



KEELEY
Teton Advisors

**141 W. Jackson Blvd., Suite 2150
Chicago, IL 60604
(312) 786-5000
www.keeleyteton.com**

Form ADV Part 2A – Brochure

Effective March 25, 2019

This Brochure provides information about the qualifications and business practices of Keeley-Teton Advisors, LLC (“Keeley-Teton”). If you have any questions about the contents of this Brochure, please contact us at (312) 786-5000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any State securities authority.

Keeley-Teton is an investment adviser registered with the SEC under the Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Keeley-Teton is available on the SEC’s Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov.

Item 2. Material Changes

This Brochure was updated to reflect the annual update to the registration statement for Keeley-Teton, which may be requested free of charge by contacting Keeley-Teton's Compliance Department at (312) 786-5000. Keeley-Teton's Brochure is also available on the SEC's Investment Adviser Public Disclosure web site (www.adviserinfo.sec.gov) and on Keeley-Teton's web site at *www.keeleyteton.com*.

Item 3. Table of Contents

Item 2: Material Changes.....2
Item 3: Table of Contents.....3
Item 4: Advisory Business.....4
Item 5: Fees and Compensation.....5
Item 6: Performance-Based Fees and Side-by-Side Management.....8
Item 7: Types of Clients.....8
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....8
Item 9: Disciplinary Information.....11
Item 10: Other Financial Industry Activities and Affiliations.....11
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....13
Item 12: Brokerage Practices.....15
Item 13: Review of Accounts.....17
Item 14: Client Referrals and Other Compensation.....17
Item 15: Custody.....18
Item 16: Investment Discretion.....18
Item 17: Voting Client Securities.....19
Item 18: Financial Information.....19

Item 4. Advisory Business

History & Ownership

Keeley-Teton Advisors, LLC (“Keeley-Teton”) is a Delaware limited liability company and wholly-owned subsidiary of Teton Advisors, Inc. (“Teton”), an SEC-registered investment adviser. Teton’s Class A Common Stock trades over-the-counter under the symbol TETAA. Mario J. Gabelli is deemed to be the controlling person of Teton on the basis of his ownership of a majority of the stock of GGCP, Inc., a privately held Wyoming corporation, which owns a majority of the voting stock of Teton. The remaining equity interests in Teton, which represent non-controlling, minority interests, are primarily held by certain key employees of Teton and Keeley-Teton.

Keeley-Teton was formed in 2016 to facilitate Teton’s February 28, 2017 acquisition of the investment advisory business of Keeley Asset Management Corp. (“KAMCO”), another SEC-registered investment adviser based in Chicago, IL that had been in business since 1982. Keeley-Teton provides discretionary investment advisory services to a broad spectrum of clients, including the KEELEY Funds, Inc. (the “KEELEY Funds”), an affiliated registered investment company that includes four fund series. In addition to the KEELEY Funds, Keeley-Teton’s clients include individuals, banking institutions, pension and profit sharing plans, charitable organizations, and municipal government entities. As of December 31, 2018, Keeley-Teton managed approximately \$1.1 billion in assets on a discretionary basis.

Advisory Services

Keeley-Teton manages client assets in accordance with written investment management agreements (e.g. contracts) that contain the client’s investment objectives, policies and restrictions, among other things. Keeley-Teton generally has investment discretion and makes all investment decisions for client accounts without consultation with the client, including decisions to buy, sell, exchange, convert or otherwise trade in securities and other financial instruments.

Mutual Funds

Keeley-Teton serves as investment adviser to the KEELEY Funds. The KEELEY Funds consist of four series, in the following strategies: Small Cap Value; Small Cap Dividend Value; Small-Mid Cap Value, and Mid Cap Dividend Value. As these vehicles are registered under the Investment Company Act of 1940 (the “Investment Company Act”), all prospective investors should read the Prospectus carefully prior to investing in order to obtain a full understanding of each specific strategy and its risks.

Separate Accounts

Keeley-Teton serves as investment adviser to numerous separately managed client accounts. These accounts are managed pursuant to the following strategies: Small Cap Value; Small Cap Dividend Value; Small-Mid Cap Value; and Mid Cap Dividend Value.

WRAP Fee Programs

Keeley-Teton manages assets for several wrap fee programs, either under contract with the sponsoring broker-dealer or under contracts with individual clients referred by the sponsoring broker-dealer. Keeley-Teton manages such assets primarily based on construction of model

portfolios in four strategies: Small Cap Value; Small Cap Dividend Value; Small-Mid Cap Value; and Mid-Cap Dividend Value.

Item 5. Fees and Compensation

Separate Accounts

Keeley-Teton's basic fee schedule for institutional and individual separately managed account clients generally be as follows:

- Minimum Initial Investment - \$1 million
- Minimum Annual Fee - \$10,000
- First \$10 million: 1.00% of total assets
- Next \$40 million: 0.85% of total assets
- Next \$50 million: 0.75% of total assets
- Over \$100 million: 0.55% of total assets

Under some circumstances, the account minimum, the fee rate, the timing of payment, or billing may be negotiable. Such circumstances may include, among others, a client's history with Keeley-Teton, the nature of the client (e.g. charitable portfolios and employee portfolios), the size of the portfolio, competition for a particular client or type of account, and certain situations in which a client (i.e. municipality) may be subject to restrictions regarding the amount it may pay.

In addition to the above table, for those clients whose investment advisory agreement may contain a most favorable fee rate provision, Keeley-Teton may apply such provisions only in the case of similarly situated clients. Keeley-Teton may differentiate such client fee structures based upon their status as public funds, funds subject to the Employee Retirement Income Security Act ("ERISA"), relationships that are otherwise established through a single party that provides for the consolidated client service, reporting, and billing treatment of multiple accounts, and the complexity of the client's investment program. Within any such category, Keeley-Teton may also differentiate among clients with varying levels of assets under management.

Fees are generally payable quarterly, in arrears or in advance as negotiated with the client. All client fees are calculated based on the rate structures set forth in the applicable advisory agreement, as applied to the value of the account established by the client's custodian as of the last business day of each quarter. Although Keeley-Teton generally bills its clients, certain clients may elect to have their advisory fees deducted directly from their account.

In addition to Keeley-Teton's advisory fees, clients may pay custody fees to their custodians, and clients may also incur brokerage and other related transaction costs. For more information on Keeley-Teton's brokerage practices, please refer to Item 12 "Brokerage Practices" in this Brochure.

In addition, subject to the investment guidelines of a separate account, Keeley-Teton may invest the separate account in affiliated and non-affiliated investment companies (including the KEELEY Funds and the TETON Westwood Funds) or other pooled investment vehicles. Separate account clients that are invested in such affiliated and unaffiliated investment companies or pooled

investment vehicles may be subject to additional advisory fees as well as other fees and expenses associated with their investments in such entities (such as the fees and expenses of other service providers to these entities).

WRAP Fee Programs

The fees paid to Keeley-Teton by wrap program sponsors may vary depending on the investment strategy implemented, but generally do not exceed 1.00% per annum of the market value of the client's account. Each wrap sponsor generally pays Keeley-Teton on a quarterly basis, either in arrears or in advance, as provided in the contract between Keeley-Teton and the wrap sponsor. Keeley-Teton does not directly invoice wrap program clients. In addition to Keeley-Teton's advisory fees, clients may incur wrap program sponsor fees, brokerage and other related transaction costs. For more information on Keeley-Teton's brokerage practices, please refer to Item 12 "Brokerage Practices" in this Brochure.

Registered Mutual Funds

Keeley-Teton serves as investment adviser to the KEELEY Funds (individually "the Fund" and collectively "the Funds"). For its services, Keeley-Teton is compensated subject to the following annual fee rates, computed daily based upon each Fund's net assets and payable monthly, for the Class A and Class I Shares of each Fund.

KEELEY Small Cap Value Fund

- 1.00% for the first \$1 billion
- 0.90% for the next \$3 billion
- 0.80% for the next \$2 billion
- 0.70% in excess of \$6 billion

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

- 1.00% for the first \$350 million
- 0.90% on the next \$350 million
- 0.80% in excess of \$700 million

KEELEY Mid Cap Dividend Value Fund

- 0.90% for the first \$700 million
- 0.80% in excess of \$700 million

KEELEY Funds Expense Waiver/Reimbursement Agreements

Keeley-Teton has agreed to waive a portion of its management fees or reimburse the KEELEY Small Cap Value Fund, and the KEELEY Small-Mid Cap Value Fund to the extent that total ordinary operating expenses as a percentage of average net assets for the Funds exceed 1.39% for Class A shares and 1.14% for Class I shares.

Keeley-Teton has agreed to waive a portion of its advisory fees or reimburse the KEELEY Small Cap Dividend Value Fund to the extent that total ordinary operating expenses as a percentage of average net assets for the Funds exceed 1.29% for Class A shares and 1.04% for Class I shares.

Keeley-Teton has agreed to waive a portion of its advisory fees or reimburse the KEELEY Mid Cap Dividend Value Fund to the extent that total ordinary operating expenses as a percentage of average net assets for the Funds exceed 1.20% for Class A shares and 0.95% for Class I shares.

All of the aforementioned waivers exclude expenses related to taxes, interest charges, dividend expenses incurred on securities that the Funds sold short, litigation expenses and other extraordinary expenses, brokerage commissions and other charges relating to the purchase and sale of the Funds' portfolio securities. Additionally, these waivers are in effect until February 28, 2020 and neither Keeley-Teton nor the Funds can discontinue the agreement prior to its expiration.

In addition to the advisory fees described above, investors in the KEELEY Funds incur other fees and expenses associated with their investments in such funds. Those expenses generally include brokerage and other transaction-related costs and the fees and expenses of other service providers to these funds.

Termination

Keeley-Teton's standard advisory agreements with separate account clients may be terminated at any time, subject to reasonable written notice periods as agreed to by Keeley-Teton and the client and stated in the investment advisory agreement. In the event of termination, fees will be prorated to the date of termination and any unearned portion of fees that were paid in advance will be refunded to the client. Investment advisory contracts with the KEELEY Funds will be subject to renewal in accordance with Section 15(c) of the Investment Company Act. In the case of wrap programs that provide for prepayment of fees, the client should refer to the sponsor's brochure or other disclosure documents for information regarding termination and refund procedures.

Administration Agreement

Effective October 1, 2018, the Funds entered into a Fund Administration Servicing Agreement ("Administration Agreement") with Gabelli Funds, LLC ("Gabelli"). Pursuant to the Administration Agreement, Gabelli provides certain services to the Funds such as acting as a liaison to the Funds' service providers; coordinating Board of Directors meetings, and providing certain financial reporting, legal, regulatory and compliance services. Pursuant to the Administration Agreement, Gabelli receives, on a monthly basis, an amount calculated at the annual rate of 0.025% on the first \$1.5 billion of Fund assets, 0.015% on the next \$6.5 billion of Fund assets, and 0.0125% on the balance of Fund assets. Gabelli also receives a monthly fee at the annual rate of 0.0025% of Fund assets for daily compliance testing.

The Administration Agreement may be terminated by either party with ninety (90) days prior written notice to the other party.

Additional Compensation

Keeley-Teton is affiliated with an SEC-registered and FINRA member broker-dealer, G.distributors, LLC ("G.distributors").

Current portfolio managers, relationship managers and/or professional staff of Keeley-Teton and its affiliated persons may receive a portion of Keeley-Teton's advisory fee on client accounts pursuant to incentive arrangements promulgated from time to time.

Item 6. Performance-Based Fees and Side-By-Side Management

Keeley-Teton does not charge performance-based fees of any kind. Accordingly, Keeley-Teton and its personnel do not have an incentive to favor certain accounts based on the receipt of performance-based compensation.

However, Keeley-Teton does manage multiple types of client accounts and funds, and this may create potential conflicts of interest. These may include conflicts in the allocation of investment opportunities and trades resulting from differing fee structures or interests by Keeley-Teton or its related persons in certain accounts. Keeley-Teton has adopted allocation policies and procedures designed to address and minimize the effects of these conflicts. In addition, Keeley-Teton's Code of Ethics and post-trade monitoring for conflicts are intended to promote fairness to client accounts in the investment process.

Keeley-Teton's affiliates operating in the interests of their shareholders and/or partners may seek to acquire majority interests in companies or acquire divisions of companies that are held by Keeley-Teton on behalf of its clients. If such majority interest is sought by a Keeley-Teton affiliated entity or entities, Keeley-Teton acts on behalf of its clients in a manner which it, in its sole discretion, believes is in the best interest of its clients. In this regard, Keeley-Teton may, among other alternatives, seek the advice of outside counsel, return shares to clients for them to vote their respective shares or remain neutral.

Item 7. Types of Clients

Keeley-Teton provides investment advisory services to many different types of clients, including open-end registered investment companies, institutional investors including qualified and non-qualified plans, foundations and endowments, municipalities, charitable organizations and high-net-worth individuals. The minimum account size to open a separately managed account is generally \$1 million. However, this initial investment amount is negotiable. Minimum investments for the KEELEY Funds are as stated in the Prospectus. The minimum account size for wrap program accounts varies by the particular wrap program and client relationship.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Keeley-Teton seeks to provide long-term capital appreciation in the equity markets by investing with a "value" approach across different market capitalization categories as determined by Keeley-Teton, with a primary focus in small and mid-cap securities. Keeley-Teton primarily employs fundamental security analysis in its strategies. This is a "bottom-up" investment strategy that focuses largely on undervalued companies, with emphasis on those undergoing major changes (for example, corporate restructuring). Certain strategies offered by Keeley-Teton have been modified to include dividend components as complements to Keeley-Teton's fundamental analysis techniques.

In applying its investment philosophy, Keeley-Teton attempts to employ model portfolios when implementing its various investment product strategies. However, given the customized nature of Keeley-Teton's investment process and each client's particular investment guidelines, not all clients will hold all of the same securities contained in the applicable model portfolio. To the extent possible, Keeley-Teton will attempt to align relevant accounts to the model within the product strategy, but this may not be feasible for the following reasons, among others:

- A position held in the model portfolio for a longer historical period and which has already experienced the price appreciation anticipated when it was purchased may not be as attractive for new investments as other current investment opportunities in the market;
- The inherent liquidity characteristics of a particular security and/or the client's account make-up may make it impractical for additional purchases to be made at a reasonable price; or
- A particular client's restrictions, investment guidelines, or other considerations may make certain Keeley-Teton's investment recommendations impossible to execute across all client accounts.

These and other factors may result in performance dispersion between the model portfolio and certain client accounts within a particular product strategy or between distinct product offerings.

The primary sources of information that Keeley-Teton employs in its research process are:

- U.S. Securities and Exchange Commission filings;
- Reviews of corporate structure and activities;
- Meetings with company management;
- Financial publications, including corporate restructuring periodicals;
- Research materials prepared by others; or
- Company press releases.

A general summary of Keeley-Teton's investment strategies and the material risks involved are presented below.

Small Cap Value and Small-Mid Cap Value

Keeley-Teton's Small Cap Value, and Small-Mid Cap Value equity strategies seek to achieve their investment objectives of long-term capital appreciation by investing primarily in equity securities. These equity securities may include common stock, preferred stock, convertible debt securities, real estate investment trusts ("REITs") and warrants. The strategies, which vary by market capitalizations, attempt to concentrate on identifying companies going through major changes (for example, corporate restructuring), including:

- Corporate spin-offs (tax-free distributions of a parent company's division to shareholders);
- Financial restructuring, including acquisitions, recapitalizations and companies emerging from bankruptcy;
- Savings and loan and insurance conversions; or

- Event driven, special situations that may create enhanced opportunities through industry and/or corporate dislocation.

It is Keeley-Teton's intention typically to hold securities for more than two years to allow the corporate restructuring process to yield results. However, Keeley-Teton may sell securities when a more attractive opportunity emerges, when a company becomes over-weighted in the portfolio, or when operating difficulties or other circumstances make selling desirable.

Keeley-Teton believes that these strategies allow the purchase of equity shares with above-average potential for capital appreciation at relatively favorable market prices. Current dividend or interest income is not a factor when choosing securities.

Small Cap Dividend Value, Mid Cap Dividend Value

Keeley-Teton's Small Cap Dividend Value and Mid Cap Dividend Value equity strategies seek to achieve their investment objectives of long-term capital appreciation by investing primarily in companies in their respective market capitalization segments, as defined by Keeley-Teton, and currently pay or are reasonably expected to pay dividends and/or return capital to shareholders in other ways. The equity securities may include common stock, preferred stock, convertible debt securities, REITs and warrants. In these strategies, Keeley-Teton primarily seeks to invest in undervalued small-cap or mid-cap companies, respectively, that have one or more of the following characteristics ("dividend-paying"):

- Attractive dividend yields that are, in the opinion of Keeley-Teton, relatively stable or expected to grow;
- That pay a small dividend, but could grow their dividend over the next few years; or
- That pays no dividend but may initiate a dividend or return cash to shareholders in other ways, such as a share repurchase program.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Keeley-Teton's strategies may be suitable for the more aggressive section of an investor's portfolio. The strategies are designed for people who want to grow their capital over the long-term and who are comfortable with possible frequent short-term changes in the value of their investment. Keeley-Teton strategies may not be suitable for investors who have a short-term investment horizon or are uncomfortable with potentially substantial variations in value. An investment in Keeley-Teton's strategies should not be considered a complete investment program.

The material risks involved in all of Keeley-Teton's equity strategies include, among other risks:

1. Liquidity Risk – Certain investments may be difficult to sell at certain times due to limited trading volume.
2. Market Risk – Market prices of securities held by a client may fall rapidly or unpredictably due to a variety of factors, including changing economic, political or market conditions.
3. Small and Mid-Size Company Risk – Smaller companies often have limited product lines, markets or financial resources, may be dependent for management on one or a

- few key persons, and can be more susceptible to losses, stock price volatility, reduced stock trading volume and liquidity.
4. Value Stock Risk – Value stocks may perform differently from the market as a whole and may be undervalued by the market over certain periods of time.
 5. Market Sector Concentration Risk – At times, investments may be concentrated in the securities of issuers in a particular industry or sector. In doing so, clients may face more risks than if they were diversified broadly over numerous industries or sectors.
 6. Management Risk – A portfolio manager may be incorrect in his or her assessment of the growth prospects of the companies in which investments are made. In addition, each given strategy may produce returns that are different from other strategies that invest in similar companies.
 7. Dividend Paying Stock Risk – Certain securities may reduce or stop paying dividends, which may affect their investment. These securities may also go out of favor resulting in underperformance.
 8. Cybersecurity Risk- Keeley-Teton, like all companies, may be susceptible to operational and information security risks. Cyber security failures or breaches of Keeley-Teton or its service providers or issuers of securities in which Keeley-Teton invests, all have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability of Keeley-Teton or its clients 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. Keeley-Teton and its clients could be negatively impacted as a result.

Item 9. Disciplinary Information

Keeley-Teton does not have any material legal or disciplinary events to disclose.

Item 10. Other Financial Industry Activities and Affiliations

Affiliated Broker-Dealers

Keeley-Teton is under common control with two SEC-registered broker-dealers, G.distributors and G.research, LLC (“G.research”).

The business of G.distributors is limited in nature and primarily focused on the distribution of registered mutual funds, including the KEELEY Funds and the TETON Westwood Funds. G.distributors distributes these funds pursuant to distribution agreements. Under each distribution agreement, G.distributors offers and sells such open-end fund's shares on a continuous basis and pays the majority 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 programs, financial intermediaries and G.distributors sales personnel. G.distributors receives fees for such services pursuant to distribution plans adopted under provisions of Rule 12b-1 (“12b-1”) of the Investment Company Act.

Keeley-Teton may from time to time recommend for client accounts the purchase of other mutual funds distributed by G.distributors.

G.research issues research reports. The research reports that G.research issues may contain recommendations on securities that are held in Keeley-Teton client accounts, and it is possible that the research reports may have recommendations that are inconsistent with transactions for Keeley-Teton clients.

Affiliated Commodity Pool Operators

Although Keeley-Teton and Teton are not registered as commodity pool operators, Mario J. Gabelli, an indirect owner of Keeley-Teton, is registered as a commodity pool operator in connection with his role as general partner of Gabelli Performance Partnership, LP.

Material Relationships with Affiliated Mutual Funds and Pooled Investment Vehicles

Keeley-Teton is the investment adviser to the KEELEY Funds, a registered open-end series investment company comprised of four SEC registered mutual funds. Teton is the investment adviser to the TETON Westwood Funds, a registered open-end series investment company comprised of six SEC registered mutual funds. In some instances, shares of the KEELEY Funds and the TETON Westwood Funds may be purchased for and held by client accounts managed by Keeley-Teton. In certain cases, an affiliated person of Keeley-Teton may receive direct compensation through a sharing of investment advisory fees earned by Keeley-Teton from the client accounts holding shares of the KEELEY Funds or the TETON Westwood Funds.

In addition, if Keeley-Teton purchases shares of the KEELEY Funds for a client account, such client will pay (and Keeley-Teton will receive indirectly) fees for investment advisory services Keeley-Teton provides as investment adviser to the KEELEY Funds, as described in the KEELEY Funds' Prospectus. Similarly, if Keeley-Teton purchases shares of the TETON Westwood Funds for a client account, such client will pay (and Teton will receive indirectly) fees for investment advisory services Teton provides as an investment adviser to the TETON Westwood Funds, as described in the TETON Westwood Funds' Prospectus. In such cases, Keeley-Teton will deduct the assets invested in the KEELEY Funds or the TETON Westwood Funds from the assets held in such client account when billing the investment advisory fees due to Keeley-Teton for management of the client account.

Subject to a client's investment guidelines, Keeley-Teton may invest client accounts in other registered investment companies or pooled investment vehicles that are managed or advised by Teton or another affiliate ("Affiliated Funds"). Keeley-Teton has a conflict of interest to the extent that it invests client accounts in Affiliated Funds (rather than in unaffiliated investment companies or pooled investment vehicles) because its affiliates may benefit from increased subscriptions (i.e. larger funds) and certain affiliates may receive distribution fees, placement fees or other fees for distributing such funds. Keeley-Teton addresses this conflict of interest by appropriate compliance policies to ensure client accounts are managed in accordance with their investment objectives.

Material Relationships with Affiliated Investment Advisers

Keeley-Teton shares four supervised persons with Teton. This commonality of supervised persons: Nicolas F Galluccio, Teton's Chief Executive Officer, Scott R Butler, a Teton Portfolio Manager, Kevin Boustead, a securities analyst, and Deanna B. Marotz, Teton's Chief Compliance Officer. As the Chief Executive Officer of Teton, Mr. Galluccio is directly involved in the

selection of securities for the TETON Westwood SmallCap Equity Fund, and a separately managed account where he is listed as portfolio manager. He also conducts overall reviews of Teton's and Keeley-Teton's portfolio managers and their underlying investment performance. Mr. Galluccio and Mr. Butler serve as portfolio managers of the Keeley Small-Mid Cap Value Fund (mutual fund) and its institutional strategy. Mr. Boustead, who is part of Teton's research team, may have access to Keeley-Teton securities holdings and transactions. Due to this potential access and to address the potential conflict of interest, Messrs. Galluccio, Butler and Boustead are all dual employees of Keeley-Teton and Teton and have agreed to not effect transactions for the accounts of Teton or its affiliates over which they may have influence, control or investment discretion in any security that they knew, or had reason to believe, was being purchased or sold, or considered for purchase or sale, by Keeley-Teton for its client accounts. They all certify to Keeley-Teton quarterly that they comply with this procedure. In addition, all employees of Teton are covered under Keeley-Teton's Code of Ethics as well as Teton's Code of Ethics.

Teton and its affiliates may, in the ordinary course of their business, acquire for their own accounts or for the accounts of their investment advisory clients, significant positions in the securities of companies that may also be suitable for investment by a Keeley-Teton client. The securities in which a Keeley-Teton client might be able to invest may therefore be limited to some extent. For instance, many companies have adopted so-called "poison pill" or other anti-takeover measures designed to discourage or prevent the completion of non-negotiated offers for control of the company. Such anti-takeover measures may have the effect of limiting the number of shares of the company which Keeley-Teton might otherwise be able to purchase for a client if Teton or its affiliates have or acquire a significant position in the securities of the company.

Keeley-Teton has other financial industry affiliations, including other affiliated SEC registered investment advisers. However, except as set forth above with respect to potential limitations on investments by Keeley-Teton clients, these other affiliations are not material to the advisory services Keeley-Teton will provide to its clients.

Item 11. Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

Code of Ethics

Keeley-Teton has adopted a Code of Ethics ("Code") pursuant to Rule 204A-1 under the Advisers Act that governs personal trading by any partner, officer, director, or employee of Keeley-Teton, or other person who provides investment advice on behalf of, or has access to information concerning investment decisions made by, Keeley-Teton. The Code requires all employees (of both Keeley-Teton and Teton) to adhere to the highest ethical standards in providing investment advisory services to clients, including placing the interests of its clients ahead of Keeley-Teton's and their own.

The Code contains policies and procedures that, among other things:

- Prohibit employees from taking personal advantage of investment opportunities belonging to clients;
- Prohibit trading on the basis of material, nonpublic information;
- Place limitations on personal trading by employees and impose certain preclearance requirements;
- Impose annual and quarterly reporting obligations with respect to personal trading activities;
- Impose limitations on the acceptance of gifts; and
- Restrict employees' outside business activities.

The Code places the responsibility on employees to report any activity that is not consistent with the Code to the Compliance Department, and employees who violate the Code are subject to sanctions. All supervised persons of Keeley-Teton certify annually in writing their familiarity and compliance with the Code. In addition, the CCO performs a monthly transaction check against certain employees of Gabelli Funds as those employees may have access to Keeley-Teton's transactions under the Administrative Agreement. Keeley-Teton will provide a copy of its Code to any advisory client or prospective client upon request.

Participation or Interest in Client Transactions

Keeley-Teton, its affiliates and supervised persons may have direct or indirect interests in securities being bought or sold on behalf of Keeley-Teton clients. In addition, on any given day, securities being bought or sold for a client may also be simultaneously bought or sold for Keeley-Teton, its affiliates and/or supervised persons. Accordingly, Keeley-Teton, its affiliates and/or supervised persons may sell or recommend the sale of a particular security for certain accounts, including accounts in which they have an interest, and Keeley-Teton, its affiliates and/or supervised persons may buy or recommend the purchase of such security for other accounts, including accounts in which they have an interest, and, thus, transactions in particular accounts may not be consistent with transactions in other accounts or with the recommendation of Keeley-Teton, its affiliates and/or supervised persons. It is therefore possible that the value of a security bought on behalf of a client may decrease if another account advised by Keeley-Teton, its affiliates and/or supervised persons subsequently sells or shorts the same security. Furthermore, some of the accounts that Keeley-Teton, its affiliates and/or supervised persons advise may have compensation arrangements that differ from those of the client. While Keeley-Teton endeavors to treat all client accounts it advises in a fair and equitable manner, different compensation arrangements may incentivize Keeley-Teton to make investment decisions with respect to clients whose accounts it manages that may have a detrimental effect on the value of the securities held by other clients.

Keeley-Teton adopted the Code in order to attempt to minimize the effects of potential conflicts of interest. Keeley-Teton's procedures are intended to ensure that client accounts are always given the priority of economic opportunity over professional staff accounts. Staff of Keeley-Teton and its affiliates, with certain limited exceptions, must receive prior approval from the designated compliance or legal officer before placing an order for their own account or for any other account in which they have a beneficial interest.

Item 12. Brokerage Practices

Selection of Brokers

Keeley-Teton acts as a discretionary investment manager and is authorized to make investment decisions for client accounts and to select broker-dealers to execute transactions. Except where directed by clients either in connection with wrap programs or otherwise, Keeley-Teton will place orders for the execution of transactions in accordance with its best execution policies and procedures. Under those policies and procedures, Keeley-Teton may consider many factors, including the following, in selecting broker/dealers:

- The nature of the security being traded and the size of the transaction;
- The desired timing of the trade;
- The existing and expected market activity for the particular security;
- Confidentiality;
- The execution, clearance and settlement capabilities of the broker or dealer;
- The financial stability of the broker or dealer;
- Keeley-Teton's knowledge of negotiated commission rates available for the trade in question; or
- The provision of research and other services.

Based upon the consideration of these factors, transactions will not always be executed at the lowest available price or commission, as best execution may not necessarily reflect the best available price.

Keeley-Teton periodically reviews pre-negotiated commission rates in light of changing market conditions. Keeley-Teton places trades for wrap fee accounts with their sponsors, provided a block trade structure is not necessary to efficiently effect a material global model change across all wrap fee account portfolios. For other accounts, Keeley-Teton selects brokers in accordance with its policies described previously.

All transactions for clients are subject to monitoring for best execution, in accordance with the policies and procedures of Keeley-Teton.

Research and Other Soft Dollar Benefits

Based upon the factors employed to select brokers to execute client transactions, Keeley-Teton may take into consideration the value of research services provided by the brokers. Keeley-Teton may pay brokerage commissions in excess of fees charged by other brokers in recognition of the value of such research and/or other services to Keeley-Teton's investment decision-making process. These transactions will be conducted in accordance with Section 28(e) of the Securities and Exchange Act of 1934. The research may be proprietary (created and provided by the broker-dealer, including tangible research products as well as, for example, access to company management or broker/dealer generated research reports) or third-party (created by a third-party, but provided to Keeley-Teton by the broker). Such research or other services may include, to the extent permitted by law: research reports; economic and financial data; financial publications; proxy analysis; computer databases; and quotation services.

To the extent that Keeley-Teton uses products and services obtained through soft dollar arrangements, it will not incur the cost of those products and services. Keeley-Teton may thus have an incentive to select a broker based on its interest in receiving research benefits, rather than each client's interest in receiving best execution. To the extent that Keeley-Teton receives both administrative benefits and research and brokerage services from the services provided by brokers, Keeley-Teton will make a good faith allocation between the administrative benefits and the research and brokerage services and pay for the administrative benefits in hard dollars.

The research products/services provided by brokers through soft dollar arrangements benefit Keeley-Teton's investment process for client accounts and are used to provide investment advice to all clients of Keeley-Teton, including accounts that may not have paid commissions to the broker involved in a particular transaction. As a result, not all research generated by a particular client's trading will benefit that client's account. Keeley-Teton does not attempt to allocate the relative costs or benefits of research among client accounts because it believes that, in the aggregate, the research it receives benefits all clients and assists Keeley-Teton in fulfilling its overall duty to its clients.

When selecting brokers who provide soft dollar research products/services, Keeley-Teton will adhere to the following procedures:

- Any research services must be provided to Keeley-Teton by the broker effecting the transaction;
- A good faith determination has been made that the commissions paid are reasonable in relation to the value of the brokerage and research services received; and
- The research services received qualify as "brokerage and research" services pursuant to Section 28(e) of the Securities and Exchange Act of 1934.

Directed Brokerage

Clients may direct Keeley-Teton to effect transactions through particular brokers or dealers in recognition of custodial or other arrangements. Such discretion may impair Keeley-Teton's ability to achieve best execution. Examples of how client directed brokerage may limit Keeley-Teton's ability to achieve best execution are as follows:

- Keeley-Teton may be unable to take into account judgmental factors in selecting brokers or dealers;
- A client account may incur transaction costs and/or commissions that may be higher than if such direction had not occurred;
- A client account may not be able to participate in aggregated trades; or
- Execution of orders for clients that have designated particular brokers may, at the discretion of Keeley-Teton's trading desk, be delayed until execution of other non-designated orders have been completed.

Trades for WRAP Fee Programs

Trades on behalf of wrap accounts may be placed with the wrap sponsor, but Keeley-Teton may, where it believes such action to be consistent with best execution, place such trades with other

broker/dealers. In such instances, the wrap account client will incur commission charges over and above the all-inclusive wrap fee it pays to the sponsor of the particular wrap program.

Communication of Trade Information for Unified Managed Accounts

Keeley-Teton will transmit trade information for Unified Managed Account clients in accordance with its trade allocation policy.

Trade Aggregation and Allocation

Keeley-Teton has established various policies and procedures, which are designed to ensure that client accounts are treated in a manner which is equitable over time.

Orders to purchase or sell securities are generally determined by portfolio managers based on size of the accounts participating in the trade. In the event an order is only partially filled in a given trading day, Keeley-Teton will allocate the securities transacted among accounts using its best judgment, based on its opinion of the need for such securities in the various accounts at the time of allocation. Factors that Keeley-Teton may use to determine need include, but are not limited to: customer preferences and suitability; portfolio composition; portfolio size; market conditions; cash position; and interest rates. Keeley-Teton may give preference to the KEELEY Funds in any such allocations. As between each series of the KEELEY Funds, if there are not sufficient securities to allocate, securities will be allocated pro rata based upon order size.

In certain circumstances, Keeley-Teton may invest in, or accept any allocation of, equity new issues (i.e. initial public offerings or new issues) when in Keeley-Teton's opinion, the equity new issues are available in sufficient quantities to make meaningful allocations among all discretionary and eligible client portfolios following a particular investment strategy and whose investment profiles would accept the inherent risk of such securities. Keeley-Teton may also invest in secondary issue offerings where the securities of the subject company are already publicly traded.

Item 13. Review of Accounts

Keeley-Teton's portfolio managers, trading, operations and/or compliance staff will review client accounts on a regular basis, not less often than quarterly, for compliance with each particular client's investment guidelines. Keeley-Teton generally provides quarterly written reports to its institutional and high-net-worth separately managed account clients. These reports include information on holdings, account value and performance.

Shareholders in the KEELEY Funds receive such reports as required by the Investment Company Act. In addition, Keeley-Teton will provide reports to the Board of Directors of the KEELEY Funds, as they may request and as required by the Investment Company Act.

Wrap program clients receive such reports as may be provided by the wrap sponsors. Wrap program clients should refer to each wrap program's disclosure document for additional information about the reports provided to program participants.

Item 14. Client Referrals and Other Compensation

Keeley-Teton has an arrangement with Tessera Capital Partners, LLC ("Tessera") under which Keeley-Teton will pay Tessera a \$125,000 annual retainer fee and an account fee of 20% of the

management fee earned by Keeley-Teton with respect to advisory clients obtained and maintained through the company's efforts. This arrangement will be fully disclosed to clients and is in accordance with Rule 206(4)-3 under the Advisers Act.

Keeley-Teton has an arrangement with Papamarkou Wellner Asset Management Inc. ("Papamarkou") under which Keeley-Teton will pay Papamarkou a percentage of its advisory fees (20% by client) with respect to advisory clients obtained and maintained through that company's efforts. This arrangement will be fully disclosed to clients and is in accordance with Rule 206(4)-3 under the Advisers Act.

Registered representatives of G.research who refer potential investment company shareholders may be compensated by G.research with respect to customers' investments in such companies. Additionally, Keeley-Teton may pay to G.distributors or such other broker-dealers from its own resources a percentage of the average annual value of the net assets of certain no-load investment companies managed by Keeley-Teton in recognition of their distribution or shareholder services with respect to such companies. Keeley-Teton may place brokerage orders with brokers-dealers who have recommended or introduced clients to Keeley-Teton.

These arrangements do not result in higher advisory fees for referred clients.

Item 15. Custody

Keeley-Teton is deemed to have custody, as defined under the Advisers Act, of some client assets in certain circumstances where it has the ability to deduct advisory fees directly from client accounts. Where clients grant the authority to Keeley-Teton to deduct advisory fees, clients receive statements at least quarterly and are urged to compare the information provided by Keeley-Teton to the statements provided by their custodians.

Item 16. Investment Discretion

Keeley-Teton provides investment advisory services on a discretionary basis to its clients. Please see Item 4 for a description of any limitations clients may place on Keeley-Teton's advisory services.

Prior to assuming discretion in managing a client's assets, Keeley-Teton will enter into an investment management agreement that sets forth the scope of its discretion. Unless otherwise instructed or directed by a discretionary client, Keeley-Teton will have the authority to determine: (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account.

Certain clients may request that Keeley-Teton direct trading to a particular broker. This may limit Keeley-Teton's discretionary ability to select particular brokers for client transactions.

Item 17. Voting Client Securities

Keeley-Teton”) has adopted proxy voting policies and procedures for all of its clients. Those policies and procedures will govern the voting of portfolio securities.

Keeley-Teton’s policies and procedures are based on the following assumptions:

- 1) Voting rights have economic value.
- 2) There is a duty to cast an informed vote.
- 3) Securities must be voted in a way that benefits the client solely.

Keeley-Teton utilizes the services of an independent third-party adviser to analyze ballot initiatives and decide the manner in which it intends to vote. Keeley-Teton generally votes in-line with the third-party adviser’s recommendations but may at times vote differently when it believes that such a vote is in the best interests of the client.

Proxies for extraordinary matters, such as mergers, reorganizations and other corporate transactions, are necessarily considered on a case-by-case basis in light of the merits of the individual transactions. Keeley-Teton will rely upon its analysis of other management proposals, which it will make on a case by case basis (e.g., executive compensation, stock option plans, indemnification of Directors). All other issues brought forth will be reviewed by Keeley-Teton on a case-by-case basis with the sole aim of enhancing the value of client assets.

Keeley-Teton has adopted proxy policies and procedures which provide that Keeley-Teton votes client securities for which it has voting power and responsibility with the goal of enhancing the value of the investment – and specifically with management on routine matters, against anti-takeover proposals, on non-routine matters in accordance with Keeley-Teton’s best judgment and on social and political matters, as directed by the client. If Keeley-Teton perceives a conflict of interest on any vote, it will solicit the client for direction. The proxy procedures provide for the method of voting, address responsibility for decision-making in voting and timeliness, record keeping and distribution of information to clients. Keeley-Teton maintains records of its proxy voting as required by the Investment Advisers Act of 1940 and the related rules of the SEC. Copies of Keeley-Teton’s complete voting policies and procedures, and of the records of how a client’s securities were voted (beginning on July 1, 2003) are available by calling 312-786-5000.

Item 18. Financial Information

Keeley-Teton does not believe there are any existing financial conditions that are reasonably likely to impair its ability to meet its contractual obligations to clients.