



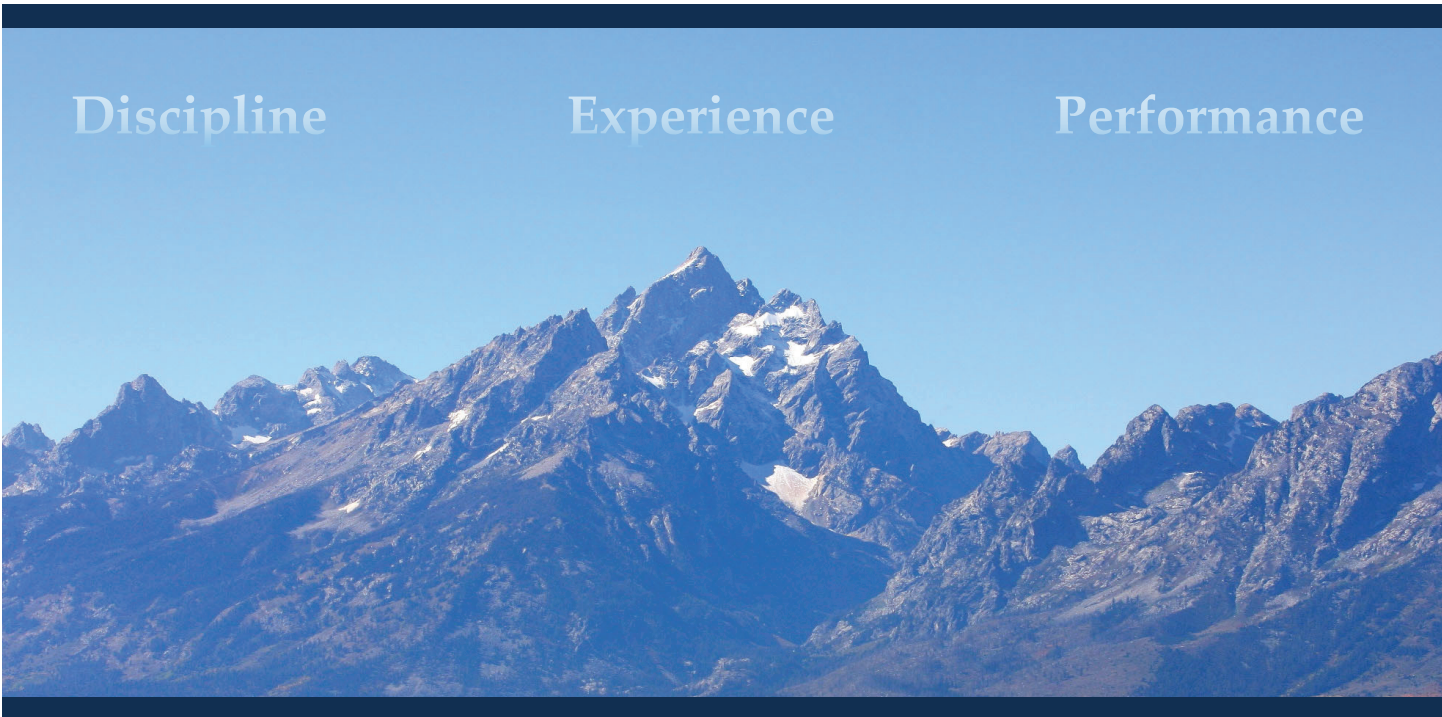
2019 ANNUAL REPORT

A Disciplined Discovery of Value[®]

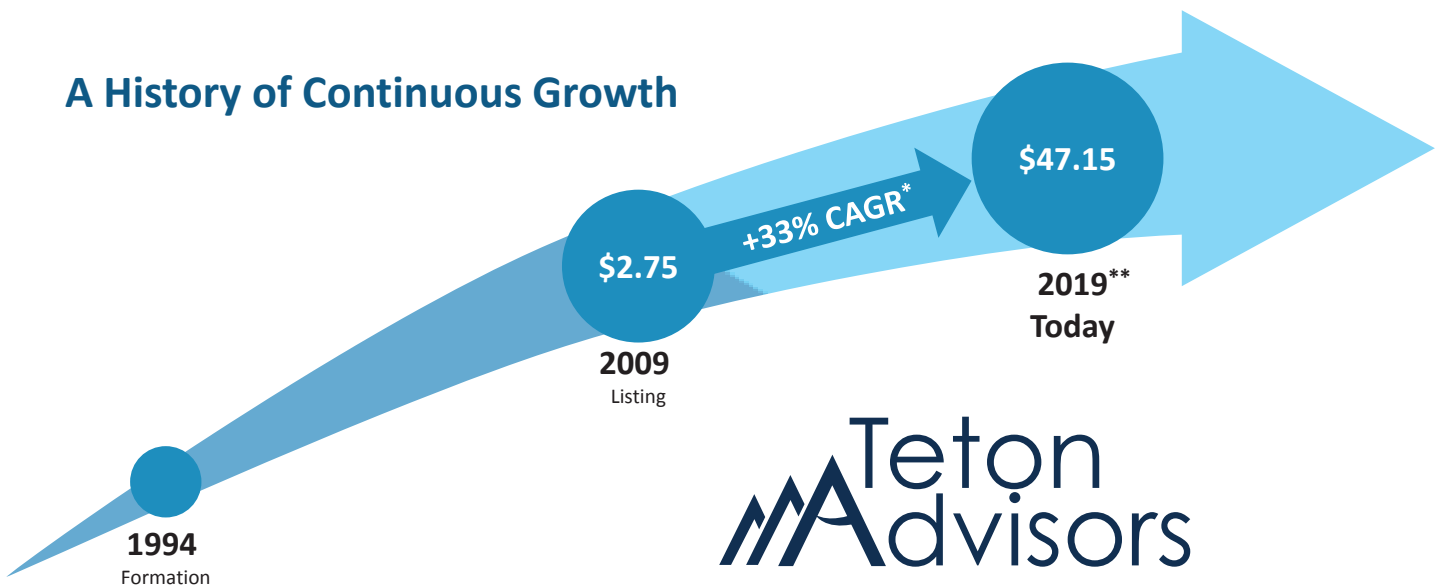
Discipline

Experience

Performance



A History of Continuous Growth



Westwood[®]

Sub Advised

GABELLI
FUNDS

Teton
Funds

Organic



Merger

FORTUNE
100

Lift Out



KEELEY
Funds

Acquisition

*This figure reflects the stock price gains only and does not include the additional cash returned to shareholders in the form of dividends and share repurchases. See public reports for full disclosures. **TETAA Stock Price as of 12/31/2019.

Teton Advisors 2019 Shareholder Letter

April 1, 2020



Nicholas F. Galluccio
President and Chief Executive Officer
Teton Advisors, Inc.

Dear Shareholders,

For Teton Advisors, Inc. (OTC Pink: TETAA), and its shareholders, 2019 presented both challenges and opportunities. Assets under management (AUM) were \$2.3 billion at December 31, 2019, as compared to \$2.4 billion at December 31, 2018. For the year ended 2019, Teton generated revenue of \$20.9 million, which represented a decrease of \$7.4 million from the \$28.3 million of the prior year. Over the same period, Adjusted EBITDA was \$5.5 million (26.3% of revenues) versus \$9.0 million (32% of revenues) for the prior year. A non-GAAP measure, Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, and intangible asset impairment charges. Fully diluted earnings per share for 2019 were (\$2.06), a decrease of (\$3.82) from \$1.76 the prior year. Cash earnings per share, a non-GAAP measure, were \$3.48 for 2019, versus \$5.40 for 2018.

Among actions taken during 2019 to streamline our product offerings was the consolidation of the legacy Keeley Small Cap Value Fund, into the Keeley Small Cap Dividend Value Fund. The rationale for closing the Fund was its 1-star Morningstar rating, and long term underperformance, which resulted in significant outflows. As a result of this and macro conditions, Teton incurred non-cash impairment charges of \$8.2 million, primarily related to a decline in the value of the mutual fund management contracts acquired in the February 2017 Keeley asset acquisition. In June, we merged this 1-star Fund into the now 5-star Keeley Small Cap Dividend Value Fund, affording fund shareholders a superior track record compiled by Tom Browne and Brian Leonard who have together managed the Fund for a decade. Among Teton's challenges in 2019 and beyond are the investment flows out of active management and into passive vehicles such as index funds and exchange traded funds, ETFs. As we enter 2020, passively managed funds now account for nearly half of U.S. equity AUM, compared to 25% a decade ago.

While these trends should persist into 2020, Teton appears better positioned than many of its peers to grow AUM, broaden its asset management platform and investment offerings. Teton continues to return capital to its shareholders: since our March 2009 spinoff from GAMCO Investors, Inc. (NYSE: GBL), we have paid \$3.90 per share in common dividends, totaling \$4.6 million, and repurchased 220,754 common shares, an investment of \$2.8 million. Teton's balance sheet is debt free with \$7.9 million in cash. Moreover, all of our portfolio managers have become equity shareholders in the enterprise.

Teton's platform features nine differentiated product offerings under the Teton Westwood and Keeley Brands, most within capacity constrained sectors of the market where pricing power protects against passive competition. The majority of Teton's strategies focus on under researched, inefficient, niche market sectors. The shift to passive investing has sharply reduced sell-side research coverage on small cap companies, affording our portfolio managers greater opportunity to generate "alpha" – superior risk adjusted returns. Our Teton Convertible Securities Fund launched two years ago has garnered strong retail demand, while our Teton Westwood Mighty Mites Fund, a microcap fund, is rated best in its class since inception in its Morningstar peer group universe. Our Teton Small Cap Select Strategy ranks in the top decile of its peer group over one, three and five year periods. Our multiple income offerings, too, have compiled excellent track records: Keeley Mid Cap Dividend Value Fund and Keeley Small Cap Dividend Value Fund, along with the Teton Westwood Balanced Fund. We have relaunched the incubator Teton Westwood Intermediate Bond Fund in an effort to build out a credit strategy. As of year end, 89% of Teton's mutual offerings were rated 3, 4, or 5 stars by Morningstar.

What a difference a year makes. As we exited 2018, markets tumbled over worries about rising interest rates, slowing economic growth, an escalating trade war and an aging bull market. During 2019, the Federal Reserve Board, however, reversed course in its monetary policy by cutting rates, fueling strong stock market gains across most sectors. As we entered 2020, investors dumped stocks in a sharp global correction reminiscent of the market crashes of 1987, 2001 and the great recession of 2008. Fueling investor panic was the rapid spread in the U.S. of the lethal coronavirus (COVID-19) pandemic. President Trump declared a U.S. National Emergency in March, as the contagion forced closure of schools, restaurants, major sporting events and cancellations of most foreign travel. California and New York, among other states, ordered their residents to stay at home except for essential services. The impact has rippled broadly throughout the U.S. economy, disrupting supply chains, shuttering thousands of businesses and leading to a surge of more than six million jobless claims.

Though catastrophic, this public health crisis will eventually peak and the U.S. economy and financial markets should rebound sharply given the extraordinary liquidity measures undertaken by the Fed and global central banks, along with \$2 trillion in fiscal stimulus appropriated by Congress. We would expect a sharp contraction in U.S. GDP for the first half of 2020, along with commensurate profit declines for U.S. companies. Assuming a peak in the infection rate in the months ahead, the economy should post a strong recovery in the second half of 2020, discounted in advance by equity markets. Given the indiscriminate sell off, valuations of many excellent small and mid-cap stocks have been sold down to levels not seen in a decade. We continue to view market dislocation as an opportunity to reposition portfolios for longer-term gains. We expect to generate attractive risk adjusted returns over the next recovery cycle for financial markets.

Teton, meanwhile, continues to pursue strategic initiatives to augment its retail and institutional distribution and product offerings. We intend to pursue mutual fund adoptions, investment team lift outs and acquisitions toward our goal of building out a scalable, multi strategy asset management platform with emphasis on inefficient and differentiated market sectors. At a time when passive investment is very much in vogue, we remain passionate about our ability to deliver differentiated value for our clients and shareholders.

We appreciate your confidence and trust.

Sincerely,

A handwritten signature in black ink, appearing to read "N. Galluccio". The signature is fluid and cursive, written in a professional style.

Nicholas F. Galluccio
President and Chief Executive Officer
Teton Advisors, Inc.

To obtain the most recent month end performance information and a prospectus, please call 800-GABELLI or visit www.tetonadv.com or www.keeleyfunds.com. Investors should carefully consider the investment objectives, risks, charges and expenses of a mutual fund before investing. The prospectus, which contains more complete information about this and other matters, should be read carefully before investing. You can obtain a free prospectus by calling 1-800-GABELLI, or contacting your financial representative or by visiting www.tetonadv.com or www.keeleyfunds.com. The TETON Westwood Funds and KEELEY Funds are distributed by G. distributors, LLC., a registered broker-dealer and member of FINRA.

Teton Advisors, Inc and Keeley Teton Advisors, LLC are registered investment advisors.

Morningstar Ratings as of 12/31/19. © 2019 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Securities indexes assume reinvestment of all distributions and interest payments and do not take in account brokerage fees or taxes. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating which is based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance, including the effects of sales charges, loads, and redemption fees, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. Ratings are for the Fund's I Share Class; other classes may vary.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Our disclosure and analysis in this document and any documents that are incorporated by reference contain some forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements because they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," and other words and terms of similar meaning. They also appear in any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance of our products, expenses, the outcome of any legal proceedings, and financial results. We do not undertake to update publicly any forward-looking statements if we subsequently learn that we are unlikely to achieve our expectations or if we receive any additional information relating to the subject matters of our forward-looking statements.

Teton Advisors, Inc.

Annual Report for the Fiscal Year Ended December 31, 2019

<u>Business</u>	<u>3</u>
<u>Assets Under Management</u>	<u>5</u>
<u>Competition</u>	<u>7</u>
<u>Regulation</u>	<u>7</u>
<u>Personnel</u>	<u>8</u>
<u>Risk Factors</u>	<u>8</u>
<u>Properties</u>	<u>14</u>
<u>Legal Proceedings</u>	<u>14</u>
<u>Market For Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities</u>	<u>14</u>
<u>Selected Financial Data</u>	<u>15</u>
<u>Management's Discussion And Analysis Of Financial Condition And Results Of Operations</u>	<u>16</u>
<u>Quantitative And Qualitative Disclosures About Market Risk</u>	<u>26</u>
<u>Financial Statements</u>	<u>30</u>

Forward-Looking Statements

Our disclosure and analysis in this document and any documents that are incorporated by reference contain some forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements because they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” and other words and terms of similar meaning. They also appear in any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance of our products, expenses, the outcome of any legal proceedings, and financial results.

Although we believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know about our business and operations, there can be no assurance that our actual results will not differ materially from what we expect or believe. Some of the factors that could cause our actual results to differ from our expectations or beliefs include, without limitation: the adverse effect from a decline in the securities markets; a decline in the performance of our products; a general downturn in the economy; changes in government policy or regulation; changes in our ability to attract or retain key employees; and unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations. We also direct your attention to any more specific discussions of risk contained in the RISK FACTORS section below and in our other public filings or in documents incorporated by reference here or in prior filings or reports.

We are providing these statements as permitted by the Private Litigation Reform Act of 1995. We do not undertake to update publicly any forward-looking statements if we subsequently learn that we are unlikely to achieve our expectations or if we receive any additional information relating to the subject matters of our forward-looking statements.

BUSINESS

Unless we have indicated otherwise, or the context otherwise requires, references in this report to “Teton,” “we,” “us,” “the Company” and “our” or similar terms are to Teton Advisors, Inc., a Delaware corporation, and its consolidated subsidiary taken as a whole.

Business Description

Teton was formed in Texas as Teton Advisers LLC in December 1994. On March 2, 1998, Teton Advisers LLC was renamed Gabelli Advisers LLC and, on the same date, merged into Gabelli Advisers, Inc., a Delaware corporation. On January 25, 2008, Gabelli Advisers, Inc. was renamed Teton Advisors, Inc. (OTC PINK: TETAA). Teton’s principal executive office is located at One Corporate Center, Rye, New York 10580.

Teton was spun-off from GAMCO Investors, Inc. (NYSE: GBL) (“GAMCO”), which had a 42% ownership stake, on March 20, 2009. Teton began trading on September 16, 2009 at \$2.75 per share.

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 eleven mutual funds under the TETON Westwood and KEELEY Funds Brands (collectively referred to herein as the “Funds”), along with various separately managed account strategies.

Teton is a registered investment advisor and serves as the investment manager for the TETON Westwood Funds, six funds with assets under management (“AUM”) of \$1.2 billion at December 31, 2019. Teton’s website is www.tetonadv.com.

The TETON Westwood Funds consist of the following six funds:

- TETON Westwood Mighty MitesSM Fund
- TETON Westwood SmallCap Equity Fund
- TETON Westwood Equity Fund
- TETON Westwood Balanced Fund
- TETON Westwood Intermediate Bond Fund
- TETON Convertible Securities Fund

Keeley Teton is a registered investment advisor and serves as the investment manager for the KEELEY Funds, three funds with assets under management (“AUM”) of \$0.7 billion at December 31, 2019. Keeley Teton’s website is www.keeleyteton.com.

The KEELEY Funds consist of the following three funds:

- KEELEY Small Cap Dividend Fund
- KEELEY Small-Mid Cap Fund
- KEELEY Mid Cap Dividend Value Fund

Teton has retained Gabelli Funds, LLC, a subsidiary of GAMCO Investors, Inc., a NYSE listed company, to act as sub-advisor for the TETON Westwood Mighty Mites Fund and the TETON Convertible Securities Fund. Teton has also retained Westwood Management Corporation, (“WMC”) a subsidiary of Westwood Holdings Group, Inc. (NYSE: WHG) to act as sub-advisor for the TETON Westwood Balanced Fund and the TETON Westwood Equity Fund. The remainder of the TETON Westwood funds are advised directly by Teton and all of the KEELEY Funds are advised by Keeley Teton.

In addition to the Funds, the Company acts as investment adviser to various separately managed and wrap product accounts. The total assets under management of these accounts were \$0.4 billion at December 31, 2019.

Teton’s total assets under management were \$2.3 billion at December 31, 2019.

G.distributors, LLC (“G.distributors”), an affiliate of Teton and a subsidiary of GAMCO, distributes both the TETON Westwood and KEELEY Funds pursuant to distribution agreements with each fund.

Business Strategy

Our business strategy targets global growth of the franchise through continued leveraging of our asset management capabilities, including our brand name and long-term investment performance records, through organic and strategic growth initiatives.

Open-End Funds: Teton provides advisory services to the Funds, consisting of nine open-end funds, five of which are managed on a day-to-day basis by Teton, two of which are sub-advised by Gabelli Funds, LLC, and two of which are sub-advised by Westwood Management Corp. AUM in open-end Funds was approximately \$1.9 billion at December 31, 2019, a decrease of 5.0% from \$2.0 billion of AUM at December 31, 2018.

We market our open-end funds primarily through third party distribution programs, including no-transaction fee (“NTF”) programs, and have developed additional share classes for many of our funds for distribution through additional third-party distribution channels.

At December 31, 2019, third party distribution programs accounted for approximately 92% of all assets in TETON Westwood open-end funds, and 99% of all assets in KEELEY Funds. At December 31, 2019, approximately 8% of TETON Westwood Fund’s AUM and 1% of KEELEY Fund’s AUM in open-end funds were sourced through G.distributors direct sales relationships.

Separate, Private Client and Wrap Accounts: Beginning in 2009, we provided investment management services to separate account clients. In connection with our acquisition of KAMCO in 2017, we expanded our investment advisory service offerings to include private client and wrap accounts. At December 31, 2019, we had \$453.5 million of AUM in these product offerings, an increase of \$33.9 million from \$419.6 million at December 31, 2018. In general, our separate, private client and wrap accounts will be managed to meet the specific needs and objectives of each client. The investment advisory agreements for our separate, private client and wrap account clients are subject to termination by the client without penalty on 30 days’ notice.

Shareholders of the open-end TETON Westwood Funds and KEELEY Funds can exchange shares among the same class of shares of the other open-end TETON Westwood Funds, as well as the Gabelli/GAMCO open-end funds, as economic and market conditions and investor needs change, at no additional cost. However, certain open-end Funds impose a 2% redemption fee on shares redeemed seven days or less after a purchase. We may periodically introduce new funds designed to complement and expand our investment product offerings, respond to competitive developments in the financial marketplace and meet the changing needs of investors.

Assets Under Management

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

	Assets Under Management By Product Type (in millions)					% Inc. (Dec.)
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2019 / 2018</u>
Equities	\$ 2,326	\$ 2,428	\$ 3,371	\$ 1,361	\$ 1,456	(4.2%)
Fixed Income	5	7	8	19	19	(28.6%)
Total Assets Under Management	<u>\$ 2,331</u>	<u>\$ 2,435</u>	<u>\$ 3,379</u>	<u>\$ 1,380</u>	<u>\$ 1,475</u>	(4.3%)

Distribution, Marketing and Shareholder Servicing

In an effort to increase AUM, the marketing team at Teton is focused on major mutual fund industry distribution channels, which include the direct, advisory, supermarket, retirement and institutional channels. In the direct channel, investors carry out transactions directly with mutual fund companies, in many cases calling in orders through a 1-800 telephone number. In all other mutual fund channels, individuals use intermediaries to purchase funds on their behalf. The advisory channel consists of financial intermediaries which provide ongoing investment advice and monitoring. These include full-service brokerage firms, banks, insurance companies and financial planners. Advisors are compensated through sales loads or fees. Through a service agreement with GAMCO Investors, Inc., Teton utilizes the G.distributors wholesaler and internal marketing force to gather assets in these channels. Teton is similarly targeting the defined contribution retirement and institutional channels, which consists of corporations, endowments and foundations. Teton believes it is capable of serving all of these channels because its mutual funds have multiple share classes.

Teton is pursuing non-mutual fund opportunities mainly in the small, small-mid (SMID) and mid cap equity asset classes. The marketing effort is focused on sub-advisory and traditional separate accounts, as well as private client and wrap accounts. The target market consists of insurance companies, commercial banks, institutions and charitable organizations that rely on consultant due diligence and recommendations. Teton seeks to build strategic relationships with institutions and wealth management providers with whom the Teton management team has developed long-term relationships.

G.distributors, a subsidiary of GAMCO, distributes the Funds pursuant to distribution agreements with each fund. Under the distribution agreements, G.distributors offers and sells the Funds' shares on a continuous basis and pays most of the costs of marketing and selling the shares, including printing and mailing prospectuses and sales literature, advertising and maintaining sales and customer service personnel and sales and services fulfillment systems, and payments to the sponsors of third-party distribution and financial intermediaries programs for the Funds, and G.distributors sales personnel. G.distributors receives fees for such services pursuant to distribution plans adopted under provisions of Rule 12b-1 of the Investment Company Act of 1940, as amended.

Under the distribution agreements, certain share classes of the Funds are subject to 12b-1 distribution plans (the "12b-1 Plans"). Pursuant to the 12b-1 Plans, the Class AAA shares of the TETON Westwood Funds and the Class A shares of the KEELEY Funds pay 0.25% per year on the average daily net assets of the fund, the Class A shares of the TETON Westwood Funds pay 0.35% or 0.50% per year on the average daily net assets of the fund, and the Class C and Class T shares of the TETON Westwood Funds pay 1.00% per year on the average daily net assets of the fund. The payments are made to G.distributors and other third-party broker-dealers.

G.distributors' distribution agreements with the Funds may continue in effect from year to year only if specifically approved at least annually by (i) the Funds' Board of Trustees ("Board of Trustees") or (ii) the Funds' shareholders and, in either case, the vote of a majority of the trustees who are not parties to the agreement or "interested persons" of any such party, within the meaning of the Investment Company Act. Each Fund may terminate its distribution agreement, or any agreement thereunder, at any time upon 60 days' written notice by (i) a vote of the majority of the trustees cast in person at a meeting called for the purpose of voting on such termination or (ii) a vote at a meeting of shareholders of the lesser of either 67% of the voting shares represented in person or by proxy or 50% of the outstanding voting shares of such Fund. Each distribution agreement automatically terminates in the event of its assignment, as defined in the Investment Company Act. G.distributors may terminate a distribution agreement without penalty upon 60 days' written notice.

Keeley Teton serves as the shareholder servicing agent of the KEELEY Funds pursuant to a shareholder servicing plan and agreement. Under the shareholder servicing agreement, Keeley Teton is responsible for providing non-distribution, shareholder support services to certain shareholders of the KEELEY Funds. Pursuant to the shareholder service plan, all share classes of the KEELEY Funds pay Keeley Teton 0.05% per year on the average daily net assets of each Fund. The payments are made to Keeley Teton by the Funds, and Keeley Teton in turn remits such payments to various third-party intermediaries. The shareholder servicing agreement and plan may continue in effect from year to year only if specifically approved at least annually by the Funds' Board of Trustees, the vote of a majority of the trustees who are not parties to the agreement or "interested persons" of any such party, within the meaning of the Investment Company Act. Each Fund may terminate its shareholder servicing agreement and plan, or any agreement thereunder, at any time by a vote of the majority of the trustees cast in person at a meeting called for the purpose of voting on such termination.

Investment Management Agreements

Teton provides investment advisory and management services pursuant to investment management agreements with the Funds. The investment management agreements with the Funds generally provide that Teton is responsible for the overall investment and administrative services, subject to the oversight of the Board of Trustees and in accordance with each Fund's fundamental investment objectives and policies. The administrative services include, without limitation, supervision of the calculation of net asset value, preparation of financial reports for shareholders of the Funds, internal accounting, tax accounting and reporting, regulatory filings and other services. Most of these administrative services are provided through contracts or sub-contracts with unaffiliated third parties.

The Funds' investment management agreements may continue in effect from year to year only if specifically approved at least annually by (i) the Funds' Board of Trustees or (ii) the Fund's shareholders and, in either case, the vote of a majority of the trustees who are not parties to the agreement or "interested persons" of any such party, within the meaning of the Investment Company Act. Each Fund may terminate its investment management agreement at any time upon 60 days' written notice by (i) a vote of the majority of the Board of Trustees cast in person at a meeting called for the purpose of voting on such termination or (ii) a vote at a meeting of shareholders of the lesser of either 67% of the voting shares represented in person or by proxy or 50% of the outstanding voting shares of such fund. Each investment management agreement automatically terminates in the event of its assignment, as defined in the Investment Company Act. Teton may terminate an investment management agreement with the TETON Westwood Funds without penalty on 60 days' written notice.

Pursuant to the terms of these investment management agreements, neither Teton nor its officers, directors, employees, agents or controlling persons ("Teton Persons") are liable to the Funds for any act or omission or for any loss sustained by the Funds in connection with the matters to which the advisory agreement relates. However, Teton Persons are liable to the Funds under these agreements with respect to a loss resulting from willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of its reckless disregard of its obligation and duties under the agreement. The investment management agreements also set forth certain indemnification rights for Teton, its employees, officers, directors and agents.

Sub-advisory Agreements

Teton pays Westwood Management Corporation a sub-advisory fee of 35% of net revenues for the TETON Westwood Balanced and TETON Westwood Equity Funds. "Net revenues" are defined as management fees less twenty basis points for mutual fund administration expenses (which are paid to GAMCO) less expense reimbursements to the Funds for which it serves as a sub-advisor. For 2019, 2018 and 2017, the sub-advisory fees paid to Westwood Management Corporation by Teton amounted to \$269,010, \$291,446 and \$300,560, respectively. This agreement may be terminated by Westwood Management Corporation on 60 days' prior written notice and may be terminated by the Funds or Teton on 60 days' prior written notice, provided that termination by the Funds must be approved by a majority of the Board of Trustees or the holders of a "majority of the voting securities" of the Funds. On August 31, 2017, Teton terminated the sub-advisory fee agreement with Westwood Management Corporation on the TETON Westwood Intermediate Bond Fund. This fund is now managed in-house. On February 27, 2017, Teton entered into a sub-advisory agreement whereby Gabelli Funds, LLC became the sub-advisor to the TETON Westwood Mighty Mites Fund and the TETON Convertible Securities Fund. Pursuant to this agreement, Teton pays Gabelli Funds, LLC an annual rate of 0.32% of the average net assets of the TETON Westwood Mighty Mites and TETON Westwood Convertible Securities Funds. For 2019, 2018 and 2017, the sub-advisory fees paid to Gabelli Funds, LLC by Teton amounted to \$3,494,412, \$4,478,947 and \$3,433,741, respectively. This agreement may be terminated by Gabelli Funds, LLC on 60 days' prior written notice and may be terminated by the Funds or Teton on 60 days' prior written notice, provided that termination by the Funds must be approved by a majority of the Board of Trustees or the holders of a "majority of the voting securities" of the Funds.

Competition

We compete with other investment management firms and mutual fund companies, insurance companies, banks, brokerage firms and financial institutions that offer products that have similar features and investment objectives to those offered by us. Many of the investment management firms with which we compete are subsidiaries of large diversified financial companies and many others are much larger in terms of AUM and revenues and, accordingly, have much larger sales organizations and marketing budgets. Historically, we have competed primarily on the basis of the long-term investment performance of many of our investment products.

The market for providing investment management services to institutional, private wealth management and wrap clients is also highly competitive. Approximately 13.2% of our net investment advisory fee revenue for the year ended December 31, 2019 was derived from our institutional, private wealth management and wrap businesses. Selection of investment advisors by U.S. institutional investors is often subject to a screening process and to favorable recommendations by investment industry consultants. Many of these investors require their investment advisors to have a successful and sustained performance record, often five years or longer with focus also on one-year and three-year performance records.

Regulation

Virtually all aspects of our business are subject to various federal and state laws and regulations. These laws and regulations are primarily intended to protect investment advisory clients and shareholders of registered investment companies. Under such laws and regulations, agencies that regulate investment advisors and broker-dealers have broad administrative powers, including the power to limit, restrict or prohibit such an advisor or broker-dealer from carrying on its business in the event that it fails to comply with such laws and regulations. In such an event, the possible sanctions that may be imposed include the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of the investment advisor and other registrations, censures, and fines.

Our business is subject to regulation at both the federal and state level by the United States Securities and Exchange Commission ("SEC") and other regulatory bodies. Both Teton and Keeley Teton are registered with the SEC under the Investment Advisers Act of 1940 ("Investment Advisers Act"), and the respective Funds are registered with the SEC under the Investment Company Act of 1940. The Investment Advisers Act imposes numerous obligations on registered investment advisors including fiduciary duties, disclosure obligations and record keeping, operational and marketing requirements. The Commission is authorized to institute proceedings and impose sanctions for violations of the Investment Advisers Act, ranging from censure to termination of an investment advisor's registration. The failure of the Company to comply with the requirements of the SEC could have a material adverse effect on us.

We derive a substantial majority of our revenues from investment advisory services through our various investment management agreements. Under the Investment Advisers Act, our investment management agreements terminate automatically if assigned without the client's consent. Under the Investment Company Act, advisory agreements with registered investment companies such as our Funds terminate automatically upon assignment. The term "assignment" is broadly defined and includes direct as well as assignments that may be deemed to occur, under certain circumstances, upon the transfer, directly or indirectly, of a controlling interest in Teton.

Investments by Teton on behalf of our Funds may represent a significant equity ownership position in an issuer's class of stock. This activity raises frequent regulatory, legal, and disclosure issues regarding our aggregate beneficial ownership level with respect to portfolio securities, including issues relating to issuers' shareholder rights plans or "poison pills," state gaming laws and regulations, federal communications laws and regulations, public utility holding company laws and regulations, federal proxy rules governing shareholder communications and federal laws and regulations regarding the reporting of beneficial ownership positions. Our failure to comply with these requirements could have a material adverse effect on the Company.

The USA Patriot Act of 2001 contains anti-money laundering and financial transparency laws and mandates the implementation of various new regulations applicable to broker-dealers, mutual funds and other financial services companies, including standards for verifying client identification at account opening, and obligations to monitor client transactions and report suspicious activities. Anti-money laundering laws outside of the U.S. contain some similar provisions. Our failure to comply with these requirements could have a material adverse effect on the Company.

We are subject to the laws of non-U.S. jurisdictions and non-U.S. regulatory agencies or bodies. In particular, we are subject to requirements in numerous jurisdictions regarding reporting of beneficial ownership positions in securities issued by companies whose securities are publicly-traded in those countries.

The investment management industry is likely to continue facing a high level of regulatory scrutiny and become subject to additional rules designed to increase disclosure, tighten controls and reduce potential conflicts of interest. In addition, the SEC has substantially increased its use of focused inquiries in which it requests information from a number of fund complexes regarding particular practices or provisions of the securities laws. We participate in some of these inquiries in the normal course of our business. Changes in laws, regulations and administrative practices by regulatory authorities, and the associated compliance costs, have increased our cost structure and could in the future have a material impact on our business and results. Although we have installed procedures and utilize the services of experienced administrators, accountants and lawyers to assist us in adhering to regulatory guidelines and satisfying these requirements, and maintain insurance to protect ourselves in the case of client losses, there can be no assurance that the precautions and procedures that we have instituted and installed, or the insurance that we maintain to protect ourselves in case of client losses, will protect us from all potential liabilities.

Personnel

As of December 31, 2019, we had a total of 20 full time staff, of whom 14 served in the portfolio management, portfolio management support and trading areas, 2 served in the marketing and shareholder servicing areas, and 4 served in the administration area. Additionally, through our Administrative Services Agreement with GAMCO, we are provided additional services including, but not limited to, trading, and administration services, operational and general administrative assistance, including office space, and office equipment services, and legal, regulatory and compliance advice as needed.

RISK FACTORS

Business Risks

You should carefully consider the risks described below and all of the other information in this report in evaluating Teton. Teton's business, financial condition, cash flows and/or results of operations could be materially adversely affected by any of these risks.

This report also contains forward-looking statements that involve risks and uncertainties. Teton's actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including the risks faced by Teton described below, elsewhere in this report as well as other potential risks which we cannot currently identify or describe.

Risks Related to the Business

Certain of our directors may have actual or potential conflicts of interest because of their ownership in GAMCO.

Three of our directors own shares of GAMCO common stock. This ownership may create, or may create the appearance of, conflicts of interest. Mario J. Gabelli is deemed to control Teton by his ownership in Teton shares as well as through GGCP's ownership in Teton. GGCP is a private company controlled by Mr. Gabelli. Mr. Gabelli is the controlling shareholder of both Teton and GAMCO. Further, Marc Gabelli, our Executive Chairman, has served as President and as a director of GGCP since 1999.

Potential conflicts of interest could arise in connection with the resolution of any dispute between GAMCO and Teton regarding the terms of the agreements governing the separation and the relationship thereafter between the companies. The officers of GAMCO may interpret these agreements to the benefit of GAMCO that would adversely affect the business of Teton.

We may have been able to receive better terms from unaffiliated third parties than the terms provided in our agreements with GAMCO and G.distributors.

The agreements related to our separation from GAMCO, including the Separation Agreement, the Administrative Services Agreement, the sub-lease and the Service Mark and Name License Agreement, were negotiated in the context of our separation from GAMCO while we were still majority-owned by GAMCO. Likewise, our agreement with G.distributors, a subsidiary of GAMCO, to distribute shares of the Funds was entered into when we were still affiliated with G.distributors. Accordingly, such agreements may not reflect terms that would have been reached between unaffiliated parties. The terms of the agreements we negotiated in the context of our separation related to, among other things, indemnities and other obligations between GAMCO and us. Had these agreements been negotiated with unaffiliated third parties, they might have been more favorable to us.

To the extent we are forced to compete on the basis of price, we may not be able to maintain our current fee structure.

The investment management business is highly competitive and has relatively low barriers to entry. To the extent we are forced to compete on the basis of price, we may not be able to maintain our current fee structure. Although our investment management fees vary from product to product, historically we have competed primarily on the performance of our products and not on the level of our investment management fees relative to those of our competitors. In recent years, however, there has been a trend toward lower fees in the investment management industry. In order to maintain our fee structure in a competitive environment, we must be able to continue to provide clients with investment returns and service that make investors willing to pay our fees. In addition, the Board of Trustees of the Funds must make certain findings as to the reasonableness of our fees. We cannot be assured that we will succeed in providing investment returns and service that will allow us to maintain our current fee structure. Fee reductions on existing or future new business could have an adverse effect on our profit margins and results of operations.

We derive a substantial portion of our revenues from investment advisory contracts that may be terminated on short notice or may not be renewed by clients.

Substantially all of our revenues are derived from investment management agreements. Investment management agreements with the Funds are terminable without penalty on 60 days' notice (subject to certain additional procedural requirements in the case of termination by a Westwood Fund) and must be specifically approved at least annually, as required by law. Such annual renewal requires, among other things, approval by the disinterested members of the Funds' Board of Trustees. Investment advisory agreements with our separate account clients are terminable by the client without penalty on 30 days' notice. Any failure to renew or termination of these agreements or arrangements would have a material adverse effect on us.

Investors in the funds or separate accounts, private client or wrap accounts can redeem their investments at any time, which could adversely affect our earnings.

Funds' investors may redeem their investments in those Funds at any time without prior notice. Separate, private client or wrap account clients may also redeem their investments at any time. Investors may reduce the aggregate amount of AUM for any number of reasons, including investment performance, rebalancing decisions, changes in prevailing interest rates and financial market performance. In a declining stock market, the pace of mutual fund and separate accounts redemptions could accelerate. Poor performance relative to other asset management firms tends to result in decreased purchases of mutual fund shares and increased redemptions of mutual fund shares. The redemption of investments in Funds or separate accounts managed by us would adversely affect our revenues, which are substantially dependent upon the AUM in the Funds and separate accounts. If redemptions of investments in the Funds or separate accounts caused our revenues to decline, it could have a material adverse effect on our earnings.

Certain changes in control of us would automatically terminate our investment management agreements with the Funds, unless the Funds' Board of Trustees and shareholders vote to continue the agreements and could prevent us for a two-year period from increasing the investment advisory fees we are able to charge the Funds.

Under the Investment Company Act, an investment management agreement with a fund must provide for its automatic termination in the event of its assignment. The Fund's Board and shareholders must vote to continue the agreement following its assignment, the cost of which ordinarily would be borne by us. Under the Investment Advisers Act, a client's investment management agreement may not be "assigned" by the investment adviser without the client's consent. An investment management agreement is considered under both acts to be assigned to another party when a controlling block of the adviser's securities is transferred. In our case, an assignment of our investment management agreements may occur if, among other things, we sell or issue a certain number of additional common shares in the future. We cannot be certain that the Funds will consent to assignments of its investment management agreements or approve new agreements with us if an assignment occurs. Under the Investment Company Act, if a fund's investment adviser engages in a transaction that results in the assignment of its investment management agreement with the fund, the adviser may not impose an "unfair burden" on that fund as a result of the transaction for a two-year period after the transaction is completed. The term "unfair burden" has been interpreted to include certain increases in investment advisory fees. This restriction may discourage potential purchasers from acquiring a controlling interest in us.

A decline in the prices of securities would lead to a decline in our AUM, revenues and earnings.

Substantially all of our revenues are determined by the amount of our AUM. Under our investment advisory contracts with the Funds, the investment advisory fees we receive are typically based on the market value of AUM. Accordingly, a decline in the prices of securities generally may cause our revenues and net income to decline by causing the value of our AUM to decrease, which would result in lower investment advisory fees, or causing the Funds' investors to withdraw funds in favor of investments they perceive to offer greater opportunity or lower risk, which would also result in lower fees. The securities markets are highly volatile, and securities prices may

increase or decrease for many reasons, including economic and political events and acts of terrorism beyond our control. If a decline in securities prices caused our revenues to decline, this could have a material adverse effect on our earnings.

Catastrophic and unpredictable events could have a material adverse effect on our business.

A terrorist attack, war, power failure, cyber-attack, natural disaster or other catastrophic or unpredictable event could adversely affect our future revenues, expenses and earnings by: interrupting our normal business operations; sustaining employee casualties, including loss of our key executives; requiring substantial expenditures and expenses to repair, replace and restore normal business operations; and reducing investor confidence.

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China, which has and is continuing to spread throughout China and other parts of the world, including the United States. On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus disease (COVID-19) a “Public Health Emergency of International Concern.” On January 31, 2020, U.S. Health and Human Services Secretary Alex M. Azar II declared a public health emergency for the United States to aid the U.S. healthcare community in responding to COVID-19. The outbreak of COVID-19 has resulted in a widespread health crisis that has adversely affected the economies and financial markets worldwide. President Trump declared a U.S. National Emergency in March, as the contagion forced closure of schools, restaurants, major sporting events and cancellations of most foreign travel. California and New York, among other states, ordered their residents to stay at home except for essential services. The impact has rippled broadly throughout the U.S. economy, disrupting supply chains, shuttering thousands of businesses and leading to a surge in jobless claims. This can undermine investor confidence and materially impact our business operations. The impact of the COVID-19 outbreak continues to evolve and has been marked by rapid changes and development. As such, its impact cannot be accurately predicted. If the disruptions posed by COVID-19 continue for an extensive period of time, our business may be materially adversely affected.

We have a disaster recovery plan to address certain contingencies, but we cannot be assured that this plan will be sufficient in responding to or ameliorating the effects of all disaster scenarios. If our employees or vendors we rely upon for support in a catastrophic event are unable to respond adequately or in a timely manner, we may lose clients resulting in a decrease in AUM which may have a material adverse effect on revenues and net income.

Control by Mr. Gabelli of a majority of the combined voting power of our common stock may give rise to conflicts of interests.

Mr. Gabelli indirectly beneficially owns and controls a majority of our outstanding common stock. As long as Mr. Gabelli indirectly beneficially owns a majority of the combined voting power of our common stock, he will have the ability to elect all of the members of our Board of Directors and thereby control our management and affairs, including determinations with respect to acquisitions, dispositions, borrowings, issuances of common stock or other securities, and the declaration and payment of dividends on the common stock. In addition, Mr. Gabelli will be able to determine the outcome of matters submitted to a vote of shareholders for approval and will be able to cause or prevent a change in control of us. As a result of Mr. Gabelli's control, none of our agreements with Mr. Gabelli and other companies controlled by him have been arrived at through "arm's-length" negotiations, although we believe that the parties endeavor to implement market-based terms. There can be no assurance that we would not have received more favorable terms from an unaffiliated party.

We depend on key personnel.

Our future success depends to a substantial degree on our ability to retain and attract qualified personnel to conduct our investment management business. The market for qualified portfolio managers is competitive. There can be no assurance that we will be successful in our efforts to recruit and retain the required personnel. The loss of key management professionals or the inability to recruit and retain sufficient portfolio managers and marketing personnel could have a material adverse effect on our business.

There may be adverse effects on our business from a decline in the performance of the securities markets.

Our results of operations are affected by many economic factors, including the performance of the securities markets. The securities markets in general have experienced significant volatility, and such volatility may continue or increase in the future. At December 31, 2019, approximately 97% of our AUM was invested in portfolios consisting primarily of equity securities. Any decline in the securities markets, in general, and the equity markets, in particular, could reduce our AUM and consequently reduce our revenues. In addition, any such decline in the equity markets, failure of these markets to sustain their prior levels of growth or continued short-term volatility in these markets could result in investors withdrawing from the equity markets or decreasing their rate of investment, either of which would be likely to adversely affect us. From time to time, a relatively high proportion of the assets we manage may be concentrated in particular industry sectors. A general decline in the performance of securities in those industry sectors could have an adverse effect on our AUM and revenues.

Future investment performance could reduce revenues and other income.

Success in the investment management and mutual fund businesses is dependent on investment performance as well as distribution and client servicing. Good performance generally stimulates sales of our investment products and tends to keep withdrawals and redemptions low, which generates higher management fees (which are based on the amount of AUM). Conversely, relatively poor performance tends to result in decreased sales, increased withdrawals and redemptions in the case of the open-end Funds, and in the loss of sub-advised clients, with corresponding decreases in revenues to us. Many analysts of the mutual fund industry believe that investment performance is the most important factor for the growth of open-end funds, such as those we offer. Failure of our investment products to perform well or failure of the Funds to maintain ratings or rankings could, therefore, have a material adverse effect on us.

We rely on third-party distribution programs.

Since 1996, we have experienced growth in sales of the Funds through third-party distribution programs, which are programs sponsored by third-party intermediaries that offer their mutual fund customers a variety of competing products and administrative services. Approximately \$1.8 billion, or 92%, of our TETON Westwood AUM, and approximately 99% of KEELEY Funds AUM in the Funds as of December 31, 2019 were obtained through third-party distribution programs which includes the Broker Dealer, NTF and Bank Trust channels. The cost of participating in third-party distribution programs is higher than our direct distribution costs, and it is anticipated that the cost of third-party distribution programs will increase in the future. Any increase would be likely to have an adverse effect on our profit margins and results of operations. In addition, there can be no assurance that the third-party distribution programs will continue to distribute the Funds. The decision by these third-party distribution programs to discontinue distribution of the Funds, or a decision by us to withdraw one or more of the Funds from the programs, could have an adverse effect on our growth of AUM.

Operational risks may disrupt our business, result in regulatory action against us or limit our growth.

We face operational risk arising from errors made in the execution, confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted for. Our business is highly dependent on its ability to process, on a daily basis, transactions across markets in an efficient and accurate manner. Consequently, we rely heavily on our financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage.

Dependence on information systems.

We operate in an industry that is highly dependent on its information systems and technology. Teton outsources a significant portion of its information systems operations to third parties who are responsible for providing the management, maintenance and updating of such systems. There can be no assurance that such information systems and technology will continue to be able to accommodate our growth or that the cost of maintaining such outsourcing arrangements will not increase from its current level. Such a failure to accommodate growth, or an increase in costs related to these information systems, could have a material adverse effect on us.

Cybersecurity

Like all companies, we may be susceptible to operational and information security risks. Cybersecurity failures or breaches of the company or its service providers have the ability to cause disruptions and impact our business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs. The Company could be negatively impacted as a result.

We face exposure to litigation and arbitration claims within our business.

The volume of litigation and arbitration claims against financial services firms and the amount of damages claimed has increased over the past several years. The types of claims that we may face are varied. For example, we may face claims against us for purchasing securities that are inconsistent with a client's investment objectives or guidelines, in connection with the operation of the Funds or arising from an employment dispute. The risk of litigation is difficult to assess or quantify and may occur years after the activities or events at issue. Even if we prevail in a legal action brought against us, the costs alone of defending against the action could have a material adverse effect on us.

Our reputation is critical to our success.

Our reputation is critical to maintaining and developing relationships with our clients, the Fund shareholders and third-party intermediaries. In recent years, there have been a number of well-publicized cases involving fraud, conflicts of interest or other misconduct by individuals in the financial services industry. Misconduct by our staff, or even unsubstantiated allegations, could result not only in direct financial harm but also harm to our reputation, causing injury to the value of our brand and our ability to retain or attract AUM. In addition, in certain circumstances, misconduct on the part of our clients or other parties could damage our reputation. Harm to our reputation could have a material adverse effect on us.

We face strong competition from numerous and, in many instances, larger companies.

The asset management business is intensely competitive. We compete with numerous investment management companies, stock brokerage and investment banking firms, insurance companies, banks, savings and loan associations and other financial institutions. Continuing consolidation in the financial services industry has created stronger competitors with greater financial resources and broader distribution channels than our own. Additionally, competing securities dealers whom we rely upon to distribute our mutual funds also sell their own proprietary funds and investment products, which could limit the distribution of our investment products. To the extent that existing or potential customers, including securities dealers, decide to invest in or distribute the products of our competitors, the sales of our products as well as our market share, revenues and net income could decline. Both GAMCO and Teton have as their principal businesses asset management and derive most of their revenues through that business and, as such, may compete with each other.

Fee pressures could reduce our profit margins.

There has been a trend toward lower fees in some segments of the investment management industry. In order for us to maintain our fee structure in a competitive environment, we must be able to provide clients with investment returns and service that will encourage them to be willing to pay such fees. Accordingly, there can be no assurance that we will be able to maintain our current fee structure. Fee reductions on existing or future new business could have an adverse impact on our profit margins and results of operations.

We advance commissions on sales of Class C Fund shares.

Class C shares have a distribution plan under which the distributor, G.distributors, will advance the first year's broker commission in exchange for collecting the first years' service and distribution fee totaling 1%. This fee, paid monthly, is based on the average daily AUM which may either increase or decrease during the month causing the distributor to either receive more or less than the amount advanced. The Company has agreed to reimburse the distributor for the amounts advanced and collect the first years' service and distribution fee which, if lower, will be less than the amount advanced. There is no assurance that we will fully collect the amounts advanced.

Risks Related to Our Common Stock

Our Class A common stock shares are subject to more volatility and more limited liquidity than shares traded on national exchanges.

Our Class A common stock trades on the pink sheets under the symbol: TETAA. When fewer shares of a security are being traded in the pink sheets, volatility of prices may increase, and price movement may outpace the ability to deliver accurate quote information. Due to low trading volumes in shares of our Class A common stock, there is a lower likelihood of one's orders for shares of our Class A common stock being executed, and current prices may differ significantly from the price one was quoted at the time of one's order entry.

Electronic processing of orders is not available for securities traded in the pink sheets and high order volume and communication risks may prevent or delay the execution of one's trading orders. This lack of automated order processing may affect the timeliness of order execution reporting and the availability of firm quotes for shares of our Class A common stock. Heavy market volume may lead to a delay in the processing of security orders for shares of our Class A common stock, due to the manual nature of these markets. Consequently, you may not be able to sell shares of our Class A common stock at the optimum trading prices.

The disparity in the voting rights among the classes of shares may have a potential adverse effect on the price of our Class A Stock.

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 shareholders 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. Since our spin-off in 2009, GGCP, Inc. has owned a majority of our outstanding Class B common stock, representing approximately 72.3% of voting control at December 31, 2019. As long as GGCP, Inc. owns a majority of the combined voting power of our common stock, it will have the ability to elect all of the members of our Board of Directors and thereby control our management and affairs, including among other things any determinations with respect to acquisitions, dispositions, borrowings, issuances of common stock or other securities, and the declaration and payment of dividends on the common stock. The differential in voting rights and the ability of our company to issue additional Class B common stock could adversely affect the value of the Class A common stock to the extent the investors, or any potential future purchaser of our Company, view the superior voting rights of the Class B common stock to have value.

Future sales of our Class A common stock in the public market or sales or distributions of our Class B common stock could lower our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute our stockholders' ownership in us.

We may sell additional shares of Class A common stock in subsequent public offerings. We also may issue additional shares of Class A common stock, preferred stock or convertible debt securities. In addition, sales by our current shareholders could be perceived negatively.

No prediction can be made as to the effect, if any, that future sales or distributions of Class B common stock owned by GGCP, Inc. will have on the market price of the Class A common stock from time to time. Sales or distributions of substantial amounts of Class A common stock or Class B common stock, or the perception that such sales or distributions are likely to occur, could adversely affect the prevailing market price for the Class A common stock.

Due to the limited liquidity of our common stock, the price may fluctuate significantly.

The market price of our Class A common stock may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- our quarterly or annual earnings, or those of other companies in our industry;
- actual or anticipated reductions in our revenue, net earnings and cash flow resulting from actual or anticipated declines in AUM;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the failure of securities analysts to cover our Company or changes in financial estimates by analysts;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- overall market fluctuations; and
- general economic conditions.

In particular, the realization of any of the risks described in these “Risk Factors” could have a significant and adverse impact on the market price of our Class A common stock. In addition, the stock market in general has experienced extreme price and volume volatility that has often been unrelated to the operating performance of particular companies. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The changes can occur without regard to the operating performance of these companies. The price of our Class A common stock could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our stock price.

Risks Related to Our Regulatory Environment

Changes in laws or regulations or in governmental policies could limit the sources and amounts of our revenues, increase our costs of doing business, decrease our profitability and materially and adversely affect our business.

Our business is subject to extensive regulation in the United States, primarily at the federal level, including regulation by the SEC under the Investment Company Act and the Investment Advisers Act, as well as other securities laws, by the Department of Labor, under ERISA and regulation by FINRA and other state regulators. The Funds managed by Funds Advisors’ are registered with the SEC as investment companies under the Investment Company Act. The Investment Advisers Act imposes numerous obligations on investment advisors, including recordkeeping, advertising and operating requirements, fiduciary and disclosure obligations, custodial requirements and prohibitions on fraudulent activities. The Investment Company Act imposes similar obligations, as well as additional detailed operational requirements, on registered investment companies and investment advisors. In addition, our businesses are also subject to regulation by the Financial Services Authority in the United Kingdom, and we are also subject to the laws of other non-U.S. jurisdictions

and non-U.S. regulatory agencies or bodies. Our failure to comply with applicable laws or regulations could result in fines, censure, suspensions of personnel or other sanctions, including revocation of our subsidiaries' registrations as an investment advisor or broker-dealer. Industry regulations are designed to protect our clients and investors in our funds and other third parties who deal with us and to ensure the integrity of the financial markets. Our industry is frequently altered by new laws or regulations and by revisions to, and evolving interpretations of, existing laws and regulations, both in the U.S. and in other nations. Changes in laws or regulations or in governmental policies could limit the sources and amounts of our revenues including but not limited to distribution revenue under the Company Act, increase our costs of doing business, decrease our profitability and materially and adversely affect our business.

PROPERTIES

Teton owns no properties. Teton currently leases 1,642 square feet of office space at One Corporate Center in Rye, New York in accordance with a sub-lease with GAMCO, which expires on December 5, 2028. On September 1, 2014, an additional 485 square feet of contiguous office space at the same location was subleased from LICT Corporation in an agreement which expires on December 5, 2023. We also lease 5,866 square feet of space in Chicago, Illinois with a lease expiration date of December 31, 2023.

LEGAL PROCEEDINGS

None.

MINE SAFETY DISCLOSURES

Not applicable.

MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our shares of Class A common stock are traded on the Pink Sheets under the symbol TETAA.

In 2019, Teton Advisors, Inc. bought back 2,399 shares of Class A Common stock.

As of December 31, 2019, there were 16 Class A common stockholders of record and 128 Class B common stockholders of record.

	2019		2018	
	Dividend Declared		Dividend Declared	
	Regular	Special	Regular	Special
First Quarter	\$ 0.05	\$ -	\$ 0.05	\$ -
Second Quarter	0.05	-	0.05	-
Third Quarter	0.05	-	0.05	-
Fourth Quarter	0.05	-	0.05	-

The Board granted 10,000 shares of its Class A Common Stock to an employee on August 28, 2017 ("Grant Date"), which shares were to vest and become transferable three years from Grant Date with respect to forty percent (40%) of the shares and five years from Grant date with respect to sixty percent (60%) of the shares, subject to the terms and conditions of the Corporations' Stock Award Agreement. The entire 10,000 share grant was forfeited on December 31, 2018 prior to any shares vesting.

The Board granted 17,500 shares of its Class A Common Stock to employees on May 10, 2019 ("Grant Date"), which shares will vest and become transferable three years from Grant Date with respect to forty percent (40%) of the shares and five years from Grant date with respect to sixty percent (60%) of the shares, subject to the terms and conditions of the Corporations' Stock Award Agreement. As of December 31, 2019, the 17,500 shares are still unvested.

The Board granted 25,000 shares of its Class A Common Stock to its Chairman on August 19, 2019 ("Grant Date"), which shares will vest and become transferable three years from Grant Date with respect to forty percent (40%) of the shares and five years from Grant date with respect to sixty percent (60%) of the shares, subject to the terms and conditions of the Corporations' Stock Award Agreement. As of December 31, 2019, the 25,000 shares are still unvested.

As of December 31, 2019, there were 55,000 shares of common stock which remain available for future issuance under an equity compensation plan.

SELECTED FINANCIAL DATA

General

The selected historical financial data presented below has been derived in part from and should be read in conjunction with Management's Discussion and Analysis and the audited Consolidated Financial Statements of Teton Advisors, Inc. and related notes included in this report.

	For the Years Ended December 31,				
	2019	2018	2017	2016	2015
Income Statement Data (audited)					
Revenues:					
Investment advisory fees, net	\$ 20,637,324	\$ 27,949,496	\$ 28,510,064 (b)	\$ 12,912,999 (b)	\$ 16,587,103 (b)
Distribution fees	103,722	207,393	216,119	179,581	374,096
Other income, net	135,145	96,677	74,157	44,757	(2,603)
Total revenues	20,876,191	28,253,566	28,800,340	13,137,337	16,958,596
Expenses:					
Compensation	5,654,516	6,915,935	8,571,309	4,796,860	6,290,861
Marketing and administrative fees	1,750,220	2,065,704	1,936,662	1,701,098	1,934,852
Distribution expenses	2,153,478	2,610,734	2,200,728	771,355	826,745
Advanced commissions	89,022	190,712	197,419	146,566	327,766
Sub-advisory fees	3,763,422	4,770,393	3,734,300	303,013	327,040
Other operating expenses	1,972,286	2,669,632	2,213,927	1,259,745	881,369
Total operating expenses	15,382,944	19,223,110	18,854,345	8,978,637	10,588,633
Income before interest, taxes, depreciation, amortization and impairment	5,493,247	9,030,456	9,945,995	4,158,700	6,369,963
Interest expense	426,822	1,579,904	854,817	-	-
Depreciation and amortization expense	851,266	855,363	706,036	7,506	9,447
Impairment of intangible assets	8,220,000	1,755,839	202,000	-	-
Income (loss) before income taxes	(4,004,841)	4,839,350	8,183,142	4,151,194	6,360,516
Income tax provision (benefit)	(1,402,514)	1,216,695	3,314,454	1,527,267	2,350,042
Net income (loss)	\$ (2,602,327)	\$ 3,622,655	\$ 4,868,688	\$ 2,623,927	\$ 4,010,474
Net income (loss) per share:					
Basic	\$ (2.06)	\$ 1.81	\$ 2.83	\$ 2.39	\$ 3.65
Fully diluted	\$ (2.06)	\$ 1.76	\$ 2.63	\$ 2.39	\$ 3.65
Weighted average shares outstanding:					
Basic	1,262,491	1,232,961	1,157,272	1,095,994	1,097,550
Fully diluted	1,262,491	1,270,021	1,244,306	1,099,264	1,099,052
Actual shares outstanding at December 31st (a)	1,304,788	1,263,387	1,176,883	1,098,267	1,103,488
Dividends declared	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20

(a) Includes 42,500, zero, 11,500, 1,500 and 7,500 of unvested RSAs for the five years ended December 2019, 2018, 2017, 2016 and 2015, respectively.

(b) Amounts were restated to reflect adoption of the new revenue recognition standard. Please see footnote A in the audited financial statements.

	December 31,				
	2019	2018	2017	2016	2015
Balance Sheet Data (audited)					
Total assets	\$ 24,188,792	\$ 27,716,607	\$ 31,921,960	\$ 15,073,592	\$ 12,292,255
Total liabilities and preferred stock	4,163,333	4,907,863	11,004,769	2,052,747	1,613,816
Total stockholders' equity	20,025,459	22,808,744	20,917,191	13,020,845	10,678,439

	December 31,				
	2019	2018	2017	2016	2015
Assets Under Management (unaudited)					
(at year end, in millions):					
Mutual Funds:					
Equities	\$ 1,873	\$ 2,008	\$ 2,745	\$ 1,323	\$ 1,219
Fixed income	5	7	8	19	19
Separate accounts	177	160	297	38	237
Private clients	212	193	200	-	-
Wrap	64	67	129	-	-
Total	\$ 2,331	\$ 2,435	\$ 3,379	\$ 1,380	\$ 1,475

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is unaudited and should be read in conjunction with the 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 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.

Overview

Consolidated Statements of Operations

Investment advisory fees, which are based on the amount and composition of AUM in our Funds and separate, private client and wrap accounts, represent our largest source of revenues. In addition to the general level and trends of the stock market, growth in revenues depends on good investment performance, which influences the value of existing AUM as well as contributes to higher investment and lower redemption rates and facilitates the ability to attract additional investors while maintaining current fee levels. Growth in AUM is also dependent on being able to access various distribution channels, which is usually based on several factors, including performance and service. Historically, we have depended primarily on direct distribution of our products and services, but since 1995 have participated in third-party distribution programs, including No Transaction Fee, Broker Dealer and Bank Trust Programs. A majority of our cash inflows to mutual fund products have come through these channels. The effects of this on our future financial results cannot be determined at this time but could be material.

Advisory fees from the open-end mutual funds are computed daily based on average net assets. Advisory fees from separate, private client and wrap account clients are generally computed quarterly based on account values as of the end of the preceding or current quarter in accordance with the terms of each client’s investment advisory agreement. These revenues are highly correlated to the stock market and can vary in direct proportion to movements in the stock market and the level of sales compared with redemptions, financial market conditions and the fee structure for AUM. Revenues derived from the equity-oriented portfolios generally have higher management fee rates than fixed income portfolios.

Distribution fees include distribution fees paid to the Company by G.distributors on the Class C shares sold. Class C shares have a 12b-1 distribution plan with a service and distribution fee totaling 1%. The distributor will advance the first year’s commission at the time of the sale and collect the distribution fee monthly based on the daily average AUM during the first year. The Company has agreed to reimburse the distributor for the commissions advanced and receives the monthly service and distribution fee in return. Amounts paid to the distributor are recorded as contingent deferred sales commissions in the statement of financial condition and amortized over twelve months as advanced commissions in the statement of operations. Fees collected may be higher or lower than the amounts advanced as AUM increases or decreases during the period based on the Fund’s performance.

Other income primarily includes interest income earned from cash and cash equivalents and net gain or loss from investments.

Consolidated Statements of Financial Condition

We ended the year with \$7,866,308 in cash and cash equivalents, the majority of which were invested in the Gabelli U.S. Treasury Money Market Fund, managed by a subsidiary of GAMCO.

Stockholders' equity was \$20,025,459 on December 31, 2019 compared to \$22,808,744 on December 31, 2018. The decrease in stockholders' equity from the end of 2019 was largely the result of a net loss of \$2,602,327, the declaration of common dividends of \$320,124 and the repurchase of stock of \$119,388, partly offset by stock-based compensation of \$258,554.

Assets Under Management Highlights (unaudited)

We reported assets under management as follows
(in millions):

	<u>2019</u>	<u>2018</u>	<u>2017 (a)</u>	<u>2016</u>	<u>2015</u>	% Inc. (Dec.) 2019 / 2018
Equities	\$ 2,326	\$ 2,428	\$ 3,371	\$ 1,361	\$ 1,456	(4.2%)
Fixed Income	5	7	8	19	19	(28.6%)
Total Assets Under Management	<u>\$ 2,331</u>	<u>\$ 2,435</u>	<u>\$ 3,379</u>	<u>\$ 1,380</u>	<u>\$ 1,475</u>	(4.3%)

(a) Includes \$1,764 million of equity AUM acquired in connection with the KAMCO acquisition on February 28, 2017.

For the five years ended December 31, 2019, our net cash inflows or outflows by product line were as follows (in millions):

	<u>2019</u>	<u>2018</u>	<u>2017 (a)</u>	<u>2016</u>	<u>2015</u>
Mutual Funds					
Equities	\$ (496)	\$ (370)	\$ (243)	\$ (107)	\$ (244)
Fixed income	(2)	-	(5)	(3)	(2)
Separate accounts	(28)	(112)	(411)	(211)	(311)
Private clients	(23)	3	9	-	-
Wrap	(19)	(52)	(56)	-	-
Total net (outflows)	<u>\$ (568)</u>	<u>\$ (531)</u>	<u>\$ (706)</u>	<u>\$ (321)</u>	<u>\$ (557)</u>

(a) Excludes the impact of \$2,396 million in equity AUM acquired in connection with the KAMCO acquisition on February 28, 2017.

For the five years ended December 31, 2019, our net appreciation and depreciation by product line were as follows (in millions):

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Mutual Funds					
Equities	\$ 360	\$ (367)	\$ 247	\$ 211	\$ (87)
Fixed income	-	-	2	3	-
Separate accounts	45	(25)	36	12	(4)
Private clients	42	(11)	17	-	-
Wrap	17	(10)	11	-	-
Total net appreciation (depreciation)	<u>\$ 464</u>	<u>\$ (413)</u>	<u>\$ 313</u>	<u>\$ 226</u>	<u>\$ (91)</u>

Operating Results for the Year Ended December 31, 2019 as Compared to the Year Ended December 31, 2018

Revenues

Total revenues were \$20,876,191 for the year ended December 31, 2019 compared to \$28,253,566 for the year ended December 31, 2018, a decrease of \$7,377,375 or (26.1%). The change in total revenues by revenue component was as follows:

(unaudited)			Increase (decrease)	
	2019	2018	\$	%
Investment advisory fees				
Open-end mutual funds, net	\$ 17,871,827	\$ 24,666,985	\$ (6,795,158)	(27.5%)
Separate accounts	1,058,221	1,389,778	(331,557)	(23.9%)
Private clients	1,310,388	1,265,485	44,903	3.5%
Wrap	396,888	627,248	(230,360)	(36.7%)
Total investment advisory fees	20,637,324	27,949,496	(7,312,172)	(26.2%)
Distribution fees	103,722	207,393	(103,671)	(50.0%)
Other income, net	135,145	96,677	38,468	39.8%
Total revenues	<u>\$ 20,876,191</u>	<u>\$ 28,253,566</u>	<u>\$ (7,377,375)</u>	<u>(26.1%)</u>

Investment Advisory Fees: Investment advisory fees are directly influenced by the level and mix of AUM. Teton earns advisory fees based on the average daily AUM in the Funds and for separate accounts based on the average of the ending account values for each month of the quarter or the account value as of the end of the preceding quarter.

Investment advisory fees, net was \$20,637,324 for the year ended December 31, 2019 compared to \$27,949,496 for the year ended December 31, 2018, a decrease of \$7,312,172. This decrease is directly correlated to the decrease in average AUM.

Total AUM at December 31, 2019 was \$2.331 billion compared to \$2.435 billion at December 31, 2018, a decrease of \$104 million. The decrease in AUM was due to outflows of \$1.307 billion offset by inflows of \$739 million and an increase in the market value of the portfolios of \$464 million.

Distribution fees: Distribution fees include distribution fees paid to the Company by G.distributors on the Class C Fund shares sold. Distribution fees were \$103,722 for the year ended December 31, 2019 compared to \$207,393 for the year ended December 31, 2018, a decrease of \$103,671 from the prior year. The decrease in fees is due to a decrease in sales of the Class C Fund shares for 2019.

Other income, net: Other income, net includes net gains (losses) from investments, 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 interest earned from cash held at banks. Other income, net was \$135,145 for the year ended December 31, 2019 compared to \$96,677 for the year ended December 31, 2018, an increase of \$38,468 from the prior year.

Expenses

Compensation: Compensation costs include staff salaries, portfolio manager compensation, revenue share compensation, incentive compensation, stock-based compensation, director fees and employee benefits. Compensation costs were \$5,654,516 for the year ended December 31, 2019 compared to \$6,915,935 for the year ended December 31, 2018, a decrease of \$1,261,419 from the prior year. The decrease in compensation is primarily related to the reduction in employee incentive compensation, as well as a reduction in salary expense due to a lower head count.

Fixed compensation costs, which include salary, taxes, benefits and director fees, were \$4,063,440 for the year ended December 31, 2019 compared to \$5,233,123 for the year ended December 31, 2018, a decrease of \$1,169,683 from the prior year. Stock based compensation was \$258,554 for the year ended December 31, 2019 compared to a credit of \$24,550 for the year ended December 31, 2018, an increase of \$283,104 from the prior year. The credit was due to a grant forfeiture on December 31, 2018, which resulted in a reversal of \$121,917 of prior compensation expense. The remainder of compensation costs represent variable compensation that fluctuates with net investment advisory revenues, and annual incentive compensation. Variable compensation was \$1,332,522 for the year ended December 31, 2019 compared to \$1,707,362 for the year ended December 31, 2018, a decrease of \$374,840 from the prior year. This decrease in variable compensation is directly related to the decrease in employee incentive and revenue share compensation.

Marketing and Administrative Fees: Marketing and administrative fees are charges from GAMCO and paid by Teton for administration of the mutual fund activities performed by GAMCO on behalf of the TETON Westwood funds, based on the average AUM in the Funds. These fees were \$1,750,220 for the year ended December 31, 2019 compared to \$2,065,704 for the year ended December 31, 2018, a decrease of \$315,484 from the prior year. Average AUM in the TETON Westwood Funds was \$1.3 billion in 2019, a decrease of \$0.3 billion from the 2018 average of \$1.6 billion. These expenses are based on a tiered formula which declines from 20 basis points to 12 basis points once average AUM increases above \$630 million and then down to 10 basis points once average AUM increases above \$1.0 billion. During 2019 and 2018, the effective rate was 13.9 basis points and 13.2 basis points, respectively.

Distribution costs: Distribution costs, which are principally related to the sale of shares of open-end mutual funds (exclusive of C shares), were \$2,153,478 for the year ended December 31, 2019 compared to \$2,610,734 for the year ended December 31, 2018, a decrease of \$457,257 from the prior year. The decrease is primarily related to the decrease in the sales activity of our open-end mutual funds.

Distribution costs include intermediary and shareholder service payments made to third party distributors, wholesaler and no transaction fee (“NTF”) sale commissions and related party distribution expenses. Distribution costs paid to third party distributors were \$1,345,728 for the year ended December 31, 2019 compared to \$1,522,679 for the year ended December 31, 2018, a decrease of \$176,952 from the prior year. Wholesaler and NTF commissions for the year ended December 31, 2019 were \$506,363 compared to \$786,235 for the year ended December 31, 2018, a decrease of \$279,872 from the prior year. Related party distribution expenses were \$301,387 for the year ended December 31, 2019 compared to \$301,820 for the year ended December 31, 2018, a decrease of \$433 from the prior year.

Advanced Commissions: Advanced commissions are sales commissions paid to broker-dealers for the sale of C Class funds. These sales commissions are capitalized and then amortized over a 1-year period. Advanced commissions for the year ended December 31, 2019 were \$89,022 compared to \$190,712 for the year ended December 31, 2018, a decrease of \$101,690 from the prior year. This decrease is directly related to the decrease in sales of Class C shares of the Funds from 2018 to 2019.

Sub-advisory Fees: Teton has retained two sub-advisers for four of the nine Funds. Sub-advisory fees are recognized as expenses as the related services are performed. Under the first agreement, sub-advisory fees are 35% of the net investment advisory revenues of the sub-advised funds. These fees were \$269,010 for the year ended December 31, 2019 compared to \$291,446 for the year ended December 31, 2018, a decrease of \$22,436 from the prior year due to lower average AUM. Under the second agreement, the sub-advisory fees are 0.32% of the average net assets of the sub-advised funds, these fees were \$3,494,412 for the year ended December 31, 2019 compared to \$4,478,947 for the year ended December 31, 2018, a decrease of \$984,535 from the prior year due to lower average AUM.

Average AUM in the four sub-advised funds was \$1.2 billion in 2019 compared to \$1.5 billion in 2018, a decrease of \$0.3 billion from the prior year.

Other operating expenses: Other operating expenses, including those charged by GAMCO, were \$1,972,286 for the year ended December 31, 2019 compared to \$2,669,632 for the year ended December 31, 2018, a decrease of \$697,346 from the prior year. The decrease relates to the re-negotiation of major service contracts and lower occupancy costs.

Impairment of intangible assets: Impairment of intangible assets were \$8,220,000 for the year ended December 31, 2019 compared to \$1,755,839 for the year ended December 31, 2018, an increase of \$6,464,161. The 2019 impairment relates primarily to a write-down of \$7,458,000 to the mutual fund management contracts related to the KAMCO asset acquisition in 2017. The 2018 impairment relates primarily to a write down of \$1,364,839 to goodwill related to the KAMCO asset acquisition in 2017.

Income Taxes

The effective tax rate was 35.0% for the year ended December 31, 2019, versus 25.1% for the year ended December 31, 2018. This increase is primarily due to higher state and local effective tax rates applied to deferred tax assets related to intangible asset impairment write downs in 2019.

Net (Loss) Income

Net loss for 2019 was \$(2,602,327) or (\$2.06) per fully diluted share, versus net income of \$3,622,655 or \$1.76 per fully diluted share for 2018. Cash Earnings, a non-GAAP measure explained below, were \$4,399,150 or \$3.48 per fully diluted share for 2019, versus \$7,075,059 or \$5.40 per fully diluted share for 2018.

Supplemental Financial Information

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

In calculating Cash Earnings, we add back to net income the non-cash expense associated with the amortization of any debt discount and intangible amortization expense, as well as the after-tax intangible asset impairment charges. Although depreciation on property & equipment and amortization of leaseholds are also non-cash expenses, we do not add this 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 years presented:

	For the Years Ended December 31,	
	2019	2018
Net (loss) income	\$ (2,602,327)	\$ 3,622,655
Add: Debt discount amortization	425,589	1,390,678
Add: Intangible amortization	817,778	817,776
Add: Impairment of intangible assets (net of tax impact)	5,758,110	1,243,950 (a)
Cash Earnings	<u>\$ 4,399,150</u>	<u>\$ 7,075,059 (a)</u>
Cash Earnings Per Fully Diluted Share	<u>\$ 3.48</u>	<u>\$ 5.40 (a)(b)</u>

(a) - These 2018 amounts have been adjusted to reflect the net of tax impact of impairment charges consistent with the 2019 presentation.

(b) - Cash earnings per fully diluted share reflects reductions for cash dividends paid on Series A Preferred Stock totaling \$216,614 in 2018. It does not include reductions for non-cash constructive dividends totaling \$1,174,112 in 2018.

Operating Results for the Year Ended December 31, 2018 as Compared to the Year Ended December 31, 2017

Revenues

Total revenues were \$28,253,566 for the year ended December 31, 2018 compared to \$28,800,340 for the year ended December 31, 2017, a decrease of \$546,774 or (1.9%). The change in total revenues by revenue component was as follows:

(unaudited)			Increase (decrease)	
	2018	2017	\$	%
Investment advisory fees				
Open-end mutual funds, net	\$ 24,666,985	\$ 23,521,795	\$ 1,145,190	4.9%
Separate accounts	1,389,778	3,338,305	(1,948,527)	(58.4%)
Private clients	1,265,485	920,621	344,864	37.5%
Wrap	627,248	729,343	(102,095)	(14.0%)
Total investment advisory fees	27,949,496	28,510,064	(560,568)	(2.0%)
Distribution fees	207,393	216,119	(8,726)	(4.0%)
Other income, net	96,677	74,157	22,520	30.4%
Total revenues	\$ 28,253,566	\$ 28,800,340	\$ (546,774)	(1.9%)

Investment Advisory Fees: Investment advisory fees are directly influenced by the level and mix of AUM. Teton earns advisory fees based on the average daily AUM in the Funds and for separate accounts based on the average of the ending account values for each month of the quarter or the account value as of the end of the preceding quarter.

Investment advisory fees, net was \$27,949,496 for the year ended December 31, 2018 compared to \$28,510,064 for the year ended December 31, 2017, a decrease of \$560,568 from the prior year. This decrease is directly correlated to the decrease in average AUM.

Total AUM was \$2.435 billion at December 31, 2018 compared to \$3.379 billion at December 31, 2017, a decrease of \$944 billion. The decrease in AUM was due to outflows of \$1.194 billion, as well as, a decrease in market value of the portfolios of \$413 million, partly offset by inflows of \$664 million.

Distribution fees: Distribution fees include distribution fees paid to the Company by G.distributors on the Class C Fund shares sold. Distribution fees were \$207,393 for the year ended December 31, 2018 compared to \$216,119 for the year ended December 31, 2017, a decrease of \$8,726. The decrease is due to a decrease in sales the Class C Fund shares for 2018 compared to 2017.

Other income, net: Other income, net includes net gains (losses) from investments, 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 interest earned from cash held at banks. Other income, net was \$96,677 for the year ended December 31, 2018 compared to \$74,157 for the year ended December 31, 2017, an increase of \$22,520 from the prior year. The increase was due to higher interest rates and higher average balances of cash and cash equivalents held during the year, partly offset by mark-to-market loss on investments.

Expenses

Compensation: Compensation costs include staff salaries, portfolio manager compensation, revenue share compensation, incentive compensation, stock-based compensation, director fees and employee benefits. Compensation costs were \$6,915,935 for the year ended December 31, 2018 compared to \$8,571,309 for the year ended December 31, 2017, a decrease of \$1,655,374 from the prior year. This decrease was primarily related to the reduction in employee incentive compensation, as well as a reduction in salary expense due to a lower head count.

Fixed compensation costs, which include salary, taxes and benefits, were \$5,233,123 for the year ended December 31, 2018 compared to \$5,255,179 for the year ended December 31, 2017, a decrease of \$22,056 from the prior year. Stock based compensation was a credit of \$24,550 for the year ended December 31, 2018 compared to an expense of \$41,196 for the year ended December 31, 2017, a decrease of \$65,746 from the prior year. The remainder of compensation costs represent variable compensation that fluctuates with net investment advisory revenues, and annual incentive compensation. Variable compensation was \$1,707,362 for the year ended December 31, 2018 compared to \$3,274,934 for the year ended December 31, 2017, a decrease of \$1,567,572 from the prior year. The decrease in variable compensation is directly related to the decrease in employee incentive and revenue share compensation.

Marketing and Administrative Fees: Marketing and administrative fees, which are charges from GAMCO and paid by Teton for administration of the mutual fund activities performed by GAMCO on behalf of Teton, based on the average AUM in the Funds. These fees were \$2,065,704 for the year ended December 31, 2018 compared to \$1,936,662 for the year ended December 31, 2017, an increase of \$129,042 from the prior year. Average AUM in the TETON Westwood Funds was \$1.6 billion in 2018 compared to \$1.4 billion in 2017, an increase of \$0.2 billion from the prior year. These expenses are based on a tiered formula which declines from 20 basis points to 12 basis points once average AUM increases above \$630 million and then down to 10 basis points once average AUM increases above \$1.0 billion. During 2018 and 2017, the effective rate was 13.2 basis points and 13.4 basis points, respectively.

Distribution costs: Distribution costs, which are principally related to the sale of shares of open-end mutual funds (exclusive of C shares), were \$2,610,734 for the year ended December 31, 2018 compared to \$2,200,728 for the year ended December 31, 2017, an increase of \$410,006 from the prior year. This increase was primarily related to the acquisition of the KAMCO business.

Distribution costs include intermediary and shareholder service payments made to third party distributors, wholesaler and no transaction fee sale commissions and related party distribution expenses. Distribution costs paid to third party distributors were \$1,522,679 for the year ended December 31, 2018 compared to \$1,225,842 for the year ended December 31, 2017, an increase of \$296,837 from the prior year. Wholesaler and NTF commissions for the year ended December 31, 2018 were \$786,235 compared to \$680,952 for the year ended December 31, 2017, an increase of \$105,283 from the prior year. Related party distribution expenses were \$301,820 for the year ended December 31, 2018 compared to \$293,934 for the year ended December 31, 2017, an increase of \$7,886 from the prior year.

Advanced Commissions: Advanced commissions are sales commissions paid to broker-dealers for the sale of C Class funds. These sales commissions are capitalized and then amortized over a 1-year period. Advanced commissions were \$190,712 for the year ended December 31, 2018 compared to \$197,419 for the year ended December 31, 2017, a decrease of \$6,707 from the prior year. This decrease is directly related to the decrease in sales of class C shares of the Funds from 2017 to 2018.

Sub-advisory Fees: Teton has retained two sub-advisers for four of the nine Funds. Sub-advisory fees are recognized as expenses as the related services are performed. Under the first agreement, sub-advisory fees are 35% of the net investment advisory revenues of the sub-advised funds, these fees were \$291,446 for the year ended December 31, 2018 compared to \$300,559 for the year ended December 31, 2017, a decrease of \$9,113 from the prior year due to lower average AUM. Under the second agreement, the sub-advisory fees are 0.32% of the average net assets of the sub-advised funds, these fees were \$4,478,947 for the year ended December 31, 2018 compared to \$3,433,741 for the year ended December 31, 2017, an increase of \$1,045,206 from the prior year. This increase is due to the agreement commencing in March 2017, as well as, higher average net assets subject to the agreement.

Average AUM in the 4 sub-advised funds was \$1.5 billion in 2018 compared to \$1.2 billion in 2017, an increase of \$0.3 billion from the prior year.

Other operating expenses: Other operating expenses, including those charged by GAMCO, were \$2,669,632 for the year ended December 31, 2018 compared to \$2,213,927 for the year ended December 31, 2017, an increase of \$455,705 from the prior year. This increase was primarily related to the acquisition of the KAMCO business.

Income Taxes

The effective tax rate was 25.1% for the year ended December 31, 2018, versus 40.5% for the year ended December 31, 2017. This decrease is due to the adoption of The Tax Cut and Jobs Act which was signed into law on December 22, 2017.

Net Income

Net income for 2018 was \$3,622,655 or \$1.76 per fully diluted share versus \$4,868,688 or \$2.63 per fully diluted share for 2017. Cash Earnings, a non-GAAP measure explained below, was \$7,587,109 or \$5.80 per fully diluted share for 2018, versus \$6,338,362 or \$4.94 per fully diluted share for 2017.

Supplemental Financial Information

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

In calculating Cash Earnings, we add back to net income the non-cash expense associated with the amortization of any debt discount and intangible amortization expense, as well as the after-tax intangible asset impairment charges. Although depreciation on property & equipment and amortization of leaseholds are also non-cash expenses, we do not add this 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 years presented:

	For the Years Ended December 31,	
	2018	2017
Net income	\$ 3,622,655	\$ 4,868,688
Add: Debt discount amortization	1,390,678	586,193
Add: Intangible amortization	817,776	681,481
Add: Impairment of intangible assets (net of tax impact) (b)	1,243,950	143,420
Cash Earnings (b)	<u>\$ 7,075,059</u>	<u>\$ 6,279,782</u>
Cash Earnings Per Fully Diluted Share (a) (b)	<u>\$ 5.40</u>	<u>\$ 4.90</u>

(a) - Cash Earnings Per Fully Diluted Share reflects a reduction for cash dividends paid on Series A Preferred Stock totaling \$216,614 and \$188,683 in 2018 and 2017, respectively. It does not include reductions for non-cash constructive dividends paid on the Series A Preferred Stock totaling \$1,174,112 and \$1,403,442 in 2018 and 2017, respectively. See footnote H in the footnotes to the annual financial statements for further discussion.

(b) - These amounts have been adjusted to reflect the net of tax impact of impairment charges consistent with the 2019 presentation.

Liquidity and Capital Resources

Teton’s current liquidity and capital needs largely consist of compensation to our employees, sub-advisory fees, the service agreement with GAMCO and other operating expenses such as rent. Our principal assets are highly liquid in nature and consist of cash and cash equivalents and investment advisory fee receivables. Cash and cash equivalents are comprised largely of a U.S. Treasury money market fund managed by Gabelli Funds, LLC, a subsidiary of GAMCO.

Summary cash flow data derived from our audited financial statements is as follows:

	2019	2018	2017
Cash flows provided by (used in):			
Operating activities	\$ 4,975,160	\$ 8,636,063	\$ 5,511,388
Investing activities	133,660	-	(23,000,000)
Financing activities	(2,435,094)	(10,014,394)	10,789,224
(Decrease) / Increase in cash and cash equivalents	2,673,726	(1,378,331)	(6,699,388)
Cash and cash equivalents at beginning of year	5,192,582	6,570,913	13,270,301
Cash and cash equivalents at end of year	<u>\$ 7,866,308</u>	<u>\$ 5,192,582</u>	<u>\$ 6,570,913</u>

Cash and liquidity requirements have historically been met through cash generated by Teton's operating activities. Cash and cash equivalents at December 31, 2019 were \$7,866,308, an increase of \$2,673,726 from \$5,192,582 at the prior year-end.

Net cash provided by operating activities was \$4,975,160 for the year ended December 31, 2019 compared to \$8,636,063 for the year ended December 31, 2018, a decrease of \$3,660,903 from the prior year. Net loss, adjusted for non-cash expenses, was the most significant component of cash provided by operating activities in 2019 totaling \$4,888,229. Net income, adjusted for non-cash expenses, was the most significant component of cash provided by operating activities in 2018 totaling \$7,557,483. The largest components of cash usage for operating activities for 2019 was the decrease to compensation payable and payable to affiliates of \$264,625 and \$183,768, respectively. The largest components of cash usage for operating activities for 2018 was the increase of income tax receivable of \$244,505 and the purchase of other assets of \$181,031.

Net cash provided by investing activities was \$133,660 for the year ended December 31, 2019 which related to the sale of mutual fund investments.

Net cash used in financing activities was \$2,435,094 for the year ended December 31, 2019 which consisted of payments on long-term debt of \$2,000,000, dividends paid to shareholders of \$315,706 and the purchase of 2,399 shares of our class A Common Stock for \$119,388. Net cash used by financing activities for the year ended December 31, 2018 was \$10,014,394 which consisted of payments on long-term debt and preferred stock redemptions of \$3,000,000 and \$6,376,000, respectively, dividends paid to shareholders of \$461,199 and the purchase of 3,496 shares of our class A Common Stock for \$178,195.

Market Risk

Equity Price Risk

The Company earns substantially all of its revenue as advisory fees from our Mutual Fund assets and advisory fees from separate, private client and wrap accounts. Such fees represent a percentage of AUM and the majority of these assets are in equity investments. Accordingly, since revenues are proportionate to the value of those investments, a substantial increase or decrease in equity markets overall will have a corresponding effect on the Company's revenues.

Interest Rate Risk

Our direct exposure to interest rate risk results, principally, from reinvestment risk associated with our investment of excess cash in the Gabelli U.S. Treasury Money Market Fund, which is invested 100% in U.S. treasury bills. This investment is primarily short term in nature, and the fair value of this investment generally approximates market value. The Company does not have any other significant investments. Based on December 31, 2019 cash and cash equivalents balance of \$7,866,308, a 1% increase in interest rates would increase our interest income by approximately \$78,600 annually, while a 1% decrease would reduce our interest income by approximately \$78,600 annually.

Contractual Obligations

We are obligated to make future payments under various contracts such as our debt agreement, as well as operating leases. The following table sets forth our significant contractual cash obligations as of December 31, 2019.

	<u>Total</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Contractual Obligations:						
Non-cancellable						
operating lease obligations	<u>1,259,186</u>	<u>291,105</u>	<u>296,209</u>	<u>301,429</u>	<u>303,532</u>	<u>66,911</u>
Total	<u>\$ 1,259,186</u>	<u>\$ 291,105</u>	<u>\$ 296,209</u>	<u>\$ 301,429</u>	<u>\$ 303,532</u>	<u>\$ 66,911</u>

Critical Accounting Policies

The preparation of the consolidated financial statements included in this document requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying footnotes. Estimates and assumptions about future events and their effects cannot be perceived with certainty. Estimates may change as new events occur, as more experience is acquired, as additional information becomes available and, as Teton's operating environment changes. Actual results could differ from estimates.

Teton believes the following are the most critical accounting policies used in the preparation of Teton's consolidated financial statements as well as the significant judgments and uncertainties affecting the application of these policies.

Revenue Recognition – Investment Advisory Fees

Investment advisory fees are directly influenced by the level and mix of AUM as fees are derived from a contractually determined percentage of AUM for each open-end fund and separate account. Advisory fees from the open-end mutual funds are computed daily based on average net assets and amounts receivable are included in investment advisory fees receivable in the consolidated statements of financial condition. Advisory fees from separate, private client and wrap account clients are generally computed quarterly based on account values as of the end of the preceding or current quarter in accordance with the terms of each client's investment advisory agreement. The amounts receivable is included in investment advisory fees receivable in the consolidated statements of financial condition. These revenues vary depending upon the level of sales compared with redemptions, financial market conditions and the fee structure for AUM. Revenues derived from the equity-oriented portfolios generally have higher management fee rates than fixed income portfolios.

Revenue Recognition – Distribution Fees

Distribution fees include distribution fees paid to the Company by G.distributors on the Class C shares sold. Class C shares have a 12b-1 Plan with a service and distribution fee totaling 1%. The distributor will advance the first year's commission at the time of the sale and collect the distribution fee monthly based on the daily average AUM during the first year. The Company has agreed to reimburse the distributor for the commissions advanced and receives the monthly service and distribution fee in return. Fees collected may be higher or lower than the amounts advanced as AUM increases or decreases during the period based on the Fund's performance.

Distribution Costs

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

Sub-advisory fees

Sub-advisory fees are either based on a predetermined percentage of net revenues (after certain expenses) or on the average net assets of the individual funds and are recognized as expenses as the related services are performed. The sub-advisory fees are paid in the month following when they are earned. Sub-advisory fees which are sub-advised by GAMCO are included in payable to affiliates in the consolidated statements of financial condition. Sub-advisory fees which are sub-advised by Westwood Management Corporation are included in accrued expenses and other liabilities in the consolidated statements of financial condition.

Income Taxes

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

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

Stock Based Compensation

The Company uses a fair value-based method of accounting for stock-based compensation provided to our employees. The estimated fair value of restricted stock awards ("RSA") grants was determined by using the closing price of Class A Common Stock ("Class A

Stock”) on the date of the grant. The total expense is recognized over the vesting period for these awards. For the 2019 grants which occurred on May 10, 2019 and August 19, 2019, the vesting is 40% over three years from the date of grant and 60% over five years from the date of grant.

Contingent Deferred Sales Commissions

Sales commissions are paid to broker-dealers in connection with the sale of Class C shares of open-end Funds. These commissions are capitalized and amortized over a period of 1 year, based upon the period of time during which deferred sales commissions are expected to be recovered from distribution plan payments received from those Funds and from contingent deferred sales charges received from shareholders of those Funds upon redemption of their shares. Distribution plan payments received from these Funds are recorded in revenue as earned. Contingent deferred sales charges and early withdrawal charges received from redeeming shareholders of these funds are generally applied to reduce the Company’s unamortized deferred sales commission assets. Should the Company lose its ability to recover such sales commissions through distribution plan payments and contingent deferred sales charges, the value of these assets would immediately decline, as would future cash flows. The amortization of these charges is included in advanced commissions on the consolidated statements of operations and amounted to \$89,022, \$190,712 and \$197,419 for the years ended December 31, 2019, 2018 and 2017, respectively.

Recent Accounting Developments

See Footnote A. Significant Accounting Policies – Recent Accounting Developments.

Seasonality and Inflation

We do not believe our operations are subject to significant seasonal fluctuations. We do not believe inflation will significantly affect our compensation costs, as they are substantially variable in nature. However, the rate of inflation may affect our expenses such as information technology and occupancy costs. To the extent inflation results in rising interest rates and has other effects upon the securities markets, it may adversely affect our financial position and results of operations by reducing our AUM, and related investment advisory fees.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to the information contained under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Market Risk."

CONSOLIDATED FINANCIAL STATEMENTS

TETON ADVISORS, INC. AND SUBSIDIARY INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Independent Auditor's Report	28
Financial Statements:	
Consolidated statements of operations for the years ended December 31, 2019, 2018 and 2017	30
Consolidated Statements of Financial Condition at December 31, 2019 and 2018	31
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2019, 2018 and 2017	32
Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017	33
Notes to Consolidated Financial Statements	35

Independent Auditor's Report

Board of Directors
Teton Advisors, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Teton Advisors, Inc. and Subsidiary (the Company), which comprise the consolidated statements of financial condition as of December 31, 2019 and 2018, the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teton Advisors, Inc. and Subsidiary as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the three years in the period ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note K to the financial statements, the Company has elected to change its method of accounting for leases as a result of the adoption of Accounting Standards Codification 842 in 2019. Our opinion is not modified with respect to this matter.

RSM US LLP

Chicago, Illinois
March 31, 2020

TETON ADVISORS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues			
Investment advisory fees, net	\$ 20,637,324	\$ 27,949,496	\$ 28,510,064
Distribution fees	103,722	207,393	216,119
Other income, net	135,145	96,677	74,157
Total revenues	<u>20,876,191</u>	<u>28,253,566</u>	<u>28,800,340</u>
Operating expenses			
Compensation	5,654,516	6,915,935	8,571,309
Marketing and administrative fees	1,750,220	2,065,704	1,936,662
Distribution expenses	2,153,478	2,610,734	2,200,728
Advanced commissions	89,022	190,712	197,419
Sub-advisory fees	3,763,422	4,770,393	3,734,300
Other operating expenses	1,972,286	2,669,632	2,213,927
Total operating expenses	<u>15,382,944</u>	<u>19,223,110</u>	<u>18,854,345</u>
Income before interest, taxes, depreciation, amortization and impairment	5,493,247	9,030,456	9,945,995
Interest expense	426,822	1,579,904	854,817
Depreciation and amortization expense	851,266	855,363	706,036
Impairment of intangible assets	8,220,000	1,755,839	202,000
Income (loss) before income taxes	(4,004,841)	4,839,350	8,183,142
Income tax provision (benefit)	(1,402,514)	1,216,695	3,314,454
Net income (loss)	<u>\$ (2,602,327)</u>	<u>\$ 3,622,655</u>	<u>\$ 4,868,688</u>
Net income (loss) per share:			
Basic	<u>\$ (2.06)</u>	<u>\$ 1.81</u>	<u>\$ 2.83</u>
Fully diluted	<u>\$ (2.06)</u>	<u>\$ 1.76</u>	<u>\$ 2.63</u>
Weighted average shares outstanding:			
Basic	<u>1,262,491</u>	<u>1,232,961</u>	<u>1,157,272</u>
Fully diluted	<u>1,262,491</u>	<u>1,270,021</u>	<u>1,244,306</u>
Dividends declared - per share	<u>\$ 0.20</u>	<u>\$ 0.20</u>	<u>\$ 0.20</u>

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

TETON ADVISORS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
As of December 31, 2019, and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 7,866,308	\$ 5,192,582
Investment advisory fees receivable	1,554,134	1,830,343
Investment in securities	-	111,198
Deferred tax asset	2,591,958	260,545
Distribution and shareholder service expense reimbursement receivable	61,801	74,128
Income tax receivable	-	244,505
Receivable from affiliates	11,429	14,484
Intangible assets, net (Note B)	10,349,963	19,387,741
Contingent deferred sales commissions	32,266	64,428
Right-of-use assets	1,283,618	-
Other assets (net of accumulated depreciation of \$45,357 and \$70,406, respectively)	437,315	536,653
Total assets	<u>\$ 24,188,792</u>	<u>\$ 27,716,607</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Compensation payable	\$ 635,928	\$ 900,553
Payable to affiliates	551,170	734,938
Distribution costs payable	282,220	361,022
Income tax payable	15,699	-
Lease liability	1,386,911	-
Accrued expenses and other liabilities	1,291,405	1,336,939
Sub total	<u>4,163,333</u>	<u>3,333,452</u>
Long-term debt, net of discount (Note C)	-	1,574,411
Total liabilities	<u>4,163,333</u>	<u>4,907,863</u>
Stockholders' equity:		
Preferred stock, \$0.001 par value; 80,000 shares authorized; none issued and outstanding	-	-
Class A common stock, \$0.001 par value; 1,700,000 shares authorized; 1,019,145 and 976,144 shares issued, respectively; 974,834 and 932,789 outstanding, respectively	974	974
Class B common stock, \$0.001 par value; 800,000 shares authorized; 792,000 shares issued; 329,954 and 330,598 shares outstanding, respectively	339	339
Additional paid-in capital	4,290,228	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)	(1,185,409)	(1,066,021)
Retained earnings	16,919,327	19,841,778
Total stockholders' equity	<u>20,025,459</u>	<u>22,808,744</u>
Total liabilities and stockholders' equity	<u>\$ 24,188,792</u>	<u>\$ 27,716,607</u>

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

TETON ADVISORS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2019, 2018 and 2017

	<u>Common Stock Class A</u>	<u>Common Stock Class B</u>	<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at December 31, 2016	\$ 974	\$ 339	\$ 644,628	\$ (2,308,830)	\$ 14,683,734	\$ 13,020,845
Net income	-	-	-	-	4,868,688	4,868,688
Stock based compensation	-	-	41,197	-	-	41,197
Proceeds from reissuance of treasury stock	-	-	365,000	95,000	-	460,000
Issuance of preferred stock and common stock	-	-	1,551,939	617,500	-	2,169,439
Issuance of long-term debt and warrants	-	-	2,402,460	-	-	2,402,460
Amortization of discount - preferred stock	-	-	-	-	(1,171,462)	(1,171,462)
Accretion of stock value - preferred stock	-	-	-	-	(231,980)	(231,980)
Stock buyback	-	-	-	(241,496)	-	(241,496)
Dividends declared	-	-	-	-	(400,500)	(400,500)
Balance at December 31, 2017	<u>974</u>	<u>339</u>	<u>5,005,224</u>	<u>(1,837,826)</u>	<u>17,748,480</u>	<u>20,917,191</u>
Net income	-	-	-	-	3,622,655	3,622,655
Stock based compensation	-	-	(24,550)	-	-	(24,550)
Proceeds from reissuance of treasury stock	-	-	(949,000)	950,000	-	1,000
Amortization of discount - preferred stock	-	-	-	-	(997,911)	(997,911)
Accretion of stock value - preferred stock	-	-	-	-	(176,200)	(176,200)
Stock buyback	-	-	-	(178,195)	-	(178,195)
Dividends declared	-	-	-	-	(355,246)	(355,246)
Balance at December 31, 2018	<u>974</u>	<u>339</u>	<u>4,031,674</u>	<u>(1,066,021)</u>	<u>19,841,778</u>	<u>22,808,744</u>
Net loss	-	-	-	-	(2,602,327)	(2,602,327)
Stock based compensation	-	-	258,554	-	-	258,554
Stock buyback	-	-	-	(119,388)	-	(119,388)
Dividends declared	-	-	-	-	(320,124)	(320,124)
Balance at December 31, 2019	<u>\$ 974</u>	<u>\$ 339</u>	<u>\$ 4,290,228</u>	<u>\$ (1,185,409)</u>	<u>\$ 16,919,327</u>	<u>\$ 20,025,459</u>

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

TETON ADVISORS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating activities			
Net income (loss)	\$ (2,602,327)	\$ 3,622,655	\$ 4,868,688
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization, other	33,488	53,685	24,555
Gain on sale of investments, net	(22,462)	-	-
Realized loss on non-option derivative	-	46,800	-
Deferred taxes	(2,331,413)	(296,114)	132,659
Amortization of contingent deferred sales commission	89,022	190,712	197,419
Amortization of intangible assets	817,778	817,778	681,481
Amortization of debt discount	425,589	1,390,678	586,193
Intangible asset impairment	8,220,000	1,755,839	202,000
Stock based compensation expense	258,554	(24,550)	41,197
(Increase) decrease in operating assets:			
Investment advisory fees receivable	276,209	790,248	(1,307,179)
Investment in securities	-	11,000	(28,152)
Distribution and shareholder service expense reimbursement receivable	12,327	45,253	(119,381)
Income tax receivable	244,505	(244,505)	60,767
Receivable from affiliates	3,055	5,969	(3,381)
Contingent deferred sales commission	(56,860)	(157,381)	(215,301)
Right-of-use assets	172,888		
Other assets	65,850	(181,031)	(137,674)
Increase (decrease) in operating liabilities:			
Payable to affiliates	(183,768)	2,447	230,252
Income tax payable	15,699	(35,449)	35,449
Compensation payable	(264,625)	831,553	(237,801)
Distribution costs payable	(78,802)	(95,841)	297,677
Lease liability	(69,595)	-	-
Accrued expenses and other liabilities	(49,952)	106,317	201,920
Total adjustments	<u>7,577,487</u>	<u>5,013,408</u>	<u>642,700</u>
Net cash provided by operating activities	4,975,160	8,636,063	5,511,388

	2019	2018	2017
Investing activities			
Proceeds from sale of investments	133,660	-	-
Acquisition of Keeley Asset Management Corp. assets	-	-	(23,000,000)
Net cash provided by / (used in) in investing activities	<u>133,660</u>	<u>-</u>	<u>(23,000,000)</u>
Financing activities			
Payment on preferred stock redemption	-	(6,376,000)	(1,579,000)
Payment on long-term debt	(2,000,000)	(3,000,000)	-
Proceeds from issuance of preferred and common stock	-	-	7,500,065
Proceeds from issuance of long-term debt and warrants	-	-	5,000,000
Proceeds from reissuance of treasury stock	-	1,000	460,000
Dividends paid	(315,706)	(461,199)	(350,345)
Stock repurchase	(119,388)	(178,195)	(241,496)
Net cash (used in) / provided by financing activities	<u>(2,435,094)</u>	<u>(10,014,394)</u>	<u>10,789,224</u>
Net increase (decrease) in cash and cash equivalents	2,673,726	(1,378,331)	(6,699,388)
Cash and cash equivalents at beginning of year	5,192,582	6,570,913	13,270,301
Cash and cash equivalents at end of year	<u>\$ 7,866,308</u>	<u>\$ 5,192,582</u>	<u>\$ 6,570,913</u>
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	<u>\$ 599,947</u>	<u>\$ 1,669,425</u>	<u>\$ 2,806,000</u>
Cash paid for interest	<u>\$ 31,233</u>	<u>\$ 159,226</u>	<u>\$ 268,624</u>
Supplemental disclosure of non-cash activity:			
Right-of-use asset obtained in exchange for lease liability	<u>\$ 1,456,506</u>	<u>\$ -</u>	<u>\$ -</u>

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

A. Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

Teton Advisors, Inc. (“Teton” or the “Company”) (OTC PINK: TETAA) was formed in Texas as Teton Advisers LLC in December 1994. On March 2, 1998, Teton Advisers LLC was renamed Gabelli Advisers LLC and, on the same date, merged into Gabelli Advisers, Inc., a Delaware corporation. On January 25, 2008, Gabelli Advisers, Inc. was renamed Teton Advisors, Inc. On March 20, 2009, GAMCO Investors, Inc. (“GAMCO”) spun-off their ownership interest in Teton to its stockholders. Prior to the March 20, 2009 spin-off, the Company was a 42%-owned subsidiary of GAMCO. 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 eleven mutual funds under the TETON Westwood and KEELEY Funds brands (collectively referred to herein as the “Funds”), along with various separately managed account strategies. Currently there are six TETON Westwood mutual funds and three KEELEY mutual funds. 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.

The accompanying consolidated financial statements include the accounts of Teton Advisors, Inc. and its subsidiary Keeley Teton. All intercompany accounts and transactions have been eliminated upon consolidation.

Reclassifications

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

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

Nature of Operations

Teton and Keeley Teton are both registered investment advisers under the Investment Advisers Act of 1940. Teton serves as the investment manager for six mutual funds with assets under management (“AUM”) of \$1.2 billion at December 31, 2019 as compared to seven mutual funds with AUM of \$1.3 billion at December 31, 2018. Teton also serves as the investment manager to certain separate accounts with aggregate assets of \$44.7 million and \$38.4 million at December 31, 2019 and 2018, respectively. Keeley Teton serves as the investment manager for three mutual funds with AUM of \$680.7 million at December 31, 2019 as compared to four mutual funds with AUM of \$734.8 million at December 31, 2018. Keeley Teton also serves as the investment manager to certain separate, private client and wrap accounts with aggregate AUM of \$408.7 million and \$381.2 million at December 31, 2019 and 2018, respectively. The Company’s principal market is the United States.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held at banks and an affiliated money market mutual fund, which is highly liquid. U.S. Treasury Bills and Notes with maturities of three months or less at the time of purchase are also considered cash equivalents.

Securities Transactions

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

Revenue Recognition

The Company's revenues are derived primarily from investment advisory fees. Investment advisory fees are directly influenced by the level and mix of AUM as fees are derived from a contractually determined percentage of AUM for each open-end fund, separate, private client and wrap account. Advisory fees from the open-end mutual funds are computed daily based on average net assets and amounts receivable are included in investment advisory fees receivable in the consolidated statements of financial condition. Advisory fees from separate, private client and wrap account clients are generally computed quarterly based on account values as of the end of the preceding or current quarter in accordance with the terms of each client's investment advisory agreement. Client agreements provide for such fees to be billed in arrears or advance. Fees billed in arrears are included in investment advisory fees receivable in the consolidated statements of financial condition. Fees billed in advance are recognized as income over the quarter as the investment advisory services are performed. The Company derived approximately 99%, 99% and 99% of its total revenue from advisory fees for the periods ended December 31, 2019, 2018 and 2017, respectively. These revenues vary depending upon the level of sales compared with redemptions, financial market conditions and the fee structure for AUM. Revenues derived from the equity-oriented portfolios generally have higher management fee rates than fixed income portfolios. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management believes that all accounts receivable are collectible; accordingly, an allowance for doubtful accounts has not been established.

Distribution fees include distribution fees paid to the Company by G.distributors, LLC ("G.distributors") on the Class C Fund shares sold. Class C shares have a 12b-1 Plan with a service and distribution fee totaling 1%. The distributor will advance the first year's commission at the time of the sale and collect the distribution fee monthly based on the daily average AUM over the first year. The Company has agreed to reimburse the distributor for the commissions advanced and receives the monthly service and distribution fee in return. Fees collected may be higher or lower than the amounts advanced as AUM increases or decreases during the period based on the Fund's performance.

Distribution Costs

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

Sub-advisory Fees

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

Depreciation

Fixed assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Fixed assets, net of accumulated depreciation was \$70,388 and \$92,276 at December 31, 2019 and 2018, respectively, which are included in other assets in the consolidated statements of financial condition.

Income Taxes

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

The Company records uncertain tax positions in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes", on the basis of a two-step process whereby (1) the Company determines whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company recognizes the accrual of interest on uncertain tax positions and penalties

in income tax expense on the consolidated statements of operations. Accrued interest and penalties on uncertain tax positions are included within accrued expenses and other liabilities in the consolidated statements of financial condition.

Fair Value Measurement

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

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly-quoted intervals.
- Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

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

Investments in Securities

Investments in securities are accounted for as "trading securities" and are stated at fair value.

Earnings Per Share

Basic earnings per share are based on the weighted-average number of common shares outstanding during each period, less unvested restricted stock. Fully diluted earnings per share are based on basic shares plus the effect of any dilutive shares from the unvested restricted stock using the treasury stock method. Basic earnings per share and fully diluted earnings per share reflects the deduction of cash dividends and non-cash constructive dividends associated with the Series A Preferred Stock. Fully diluted earnings per share also reflect the impact of the issuance of common stock in connection with the exercise of outstanding stock warrants.

Stock Based Compensation

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

Contingent Deferred Sales Commissions

Sales commissions paid to broker-dealers in connection with the sale of Class C shares of open-end Funds are generally capitalized and amortized over a period of one year, based upon the period of time during which deferred sales commissions are expected to be recovered from distribution plan payments received from those Funds and from contingent deferred sales charges received from shareholders of those Funds upon redemption of their shares. Distribution plan payments received from these Funds are recorded in revenue as earned. Contingent deferred sales charges and early withdrawal charges received from redeeming shareholders of these funds are generally applied to reduce the Company's unamortized deferred sales commission assets. Should the Company lose its ability to recover such sales commissions through distribution plan payments and contingent deferred sales charges, the value of these assets would immediately decline, as would future cash flows. The amortization of these charges is included in advanced commissions and amounted to \$89,022, \$190,712 and \$197,419 for the years ended December 31, 2019, 2018 and 2017, respectively.

Concentration of Credit Risk

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

Business Segments

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

Recent Accounting Developments

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

The adoption of the new revenue standard resulted in the following changes to the Company’s previously reported results for the twelve-month periods ended December 31, 2017. No reconciliation was necessary for 2018 and 2019 as the Company adopted this guidance on January 1, 2018.

For the twelve months ended December 31, 2017	As Previously Reported	Adjustments Due to New Revenue Standard	As Adjusted
Revenue:			
Investment advisory fees - mutual funds	\$ 29,673,008	\$ (1,162,944)	\$ 28,510,064
Expenses:			
Distribution costs and expense reimbursements*	\$ 3,363,672	\$ (1,162,944)	\$ 2,200,728

* - Labeled distribution costs in 2018

In January 2017, the FASB issued ASU 2017-04 to simplify the process used to test for goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The Company adopted this new guidance in connection with its 2018 annual impairment test. See footnote B.

In February 2016, the FASB issued Accounting Standards Update 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 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. The main impact to the financial statements is the recognition of lease liabilities and right of use assets. Additional information on our operating leases is included in Note K Leases.

B. Acquisition, Goodwill and Other Intangible Assets

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 1, 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. Goodwill represents the excess of the purchase price over the fair value of the underlying acquired tangible and intangible assets. 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 contracts 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 are 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 impairment exists, the carrying value will be reduced accordingly. 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.

The following unaudited pro forma financial information presents the consolidated results of the operations of Teton and the acquired business assets of KAMCO as if the acquisition had occurred as of January 1, 2017. It also includes the impact of discount amortization as well as the impact of the amortization of intangible assets acquired in the transaction, shown on a pro forma basis. The pro forma information has been included for comparative purposes and is not necessarily indicative of what the results of operations actually would have been had the acquisition been completed as of January 1, 2017. In addition, the unaudited pro forma financial information is not indicative of, nor does it purport to project, the future operating results of the Company.

	Unaudited Pro Forma - Year Ended December 31, 2017	
Revenues	\$	28,100,000
Income before interest, taxes, depreciation and amortization	\$	9,300,000
Net income	\$	4,650,000

From the inception date on February 28, 2017 through December 31, 2017, the acquired operations of KAMCO contributed revenue and net income of approximately \$15,280,000 and \$2,770,000, respectively.

Goodwill

Goodwill represents the excess of the cost of the acquired assets over the fair value of the underlying identifiable assets at the date of acquisition. Changes in goodwill are as follows:

	As of December 31,	
	2019	2018
Beginning balance	\$ -	\$ 1,364,839
Acquired goodwill	-	-
Impairment of goodwill	-	(1,364,839)
Ending balance	<u>\$ -</u>	<u>\$ -</u>

Goodwill is not amortized but is tested for impairment at least annually. We completed our annual goodwill impairment assessment during the fourth quarter of 2018 and determined that an impairment charge of the full balance was required.

Other Intangible Assets

Our intangible assets represent the acquisition date fair value of acquired customer relationships, mutual fund management contracts and trade name, and are reflected net of amortization, where applicable. In the fourth quarter of 2019, we performed our annual review and determined that there were impairments associated with the intangible assets. As a result, customer relationships, mutual fund management contracts and trade name had impairment charges of \$269,000, \$7,458,000 and \$493,000, respectively. In 2018, the

Company had impairment charges on goodwill and trade name of \$1,364,839 and \$391,000, respectively. In 2017, the Company took an impairment charge of \$202,000 related to the trade name. These impairment charges are reflected, as such, in our consolidated statements of operations. The following is a summary of the other intangible assets at December 31, 2019.

For the Year Ending December 31, 2019

	Weighted Average Amortization Period (years)	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Customer relationships	9	\$ 7,360,000	\$ (2,317,037)	\$ (269,000)	\$ 4,773,963
Mutual fund management contracts	-	12,600,000	-	(7,458,000)	5,142,000
Trade name	-	1,520,000	-	(1,086,000)	434,000
		<u>\$ 21,480,000</u>	<u>\$ (2,317,037)</u>	<u>\$ (8,813,000)</u>	<u>\$ 10,349,963</u>

Amortization expense for customer relationships for the years ended 2019, 2018, and 2017 are \$817,778, \$817,778, and \$681,481, respectively. Estimated amortization expense for customer relationships over the next five years and thereafter is as follows:

For the year ended December 31,	Estimated Amortization Expense
2020	\$ 774,156
2021	774,156
2022	774,156
2023	774,156
2024	774,156
Thereafter	903,183
Total	<u>\$ 4,773,963</u>

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 interest rate on the GGCP Note was 6% per annum, paid quarterly. The effective interest rate on the debt at inception was 19.84%. 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 years of the term of the loan, in addition to quarterly interest payments, the Company was required 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 was able 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 and was exercisable at any time in whole or in part. A discount of \$2,402,460 was recorded against the stated value of the loan at the date of issuance. The discount was determined based upon the relative fair value allocation of the proceeds. The discount was amortized as interest expense over the term of the loan. Unamortized discount as of December 31, 2019 and 2018 was zero and \$425,589, respectively. Interest expense related to the amortization of the debt discount for the year ended December 31, 2019, 2018 and 2017 was \$425,589, 1,390,678 and \$586,193, respectively. For the twelve-month period ended December 31, 2019, 2018 and 2017, the company incurred interest expense of \$1,233, \$189,226 and \$254,167, respectively. On January 3, 2019, the Company made a final principal a payment of \$2,000,000 on the GGCP Note. The warrant was exercised in whole by GGCP in April 2018. The total proceeds received from the exercise of the warrants by the company were \$1,000.

D. Preferred Stock

On February 23, 2017, in connection with the acquisition of the business of KAMCO, Teton entered into a financing agreement with Keeley Enterprises, whereby Keeley Enterprises provided \$7,500,000 in financing in exchange for 75,000 shares of Teton Series A Preferred Stock ("Preferred Stock"), par value \$.001 per share, and 65,000 shares of Teton Class A Common Stock, par value \$0.001 per share. The Preferred Stock, which was cumulative, had an annual dividend of 3% which was payable quarterly. Each share of Preferred Stock had voting rights equal to 0.1333 shares of Teton Class A Common Stock and participated 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.

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 being amortized to retained earnings (as well as being treated as a preferred stock dividend for purposes of computing earnings available to common stockholder 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 2017, the Company redeemed 15,000 shares (principal amount of \$1,500,000) 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 \$78,980. In connection with the redemption, the Company accelerated the amortization of discount associated with the partial 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 \$347,594.

In 2018, the Company redeemed the remaining 60,000 shares (principal amount of \$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.

As of December 31, 2018, all Preferred Stock has been redeemed. The company realized a loss of \$46,800 associated with the forward contract, as the redemption price was greater than the strike price upon final redemption. The loss is included in other income, net on the consolidated statements of operations.

E. Fair Value Measurement

The following table presents information about the Company's assets by major categories measured at fair value on a recurring basis as of December 31, 2019 and 2018 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

Assets Measured at Fair Value on a Recurring Basis as of December 31, 2019

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2019
Cash equivalents	\$ 6,605,042	\$ -	\$ -	\$ 6,605,042

Assets Measured at Fair Value on a Recurring Basis as of December 31, 2018

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2018
Cash equivalents	\$ 4,591,121	\$ -	\$ -	\$ 4,591,121
Investment in securities	111,198	-	-	111,198
Total assets at fair value	\$ 4,702,319	\$ -	\$ -	\$ 4,702,319

There were no transfers between any levels during the years ended December 31, 2019 or 2018.

F. Income Taxes

On December 22, 2017, the Tax Reform Act was signed into law. The legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates. The Tax Reform Act reduces the U.S. Corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018.

The Company performed an impairment test in the fourth quarter of 2019 which resulted in a material impairment, mostly attributable to the mutual fund management contracts. As a result of the decreased book value of intangibles, the Company's deferred tax assets associated with the intangibles increased correspondingly which resulted in the Company recognizing a deferred tax benefit of \$2,331,413 at the end of the year.

The provision for (benefit from) income taxes for the years ended December 31, consisted of the following:

	2019	2018	2017
Federal:			
Current	\$ 766,818	\$ 1,181,134	\$ 2,541,714
Deferred	(1,452,189)	(192,710)	96,338
State and local:			
Current	180,945	331,677	640,082
Deferred	(898,088)	(103,406)	36,320
Total	\$ (1,402,514)	\$ 1,216,695	\$ 3,314,454

A reconciliation of the Federal statutory income tax rate to the effective tax rate is set forth below:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutory Federal income tax rate	21.0%	21.0%	34.0%
State income tax, net of Federal benefit	13.6%	4.6%	4.5%
Other	0.4%	(0.5%)	2.0%
Effective income tax rate	<u>35.0%</u>	<u>25.1%</u>	<u>40.5%</u>

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

	<u>2019</u>	<u>2018</u>
Deferred tax assets:		
Deferred compensation	\$ 87,009	\$ 17,410
Amortization of intangible assets	(12,060)	(318,125)
Impairment of intangible assets	2,462,096	512,035
Capitalized acquisition costs	76,343	82,631
Total deferred tax assets	<u>2,613,388</u>	<u>293,951</u>
Deferred tax liabilities:		
Contingent deferred sales commission	(7,760)	(15,498)
Fixed assets	(13,670)	(17,290)
Other	-	(618)
Total deferred tax liabilities	<u>(21,430)</u>	<u>(33,406)</u>
Net deferred tax (liability) / asset	<u>\$ 2,591,958</u>	<u>\$ 260,545</u>

The Company's Federal and State income tax returns are subject to future audit for all years after 2015.

As of December 31, 2019, 2018 and 2017 the Company's gross unrecognized tax benefits were \$1,003,401, \$970,965 and \$871,141, respectively, of which \$792,687, \$767,062 and \$688,202, if recognized, would affect the Company's effective tax rate.

Balance at January 1, 2017	\$ 742,403
Additions based on tax positions related to the current year	180,415
Reductions for tax positions of prior years	(51,677)
Balance at December 31, 2017	<u>871,141</u>
Additions based on tax positions related to the current year	145,666
Reductions for tax positions of prior years	(45,842)
Balance at December 31, 2018	<u>970,965</u>
Additions based on tax positions related to the current year	110,901
Reductions for tax positions of prior years	(78,465)
Balance at December 31, 2019	<u>\$ 1,003,401</u>

As of December 31, 2019, and 2018, the net liability for unrecognized tax benefits related to uncertain tax positions was \$1,054,429 and \$986,005, respectively, and is included in accrued expenses and other liabilities in the consolidated statements of financial condition.

The Company recognizes both interest and penalties with respect to unrecognized tax benefits as income tax expense. As of December 31, 2019, 2018 and 2017, the Company had accrued a gross liability of \$310,343, \$256,921 and \$202,517, respectively, related to interest and penalties. For the years ended December 31, 2019, 2018 and 2017, the Company recorded income tax expenses related to an increase in its liability for interest and penalties of \$42,800, \$44,477 and \$46,968, respectively. The amount is included in accrued expenses and other liabilities in the consolidated statements of financial condition.

As of December 31, 2019, management has not identified any potential material subsequent events that could have a significant impact on unrecognized tax benefits within the next twelve months.

G. Revenue

On January 1, 2018, the Company adopted ASU 2016-09 using the full 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 month or calendar quarter. Once clients receive our investment advisory services we have an enforceable right to payment.

Advisory Fee Revenues

Our advisory fees are generated by 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 consolidated financial statements contain no deferred advisory fee revenues. Advisory clients typically consist of institutional and mutual fund accounts.

Institutional investor accounts typically consist of corporate pension and profit sharing plans, public employee retirement funds, Taft Hartley plans, endowments, foundations and individuals. Mutual funds include the TETON Westwood Funds, a family of mutual funds for which Teton Advisors serves as advisor, and the KEELEY Funds, a family of mutual funds for which Keeley Teton Advisors serves as advisor. These funds are available to individual investors, as well as, offered as part of our investment strategies for institutional investors and private wealth accounts.

Mutual fund advisory fee revenue is net of related fund reimbursements totaling \$1,607,430, \$1,478,494 and \$1,162,944 for the twelve-month periods ended December 31, 2019, 2018 and 2017, respectively.

Revenue Disaggregated

The following table presents our revenue disaggregated by account type:

	For the year ended December 31,		
	2019	2018	2017
Investment advisory fees			
Open-end mutual funds, net	\$ 17,871,827	\$ 24,666,985	\$ 23,521,795
Separate accounts	1,058,221	1,389,778	3,338,305
Private clients	1,310,388	1,265,485	920,621
Wrap	396,888	627,248	729,343
Total investment advisory fees	20,637,324	27,949,496	28,510,064
Distribution fees	103,722	207,393	216,119
Other income, net	135,145	96,677	74,157
Total revenues	\$ 20,876,191	\$ 28,253,566	\$ 28,800,340

H. Net Income per Share

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

	For the Years Ending December 31,		
	2019	2018	2017
Basic:			
Net income (loss)	\$ (2,602,327)	\$ 3,622,655	\$ 4,868,688
Deduct preferred stock - cash dividends	-	(216,614)	(188,683)
Deduct preferred stock - constructive dividends (a)	-	(1,174,111)	(1,403,442)
Income (loss) attributable to Teton shareholders	<u>\$ (2,602,327)</u>	<u>\$ 2,231,930</u>	<u>\$ 3,276,563</u>
Weighted average shares outstanding	1,262,491	1,232,961	1,157,272
Basic net income (loss) per share	<u>\$ (2.06)</u>	<u>\$ 1.81</u>	<u>\$ 2.83</u>
Fully diluted:			
Net income (loss)	\$ (2,602,327)	\$ 3,622,655	\$ 4,868,688
Deduct preferred stock - cash dividends	-	(216,614)	(188,683)
Deduct preferred stock - constructive dividends (a)	-	(1,174,111)	(1,403,442)
Income (loss) attributable to Teton shareholders	<u>\$ (2,602,327)</u>	<u>\$ 2,231,930</u>	<u>\$ 3,276,563</u>
Weighted average shares outstanding	1,262,491	1,232,961	1,157,272
Assumed conversion of common stock warrants	-	31,774	85,459
Dilutive restricted stock awards	-	5,286	1,575
Total	1,262,491	1,270,021	1,244,306
Fully diluted net income (loss) per share	<u>\$ (2.06)</u>	<u>\$ 1.76</u>	<u>\$ 2.63</u>

(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. Stockholders' 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 on a one-for-one basis.

Stock Based Compensation

During 2017, the Company issued 10,000 RSAs at a grant date fair value of \$38.50 per share, 40% to vest in three years and 60% in five years. On December 31, 2018, the entire 10,000 share grant was forfeited prior to any shares vesting and the company recorded a credit of \$121,917 related to the 2017 grant which was included in compensation expense in the consolidated statements of operations.

During 2019, the Company issued 2 RSA grants. The first grant was for 17,500 RSAs at a grant date fair value of \$51.32 per share and the second grant was for 25,000 RSAs at a grant date fair value of \$45.00. Both grants will vest 40% in three years and 60% in five years.

As of December 31, 2019, and 2018, there were 42,500 and zero RSAs outstanding, respectively, at an average grant price of \$47.60 and zero per share, respectively.

For the years ended December 31, 2019, 2018 and 2017, the Company recorded stock-based compensation expense of \$258,554, (\$24,550) and \$41,196, respectively.

During 2018, 1,500 restricted stock awards vested with a fair value of \$43,425. No restricted stock awards vested during 2019 and 2017.

Dividends

During 2019, 2018 and 2017, the Company declared dividends of \$0.20, \$0.20 and \$0.20, respectively, per share to Class A and Class B common stockholders totaling \$320,124, \$184,032 and \$234,943, respectively. During 2018 and 2017, the Company declared dividends of \$2.25 and \$2.25 per share to Series A Redeemable Preferred shareholder totaling \$171,214 and \$165,557, respectively. No Series A Redeemable Preferred shareholder dividends were declared in 2019 as the Preferred Stock was fully redeemed in 2018.

J. Commitments

The Company rents two office spaces, one in Rye, NY and the other in Chicago, IL. The office space in Rye is pursuant to a sublease with GAMCO, which expires on December 5, 2028. On September 1, 2014, an additional 485 square feet of office space at the same location was subleased from LICT Corporation in an agreement which expires on December 5, 2023. The office lease in Chicago expires on December 31, 2023.

Future minimum lease payments under these agreements at December 31, 2019 are as follows:

2020	\$	291,105
2021		296,209
2022		301,429
2023		303,532
2024		66,911
Total	\$	<u>1,259,186</u>

Occupancy expense amounted to \$266,069, \$414,281 and \$310,404 in 2019, 2018 and 2017, respectively, which is included in other operating expenses in the consolidated statements of operations.

The Company had a standby letter of credit totaling \$120,892 that matured on July 21, 2018, which was issued as the security deposit for the Company's previous Chicago office lease agreement.

The Company has established a stock buyback program which authorizes the Company to repurchase up to 50,000 shares of Class A Common Stock. Teton entered into a Stock Repurchase Plan in compliance with Rule 10b5-1 and 10b-18 as of March 5, 2018 for the purpose of establishing a systematic trading program under which a brokerage firm will use its reasonable efforts, consistent with ordinary principles of best execution, to repurchase on behalf of Teton Advisors from time to time shares of common stock of Teton Advisors. As of December 31, 2019, the remaining share repurchase authorization under the program totaled 29,246 shares.

K. 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 in our consolidated statements of operations. 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 December 31, 2019, the weighted-average remaining lease term on these leases is approximately six years and the weighted-average discount rate used to measure the lease liabilities varies from lease to lease which ranges from 4.63% to 5.63%. Our operating lease expense for the year ended December 31, 2019, 2018 and 2017 was \$298,703, \$354,472 and \$296,311, respectively.

We made lease payments of \$195,411, \$363,686 and \$296,311 during the years ended December 31, 2019, 2018 and 2017 respectively. Our future undiscounted cash flows related to our operating leases and the reconciliation to the operating lease liability as of December 31, 2019 is as follows:

	<u>December 31, 2019</u>
2020	317,037
2021	322,140
2022	319,121
2023	320,399
2024	71,521
Thereafter	<u>267,644</u>
Total future undiscounted cash flows	1,617,861
Less: imputed interest to be recognized in lease expense	<u>(230,950)</u>
Operating lease liabilities, as reported	<u>\$ 1,386,911</u>

L. Related Party Transactions

The following is a summary of certain related party transactions:

Mario J. Gabelli (“Mr. Gabelli”) is the controlling stockholder of Teton through the shares he owns in his name and through his control of GGCP Holdings LLC, a wholly owned subsidiary of GGCP, Inc. Mr. Gabelli owned approximately 23.2% of Teton’s Class A and B shares and GGCP Holdings LLC owned approximately 30.6% of Teton’s Class A and B shares as of December 31, 2019.

Teton invests the majority of its cash equivalents in a money market mutual fund managed by Gabelli Funds, LLC (“Gabelli Funds”). Gabelli Funds is owned 100% by GAMCO Investors, Inc. (“GAMCO”), a majority-owned subsidiary of GGCP, Inc. At December 31, 2019, 2018 and 2017 Teton had \$6,605,042, \$4,591,121 and \$5,944,959, respectively, in this money market fund and earned interest income of \$111,441, \$144,475 and \$54,297 respectively.

In 2019, Teton sold its remaining investments in the TETON Westwood Mid-Cap Equity Fund.

G.distributors, a subsidiary of GAMCO, serves as the principal distributor for the Funds. Distribution fees are paid to the Company by G.distributors on the Class C Fund shares sold. For the year ended December 31, 2019, 2018 and 2017 distribution fees were \$103,722, \$207,393 and \$216,119, respectively. As distributor, G.distributors also incurs certain promotional and distribution costs, which are related to the sale of Fund shares and expensed as incurred.

Teton paid GAMCO marketing and administrative fees based on the average net assets of the TETON Westwood Funds, amounting to \$1,750,220, \$2,065,704 and \$1,936,662 for the years ended December 31, 2019, 2018 and 2017, respectively. Teton pays 20 basis points annually on the first \$370 million of average AUM in the Funds, 12 basis points annually on the next \$630 million of average AUM in the Funds and 10 basis points annually on the average AUM in the Funds in excess of \$1 billion. As a result, the effective rate for 2019, 2018 and 2017 was 13.9, 13.2 and 13.4 basis points, respectively. Teton also paid GAMCO reimbursement for compensation, which amounted to zero, zero and \$549,670 for the years ended December 31, 2019, 2018 and 2017, respectively. Teton and GAMCO have also entered into an administrative and management services agreement. Under the agreement, Teton paid GAMCO \$50,000, \$50,000 and 122,917 for the years ended December 31, 2019, 2018 and 2017, respectively.

Teton paid GAMCO sub advisory fees on the TETON Westwood Mighty Mites Fund and TETON Westwood Convertible Securities Fund totaling \$3,494,412, \$4,478,947 and \$3,433,741 for the year ended December 31, 2019, 2018 and 2017, respectively.

Teton's receivables and payables to affiliates are non-interest bearing and are receivable and payable on demand. At December 31, 2019 and 2018, the amount payable to GAMCO was \$551,170 and \$734,938, respectively; within these amounts includes the payable relating to wholesaler commissions which was \$70,232 and \$159,044, respectively. The amount receivable from GAMCO at December 31, 2019 and 2018 was \$11,429 and \$14,484, respectively.

M. Quarterly Financial Information (Unaudited)

Quarterly financial information for the years ended December 31, 2019 and 2018 is presented below.

	2019				
	1st	2nd	3rd	4th	Full Year
Revenues	\$ 5,532,169	\$ 5,470,898	\$ 5,053,593	\$ 4,819,531	\$ 20,876,191
Income before interest, taxes, depreciation, amortization and impairment	1,471,311	1,556,708	1,249,852	1,215,376	5,493,247
Income (loss) before income taxes	834,289	1,333,628	1,040,859	(7,213,617)	(4,004,841)
Net income (loss)	674,448	995,572	756,563	(5,028,910)	(2,602,327)
Net income (loss) per share:					
Basic	\$ 0.53	\$ 0.79	\$ 0.60	\$ (3.98)	\$ (2.06)
Fully diluted	\$ 0.53	\$ 0.79	\$ 0.60	\$ (3.98)	\$ (2.06)
	2018				
	1st	2nd	3rd	4th	Full Year
Revenues	\$ 7,326,015	\$ 7,263,606	\$ 7,384,657	\$ 6,279,291	\$ 28,253,569
Income before interest, taxes, depreciation, amortization and impairment	2,509,815	2,534,530	2,558,728	1,427,383	9,030,456
Income before income taxes	2,255,593	1,584,934	1,699,476	(700,653)	4,839,350
Net income	1,687,412	1,131,315	1,231,169	(427,241)	3,622,655
Net income per share:					
Basic	\$ 1.27	\$ 0.65	\$ 0.70	\$ (0.81)	\$ 1.81
Fully diluted	\$ 1.17	\$ 0.64	\$ 0.71	\$ (0.76)	\$ 1.76

N. Other Matters

The Company has entered into arrangements with various third parties many of which provide for indemnification of the third parties against losses, costs, claims and liabilities arising from the performance of obligations under the agreements. The Company has had no claims or payments pursuant to these or prior agreements and believes the likelihood of a claim being made is remote. The Company's estimate of the value of such agreements is de minimis, and therefore an accrual has not been made in the consolidated financial statements.

O. Subsequent Events

On February 20, 2020, Teton announced that its Board of Directors declared a regular quarterly dividend of \$0.05 per share to all common shareholders payable on March 31, 2020 to shareholders of record on March 17, 2020.

On February 19, 2019, the Company adopted a stock buyback program which authorized the Company to repurchase up to 30,000 shares of Class B Common Stock.

On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus disease (COVID-19) a "Public Health Emergency of International Concern." The outbreak of COVID-19 has resulted in a widespread health crisis that has adversely affected the economies and financial markets worldwide. This can undermine investor confidence and materially impact our business operations. The impact of the COVID-19 outbreak continues to evolve and has been marked by rapid changes and development. As such, its impact cannot be accurately predicted. If the disruptions posed by COVID-19 continue for an extensive period of time, our business may be materially adversely affected.

The Company has evaluated events and transactions through March 31, 2020, the date that the consolidated financial statements were issued, for potential recognition or disclosure in the consolidated financial statements, as required by GAAP.

TETON ADVISORS, INC.
DIRECTORS, OFFICERS, AND OTHER INFORMATION

Board of Directors

Marc Gabelli

*Executive Chairman of Teton Advisors, Inc.
Portfolio Manager – Gabelli Funds
President – GGCP, Inc.
Chief Executive – Gabelli Securities International UK Ltd.*

Stephen G. Bondi, CPA

*Compensation & Governance Committee Chair of
Teton Advisors, Inc.
Chief Compliance Officer and Chief Financial Officer
Mittleman Brothers, LLC*

John M. Tesoro, CPA

*Audit Committee Chair of Teton Advisors, Inc.
Retired Partner, KPMG LLP
Independent Trustee of The Bridge Builder Trust and BBH Trust*

Aaron J. Feingold, M.D.

*President and Founder of the Raritan Bay Cardiology Group
Chairman of Cardiology at the Hackensack-Meridian
Medical Center, JFK Division*

Nicholas F. Galluccio

*President and Chief Executive Officer
Portfolio Manager - Teton Small Cap Select Value Strategy
Portfolio Manager - Keeley Teton Small-Mid Cap Value Strategy
Teton Advisors, Inc.*

Vincent J. Amabile

*Founder
Amabile Partners*

Kevin M. Keeley

*President
Keeley Teton Advisors, LLC*

Officers

Nicholas F. Galluccio

President and Chief Executive Officer

Patrick B. Huvane, CPA, CFA

Chief Financial Officer

Deanna B. Marotz

Chief Compliance Officer

Corporate and Shareholder Information

Investor Relations

For our Annual Report and other shareholder information, visit our website at www.tetonadv.com or write to:

One Corporate Center
401 Theodore Fremd Avenue
Rye, New York 10580-1422
914-457-1077
info@tetonadv.com

Transfer Agent

American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219
800-937-5449

Website

www.tetonadv.com

Trading Information

OTC Markets Group
Class A Common Stock
Symbol: TETAA

Investment Services Information

Mutual Funds	Institutional Accounts
1-800-GABELLI	914-457-1070
info@gabelli.com	info@tetonadv.com

Annual Meeting

Our 2020 Annual Meeting of Shareholders will be held at 3:00 p.m., Eastern Time, on May 11, 2020 at our offices at 401 Theodore Fremd Avenue, Rye, NY 10580, or by such means of remote communication or live webcast, as may be noticed to shareholders in a press release and on our website at www.tetonadv.com.



One Corporate Center, Rye, New York 10580-1422
www.tetonadv.com • 914-457-1070 • info@tetonadv.com