Condensed Consolidated Financial Statements

Teton Advisors, Inc.

Quarterly Report for the Period Ended June 30, 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 June 30, 2019	2018
Revenues		
Investment advisory fees - mutual funds, net	$ 4,689,929	$ 6,324,838
Investment advisory fees - separate accounts	719,211	838,069
Distribution fees and other income	61,758	100,699
Total revenues	5,470,898	7,263,606
Operating expenses		
Compensation	1,430,751	1,677,006
Sub-advisory fees	964,496	1,209,890
Distribution costs	534,419	699,177
Marketing and administrative fees	445,307	521,348
Advanced commissions	27,107	49,240
Other operating expenses	512,110	572,415
Total operating expenses	3,914,190	4,729,076
Income before interest, taxes, depreciation and amortization	1,556,708	2,534,530
Depreciation and amortization	223,080	211,689
Interest expense	-	737,907
Income before income taxes	1,333,628	1,584,934
Income taxes	338,056	453,619
Net income	$ 995,572	$ 1,131,315
Net income per share:		
Basic	$ 0.79	$ 0.66
Fully diluted	$ 0.79	$ 0.65
Weighted average shares outstanding:		
Basic	1,262,431	1,236,812
Fully diluted	1,262,638	1,270,585

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

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

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenues		
Investment advisory fees - mutual funds, net	$ 9,495,978	$ 12,644,073
Investment advisory fees - separate accounts	1,374,480	1,806,505
Distribution fees and other income	132,608	139,041
Total revenues	11,003,066	14,589,619
Operating expenses		
Compensation	2,879,986	3,619,633
Sub-advisory fees	1,965,786	2,389,029
Distribution costs	1,162,016	1,294,839
Marketing and administrative fees	900,916	1,031,583
Advanced commissions	54,577	101,183
Other operating expenses	1,011,766	1,109,009
Total operating expenses	7,975,047	9,545,276
Income before interest, taxes, depreciation and amortization	3,028,019	5,044,343
Depreciation and amortization	433,280	423,377
Interest expense	426,822	780,440
Income before income taxes	2,167,917	3,840,526
Income taxes	497,897	1,021,800
Net income	$ 1,670,020	$ 2,818,726
Net income per share:		
Basic	$ 1.32	$ 1.92
Fully diluted	$ 1.32	$ 1.81
Weighted average shares outstanding:		
Basic	1,262,679	1,201,295
Fully diluted	1,262,783	1,269,960

See Notes to Consolidated Financial Statements.

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

	(Unaudited) June 30, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 5,420,390	$ 5,192,582
Investment advisory fees receivable	1,640,702	1,830,343
Investment in securities	-	111,198
Deferred tax asset	145,320	260,545
Income tax receivable	171,579	244,505
Distribution and shareholder service expense reimbursement receivable	65,999	74,128
Intangible assets, net (Note B)	18,978,852	19,387,741
Operating lease assets	1,350,484	-
Contingent deferred sales commissions	39,514	64,428
Receivable from affiliates	9,500	14,484
Other assets (net of accumulated depreciation of $36,260 and $70,406 respectively)	289,779	536,653
Total assets	$ 28,112,119	$ 27,716,607
LIABILITIES AND STOCKHOLDERS' EQUITY		
Compensation payable	$ 361,420	$ 900,553
Payable to affiliates	556,864	734,938
Distribution costs payable	367,359	361,022
Operating lease liabilities	1,443,682	-
Accrued expenses and other liabilities	1,105,747	1,336,939
Subtotal liabilities	3,835,072	3,333,452
Long-term debt, net of discount (Note C)	-	1,574,411
Total liabilities	3,835,072	4,907,863
Stockholders' equity:		
Class A Common stock, $0.001 par value; 1,700,000 shares authorized; 994,056 and 976,144 shares issued, respectively; 949,745 and 932,789 outstanding, respectively	974	974
Class B Common stock, $0.001 par value; 800,000 shares authorized; 792,000 shares issued; 330,186 and 330,598 shares outstanding, respectively	339	339
Additional paid-in capital	4,069,593	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	21,321,744	19,841,778
Total stockholders' equity	24,277,047	22,808,744
Total liabilities and stockholders' equity	$ 28,112,119	$ 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 Six Months Ended June 30, 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	-	-	-	-	1,670,020	1,670,020
Stock based compensation	-	-	37,919	-	-	37,919
Stock buy back	-	-	-	(49,582)	-	(49,582)
Dividends declared	-	-	-	-	(190,054)	(190,054)
Balance at June 30, 2019 (unaudited)	$ 974	$ 339	$ 4,069,593	$ (1,115,603)	$ 21,321,744	$ 24,277,047

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

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

	Six months ended June 30, 2019	2018
Cash Flow from Operating Activities		
Net income	$ 1,670,020	$ 2,818,726
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Amortization of intangible assets	408,889	408,889
Amortization of deferred sales commission	54,577	101,183
Amortization of debt discount	425,589	651,707
Depreciation and amortization - other	24,391	14,488
Mark-to-market - forward contract	-	36,210
Deferred taxes	115,225	94,700
Unrealized loss on investments	(2,569)	(6,343)
Realized gain on investments	25,031	-
Stock based compensation expense	37,919	53,110
(Increase) decrease in operating assets:		
Investment advisory fees receivable	189,641	300,760
Distribution and shareholder service expense reimbursement receivable	8,129	13,799
Income tax receivable	72,926	(179,073)
Operating lease assets	(1,350,484)	
Contingent deferred sales commission	(29,663)	(101,226)
Receivable from affiliates	4,984	3,405
Other assets	222,483	58,783
Increase (decrease) in operating liabilities:		
Compensation payable	(539,133)	467,000
Payable to affiliates	(178,074)	90,083
Distribution costs payable	6,337	(118,246)
Income tax payable	-	(35,449)
Operating lease liabilities	1,443,682	-
Accrued expenses and other liabilities	(231,776)	(9,852)
Total adjustments	708,104	1,843,928
Net cash provided by operating activities	2,378,124	4,662,654
Cash Flows from Investing Activities		
Proceeds from sale of investments	88,736	-
Net cash provided by investing activities	88,736	-
Cash Flows from Financing Activities		
Repayment of long-term debt	(2,000,000)	(1,500,000)
Dividends paid	(189,470)	(316,016)
Proceeds from exercise of stock warrants	-	1,000
Stock repurchase	(49,582)	-
Net cash used in financing activities	(2,239,052)	(1,815,016)
Net increase in cash and cash equivalents	227,808	2,847,638
Cash and cash equivalents:		
Beginning of year	5,192,582	6,570,913
End of period	$ 5,420,390	$ 9,418,551
Supplemental disclosures of cash flow information:		
Interest payments	$ 31,233	$ 76,233
Federal and State income tax payments	$ 319,147	$ 1,091,325

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

Teton Advisors, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
June 30, 2019
(Unaudited)

A. Significant Accounting Policies

Basis of Presentation

Teton Advisors, Inc. ("Teton") was formed in Texas as Teton Advisors, LLC in December 1994. Teton serves as the investment adviser for the TETON Westwood Funds and separately managed accounts. On February 28, 2017, Teton acquired the assets of Keeley Asset Management Corp. ("KAMCO") in a newly formed, wholly-owned subsidiary, Keeley-Teton Advisors, LLC ("Keeley-Teton"). Keeley-Teton serves as the investment advisor for the KEELEY Funds and separately managed accounts. The acquisition expanded Teton's product suite to twelve mutual funds (currently nine) 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. 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 February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02 — Leases (Topic 842). 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 on January 1, 2019 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 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 June 2016, the FASB issued ASU 2016-13 Financial Instruments - Credit Losses (Topic 326). *Measurement of Credit Losses on Financial Instruments,* which amends guidance on reporting credit losses for assets held at amortized cost basis. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments will affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in ASU 2016-13 are effective for fiscal years beginning after December 15, 2019 with early adoption permitted. The Company is currently evaluating the effect on its condensed consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment*, 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) $1.5 million was attributed to an indefinite lived trade name intangible asset; iv) $0.1 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. As of December 31, 2018, all goodwill was written off and $0.6 million of the $1.5 million of trade name intangible assets were written down. For the six months ended June 30, 2019, there were no indicators of impairment for the remaining intangible assets, 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 bore interest at 6% per annum, payable quarterly. The original principal amount had a maturity date of February 23, 2022. For the first two years of the loan, the Company was 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 was scheduled to make payments to amortize the principal of the loan on a straight line basis at a rate of $416,667 per quarter. The Company had the ability to 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 was ten years, expiring on February 23, 2027, exercisable 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 was 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 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 was cumulative, had an annual dividend of 3% which is payable quarterly.

Each share of Preferred Stock had voting rights equal to 0.1333 shares of Teton Class A Common Stock participating in common dividends at that same rate. The Preferred Stock included a redemption feature whereby each share of Preferred Stock was 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 was redeemable by the Company in whole or in part at any time, and was redeemable 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 would be recognized currently in income.

The Preferred Stock, excluding the bifurcated forward, was classified as mezzanine equity since the shares were 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 was 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 was 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 June 30, 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 June 30, 2019 and 2018, was $73,214 and $87,194, respectively, and for the six-months ended June 30, 2019 and 2018, was $146,427 and $261,580.

We made lease payments of $53,230 during the six-months ended June 30, 2019. Our future undiscounted cash flows related to our operating leases and the reconciliation to the operating lease liability as of June 30, 2019, are as follows:

	June 30, 2019
2019 (excluding the first six months ended June 30, 2019)	$ 136,332
2020	310,890
2021	315,994
2022	348,681
2023	314,252
Thereafter	334,555
Total future undiscounted cash flows	1,760,704
Less: imputed interest to be recognized in lease expense	(317,022)
Operating lease liabilities, as reported	$ 1,443,682

F. Equity

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

Voting Rights

The holders of Class A common stock and Class B common stock have identical rights except that (i) holders of Class A common stock are entitled to one vote per share, while holders of Class B common stock are entitled to ten votes per share on all matters to be voted on by stockholders in general, and (ii) holders of Class A common stock are not eligible to vote on matters relating exclusively to Class B common stock and vice versa. Class B holders are entitled to convert their shares into Class A shares at any time on a one-for-one basis.

Stock Based Compensation

During 2019, the Company issued 17,500 RSAs at a grant date fair value of $51.32 per share, 40% to vest in three years and 60% in five years.

For the six months ended June 30, 2019 and 2018, the Company recorded stock based compensation expense related to RSAs of $37,919 and $53,110, respectively.

G. 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 June 30, 2019 and December 31, 2018, Teton had $4,955,977 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 $445,307 and $521,348 for the quarters-ended ended June 30, 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 June 30, 2019 and 2018, respectively.

The Company pays GAMCO a sub-advisory fee at an annualized rate of between 0.32% of the average net assets of the TETON Westwood Mighty Mites Fund and the TETON Westwood Convertible Securities Fund. The sub-advisory fees were $898,297 and $1,137,268, for the quarters ended June 30, 2019 and 2018, respectively.

At June 30, 2019 and December 31, 2018, the amounts payable to GAMCO for the services described above were $432,761 and $488,076, 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 $124,232 and $329,086 for the three-month periods ended June 30, 2019 and 2018, respectively.

At June 30, 2019 and December 31, 2018, the amounts payable to G.distributors for the items described above were $124,103 and $246,862, 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.

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

H. Earnings Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Basic:				
Net income	$ 995,572	$ 1,131,315	$ 1,670,020	$ 2,818,726
Deduct preferred stock - cash dividends	-	45,400	-	90,800
Deduct preferred stock - constructive dividends (a)	-	264,984	-	426,716
Income attributable to Teton shareholders	$ 995,572	$ 820,931	$ 1,670,020	$ 2,301,210
Weighted average shares outstanding	1,262,431	1,236,812	1,262,679	1,201,295
Basic net income per share	$ 0.79	$ 0.66	$ 1.32	$ 1.92
Fully diluted:				
Net income	$ 995,572	$ 1,131,315	$ 1,670,020	$ 2,818,726
Deduct preferred stock - cash dividends	-	45,400	-	90,800
Deduct preferred stock - constructive dividends (a)	-	264,984	-	426,716
Income attributable to Teton shareholders	$ 995,572	$ 820,931	$ 1,670,020	$ 2,301,210
Weighted average shares outstanding	1,262,431	1,236,812	1,262,679	1,201,295
Assumed conversion of common stock warrants	-	28,565	-	64,076
Dilutive restricted stock awards	-	5,208	-	2,590
Total	1,262,431	1,270,585	1,262,679	1,267,961
Fully diluted net income per share	$ 0.79	$ 0.65	$ 1.32	$ 1.81

(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.

I. Revenue

On January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers*, 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. Fund reimbursements for the three-month period ending June 30, 2019 and 2018 were $387,601 and $367,090, respectively. Fund reimbursements for the six-month period ending June 30, 2019 and 2018 were $779,915 and $713,622, respectively.

Revenue Disaggregated

The following table presents our revenue disaggregated by account type:

	For The Three Months Ended June 30,		Increase (decrease)	
(Unaudited)	2019	2018	$	%
Investment advisory fees				
Open-end mutual funds, net	$ 4,689,929	$ 6,324,838	$ (1,634,909)	-25.8%
Institutional	277,970	386,955	(108,985)	-28.2%
Private client	330,527	301,992	28,535	9.4%
Wrap	110,714	149,122	(38,408)	-25.8%
Total separate accounts	719,211	838,069	(118,858)	-14.2%
Total investment advisory fees	5,409,140	7,162,907	(1,753,767)	-24.5%
Distribution fees	28,362	51,327	(22,965)	-44.7%
Other income, net	33,396	49,372	(15,976)	-32.4%
Total revenues	$ 5,470,898	$ 7,263,606	$ (1,792,708)	-24.7%

	For The Six Months Ended June 30,		Increase (decrease)	
(Unaudited)	2019	2018	$	%
Investment advisory fees				
Open-end mutual funds, net	$ 9,495,978	$ 12,644,073	$ (3,148,095)	-24.9%
Institutional	527,482	840,583	(313,101)	-37.2%
Private client	638,764	625,583	13,181	2.1%
Wrap	208,234	340,339	(132,105)	-38.8%
Total separate accounts	1,374,480	1,806,505	(432,025)	-23.9%
Total investment advisory fees	10,870,458	14,450,578	(3,580,120)	-24.8%
Distribution fees	61,358	107,358	(46,000)	-42.8%
Other income, net	71,250	31,683	39,567	124.9%
Total revenues	$ 11,003,066	$ 14,589,619	$ (3,586,553)	-24.6%

J. 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.

K. Subsequent Events

On August 19, 2019, the Board of Directors declared its regular quarterly dividend of $0.05 per share to all common shareholders payable on September 24, 2019 to shareholders of record on September 10, 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.

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)	**6/18**	**9/18**	**12/18**	**3/19**	**6/19**	**6/18**	**3/19**
Mutual Funds							
Equities	$ 2,718	$ 2,702	$ 2,008	$ 2,132	$ 2,005	-26.2%	-6.0%
Fixed Income	7	7	7	8	8	14.3%	0.0%
Institutional, Private Client & Wrap	513	498	420	471	479	-6.6%	1.7%
Total Assets Under Management	$ 3,238	$ 3,207	$ 2,435	$ 2,611	$ 2,492	-23.0%	-4.6%
Quarterly Average Assets Under Management	$ 3,277	$ 3,264	$ 2,836	$ 2,604	$ 2,552	-22.1%	-2.0%

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

($ in millions)	**April 1, 2019**	**Appreciation / (depreciation)**	**Net flows**	**June 30, 2019**
Mutual Funds				
Equities	$ 2,132	$ 30	$ (157)	$ 2,005
Fixed Income	8	-	-	8
Institutional, Private Client & Wrap	471	$ 14	(6)	479
	$ 2,611	$ 44	$ (163)	$ 2,492

($ in millions)	**January 1, 2019**	**Appreciation / (depreciation)**	**Net flows**	**June 30, 2019**
Mutual Funds				
Equities	$ 2,008	$ 260	$ (263)	$ 2,005
Fixed Income	7	1	-	8
Institutional, Private Client & Wrap	420	69	(10)	479
	$ 2,435	$ 330	$ (273)	$ 2,492

AUM was $2.49 billion at June 30, 2019 versus $2.61 billion at March 31, 2019. The decrease was primarily due to outflows of $655 million partly off-set by inflows of $492 million and market appreciation of $44 million. This compares to the second quarter of 2018 outflows of $351 million, largely offset by inflows of $192 million and market appreciation of $146 million. Average AUM was $2.55 billion for the second quarter 2019, a decrease of 22.1% from $3.28 billion in the second quarter 2018.

Operating Results for the Three Months Ended June 30, 2019 as Compared to the Three Months Ended June 30, 2018

Revenues

Total revenues were $5,470,898 in the second quarter of 2019, a decrease of 24.7% from the total revenues of $7,263,606 for the same period in the prior year. The change in total revenues by revenue component was as follows:

	For The Three Months Ended June 30,		Increase (decrease)	
(Unaudited)	2019	2018	$	%
Investment advisory fees				
Open-end mutual funds, net	$ 4,689,929	$ 6,324,838	$ (1,634,909)	-25.8%
Institutional	277,970	386,955	(108,985)	-28.2%
Private client	330,527	301,992	28,535	9.4%
Wrap	110,714	149,122	(38,408)	-25.8%
Total separate accounts	719,211	838,069	(118,858)	-14.2%
Total investment advisory fees	5,409,140	7,162,907	(1,753,767)	-24.5%
Distribution fees	28,362	51,327	(22,965)	-44.7%
Other income, net	33,396	49,372	(15,976)	-32.4%
Total revenues	$ 5,470,898	$ 7,263,606	$ (1,792,708)	-24.7%

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 $2.08 billion for the second quarter ended June 30, 2019 compared to $2.71 billion for the quarter ended June 30, 2018, a decrease of 23.2%.

Average billable AUM for institutional, private clients and wrap accounts were $471.4 million for the period ended June 30, 2019 compared to $569.0 million for the period ended June 30, 2018, a decrease of 17.2%.

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 June 30, 2019 and 2018 were $28,362 and $51,327, respectively. Total sales of class C shares were $10.9 million for the trailing twelve months ending June 30, 2019 and $19.6 million for the trailing twelve months ending June 30, 2018.

<u>Other Income, Net</u>: 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 June 30, 2019 and 2018 were $33,396 and $49,372, respectively. The decrease from the prior year of $15,974 was due to lower interest income earned on the company's U.S. Treasury money market mutual fund in the current quarter.

Expenses
<u>Compensation</u>: Compensation costs, which include salaries, bonuses, benefits and stock-based compensation, were $1,430,751 for the second quarter of 2019, a decrease of 14.7% from $1,677,006 in the prior year comparative period. Fixed compensation costs, which include salary and benefits, was $1,044,694 for the second quarter of 2019, a decrease of 16.3% from $1,248,626 in the prior year comparative period. This decrease was due to a reduction in staff and staff salaries. Stock based compensation was $37,920 for the second quarter of 2019, an increase of $11,365 from $26,555 in the prior year comparative period. The remainder of the compensation expenses represents variable compensation that includes bonuses and revenue sharing that fluctuates with net investment advisory revenues. For the second quarter of 2019, variable compensation was $348,137, a decrease of 13.4% from $401,826 in the prior year comparative period. The decrease in variable compensation is directly related to the reduction of company discretionary bonuses.

<u>Sub-advisory Fees</u>: 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 $964,496 for the second quarter of 2019, a decrease of 20.3% from $1,209,890 in the prior year comparative period. The decrease was largely due to lower average AUM in the TETON Westwood Mighty Mites Fund. Average AUM in sub-advised funds was $1.24 billion for the second quarter of 2019, a decrease of 20.0% from $1.55 billion in the prior year comparative period.

<u>Distribution Costs</u>: 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 $534,419 for the second quarter of 2019, a decrease of 23.6% from $699,177 in the prior year comparative period. The decrease was directly related to lower sales commissions paid during the second quarter of 2019.

<u>Marketing and Administrative Fees</u>: 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 $445,307 for the three months ended June 30, 2019, a decrease of 14.6% from $521,348 in the prior year comparative 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 13.8 basis points of the average AUM of the TETON Westwood Funds for the second quarter 2019 versus 13.1 basis points of such average

AUM for the second 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 $27,107 for the second quarter of 2019, a decrease of $22,134 from $49,240 in the prior year comparative period.

Other Operating Expenses: Other operating expenses, including those charged by GAMCO and incurred directly, were $512,110 for the second quarter of 2019, a decrease of $60,305 from $572,415 in the prior year comparative period.

Depreciation and amortization: Depreciation and amortization expense was $223,080 for the second quarter of 2019, which was approximately the same as the prior year comparative period.

Interest expense: Interest expense includes cash interest paid on the GGCP debt, as well as the amortization of debt discount associated with the debt issuance. Interest expense was zero for the second quarter of 2019, a decrease of $737,907 from the prior year comparative period. The decrease in interest expense is attributable to debt being paid off in early January 2019.

Income Taxes

The effective tax rate was 25.4% for the quarter ended June 30, 2019, and 28.6% for the quarter ended June 30, 2018. The reduction is largely due to the release of prior years' FIN 48 accrual as well as a slight decrease in state apportionment to states with relatively higher tax rates.

Net Income

Net income for the second quarter of 2019 was $995,572 or $0.79 per fully diluted share, versus $1,131,315 or $0.65 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.

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

	For the Quarter Ended,			
	June 30, 2019		June 30, 2018	
Net income	$	995,572	$	1,131,315
Add: Debt discount amortization		-		684,174
Add: Intangible amortization		204,444		204,444
Cash Earnings	$	1,200,016	$	2,019,933
Cash Earnings Per Fully Diluted Share (a)	$	0.95	$	1.55

(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 second quarter 2019 and in the prior year quarter, respectively. It does not include reductions for non-cash constructive dividends totaling zero and $264,984 in the second quarter 2019 and in the prior year quarter, respectively.

Operating Results for the Six Months Ended June 30, 2019 as Compared to the Six Months Ended June 30, 2018

Revenues

Total revenues were $11,003,066 in the second quarter of 2019, a decrease of 24.6% from the total revenues of $14,589,619 for the same period in the prior year. The change in total revenues by revenue component was as follows:

	For The Six Months Ended June 30,				Increase (decrease)		
(Unaudited)		2019		2018		$	%
Investment advisory fees							
Open-end mutual funds, net	$	9,495,978	$	12,644,073	$	(3,148,095)	-24.9%
Institutional		527,482		840,583		(313,101)	-37.2%
Private client		638,764		625,583		13,181	2.1%
Wrap		208,234		340,339		(132,105)	-38.8%
Total separate accounts		1,374,480		1,806,505		(432,025)	-23.9%
Total investment advisory fees		10,870,458		14,450,578		(3,580,120)	-24.8%
Distribution fees		61,358		107,358		(46,000)	-42.8%
Other income, net		71,250		31,683		39,567	124.9%
Total revenues	$	11,003,066	$	14,589,619	$	(3,586,553)	-24.6%

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 $2.11 billion for the six-month period ended June 30, 2019 compared to $2.71 billion for the six-month period ended June 30, 2018, a decrease of 22.1%.

Average billable AUM for institutional, private clients and wrap accounts were $463.7 million for the six-month period ended June 30, 2019 compared to $594.9 billion for the six-month period ended June 30, 2018, a decrease of 22.1%.

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 six months ended June 30, 2019 and 2018 were $61,358 and $107,358, respectively. Total sales of class C shares were $10.9 million for the trailing twelve months ending June 30, 2019 and $19.6 million for the trailing twelve months ending June 30, 2018.

Other Income, Net: Other income, net includes 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 six months ended June 30, 2019 and June 30, 2018 were $71,250 and $31,683, respectively. The increase was primarily due to realized gains recognized on the sale of mutual funds that were held by Teton.

Expenses

Compensation: Compensation costs, which include salaries and benefits, portfolio manager compensation and stock-based compensation, were $2,879,986 for the first half of 2019, a decrease of 20.4% from $3,619,633 in the prior year comparative period. Fixed compensation costs, which include salary, bonus and benefits, were $2,163,096 for the first half of 2019, a decrease of 20.1% from $2,706,181 in the prior year comparative period. This decrease was due to the reduction in staff and staff salaries. Stock based compensation was $37,920 for the first half of 2019, a decrease of 29.0% from $53,109 in the prior year comparative period. The remainder of the compensation expenses represents variable compensation that fluctuates with net investment advisory revenues. For the second half of 2019, variable compensation was $678,969, a decrease of 21.1% from $860,343 in the prior year comparative 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 $1,965,786 for the first half of 2019, decrease of 17.7% from $2,389,029 in the prior year comparative period. The decrease was largely due to Teton Westwood Mighty Mites Fund decrease in average AUM. Average AUM in sub-advised Funds was $1.27 billion for the first half of 2019, a decrease of 17.5% from $1.54 billion 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 $1,162,016 for the first six months of 2019, a decrease of 10.0% from $1,294,839 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 $1,063,909 during the first half of 2019, a decrease of $137,604 from the prior year comparative period amount of $1,201,513. The decrease was primarily due to decreased wholesaler commissions on TETON Westwood Mighty Mites fund.

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 $900,916 for the six months ended June 30, 2019, a 12.7% decrease from $1,031,583 in the prior year comparative 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 13.6 basis points of the average AUM of the TETON Westwood Funds for the first half of 2019 versus 12.7 basis points of such average AUM for the first half of 2018. As the AUM of the TETON Westwood Funds grows these fees will decline as a percentage of average AUM.

Advanced Commissions: Advanced commission expense was $54,577 for the first half of 2019, a decrease of 46.1% from $101,183 from the prior year comparative period.

Other Operating Expenses: Other operating expenses, including those charged by GAMCO and incurred directly, were $1,011,766 for the first half of 2019, a decrease of 8.8% from $1,109,009 in the prior year comparative period.

Depreciation and amortization: Depreciation and amortization expense was $433,280 for the first half of 2019, a decrease of $9,903 from $423,377 in the prior year period.

Interest expense: Interest expense includes cash interest paid on the GGCP debt, as well as the amortization of debt discount associated with the debt issuance. Interest expense was $426,822 for the first half of 2019, a decrease of 45.3% from $780,440 in the prior year comparative period. The decrease in interest expense primarily attributable to debt being paid off in early January 2019.

Income Taxes

The effective tax rate was 22.9% for the six months ended June 30, 2019, and 26.6% for the six months ended June 30, 2018. The reduction is largely due to the release of prior years' FIN 48 accrual as well as a slight decrease in state apportionment to states with relatively higher tax rates.

Net Income

Net income for the first half of 2019 was $1,670,020, or $1.32 per fully diluted share, versus $2,818,726, or $1.81 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.

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

	For the Six Month Period Ended,			
	June 30, 2019		June 30, 2018	
Net income	$	1,670,020	$	2,818,726
Add: Debt discount amortization		425,589		651,707
Add: Intangible amortization		408,889		408,889
Cash Earnings	$	2,504,498	$	3,879,322
Cash Earnings Per Fully Diluted Share (a)	$	1.98	$	2.99

(a) - Cash Earnings Per Fully Diluted Share reflects reductions for cash dividends paid on Series A Preferred Stock totaling zero and $90,800 in the six month period ended June 30, 2019 and in the prior year period, respectively. It does not include reductions for non-cash constructive dividends totaling zero and $426,716 in the six month period ended June 30, 2019 and in the prior year period, respectively.