	(2,500,000)	-
Net cash (used in) investing activities	(2,500,000)	-
Cash Flow from Financing Activities		
Proceeds received from rights offering	5,042,910	-
Dividends paid	(1,360)	-
Deferred rights offering costs	(231,433)	-
Stock repurchase	(33,549)	-
Net cash provided by financing activities	4,776,568	-
Net (decrease) increase in cash and cash equivalents	(3,530,906)	2,736,314
Cash and cash equivalents:		
Beginning of year	21,506,861	9,556,418
End of period	$ 17,975,955	$ 12,292,732
Supplemental disclosure of cash flow information:		
Federal and State income tax payments	$ 377,287	$ 299,925
Supplemental disclosure of non-cash activity:		
Right-of-use asset obtained in exchange for lease liability	$ 10,510	$ -

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

Teton Advisors, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2022

A. Overview

Business Description

Teton Advisors, Inc. ("Teton"), a company incorporated under the laws of Delaware, is a holding company that, through its subsidiaries, provides investment advisory services to open-end funds and separate client accounts. We generally manage assets on a fully discretionary basis and invest primarily in U.S. securities. Our revenues are based primarily on the Company's level of assets under management ("AUM") and fees associated with our various investment products. We conduct our investment advisory business principally through two subsidiaries, which are registered investment advisors: Keeley-Teton Advisors, LLC ("Keeley-Teton, LLC") and Teton Advisors, LLC ("Teton, LLC").

Organizational Structure

Teton was formed in Texas as Teton Advisors, LLC in December 1994 to develop and manage certain mutual funds. On March 2, 1998, Teton Advisers, LLC was renamed Gabelli Advisors, 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. On March 20, 2009, Teton was distributed to the shareholders of GAMCO Investors, Inc. ("GAMCO") as a separately listed company (OTC PINK: TETAA). Teton serves as the investment adviser for the TETON Westwood Funds and separately managed accounts. Continuing its growth in smaller company expertise, on February 28, 2017, Teton acquired the assets of Keeley Asset Management Corp. ("KAMCO") in a newly formed, wholly-owned subsidiary, Keeley-Teton, LLC. Keeley-Teton, LLC serves as the investment advisor for the KEELEY Funds and separately managed accounts. The acquisition expanded Teton's mutual fund product suite available under the TETON Westwood and KEELEY Funds brands (collectively referred to herein as the "Funds"), along with various separately managed account strategies.

On December 31, 2021, Teton transferred the investment management agreement with the TETON Westwood SmallCap Equity Fund and the portfolio team that managed the fund to Keeley-Teton.

On December 31, 2021, Teton transferred its advisory business, operations, and personnel to a new wholly-owned subsidiary, Teton Advisors, LLC.

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 its wholly owned subsidiaries.

B. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared on the accrual basis of accounting in accordance with the U.S. generally accepted accounting principles

("GAAP") and include the accounts of Teton and its subsidiaries, Teton, LLC and Keeley-Teton, LLC. All intercompany accounts and transactions have been eliminated upon consolidation. As interim financial statements, they do not include all the information and footnotes required by GAAP for complete financial statements. 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, 2021.

Reclassifications

Certain amounts in prior periods may have been reclassified to conform to the current period presentation.

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.

Nature of Operations

Teton Advisors, LLC and Keeley-Teton Advisors, LLC 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 and U.S Treasury Bills with maturities of three months or less at the time of purchase.

Due to broker

Due to broker represents U.S. treasury bill purchases which have not been settled as of year-end.

Securities Transactions

Investments in securities are accounted for as "trading securities" and are stated at fair value, with any unrealized gains or losses reported in current period earnings in other income, net in the condensed consolidated statements of operations. Management determines the appropriate classification of debt and equity securities at the time of purchase. Securities that are not readily marketable are stated at their estimated fair values in accordance with GAAP. Securities transactions and any related gains and losses are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the specific identified cost basis and are included in other income, net in the condensed consolidated statements of operations.

Revenue Recognition – Investment Advisory Fees

Investment advisory fees are directly influenced by the level and mix of AUM as fees are derived from a contractually determined percentage of AUM for each open-end fund and separate account. Advisory fees from the open-end mutual funds are computed daily based on average net assets and amounts receivable are included in investment advisory fees receivable in the condensed consolidated statements of financial condition.

Advisory fees from separate, private client and wrap account clients are generally computed quarterly based on account values as of the end of the preceding or current quarter in accordance with the terms of each client's investment advisory agreement. The amounts receivable is included in investment advisory fees receivable in the condensed consolidated statements of financial condition. These revenues vary depending upon the level of sales and redemptions, financial market conditions and the fee structure for AUM. Revenues derived from the equity-oriented portfolios generally have higher management fee rates than fixed income portfolios.

Revenue Recognition – Distribution Fees

Distribution fees include distribution fees paid to the Company by G.distributors on the Class C shares sold. Class C shares have a 12b-1 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 during 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.

Distribution Costs

The Company incurs certain promotion and distribution costs, which are expensed as incurred, principally related to the sale of shares of open-end mutual funds, other than Class C shares, and are included in distribution costs payable in the condensed consolidated statements of financial condition.

Sub-advisory Fees

Sub-advisory fees are based on contractual predetermined percentages of revenues (in some cases, net of certain expenses) of the individual funds and are recognized as expenses as the related services are performed. The sub-advisory fees are paid in the month subsequent to when they are earned. Sub-advisory fees which are sub-advised by GAMCO are included in payable to affiliates in the condensed consolidated statements of financial condition. Sub-advisory fees which are sub-advised by Westwood Management Corporation are included in accrued expenses and other liabilities in the condensed consolidated statements of financial condition.

Depreciation and Amortization

Fixed assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives. The intangible asset, customer relationships, is included in Intangible assets, net in the condensed consolidated statements of financial condition and is amortized over its estimated useful life of 9 years using the straight-line method.

Intangible Assets

Intangible assets are initially measured as the excess of the cost of the acquired business over the sum of the amounts assigned to assets acquired less the liabilities assumed. Intangible assets are tested for impairment at least annually and whenever certain triggering events are met. In assessing the recoverability of intangible assets, projections regarding estimated future cash flows and other factors are made to determine the fair value of the assets. If the book value exceeds the fair value of the assets, an impairment charge is recorded, corresponding to the amount by which the book value exceeds the fair value.

Income Taxes

Income tax expense or benefit is based on pre-tax financial accounting income, including adjustments made for the recognition or derecognition related to uncertain tax positions. The recognition or derecognition of an income tax benefit related to uncertain tax positions is determined under the guidance as prescribed by GAAP. Deferred tax assets and liabilities are recognized for the future tax attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or concluded. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

The Company records uncertain tax positions in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes”, on the basis of a two-step process whereby (1) the Company determines whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company recognizes the accrual of interest on uncertain tax positions and penalties in income tax expense on the condensed consolidated statements of operations. Accrued interest and penalties on uncertain tax positions are included within accrued expenses and other liabilities in the condensed consolidated statements of financial condition.

Fair Value Measurement

The Company’s assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the Financial Accounting Standards Board’s (“FASB”) guidance on fair value measurement. The levels of the fair value hierarchy and their applicability to the Company are described below:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

- Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Earnings Per Share

Basic earnings per share is based on the weighted-average number of common shares outstanding during each period, less unvested restricted stock. Fully diluted earnings per share is based on basic shares plus the effect of any dilutive shares from the unvested restricted stock using the treasury stock method.

Stock Based Compensation

The Company uses a fair value-based method of accounting for stock-based compensation provided to employees. The estimated fair value of the restricted stock award ("RSA") grants is determined by using the closing price of Class A Common Stock on the date of the grant. The total expense is recognized over the vesting period for these awards.

Contingent Deferred Sales Commissions

Sales commissions are paid to broker-dealers in connection with the sale of Class C shares of open-end Funds. These commissions are capitalized and amortized over a period of one year, based upon the period of time during which deferred sales commissions are expected to be recovered from distribution plan payments received from those Funds and from contingent deferred sales charges received from shareholders of those Funds upon redemption of their shares. Distribution plan payments received from these Funds are recorded in revenue as earned. Contingent deferred sales charges and early withdrawal charges received from redeeming shareholders of these funds are generally applied to reduce the Company's unamortized deferred sales commission assets. Should the Company lose its ability to recover such sales commissions through distribution plan payments and contingent deferred sales charges, the value of these assets would immediately decline, as would future cash flows.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents held. The Company maintains cash equivalents in U.S. treasury bills with maturities of three months or less and a Gabelli U.S. Treasury Money Market Fund, which invests fully in instruments issued by the U.S. government. The concentration of credit risk with respect to advisory fees receivable is generally limited due to the short payment terms extended to clients by the Company.

Business Segments

The Company operates in one business segment, the investment advisory and asset management business.

Recent Accounting Developments

In September 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 condensed 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 guidance on the Company's condensed consolidated financial statements.

Risk Factors

There have been no material changes to the risk factors previously disclosed in our Annual Report for the year ended December 31, 2021. For a discussion of our potential risks and uncertainties, see the information under the heading "Risk Factors" in our Annual Report for the year ended December 31, 2021, which is accessible on the Company's website at TetonAdv.com.

C. 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 periodic (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 September 30, 2022				
	Weighted Average Amortization Period (years)	**Gross Carrying Amount**	**Accumulated Amortization**	**Impairment**	**Net Carrying Amount**
Customer relationships	9	$ 7,360,000	$ (3,661,515)	$ (2,585,000)	$ 1,113,485
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	$ (3,661,515)	$ (14,363,000)	$ 3,455,485

Amortization expense for customer relationships for the quarter ended September 30, 2022 and 2021 was $81,475, respectively, and for the nine months ended September 30, 2022 and 2020 was $244,424, respectively.

Estimated amortization expense for customer relationships over the next four years is as follows:

For the year ended December 31,	**Estimated Amortization Expense**
2022 (excluding the first nine months ended September 30)	$ 81,475
2023	325,898
2024	325,898
2025	325,898
Thereafter	54,316
Total	$ 1,113,485

D. Fair Value Measurement

The following table presents information about the Company's assets by major categories measured at fair value on a recurring basis as of September 30, 2022 and December 31, 2021, respectively, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

Assets Measured at Fair Value on a Recurring Basis as of September 30, 2022

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2022
Cash equivalents	$ 15,035,575	$ -	$ -	$ 15,035,575
Investment in securities				
Mutual funds	1,463,450	-	-	1,463,450
Hedge funds	-	1,032,144	-	1,032,144
Total investments in securities	$ 1,463,450	$ 1,032,144	$ -	$ 2,495,594

Assets Measured at Fair Value on a Recurring Basis as of December 31, 2021

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2021
Cash equivalents	$ 19,467,182	$ -	$ -	$ 19,467,182

E. Income Taxes

The provision for income taxes for the three month period ended September 30, 2022 and 2021, consisted of the following:

	Three months eneded September 30, 2022	2021
Federal:		
Current	$ 33,726	$ 124,045
Deferred	125,261	37,957
State and local:		
Current	12,966	93,182
Deferred	41,110	16,544
Total	$ 213,063	$ 271,728

The provision for (benefit from) income taxes for the nine month period ended September 30, 2022 and 2021, consisted of the following:

	Nine months eneded September 30, 2022	2021
Federal:		
Current	$ 165,471	$ 347,894
Deferred	186,063	115,243
State and local:		
Current	52,555	(28,733)
Deferred	(121,415)	51,248
Total	$ 282,674	$ 485,652

A reconciliation of the Federal statutory income tax rate to the effective tax rate for the three month and nine month periods ended September 30, 2022 and 2021 is set forth below:

	Three months eneded September 30,	
	2022	**2021**
Statutory Federal income tax rate	21.0%	21.0%
State income tax, net of Federal benefit	6.3%	4.1%
Other	14.5%	9.0%
Effective income tax rate	41.8%	34.1%

	Nine months eneded September 30,	
	2022	**2021**
Statutory Federal income tax rate	21.0%	21.0%
State income tax, net of Federal benefit	5.4%	4.2%
Other	(7.0%)	(3.9%)
Effective income tax rate	19.4%	21.3%

Significant components of the Company's deferred tax assets and liabilities are as follows:

	September 30, 2022	**December 31, 2021**
Deferred tax assets:		
Deferred compensation	$ 356,942	$ 345,015
Impairment of intangible assets	3,591,540	3,544,492
Capitalized acquisition costs	64,077	68,251
Total deferred tax assets	4,012,559	3,957,758
Deferred tax liabilities:		
Contingent deferred sales commission	(2,026)	(4,589)
Fixed assets	13,057	16,213
Amortization of intangible assets	(752,216)	(512,303)
Other	(3,071)	(4,166)
Total deferred tax liabilities	(744,256)	(504,845)
Net deferred tax (liability) / asset	$ 3,268,303	$ 3,452,913

As of September 30, 2022 and December 31, 2021, the Company's gross unrecognized tax benefits were $675,797 and $775,122, respectively, of which $533,880 and $612,347, if recognized, would affect the Company's effective tax rate.

Balance at January 1, 2021	$ 895,356
Additions based on tax positions related to year 2021	45,506
Reductions for tax positions of prior years	(165,740)
Balance at December 31, 2021	775,122
Additions based on tax positions related to the current year	15,660
Reductions for tax positions of prior years	(114,985)
Balance at September 30, 2022	$ 675,797

As of September 30, 2022 and December 31, 2021, the net liability for unrecognized tax benefits related to uncertain tax positions was $829,628 and $937,218, respectively, and is included in accrued expenses and other liabilities in the condensed consolidated statements of financial condition.

The Company recognizes both interest and penalties with respect to unrecognized tax benefits as income tax expense. As of September 30, 2022 and December 31, 2021, the Company had accrued a gross liability of $346,201 and $376,481, respectively, related to interest and penalties. For the nine month period ended September 30, 2022 and for the twelve-month period ended December 31, 2021, the Company recorded income tax (benefits) expense related to a (decrease) increase in its liability for interest and penalties of ($29,124) and $37,767, respectively. The amount is included in accrued expenses and other liabilities in the condensed consolidated statements of financial condition.

As of September 30, 2022, management has not identified any potential material subsequent events that could have a significant impact on unrecognized tax benefits within the next twelve months.

F. 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 Greenwich, Connecticut and Chicago, Illinois. As of September 30, 2022, the weighted-average remaining lease term on these leases is approximately 1.26 years and the weighted-average discount rate used to measure the lease liabilities ranges from 3.25% to 5.63%.

Our operating lease expense for the three months ended September 30, 2022 and 2021, was $63,211 and $74,750, respectively, and for the nine months ended September 30, 2022 and 2021, was $189,019 and $224,250, respectively.

We made lease payments of $70,301 and $80,535 during the three months ended September 30, 2022 and 2021, respectively, and for the nine months ended September 30, 2022 and 2021, was $210,289 and $241,605, respectively.
Our future undiscounted cash flows related to our operating leases and the reconciliation to the operating lease liability as of September 30, 2022, are as follows:

2022 (excluding the first nine months ended September 30)	$	70,301
2023		250,736
2024		8,294
2025		614
Total future undiscounted cash flows		329,945
Less: imputed interest to be recognized in lease expense		(18,772)
Operating lease liabilities, as reported	$	311,173

G. Equity

Equity Structure

On May 24, 2022, shareholders approved an amendment to the Company's Certificate of Incorporation to increase the number of shares of capital stock which the Company is authorized to issue. The Company's capital structure now consists of 5,150,000 shares authorized of Class A common stock, 2,000,000 shares authorized of Class B common stock and 350,000 shares authorized of preferred stock. As of September 30, 2022, 1,362,084 Class A shares have been issued and 1,315,276 are outstanding, 792,000 Class B shares have been issued and 329,064 are outstanding, and 75,000 shares of preferred stock have been issued and none are outstanding. As of December 31, 2021, 1,036,706 Class A shares have been issued and 991,395 are outstanding, 792,000 Class B shares have been issued and 329,092 are outstanding, and 75,000 shares of preferred stock have been issued and none are outstanding.

On May 27, 2022, the Company announced a rights offering to shareholders of record on September 3, 2022. Shareholders had the right to purchase additional Class A shares at a subscription price of $15.50 through September 21,2022. All Class A and B stockholders received three subscription rights for each share owned and nine subscription rights are needed to subscribe for a new share of Class A common stock. The net proceeds of the offering will be used as working capital for general corporate purposes and for acquisitions, although the Company has not identified any specific acquisitions at this time. On September 26, 2022, as the result of the rights offering, the Company received gross proceeds of $5,042,910 for 325,349 Class A shares of common stock, total capitalized stock issuance costs were $231,433 which were charged against the gross proceeds received.

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

On May 24, 2022, the board of directors amended and restated Teton's 2014 Stock Award and Incentive Plan ("Incentive Plan"). The amendment (i) increased the total number of Class A stock awards from 100,000 shares to 200,000 shares and (ii) added a provision whereby the number of shares of Class A common stock available for issuance under the plan is subject to an increase on the first trading day of January for each calendar year during the term of the plan, beginning with calendar year 2023, by an amount up to 5% of the combined number of shares of Class A common stock and Class B common stock outstanding as of the last trading day of the prior calendar year, as determined by the Board in its discretion prior to the date of the increase.

In the fourth quarter of 2021, the Company issued 17,500 RSAs at a grant date fair value of $21.90 per share, with 40% vesting in three years and 60% vesting in five years from the date of grant.

During the second and third quarters, 6,800 and 10,000 RSA's vested, respectively, and 42,700 RSA's remain unvested as of September 30, 2022. There are 138,000 shares of Class A common stock which remain available for future issuance under the Incentive Plan.

For the three months ended September 30, 2022 and 2021, the Company recorded stock-based compensation expense related to RSAs of $77,308 and $126,505, respectively, and for the nine months ended September 30, 2022 and 2021, was $378,862 and $379,514, respectively.

H. 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. As of September 30, 2022, Mr. Gabelli owned approximately 24.6% and GGCP Holdings LLC owned approximately 40.6% of Teton's Class A and B shares.

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 controlling stockholder of the Company. At September 30, 2022 and December 31, 2021, Teton had $1,040,260 and $2,446,624, respectively, in this money market fund.

During the second quarter, the Company invested $1,500,000 into the Gabelli ABC Fund, which is managed by Gabelli Funds, LLC. The investment had an unrealized loss of ($13,158) for the quarter ended September 30, 2022 and an unrealized loss of ($36,550) for the nine months ended September 30, 2022, and is included in Distribution fees and other income, net on the condensed consolidated statements of income.

During the third quarter, the Company invested $1,000,000 into the Gabelli Associates Fund II, LP, which is managed by Gabelli & Company Investment Advisers, Inc. The investment had an unrealized gain of $32,144 for the quarter ended September 30, 2022, and is included in Distribution fees and other income, net on the condensed consolidated statements of income.

G.distributors, a subsidiary of GAMCO, serves as the principal distributor for the Funds. The Company receives distribution fee income from G.distributors on the Class C Fund shares sold. For the three months ended September 30, 2022 and 2021, distribution fees were $4,750 and $7,574, respectively, and for the nine months ended September 30, 2022, $17,564 and $21,931, respectively. The amounts are included in Distribution fees and other income, net on the condensed consolidated statements of income.

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. Sub-advisory fees were $453,082 and $635,731 for the three months ended September 30, 2022 and 2021, respectively, and for the nine months ended September 30, 2022 and 2021, was $1,493,889 and $1,901,874, 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 $49,939 and $361,751 for the three months ended September 30, 2022 and 2021, respectively, and for the nine months ended September 30, 2022 and 2021, was $119,148 and $1,078,337, respectively. The decrease in expenses during the current year was due to a renegotiation of fees charged.

The Company pays GAMCO a fixed administrative and management services fee pursuant to a contractual agreement. The amounts paid were $12,500, for the three months ended September 30, 2022 and 2021, respectively, and $37,500 for the nine months ended September 30, 2022 and 2021, respectively.

At September 30, 2022 and December 31, 2021, the amounts payable to GAMCO for the services described above were $160,743 and $324,210, 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, third party distribution costs, certain expense reimbursements, and a fixed administrative services charge based on a contractual agreement with

Keeley-Teton, LLC. These costs were $56,573 and $102,987 for the three months ended September 30,
2022 and 2021, respectively, and for the nine months ended September 30, 2022 was $335,063 and $399,978, respectively.

At September 30, 2022 and December 31, 2021, the amounts payable to G.distributors or the items described above were $68,003 and $71,535, 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.

I. Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Basic:				
Net income attributable to Teton shareholders	$ 296,095	$ 525,793	$ 1,175,376	$ 1,791,831
Weighted average shares outstanding	1,302,684	1,260,988	1,276,030	1,260,988
Basic net income per share	$ 0.23	$ 0.42	$ 0.92	$ 1.42
Fully diluted:				
Net income attributable to Teton shareholders	$ 296,095	$ 525,793	$ 1,175,376	$ 1,791,831
Weighted average shares outstanding	1,302,684	1,267,362	1,279,351	1,269,732
Fully diluted net income per share	$ 0.23	$ 0.41	$ 0.92	$ 1.41

J. 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 our subsidiaries Teton Advisors, LLC and Keeley-Teton Advisors, LLC 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.

Mutual fund advisory fee revenue is net of related fund expense reimbursements. Fund expense reimbursements for the three months ended September 30, 2022 and 2021 were $336,484 and $287,678, respectively, and for the nine months ended September 30, 2022 and 2021, were $1,084,035 and $1,091,775.

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, LLC serves as advisor, and the KEELEY Funds, a family of mutual funds for which Keeley-Teton, LLC 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.

Revenue Disaggregated

The following tables presents our revenue disaggregated by account type:

	For The Three Months Ended September 30,		Increase (decrease)	
(Unaudited)	2022	2021	$	%
Investment advisory fees				
Open-end mutual funds, net	$ 2,552,374	3,396,179	$ (843,805)	-24.8%
Institutional	243,958	336,660	(92,702)	-27.5%
Private client	374,575	412,305	(37,730)	-9.2%
Wrap	41,014	53,269	(12,255)	-23.0%
UMA	6,253	-	6,253	N/A
Total separate accounts	665,800	802,234	(142,687)	-17.8%
Total investment advisory fees	3,218,174	4,198,413	(986,492)	-23.5%
Distribution fees	4,750	7,574	(2,824)	-37.3%
Other income, net	73,643	984	72,659	7384%
Total revenues	$ 3,296,567	$ 4,206,971	$ (910,404)	-21.6%

(Unaudited)	For The Nine Months Ended September 30, 2022	2021	Increase (decrease) $	%
Investment advisory fees				
Open-end mutual funds, net	$ 8,242,742	$ 10,035,429	$ (1,792,687)	-17.9%
Institutional	885,331	969,294	(83,963)	-8.7%
Private client	1,222,737	1,178,679	44,058	3.7%
Wrap	139,842	148,372	(8,530)	-5.7%
UMA	14,651	-	14,651	N/A
Total separate accounts	2,262,561	2,296,345	(33,784)	-1.5%
Total investment advisory fees	10,505,303	12,331,774	(1,826,471)	-14.8%
Distribution fees	17,564	21,931	(4,367)	-19.9%
Other income, net	64,432	2,138	62,294	2913.7%
Total revenues	$ 10,587,299	$ 12,355,843	$ (1,768,544)	-14.3%

K. 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.

L. Subsequent Events

On October 12, 2022, Teton qualified and upgraded its listing with OTC Markets Group, Inc., and is now traded on the OTCQX market from the OTC Pink market and continues to trade under the same TETAA ticker symbol.

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

There have been no material changes to the risk factors previously disclosed in our Annual Report for the year ended December 31, 2021. For a discussion of our potential risks and uncertainties, see the information under the heading “Risk Factors” in our Annual Report for the year ended December 31, 2021 which is accessible on the Company’s website at TetonAdv.com.

Assets Under Management Highlights

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

						% Δ From	
	9/21	12/21	3/22	6/22	9/22	9/21	6/21
($ in millions)							
Mutual Funds	$ 1,479	$ 1,487	$ 1,390	$ 1,157	$ 1,048	-29.1%	-9.4%
Institutional, Private Client, Wrap & UMA	467	514	481	406	386	-17.3%	-4.9%
Total Assets Under Management	$ 1,946	$ 2,001	$ 1,871	$ 1,563	$ 1,434	-26.3%	-8.3%
Quarterly Average Assets Under Management	$ 1,994	$ 2,000	$ 1,897	$ 1,727	$ 1,605	-19.5%	-7.1%

The following tables set forth asset appreciation (depreciation) and net flows for the three month and nine month periods ended September 30, 2022:

($ in millions)	June 30, 2022	Appreciation / (depreciation)	Net flows	September 30, 2022
Mutual Funds				
Equities	$ 1,157	$ (52)	$ (57)	$ 1,048
Institutional, Private Client, Wrap & UMA	406	(16)	(4)	$ 386
	$ 1,563	$ (68)	$ (61)	$ 1,434

($ in millions)	December 31, 2021	Appreciation / (depreciation)	Net flows	September 30, 2022
Mutual Funds				
Equities	$ 1,487	$ (297)	$ (142)	$ 1,048
Institutional, Private Client, Wrap & UMA	514	(82)	(46)	386
	$ 2,001	$ (379)	$ (188)	$ 1,434

AUM was $1.43 billion at September 30, 2022, a decrease of 8.3% from $1.56 billion at June 30, 2022. The decrease was due to outflows of $87 million and market depreciation of $68 million partly off-set by inflows of $26 million. Average AUM was $1.605 billion for the third quarter 2022, a decrease of 7.1% from $1.727 billion in the third quarter 2022.

Operating Results for the Three Months Ended September 30, 2022 as Compared to the Three Months Ended September 30, 2021

Revenues

Total revenues were $3,296,567 in the third quarter of 2022, a decrease of $910,404 or 21.6% from the total revenues of $4,206,971 for the same period in the prior year. The change in total revenues by revenue component was as follows:

	For The Three Months Ended September 30,		Increase (decrease)	
(Unaudited)	2022	2021	$	%
Investment advisory fees				
Open-end mutual funds, net	$ 2,552,374	3,396,179	$ (843,805)	-24.8%
Institutional	243,958	336,660	(92,702)	-27.5%
Private client	374,575	412,305	(37,730)	-9.2%
Wrap	41,014	53,269	(12,255)	-23.0%
UMA	6,253	-	6,253	N/A
Total separate accounts	665,800	802,234	(142,687)	-17.8%
Total investment advisory fees	3,218,174	4,198,413	(986,492)	-23.5%
Distribution fees	4,750	7,574	(2,824)	-37.3%
Other income, net	73,643	984	72,659	7384%
Total revenues	$ 3,296,567	$ 4,206,971	$ (910,404)	-21.6%

Investment Advisory Fees, net: 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 for separate accounts based on the average of the ending account values for each month of the quarter or the account value as of the end of the preceding quarter. Mutual fund investment advisory fees, net of mutual fund expense reimbursements, for the three months ended September 30, 2022 and 2021 were $2,552,374 and $3,396,179, respectively, a decrease of $843,805 or 24.8%. Average AUM for the Funds were $1.18 billion for the quarter ended September 30, 2022 compared to $1.52 billion for the quarter ended September 30, 2021, a decrease of $340.0 million or 22.4%.

Separate account investment advisory fees for the three months ended September 30, 2022 and 2021 were $665,800 and $802,234, respectively, a decrease of $142,687 or 17.8%. Average billable AUM for separate accounts was $420.8 million for the quarter ended September 30, 2022 compared to $477.2 million for the quarter ended September 30, 2021, a decrease of $56.4 million or 11.8%.

Distribution Fees: The Company earns a distribution fee on Class C shares of Funds sold over the first twelve months after the sale. Distribution fees for the three months ended September 30, 2022 and 2021 were $4,750 and $7,574, respectively, a decrease of $2,824 or 37.3%. Total sales of class C shares were $2.9 million for the trailing twelve months ending September 30, 2022 and 2021, respectively.

Other Income, net: Other income, net includes unrealized gains and losses on investments, interest income earned from cash equivalents that were invested in a money market mutual fund and interest earned on U.S. Treasury Bills. Other income, net for the three months ended September 30, 2022 and 2021 was $73,643 and $984, respectively, an increase of $72,659. The increase for the quarter was primarily due to interest income earned on short-term U.S. Treasury Bills of $42,593 and unrealized gains on investments of $24,910.

Expenses

Compensation: Compensation costs, which include salaries, portfolio manager compensation, bonuses, benefits, director fees and stock-based compensation, were $1,352,338 for the third quarter of 2022, a decrease of $99,112 or 6.8% from $1,451,450 in the prior year comparative period.

Fixed compensation costs, which include salary, benefits and director fees, were $715,739 for the third quarter of 2022, a decrease of $86,371 or 10.8% from $802,110 in the prior year comparative period. Stock based compensation for the third quarter of 2022 and 2021 was $77,308 and $126,505, respectively, a decrease of $49,197 or 38.9%. The remainder of the compensation expenses represents variable compensation that includes bonuses, executive compensation, along with revenue sharing that fluctuates with net investment advisory revenues. For the third quarter of 2022, variable compensation was $559,291, an increase of $36,456 or 7.0% from $522,835 in the prior year comparative period. The increase in variable compensation for the period is primarily related to the increase in the Company's executive compensation accrual.

Sub-advisory Fees: The Company retains a sub-adviser for four of the five TETON Westwood Funds. All of the Keeley-Teton funds are managed in-house. Sub-advisory fees range from 32% to 35% of the net investment advisory revenues of the sub-advised funds and are recognized as expenses as the related services are performed. Sub-advisory fees for the third quarter ended September 30, 2022 and 2021 were $509,313 and $701,200, respectively, a decrease of $191,887 or 27.4%. The decrease was due to lower average AUM in the funds. Specifically, average AUM in sub-advised funds was $655.5 million for the third quarter of 2022, a decrease of $242.6 million or 27.1% from $898.1 million 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 $334,156 for the third quarter of 2022, a decrease of $74,644 or 18.3% from $408,800 in the prior year comparative period.

Distribution costs including wholesaler payouts and payments made to third party distributors for Funds sold through them, including their no transaction fee programs were $286,657 for the third quarter of 2022, a decrease of $74,933 or 20.7% from the prior year comparative period amount of $361,590.

The remaining distribution costs include distribution service fees with G.distributors, an affiliate of GAMCO. These distribution costs for the quarter ended September 30, 2022 and 2021 were $47,499 and $47,210, respectively.

Marketing and Administrative Fees: Marketing and administrative fees are charges from GAMCO 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. Marketing and administration fees were $49,939 for the quarter ended September 30, 2022 compared to $361,751 for the quarter ended September 30, 2021, a decrease of $311,812 or 86.2% from the prior year period. The decrease was due to a renegotiation of the variable fee calculation.

Advanced Commissions: Advanced commission expense was $4,690 for the third quarter of 2022 and $6,307 in the prior year comparative period, a decrease of $1,617 or 25.6%.

Other Operating Expenses: Other operating expenses, including those charged by GAMCO and incurred directly, were $452,857 for the third quarter of 2022, an increase of $58,938 or 15.0% from $393,919 in the prior year comparative period.

Depreciation and amortization: Depreciation and amortization expense was $84,116 for the third quarter of 2022, a decrease of $1,907 or 2.6% from $86,023 for the prior year comparative period.

Income Taxes

The effective tax rate was 41.8% for the quarter ended September 30, 2022 and 34.1% for the quarter ended September 30, 2021. The increase is primarily related to the deferred tax asset reversal due to the vesting of employee stock awards.

Net Income

Net income for the third quarter of 2022 was $296,095 or $0.23 per fully diluted share, versus a net income of $525,793 or $0.41 per fully diluted share, for the comparable period in 2021.

Supplemental Financial Information
As supplemental information, we provide a non-U.S. generally accepted accounting principles ("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 quarterly Cash Earnings, we add back to net income the non-cash expense associated with 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 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,			
	September 30, 2022		September 30, 2021	
Net income	$	296,095	$	525,793
Add: Intangible amortization		81,475		81,475
Cash Earnings	$	377,570	$	607,268
Cash Earnings Per Fully Diluted Share	$	0.29	$	0.48

Operating Results for the Nine Months Ended September 30, 2022 as Compared to the Nine Months Ended September 30, 2021

Revenues

Total revenues were $10,587,299 for the nine months ended September 30, 2022, a decrease of $1,768,544 or 14.3% from the total revenues of $12,355,843 for the same period in the prior year. The change in total revenues by revenue component was as follows:

	For The Nine Months Ended September 30,		Increase (decrease)	
(Unaudited)	2022	2021	$	%
Investment advisory fees				
Open-end mutual funds, net	$ 8,242,742	$ 10,035,429	$ (1,792,687)	-17.9%
Institutional	885,331	969,294	(83,963)	-8.7%
Private client	1,222,737	1,178,679	44,058	3.7%
Wrap	139,842	148,372	(8,530)	-5.7%
UMA	14,651	-	14,651	N/A
Total separate accounts	2,262,561	2,296,345	(33,784)	-1.5%
Total investment advisory fees	10,505,303	12,331,774	(1,826,471)	-14.8%
Distribution fees	17,564	21,931	(4,367)	-19.9%
Other income, net	64,432	2,138	62,294	2913.7%
Total revenues	$ 10,587,299	$ 12,355,843	$ (1,768,544)	-14.3%

Investment Advisory Fees, net: 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 for separate accounts based on the average of the ending account values for each month of the quarter or the account value as of the end of the preceding quarter. Mutual fund investment advisory fees, net of mutual fund expense reimbursements, for the nine months ended September 30, 2022 and 2021 were $8,242,742 and $10,035,429, respectively, a decrease of $1,792,687 or 17.9%. Average AUM for the Funds were $1.29 billion for the nine months ended September 30, 2022 compared to $1.53 billion for the nine months ended September 30, 2021, a decrease of $240.0 million or 15.7%.

Separate account investment advisory fees for the nine months ended September 30, 2022 and 2021 were $2,262,561 and $2,296,345, respectively, a decrease of $33,784 or 1.5%. Average billable AUM for separate accounts was $454.6 million for the nine months ended September 30, 2022 compared to $466.7 million for the nine months ended September 30, 2021, a decrease of $12.1 million or 2.6%.

Distribution Fees: The Company earns a distribution fee on Class C shares of Funds sold over the first twelve months after the sale. Distribution fees for the nine months ended September 30, 2022 and 2021 were $17,564 and $21,931, respectively, a decrease of $4,367 or 19.9%. Total sales of class C shares were $2.9 million for the trailing twelve months ended September 30, 2022 and 2021, respectively.

Other Income, net: Other income, net includes unrealized gains and losses on investments, interest income earned from cash equivalents that were invested in a money market mutual fund and interest earned on U.S. Treasury Bills. Other income, net for the nine months ended September

30, 2022 and 2021 was $64,432 and $2,138, respectively, an increase of $62,294. The increase was primarily due to interest income earned from short-term U.S. Treasury Bills of $54,967.

Expenses

Compensation: Compensation costs, which include salaries, portfolio manager compensation, bonuses, benefits, director fees and stock-based compensation were $4,472,166 for the nine months ended September 30, 2022, an increase of $275,892 or 6.6% from $4,196,274 in the prior year comparative period.

Fixed compensation costs, which include salaries, benefits and director fees, were $2,288,876 for the nine months ended September 30, 2022 a decrease of $170,572 or 6.9% from $2,459,448 in the prior year comparative period. This decrease was due to the reduction in staff and staff salaries. Stock based compensation was $378,862 and $379,514 for the nine months ended September 30, 2022 and 2021, respectively. The remainder of the compensation expenses represents variable compensation that includes bonuses, executive compensation and revenue sharing that fluctuates with net investment advisory revenues. For the nine months ended September 30, 2022, variable compensation was $1,804,428, an increase of $447,116 or 32.9% from $1,357,312 in the prior year comparative period. The increase in variable compensation for the period is due to the increase in the Company's executive compensation accrual.

Sub-advisory Fees: The Company retains a sub-adviser for four of the five TETON Westwood Funds. All the Keeley-Teton funds are managed in-house. Sub-advisory fees range from 32% to 35% of the net investment advisory revenues of the sub-advised funds and are recognized as expenses as the related services are performed. Sub-advisory fees for the nine months ended September 30, 2022 and 2021 were $1,670,572 and $2,093,211, respectively, a decrease of $422,639 or 20.2%. The decrease is the result of lower average AUM in the funds. Average AUM in sub-advised Funds was $723.5 million for the nine months ended September 30, 2022, a decrease of $179.4 million or 19.9% from $902.9 million in the prior year 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 $1,237,535 for the nine months ended September 30, 2022, a decrease of $55,733 or 4.3% from $1,293,268 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 $1,095,059 for the nine months ended September 30, 2022, a decrease of $57,114 or 5.0% from the prior year comparative period amount of $1,152,174.

The remaining distribution costs include distribution service fees with G.distributors, an affiliate of GAMCO. These distribution costs for the nine months ended September 30, 2022 and 2021 were $142,476 and $141,094, respectively, an increase of $1,382.

<u>Marketing and Administrative Fees</u>: Marketing and administrative fees are charges from GAMCO 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. Marketing and administration fees were \$119,148 for the nine months ended September 30, 2022 compared to \$1,078,337 for the nine months ended September 30, 2021, a decrease of \$959,189 or 89.0% from the prior year period. The decrease was due to a renegotiation of the variable fee calculation.

<u>Advanced Commissions</u>: Advanced commission expense was \$17,959 for the nine months ended September 30, 2022, an increase of \$7,574 from \$10,385 or 72.9% from the prior year comparative period.

<u>Other Operating Expenses</u>: Other operating expenses, including those charged by GAMCO and incurred directly, were \$1,359,071 for the nine months ended September 30, 2022, an increase of \$210,255 or 18.3% from \$1,148,816 in the prior year comparative period.

<u>Depreciation and amortization</u>: Depreciation and amortization expense was \$252,798 for the nine months ended September 30, 2022, a decrease of \$5,271 or 2.0% from \$258,069 in the prior year period.

Income Taxes

The effective tax rate was 19.4% for the nine months ended September 30, 2022, and 21.3% for the nine months ended September 30, 2021.

Net Income

Net income for the nine months ended September 30, 2022 was \$1,175,376, or \$0.92 per fully diluted share, versus \$1,791,831 or \$1.41 per fully diluted share, for the comparable period in 2021.

Supplemental Financial Information
As supplemental information, we provide a non-U.S. generally accepted accounting principles ("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 intangible amortization expense and after-tax intangible asset impairment charges. 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.

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

	For the Nine Month Period Ended,			
	September 30, 2022		September 30, 2021	
Net income	$	1,175,376	$	1,791,831
Add: Intangible amortization		244,424		244,424
Cash Earnings	$	1,419,800	$	2,036,255
Cash Earnings Per Fully Diluted Share	$	1.11	$	1.60