Condensed Consolidated Financial Statements

Teton Advisors, Inc.

Quarterly Report for the Period Ended September 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 September 30, 2019	2018
Revenues		
Investment advisory fees - mutual funds, net	$ 4,298,171	$ 6,509,392
Investment advisory fees - separate accounts	698,791	763,302
Distribution fees and other income	56,631	111,963
Total revenues	5,053,593	7,384,657
Operating expenses		
Compensation	1,396,611	1,656,502
Sub-advisory fees	911,708	1,262,117
Distribution costs	559,814	618,039
Marketing and administrative fees	429,304	539,930
Advanced commissions	19,823	44,372
Other operating expenses	486,481	704,969
Total operating expenses	3,803,741	4,825,929
Income before interest, taxes, depreciation and amortization	1,249,852	2,558,728
Depreciation and amortization	208,993	215,150
Interest expense	-	644,102
Income before income taxes	1,040,859	1,699,476
Income taxes	284,296	468,307
Net income	$ 756,563	$ 1,231,169
Net income per share:		
Basic	$ 0.60	$ 0.72
Fully diluted	$ 0.60	$ 0.71
Weighted average shares outstanding:		
Basic	1,262,311	1,265,168
Fully diluted	1,262,311	1,270,690

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

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

	Nine Months Ended September 30, 2019	2018
Revenues		
Investment advisory fees - mutual funds, net	$ 13,794,149	$ 19,153,465
Investment advisory fees - separate accounts	2,073,271	2,569,808
Distribution fees and other income	189,239	251,003
Total revenues	16,056,659	21,974,276
Operating expenses		
Compensation	4,276,597	5,276,135
Sub-advisory fees	2,877,494	3,651,147
Distribution costs	1,721,830	1,912,878
Marketing and administrative fees	1,330,221	1,571,513
Advanced commissions	74,401	145,555
Other operating expenses	1,498,245	1,813,977
Total operating expenses	11,778,788	14,371,205
Income before interest, taxes, depreciation and amortization	4,277,871	7,603,071
Depreciation and amortization	642,273	638,527
Interest expense	426,822	1,424,542
Income before income taxes	3,208,776	5,540,002
Income taxes	782,193	1,490,107
Net income	$ 2,426,583	$ 4,049,895
Net income per share:		
Basic	$ 1.92	$ 2.62
Fully diluted	$ 1.92	$ 2.52
Weighted average shares outstanding:		
Basic	1,262,555	1,222,820
Fully diluted	1,262,555	1,270,451

See Notes to Consolidated Financial Statements.

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

	(Unaudited) September 30, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 6,704,850	$ 5,192,582
Investment advisory fees receivable	1,603,543	1,830,343
Investment in securities	-	111,198
Deferred tax asset	54,591	260,545
Income tax receivable	93,422	244,505
Distribution and shareholder service expense reimbursement receivable	60,637	74,128
Intangible assets, net (Note B)	18,774,407	19,387,741
Right-of-use assets	1,321,905	-
Contingent deferred sales commissions	34,566	64,428
Receivable from affiliates	11,410	14,484
Other assets (net of accumulated depreciation of $40,808 and $70,406 respectively)	436,118	536,653
Total assets	$ 29,095,449	$ 27,716,607
LIABILITIES AND STOCKHOLDERS' EQUITY		
Compensation payable	$ 512,130	$ 900,553
Payable to affiliates	560,394	734,938
Distribution costs payable	329,363	361,022
Lease liability	1,428,460	-
Accrued expenses and other liabilities	1,210,253	1,336,939
Subtotal liabilities	4,040,600	3,333,452
Long-term debt, net of discount (Note C)	-	1,574,411
Total liabilities	4,040,600	4,907,863
Stockholders' equity:		
Class A Common stock, $0.001 par value; 1,700,000 shares authorized;		
1,019,096 and 976,144 shares issued, respectively;		
974,785 and 932,789 outstanding, respectively	974	974
Class B Common stock, $0.001 par value; 800,000 shares authorized;		
792,000 shares issued; 330,003 and 330,598 shares outstanding, respectively	339	339
Additional paid-in capital	4,162,098	4,031,674
Treasury stock, at cost (44,311 class A shares and 8,143 class B shares		
and 43,355 class A shares and 8,000 class B shares, respectively)	(1,122,038)	(1,066,021)
Retained earnings	22,013,476	19,841,778
Total stockholders' equity	25,054,849	22,808,744
Total liabilities and stockholders' equity	$ 29,095,449	$ 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 Nine Months Ended September 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	-	-	-	-	2,426,583	2,426,583
Stock based compensation	-	-	130,424	-	-	130,424
Stock buy back	-	-	-	(56,017)	-	(56,017)
Dividends declared	-	-	-	-	(254,885)	(254,885)
Balance at June 30, 2019 (unaudited)	$ 974	$ 339	$ 4,162,098	$ (1,122,038)	$ 22,013,476	$ 25,054,849

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

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

	Nine months ended September 30, 2019	2018
Cash Flow from Operating Activities		
Net income	$ 2,426,583	$ 4,049,895
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Amortization of intangible assets	613,333	613,333
Amortization of deferred sales commission	74,401	145,555
Amortization of debt discount	425,589	1,265,316
Depreciation and amortization - other	28,940	25,194
Mark-to-market - forward contract	-	36,210
Deferred taxes	205,954	136,085
Unrealized gain on investments	(2,569)	(8,967)
Realized gain on investments	25,031	-
Stock based compensation expense	130,424	79,664
(Increase) decrease in operating assets:		
Investment advisory fees receivable	226,800	296,628
Investment in securities	-	11,000
Distribution and shareholder service expense reimbursement receivable	13,491	20,323
Income tax receivable	151,083	(16,647)
Right-of-use assets	(1,321,905)	-
Contingent deferred sales commission	(44,539)	(134,990)
Receivable from affiliates	3,074	(2,631)
Other assets	71,593	(145,993)
Increase (decrease) in operating liabilities:		
Compensation payable	(388,423)	666,500
Payable to affiliates	(174,544)	35,759
Distribution costs payable	(31,659)	(119,115)
Income tax payable	-	(35,449)
Lease liability	1,428,460	-
Accrued expenses and other liabilities	(128,976)	(80,476)
Total adjustments	1,305,558	2,787,299
Net cash provided by operating activities	3,732,141	6,837,194
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)	(3,000,000)
Proceeds from the reissuance of treasury stock	-	1,000
Dividends paid	(252,592)	(424,685)
Stock repurchase	(56,017)	(30,000)
Net cash used in financing activities	(2,308,609)	(3,453,685)
Net increase in cash and cash equivalents	1,512,268	3,383,509
Cash and cash equivalents:		
Beginning of year	5,192,582	6,570,913
End of period	$ 6,704,850	$ 9,954,422
Supplemental disclosures of cash flow information:		
Interest payments	$ 31,233	$ 157,500
Federal and State income tax payments	$ 401,047	$ 1,313,325

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

A. Significant Accounting Policies

Basis of Presentation

Teton Advisors, Inc. ("Teton") was formed in Texas as Teton Advisors, LLC in December 1994. Teton 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 non-cash 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 nine months ended September 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% 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 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. A right-of-use 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 September 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 September 30, 2019 and 2018, was $74,676 and $88,619, respectively, and for the nine months ended September 30, 2019 and 2018, was $223,953 and $265,854.

We made lease payments of $117,398 during the nine months ended September 30, 2019. Our future undiscounted cash flows related to our operating leases and the reconciliation to the operating lease liability as of September 30, 2019, are as follows:

		September 30, 2019
2019 (excluding the first nine months ended September 30, 2019)	$	78,013
2020		317,037
2021		322,140
2022		319,121
2023		320,399
Thereafter		338,653
Total future undiscounted cash flows		1,695,362
Less: imputed interest to be recognized in lease expense		(266,902)
Operating lease liabilities, as reported	$	1,428,460

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

In the second quarter of 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.

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

For the three months ended September 30, 2019 and 2018, the Company recorded stock based compensation expense related to RSAs of $92,505 and $26,555, respectively. For the nine months ended September 30, 2019 and 2018, the Company recorded stock based compensation expense related to RSAs of $130,424 and $79,663, 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 September 30, 2019 and December 31, 2018, Teton had $5,972,469 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 $429,304 and $539,930 for the quarters ended September 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 September 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 $843,713 and $1,188,920 for the quarters ended September 30, 2019 and 2018, respectively.

At September 30, 2019 and December 31, 2018, the amounts payable to GAMCO for the services described above were $412,901 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 $250,456 and $217,930 for the quarters ended September 30, 2019 and 2018, respectively.

At September 30, 2019 and December 31, 2018, the amounts payable to G.distributors for the items described above were $147,493 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.

H. Earnings Per Share

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

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Basic:				
Net income	$ 756,563	$ 1,231,169	$ 2,426,583	$ 4,049,895
Deduct preferred stock - cash dividends	-	45,400	-	136,200
Deduct preferred stock - constructive dividends (a)	-	279,826	-	706,542
Income attributable to Teton shareholders	$ 756,563	$ 905,943	$ 2,426,583	$ 3,207,153
Weighted average shares outstanding	1,262,311	1,265,168	1,262,555	1,222,820
Basic net income per share	$ 0.60	$ 0.72	$ 1.92	$ 2.62
Fully diluted:				
Net income	$ 756,563	$ 1,231,169	$ 2,426,583	$ 4,049,895
Deduct preferred stock - cash dividends	-	45,400	-	136,200
Deduct preferred stock - constructive dividends (a)	-	279,826	-	706,542
Income attributable to Teton shareholders	$ 756,563	$ 905,943	$ 2,426,583	$ 3,207,153
Weighted average shares outstanding	1,262,311	1,265,168	1,262,555	1,222,820
Assumed conversion of common stock warrants	-	-	-	42,482
Dilutive restricted stock awards	-	5,522	-	5,149
Total	1,262,311	1,270,690	1,262,555	1,270,451
Fully diluted net income per share	$ 0.60	$ 0.71	$ 1.92	$ 2.52

(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 months ended September 30, 2019 and 2018 were $373,429 and $371,773, respectively. Fund reimbursements for the nine months ended September 30, 2019 and 2018 were $1,153,344 and $1,085,395, respectively.

Revenue Disaggregated

The following table presents our revenue disaggregated by account type:

(Unaudited)	For The Three Months Ended September 30, 2019	2018	Increase (decrease) $	%
Investment advisory fees				
Open-end mutual funds, net	$ 4,298,171	$ 6,509,392	$ (2,211,221)	-34.0%
Institutional	264,251	301,935	(37,684)	-12.5%
Private client	332,714	316,156	16,558	5.2%
Wrap	101,826	145,211	(43,385)	-29.9%
Total separate accounts	698,791	763,302	(64,511)	-8.5%
Total investment advisory fees	4,996,962	7,272,694	(2,275,732)	-31.3%
Distribution fees	24,194	53,618	(29,424)	-54.9%
Other income, net	32,437	58,345	(25,908)	-44.4%
Total revenues	$ 5,053,593	$ 7,384,657	$ (2,331,064)	-31.6%

(Unaudited)	For The Nine Months Ended September 30, 2019	2018	Increase (decrease) $	%
Investment advisory fees				
Open-end mutual funds, net	$ 13,794,149	$ 19,153,465	$ (5,359,316)	-28.0%
Institutional	791,732	1,142,518	(350,786)	-30.7%
Private client	971,478	941,739	29,739	3.2%
Wrap	310,061	485,551	(175,490)	-36.1%
Total separate accounts	2,073,271	2,569,808	(496,537)	-19.3%
Total investment advisory fees	15,867,420	21,723,273	(5,855,853)	-27.0%
Distribution fees	85,552	160,976	(75,424)	-46.9%
Other income, net	103,687	90,027	13,660	15.2%
Total revenues	$ 16,056,659	$ 21,974,276	$ (5,917,617)	-26.9%

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 November 11, 2019, the Board of Directors declared its regular quarterly dividend of $0.05 per share to all common shareholders payable on December 31, 2019 to shareholders of record on December 17, 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)	**9/18**	**12/18**	**3/19**	**6/19**	**9/19**	**9/18**	**6/19**
Mutual Funds							
Equities	$ 2,702	$ 2,008	$ 2,132	$ 2,005	$ 1,854	-31.4%	-7.5%
Fixed Income	7	7	8	8	5	-28.6%	-37.5%
Institutional, Private Client & Wrap	498	420	471	479	452	-9.2%	-5.6%
Total Assets Under Management	$ 3,207	$ 2,435	$ 2,611	$ 2,492	$ 2,311	-27.9%	-7.3%
Quarterly Average Assets Under Management	$ 3,264	$ 2,836	$ 2,604	$ 2,552	$ 2,371	-27.4%	-7.1%

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

($ in millions)	**July 1, 2019**	**Appreciation / (depreciation)**	**Net flows**	**September 30, 2019**
Mutual Funds				
Equities	$ 2,005	$ (9)	$ (142)	$ 1,854
Fixed Income	7	-	(3)	4
Institutional, Private Client & Wrap	479	4	(30)	453
	$ 2,491	$ (5)	$ (175)	$ 2,311

($ in millions)	**January 1, 2019**	**Appreciation / (depreciation)**	**Net flows**	**September 30, 2019**
Mutual Funds				
Equities	$ 2,008	$ 251	$ (405)	$ 1,854
Fixed Income	7	-	(3)	4
Institutional, Private Client & Wrap	420	73	(40)	453
	$ 2,435	$ 324	$ (448)	$ 2,311

AUM was $2.31 billion at September 30, 2019 versus $3.21 billion at September 30, 2018. Outflows of $251 million and market depreciation of $5 million were partly off-set by inflows of $76 million. This compares to the third quarter of 2018 with outflows of $275 million, partly offset by inflows of $203 million and market appreciation of $41 million. Average AUM was $2.37 billion for the third quarter 2019, a decrease of 27.3% from $3.26 billion in the third quarter 2018.

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

Revenues

Total revenues were $5,053,593 in the third quarter of 2019, a decrease of 31.6% from the total revenues of $7,384,657 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)	2019	2018	$	%
Investment advisory fees				
Open-end mutual funds, net	$ 4,298,171	$ 6,509,392	$ (2,211,221)	-34.0%
Institutional	264,251	301,935	(37,684)	-12.5%
Private client	332,714	316,156	16,558	5.2%
Wrap	101,826	145,211	(43,385)	-29.9%
Total separate accounts	698,791	763,302	(64,511)	-8.5%
Total investment advisory fees	4,996,962	7,272,694	(2,275,732)	-31.3%
Distribution fees	24,194	53,618	(29,424)	-54.9%
Other income, net	32,437	58,345	(25,908)	-44.4%
Total revenues	$ 5,053,593	$ 7,384,657	$ (2,331,064)	-31.6%

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 $1.90 billion for the third quarter ended September 30, 2019 compared to $2.76 billion for the quarter ended September 30, 2018, a decrease of 30.8%.

Average billable AUM for institutional, private clients and wrap accounts were $469.1 million for the three months ended September 30, 2019 compared to $507.5 million for the three months ended September 30, 2018, a decrease of 7.6%.

Distribution Fees: The Company earns a distribution fee on the Class C shares of Funds sold over the first twelve months after the sale. Distribution fees for the three months ended September 30, 2019 and 2018 were $24,194 and $53,618, respectively. Total sales of class C shares were $7.6 million for the trailing twelve months ended September 30, 2019 and $20.5 million for the trailing twelve months ended September 30, 2018.

Other Income, Net: Other income, net includes realized and unrealized net gains (losses) from investments and interest income earned from cash equivalents that were invested in a money market mutual fund managed by Gabelli Funds, LLC, a subsidiary of GAMCO, and cash held at a bank. Other income, net for the three months ended September 30, 2019 and 2018 was $32,437 and $58,345, respectively. The decrease from the prior year of $25,908 was due to lower interest income earned on the Company's U.S. Treasury money market mutual fund and the receipt of $10,127 related to security litigation settlements which were received in the prior year quarter.

Expenses

Compensation: Compensation costs, which include salaries, bonuses, benefits and stock-based compensation, were $1,396,611 for the third quarter of 2019, a decrease of 15.7% from $1,656,502 in the prior year comparative period. Fixed compensation costs, which include salary and benefits, was $955,853 for the third quarter of 2019, a decrease of 21.2% from $1,213,144 in the prior year comparative period. This decrease was due to a reduction in staff and staff salaries. Stock based compensation was $92,505 for the third quarter of 2019, an increase of $65,950 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 third quarter of 2019, variable compensation was $348,253, a decrease of 16.4% from $416,803 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 $911,708 for the third quarter of 2019, a decrease of 27.8% from $1,262,117 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 $1.16 billion for the third quarter of 2019, a decrease of 27.5% from $1.60 billion in the prior year comparative period.

Distribution Costs: Distribution costs, which are primarily related to the sale of shares of the Funds, net of related reimbursements, include wholesaler payouts and payments made to third party distributors for funds sold through their platforms, including their no transaction fee programs. These costs were $559,814 for the third quarter of 2019, a decrease of 9.4% from $618,039 in the prior year comparative period. The decrease was directly related to lower sales commissions paid during the third quarter of 2019.

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 $429,304 for the three months ended September 30, 2019, a decrease of 20.5% from $539,930 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 third quarter 2019 versus 13.1 basis points of the average AUM for the third 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 $19,823 for the third quarter of 2019, a decrease of 55.3% from $44,372 in the prior year comparative period.

Other Operating Expenses: Other operating expenses, including those charged by GAMCO and incurred directly, were $486,481 for the third quarter of 2019, a decrease of 31% from $704,969 in the prior year comparative period.

Depreciation and amortization: Depreciation and amortization expense was $208,993 for the third 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 third quarter of 2019, a decrease of $644,102 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 27.3% for the quarter ended September 30, 2019, and 27.6% for the quarter ended September 30, 2018.

Net Income

Net income for the third quarter of 2019 was $756,563 or $0.60 per fully diluted share, versus $1,231,169 or $0.71 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,			
	September 30, 2019		September 30, 2018	
Net income	$	756,563	$	1,231,169
Add: Debt discount amortization		-		613,609
Add: Intangible amortization		204,444		204,444
Cash Earnings	$	961,007	$	2,049,222
Cash Earnings Per Fully Diluted Share (a)	$	0.76	$	1.58

(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 third quarter 2019 and in the prior year quarter, respectively. It does not include reductions for non-cash constructive dividends totaling zero and $279,826 in the third quarter 2019 and in the prior year quarter, respectively.

Operating Results for the Nine Months Ended September 30, 2019 as Compared to the Nine Months Ended September 30, 2018

Revenues

Total revenues were $16,056,659 in the third quarter of 2019, a decrease of 26.9% from the total revenues of $21,974,276 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)	2019		2018		$		%
Investment advisory fees							
Open-end mutual funds, net	$	13,794,149	$	19,153,465	$	(5,359,316)	-28.0%
Institutional		791,732		1,142,518		(350,786)	-30.7%
Private client		971,478		941,739		29,739	3.2%
Wrap		310,061		485,551		(175,490)	-36.1%
Total separate accounts		2,073,271		2,569,808		(496,537)	-19.3%
Total investment advisory fees		15,867,420		21,723,273		(5,855,853)	-27.0%
Distribution fees		85,552		160,976		(75,424)	-46.9%
Other income, net		103,687		90,027		13,660	15.2%
Total revenues	$	16,056,659	$	21,974,276	$	(5,917,617)	-26.9%

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 $2.04 billion for the nine months ended September 30, 2019 compared to $2.77 billion for the nine months ended September 30, 2018, a decrease of 26.4%.

Average billable AUM for institutional, private clients and wrap accounts were $463.9 million for the nine months ended September 30, 2019 compared to $565.5 million for the nine months ended September 30, 2018, a decrease of 18.0%.

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 nine months ended September 30, 2019 and 2018 were $85,552 and $160,976, respectively. Total sales of class C shares were $7.6 million for the trailing twelve months ended September 30, 2019 and $20.5 million for the trailing twelve months ended September 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 nine months ended September 30, 2019 and September 30, 2018 was $103,687 and $90,027, 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 $4,276,597 for the nine months ended September 30, 2019, a decrease of 18.9% from $5,276,135 in the prior year comparative period. Fixed compensation costs, which include salary, bonus and benefits, were $3,118,950 for the nine months ended September 30, 2019 a decrease of 20.4% from $3,919,325 in the prior year comparative period. This decrease was due to the reduction in staff and staff salaries. Stock based compensation was $130,424 for the nine months ended September 30, 2019, an increase of 63.7% from $79,664 in the prior year comparative period. The remainder of the compensation expenses represents variable compensation that fluctuates with net investment advisory revenues. For the nine months ended September 30, 2019, variable compensation was $1,027,223, a decrease of 19.6% from $1,277,146 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 $2,877,494 for the nine months ended September 30, 2019, decrease of 21.2% from $3,651,147 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 $1.23 billion for the nine months ended September 30, 2019, a decrease of 21.2% from $1.56 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 $1,721,830 for the nine months ended September 30, 2019, a decrease of 10.0% from $1,912,878 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 $1,576,029 for the nine months ended September 30, 2019, a decrease of $196,746 from the prior year comparative period amount of $1,772,775. 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 $1,330,221 for the nine months ended September 30, 2019, a 15.4% decrease from $1,571,513 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 nine months ended September 30, 2019 versus 12.7 basis points of such average AUM for prior year comparative period. 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 $74,401 for the nine months ended September 30, 2019, a decrease of 48.9% from $145,555 from the prior year comparative period.

Other Operating Expenses: Other operating expenses, including those charged by GAMCO and incurred directly, were $1,498,245 for the nine months ended September 30, 2019, a decrease of 17.4% from $1,813,977 in the prior year comparative period.

Depreciation and amortization: Depreciation and amortization expense was $642,273 for the nine months ended September 30, 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 $426,822 for the nine months ended September 30, 2019, a decrease of 70% from $1,424,542 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 24.4% for the nine months ended September 30, 2019, and 26.9% for the nine months ended September 30, 2018. The reduction is largely due to the release of prior years' FIN 48 accrual as well as a decrease in state apportionment to states with relatively higher tax rates.

Net Income
Net income for nine months ended September 30, 2019 was $2,426,583, or $1.92 per fully diluted share, versus $4,049,895, or $2.56 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 Nine Month Period Ended,	
	September 30, 2019	September 30, 2018
Net income	$ 2,426,583	$ 4,049,895
Add: Debt discount amortization	425,589	1,265,316
Add: Intangible amortization	613,333	613,333
Cash Earnings	$ 3,465,505	$ 5,928,544
Cash Earnings Per Fully Diluted Share (a)	$ 2.74	$ 4.56

(a) - Cash Earnings Per Fully Diluted Share reflects reductions for cash dividends paid on Series A Preferred Stock totaling zero and $136,200 in the nine month period ended September 30, 2019 and in the prior year period, respectively. It does not include reductions for non-cash constructive dividends totaling zero and $706,542 in the nine month period ended September 30, 2019 and in the prior year period, respectively.