

FRMO CORP.

1 North Lexington Avenue, Suite 12C, White Plains, NY 10601

Quarterly Report

November 30, 2016

Item 1 Name of the issuer and its predecessors (if any)

FRMO Corp.

Item 2 Address of the issuer's principal executive offices

1 North Lexington Avenue, Suite 12C
White Plains, NY 10601

Phone: 914-632-6730
Email: info@frmocorp.com
Website: www.frmocorp.com

Item 3 Security Information

Common Stock

Trading Symbol: FRMO
CUSIP: 30262F205

Par or Stated Value: \$0.001

Total shares authorized: 90,000,000	As of: November 30, 2016
Total shares outstanding: 43,953,155	As of: November 30, 2016

Preferred Stock:

Trading Symbol: N/A
CUSIP: N/A

Par or Stated Value: \$0.001

Total shares authorized: 2,000,000	As of: November 30, 2016
Total shares outstanding: None	As of: November 30, 2016

Transfer Agent

Broadridge Corporate Issuer Solutions, Inc.
1717 Arch Street, Suite 1300
Philadelphia, PA 19103
Phone: 800-733-1121

Broadridge is registered under the Exchange Act and regulated by the SEC.

Restrictions on the transfer of security

Restricted shares carry the following legend: The shares represented by this certificate have not been registered under the Securities Act of 1933. The shares have been acquired for investment and may not be sold, transferred, pledged or hypothecated in the absence of an effective registration statement for the shares under the Securities Act of 1933 or an opinion of counsel to the company that registration is not required under said Act.

Item 4
Issuance History

Issue Date	Number and Type of Securities Issued	Person to Whom Issued	Reason for Issuance	Exemption from Registration	Trading Status	Legended Status
April 21, 2014	Option Exercise of 3,000 shares of common stock at price of \$2.00 per share (Grant date: 10/23/08)	Jay Hirschson	Director Compensation	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Shares are restricted for 1 year from issue date.	Shares carry the customary Securities Act of 1933 legend.
April 21, 2014	Option Exercise of 3,000 shares of common stock at price of \$2.03 per share (Grant date: 10/9/09)	Jay Hirschson	Director Compensation	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Shares are restricted for 1 year from issue date.	Shares carry the customary Securities Act of 1933 legend.
May 20, 2014	186,740 shares at \$8.25 per share	Horizon Common Inc.	Shares were issued in consideration of acquisition of an interest in a private investment fund.	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Securities Act.	Shares are restricted for at least 1 year from issue date.	Shares carry the customary Securities Act of 1933 legend.
August 29, 2014	Option Exercise of 3,000 shares of common stock at price of \$2.25 per share (Grant date: 10/14/10)	Jay Hirschson	Director Compensation	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Shares are restricted for 1 year from issue date.	Shares carry the customary Securities Act of 1933 legend.

Item 4
Issuance History (continued)

Issue Date	Number and Type of Securities Issued	Person to Whom Issued	Reason for Issuance	Exemption from Registration	Trading Status	Legended Status
August 29, 2014	Option Exercise of 3,000 shares of common stock at price of \$2.75 per share (Grant date: 1/17/12)	Jay Hirschson	Director Compensation	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Shares are restricted for 1 year from issue date.	Shares carry the customary Securities Act of 1933 legend.
September 9, 2014	159,693 shares at \$9.00 per share	Horizon Common Inc.	Shares were issued in consideration of acquisition of an interest in a private investment fund.	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Shares are restricted for at least 1 year from issue date.	Shares carry the customary Securities Act of 1933 legend.
October 7, 2014	Option grant to purchase 5,000 shares of common stock, exercise price of \$9.18 per share	Allan Kornfeld	Director Compensation	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Options are unexercised. Will be restricted upon exercise.	To be legended upon exercise.
October 7, 2014	Option grant to purchase 3,000 shares of common stock, exercise price of \$9.18 per share	Jay Hirschson	Director Compensation	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Options are unexercised. Will be restricted upon exercise.	To be legended upon exercise.
February 10, 2015	Option Exercise of 50,000 shares of common stock at price of \$1.99 per share (Grant date: 12/16/09)	J. Douglas Kramer	Employee Incentive	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Shares are restricted for 1 year from issue date.	Shares carry the customary Securities Act of 1933 legend.

Item 4
Issuance History (continued)

Issue Date	Number and Type of Securities Issued	Person to Whom Issued	Reason for Issuance	Exemption from Registration	Trading Status	Legended Status
May 5, 2015	Option Exercise 7,750 shares of common stock at price of \$1.99 per share (Grant date: 12/16/09)	Hugh M. Ross	Employee Incentive	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Shares are restricted for 1 year from issue date.	Shares carry the customary Securities Act of 1933 legend.
October 8, 2015	Option grant to purchase 5,000 shares of common stock, exercise price of \$7.98 per share	Allan Kornfeld	Director Compensation	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Options are unexercised. Will be restricted upon exercise.	To be legended upon exercise.
October 8, 2015	Option grant to purchase 3,000 shares of common stock, exercise price of \$7.98 per share	Jay Hirschson	Director Compensation	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Options are unexercised. Will be restricted upon exercise.	To be legended upon exercise.
November 23, 2015	Option Exercise of 55,000 shares of common stock at price of \$1.99 per share (Grant date: 12/16/09)	J. Douglas Kramer	Employee Incentive	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Shares are restricted for 1 year from issue date.	Shares carry the customary Securities Act of 1933 legend.
November 27, 2015	Option Exercise of 30,000 shares of common stock at price of \$1.99 per share (Grant date: 12/16/09)	J. Douglas Kramer	Employee Incentive	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Shares are restricted for 1 year from issue date.	Shares carry the customary Securities Act of 1933 legend.

Item 4 Issuance History (continued)

Issue Date	Number and Type of Securities Issued	Person to Whom Issued	Reason for Issuance	Exemption from Registration	Trading Status	Legended Status
January 25, 2016	Option Exercise of 140,000 shares of common stock at price of \$1.99 per share (Grant date: 12/16/09)	J. Douglas Kramer	Employee Incentive	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act	Shares are restricted for 1 year from issue date.	Shares carry the customary Securities Act of 1933 legend.
October 6, 2016	Option grant to purchase 5,000 shares of common stock, exercise price of \$4.80 per share	Allan Kornfeld	Director Compensation	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Options are unexercised. Will be restricted upon exercise.	To be legended upon exercise.
October 6, 2016	Option grant to purchase 3,000 shares of common stock, exercise price of \$4.80 per share	Jay Hirschson	Director Compensation	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.	Options are unexercised. Will be restricted upon exercise.	To be legended upon exercise.



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REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
FRMO Corporation and Subsidiaries
White Plains, New York

We have reviewed the accompanying consolidated balance sheet of FRMO Corporation and Subsidiaries (the "Company") as of November 30, 2016, the related consolidated statements of income and comprehensive income (loss) for the three months and six months ended November 30, 2016 and 2015, the consolidated statement of stockholders' equity for the six months ended November 30, 2016, and the consolidated statements of cash flows for the six months ended November 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements as of November 30, 2016 and for the three months and six months ended November 30, 2016 and 2015 referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of FRMO Corporation and Subsidiaries as of May 31, 2016 (presented herein) and in our report dated August 9, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of May 31, 2016 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Baker Tilly Virchow Krause, LLP

New York, New York
January 12, 2017

CONSOLIDATED FINANCIAL STATEMENTS

Item 5

FINANCIAL STATEMENTS (Continued)

FRMO CORPORATION
AND SUBSIDIARIESCONSOLIDATED BALANCE SHEETS
As of November 30, 2016 and May 31, 2016

ASSETS		
	November 30, 2016 (Unaudited)	May 31, 2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 49,617,079	\$ 49,092,383
Accounts receivable (including due from related party of \$780,506 and \$820,333 at November 30, 2016 and May 31, 2016, respectively)	788,312	845,816
Prepaid income taxes	1,368,181	1,148,041
Investment in South LaSalle Partners, LP, available for sale, at fair value (cost of \$5,764,717 and \$5,771,005 at November 30, 2016 and May 31, 2016, respectively)	5,339,755	4,990,449
Investment in Winland Electronics, Inc., available for sale, at fair value (cost of \$460,435)	1,136,856	1,125,487
Other investments, available for sale, at fair value (cost of \$29,341,175 and \$29,180,398 at November 30, 2016 and May 31, 2016, respectively)	38,200,878	33,082,146
Participation receivable	138,357	-
Total Current Assets	96,589,418	90,284,322
Participation Receivable	-	138,357
Investment in OneChicago LLC	246,000	246,000
Investment in Digital Currency Group, Inc.	76,261	76,261
Investment in CNSX Markets, Inc.	243,040	243,040
Investment in Miami International Holdings, Inc.	250,000	250,000
Investment in National Stock Exchange Holdings, Inc.	248,580	-
Investment in The Bermuda Stock Exchange	2,709,640	2,642,020
Investment in Horizon Kinetics LLC	11,065,770	10,880,228
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
Total Assets	<u>\$121,628,709</u>	<u>\$114,960,228</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 203,103	\$ 183,417
Income taxes payable	-	-
Securities sold, not yet purchased (proceeds of \$8,157,713 and \$8,848,394 at November 30, 2016 and May 31, 2016, respectively)	3,574,384	4,412,055
Deferred tax liability	6,162,983	5,820,288
Total Current Liabilities	9,940,470	10,415,760
Deferred Tax Liability - non-current	4,963,249	4,752,880
Total Liabilities	<u>14,903,719</u>	<u>15,168,640</u>
STOCKHOLDERS' EQUITY		
Redeemable preferred stock - \$.001 par value;		
Authorized - 2,000,000 shares; no shares outstanding	-	-
Common stock - \$.001 par value, authorized 90,000,000 shares		
Issued and outstanding - 43,953,155 shares	43,953	43,953
Additional paid-in capital	30,638,777	30,349,918
Accumulated other comprehensive income	6,116,752	3,135,638
Retained earnings	63,416,569	62,581,715
Stockholders' Equity Attributable to FRMO Corporation	100,216,051	96,111,224
Noncontrolling interests	6,508,939	3,680,364
Stockholders' Equity	<u>106,724,990</u>	<u>99,791,588</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$121,628,709</u>	<u>\$114,960,228</u>

See report of independent registered public accounting firm and notes to consolidated financial statements.

Item 5

FINANCIAL STATEMENTS (Continued)

FRMO CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

	Three Months Ended		Six Months Ended	
	November 30,		November 30,	
	2016	2015	2016	2015
	(Unaudited)		(Unaudited)	
REVENUE				
Consultancy and advisory fees	\$ 452,924	\$ 577,727	\$ 954,609	\$ 1,267,632
Board fees	800	800	1,600	1,600
Dividends and interest income, net	118,017	191,221	238,534	375,289
Realized gains from investments	3,084	112,337	59,843	733,735
Income from investment partnerships and limited liability companies	227,091	1,866,040	323,571	2,678,786
Income from investment in The Bermuda Stock Exchange	38,636	19,568	67,620	28,984
Total Revenue	840,552	2,767,693	1,645,777	5,086,026
OPERATING EXPENSES				
Employee compensation and benefits	25,800	25,800	51,600	51,600
Professional fees	75,587	78,210	172,715	145,517
Other expenses	46,477	48,169	146,081	124,474
Equity compensation	17,280	33,920	17,280	33,920
Total Expenses	165,144	186,099	387,676	355,511
Income from Operations before Provision for Income Taxes	675,408	2,581,594	1,258,101	4,730,515
Provision for Income Taxes	242,844	1,139,786	343,177	2,127,602
Net Income	432,564	1,441,808	914,924	2,602,913
Less net income attributable to noncontrolling interests	19,663	-	80,070	-
Net Income Attributable to FRMO Corporation	\$ 412,901	\$ 1,441,808	\$ 834,854	\$ 2,602,913
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Net Income	\$ 432,564	\$ 1,441,808	\$ 914,924	\$ 2,602,913
Unrealized investment holding gains (losses) arising during the period	3,418,580	(5,435,938)	5,911,858	(10,052,480)
Income tax (provision) benefit related to items of other comprehensive income	(501,719)	1,461,862	(986,255)	2,833,275
Unrealized investment holding gains (loss), net of tax	2,916,861	(3,974,076)	4,925,603	(7,219,205)
Comprehensive Income (Loss)	3,349,425	(2,532,268)	5,840,527	(4,616,292)
Less comprehensive income attributable to noncontrolling interests	1,659,081	-	2,247,957	-
Comprehensive income (loss) attributable to FRMO Corporation	\$ 1,690,344	\$ (2,532,268)	\$ 3,592,570	\$ (4,616,292)
NET INCOME PER COMMON SHARE				
Basic and diluted	\$ 0.01	\$ 0.03	\$ 0.02	\$ 0.06
OTHER COMPREHENSIVE INCOME (LOSS) PER COMMON SHARE				
Basic and diluted	\$ 0.04	\$ (0.06)	\$ 0.08	\$ (0.11)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	43,953,155	43,733,375	43,953,155	43,730,751
Diluted	43,953,155	43,893,085	43,999,692	43,893,796

See report of independent registered public accounting firm and notes to consolidated financial statements.

Item 5 FINANCIAL STATEMENTS (Continued)

**FRMO CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Six Months Ended November 30, 2016 (Unaudited)

	Redeemable Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Stockholders' Equity Attributable to FRMO Corporation	Non Controlling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
BALANCE - June 1, 2016	-	\$ -	43,953	\$ 43,953	\$ 30,349,918	\$ 3,135,638	\$ 62,581,715	\$ 96,111,224	\$ 3,680,364	\$ 99,791,588
Common Stock Issued in Exchange for Additional Investment in South LaSalle Partners, LP	-	-	-	-	-	-	-	-	-	-
Equity Compensation	-	-	-	-	17,280	-	-	17,280	-	17,280
Exercise of Stock Options	-	-	-	-	-	-	-	-	-	-
Tax Benefit from Exercise of Stock Options	-	-	-	-	-	-	-	-	-	-
Non-cash Compensation	-	-	-	-	51,600	-	-	51,600	-	51,600
Capital Accounts of Consolidated Limited Liability Company	-	-	-	-	219,979	-	-	219,979	-	219,979
Change in Unrealized Gains on Available for Sale Securities, net of tax	-	-	-	-	-	2,981,114	-	2,981,114	2,247,957	5,229,071
Net Income	-	-	-	-	-	-	834,854	834,854	80,070	914,924
Noncontrolling Interests from Consolidation of Horizon Kinetics Hard Assets LLC	-	-	-	-	-	-	-	-	500,548	500,548
BALANCE - November 30, 2016	-	\$ -	43,953	\$ 43,953	\$ 30,638,777	\$ 6,116,752	\$ 63,416,569	\$ 100,216,051	\$ 6,508,939	\$ 106,724,990

See report of independent registered public accounting firm and notes to consolidated financial statements.

FRMO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS For the Six Months Ended November 30, 2016 and 2015

	2016	2015
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 914,924	\$ 2,602,913
Adjustments to reconcile net income to net cash flows from operating activities		
Non-cash compensation	51,600	51,600
Equity compensation	17,280	33,920
Realized gain from investments	(59,843)	(733,735)
Income from partnerships and limited liability companies	(323,571)	(2,678,786)
Income from investment in The Bermuda Stock Exchange	(67,620)	(28,984)
Tax benefit from exercise of stock options	-	(82,996)
Deferred income tax	(433,191)	(408,771)
Changes in operating assets and liabilities:		
Accounts receivable (includes \$39,827 and \$189,530 from related parties) at November 30, 2016 and 2015, respectively)	57,504	220,107
Prepaid income taxes	(220,140)	480,398
Accounts payable and accrued expenses	19,686	27,170
Income taxes payable	-	638,889
Net Cash Flows (used in) from Operating Activities	(43,371)	121,725
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds - investments available for sale	1,255,592	4,144,339
Purchases - investments available for sale	166,771	(320,046)
Proceeds from securities sold, not yet purchased	232,477	2,012,721
Purchases to cover securities previously sold	(888,193)	(30,911)
Investment in OneChicago LLC	-	(246,000)
Investment in National Stock Exchange Holdings, Inc.	(248,580)	-
Net Cash Flows from Investing Activities	518,067	5,560,103
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of other equity-subsiary	50,000	-
Proceeds from exercise of stock options	-	169,150
Tax benefit from exercise of stock options	-	82,996
Net Cash Flows from Financing Activities	50,000	252,146
Net Change in Cash and Cash Equivalents	524,696	5,933,974
CASH AND CASH EQUIVALENTS, Beginning of Period	49,092,383	44,745,381
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 49,617,079</u>	<u>\$ 50,679,355</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for		
Income taxes	\$ 990,108	\$ 1,417,000
Interest	\$ 91,048	\$ 44,612
NONCASH INVESTING ACTIVITIES		
Investment acquired through the issuance of common stock	\$ -	\$ -
Investment acquired through the transfer of other investments	\$ 1,382,153	\$ 51,225

See report of independent registered public accounting firm and notes to consolidated financial statements.

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
Three Months and Six Months Ended November 30, 2016 and 2015 (Unaudited)

NOTE 1 - Nature of Business

FRMO Corporation ("FRMO") was incorporated in 1993 under the laws of the State of Delaware. In January 2001, FRMO spun off its operations in a transaction accounted for as a reverse pooling of interests.

Management is experienced in the analysis of public and private companies and securities within a framework of identifying investment strategies and techniques that reduce risk. The Company endeavors to identify and participate in operating assets, particularly in the early stages of the expression of their ultimate value, in ways that are calculated to increase the value of the stockholders' interest in FRMO. Such assets are expected to include, but are not limited to, those whose values and earnings are based on intellectual capital. Of the many varieties of capital upon which investors have earned returns, ranging from real estate to silicon, perhaps the highest returns on capital have been earned on intellectual capital. It is the goal of FRMO to maximize its return on this form of asset. The identification of any business opportunities will follow the process employed by Horizon Kinetics, LLC ("Horizon" or "Horizon Kinetics"), to select and evaluate investment opportunities and strategies. Horizon was co-founded by Murray Stahl and Steven Bregman, officers and principal stockholders of the Company. It is an investment advisory and independent research firm, the research activities serving primarily institutional investors. Horizon provides in-depth analysis of information-poor, under-researched companies and strategies to identify the complex or overlooked situations that can offer an advantage to the investor.

Until April 30, 2011, the Company owned an 8.44% interest in Kinetics Advisers, LLC ("Kinetics Advisers"). Effective May 1, 2011, the members of Kinetics Advisers contributed all of their membership interests in Kinetics Advisers to Horizon Kinetics and, in exchange, Kinetics Advisers members received certain membership interests of Horizon Kinetics and Kinetics Advisers became a wholly-owned subsidiary of Horizon Kinetics (the "Exchange"). As a result of the Exchange, the Company exchanged its original 8.44% membership interest in Kinetics Advisers for a 0.47% membership interest in Horizon Kinetics and a receivable of approximately \$4,814,000, which represented the Company's proportionate shares of fees that were earned and payable to Kinetics Advisers prior to the Exchange (see Note 3). On August 15, 2012, the Company transferred an interest in a revenue stream to Horizon Kinetics in exchange for A-1 units of Horizon Kinetics, increasing the Company's membership interest in Horizon Kinetics to 0.86%. On April 16, 2013, the Company entered into an agreement with Horizon Kinetics to exchange, on or before May 31, 2013, certain privately held units of Horizon Kinetics for common shares of the Company based upon pre-determined prices of each. On May 31, 2013, the Company issued 2,387,715 shares of its common stock to the individual Horizon Kinetics unit sellers in exchange for an additional 4.09% interest in Horizon Kinetics. As a result of the Exchange and subsequent transactions discussed above, FRMO increased its interest in Horizon Kinetics from 0.86% to 4.95% (see Note 3).

Effective June 1, 2013, the Company earns substantially all of its advisory fees from Horizon Kinetics as a result of an amendment of its product-specific revenue interests (see Note 3). For the three months and six months ended November 30, 2016 and 2015, fees earned by the Company include fees earned from Horizon Kinetics and other fees derived from assets managed by other parties based on the research of Horizon Kinetics.

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
Three Months and Six Months Ended November 30, 2016 and 2015 (Unaudited)

NOTE 1 - Nature of Business (cont.)

The other programs significant to FRMO's fees are as follows:

- (i) **Consulting fees** - The Company receives consulting fees pursuant to an agreement with Santa Monica Partners, LP, whose manager is a director and stockholder of the Company.
- (ii) **Participation agreement** - In November 2010, the Company invested in a participation agreement with Horizon. The agreement provided that the Company pay to Horizon \$750,473 to fund Horizon's November 8, 2010 capital call in Croupier Prive Private Equity Fund, LP ("Prive") for the purchase by Croupier Prive Private Equity Fund Master Fund, LP ("Master") of four specified investments in consideration of Horizon's agreement that the Company shall have the right to participate in 50% of Horizon's share of any profit in each of the investments while bearing only 10% of any loss on the sale of each of the investments through the end of Prive's extended term on July 31, 2017. On April 12, 2013, the Company received \$664,277 as a partial distribution. As of November 30, 2016 and May 31, 2016, the balance of the assets to be distributed by Horizon was \$138,357 and is included in "Participation receivable" in the consolidated balance sheets.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of FRMO and its controlled subsidiaries (collectively referred to as the "Company"). Noncontrolling interests on the consolidated financial statements represent the portion of a subsidiary in which the Company does not have direct equity ownership. The Company maintains its corporate office in White Plains, New York.

Principles of Consolidation

The consolidated financial statements represent the consolidation of the accounts of FRMO and its subsidiaries in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany accounts and transactions have been eliminated in consolidation. Investments in unconsolidated companies (generally 20 to 50 percent ownership), in which the Company has the ability to exercise significant influence but neither has a controlling interest nor is the primary beneficiary, are accounted for under the equity method of accounting. Investments in entities in which the Company does not have the ability to exercise significant influence are accounted for under the cost method of accounting. Under certain criteria indicated in Accounting Standards Codification ("ASC") 810, *Consolidation*, a partially-owned affiliate would be consolidated when it has less than a 50% ownership if the Company was the primary beneficiary of that entity.

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
Three Months and Six Months Ended November 30, 2016 and 2015 (Unaudited)

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. At November 30, 2016 and May 31, 2016, the Company had balances in excess of federally insured limits on deposit with financial institutions. At November 30, 2016, the Company had: (1) three accounts with balances of approximately \$11,452,000, \$35,837,000 and \$1,050,000 at one financial institution, and (2) one account with a balance of approximately \$1,278,000 at another financial institution. The Company has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

In the normal course of business, substantially all of the Company's securities transactions, money balances, and security positions are transacted with one broker. The Company is subjected to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The Company's management monitors the financial condition of such broker and does not anticipate any losses from such counterparty.

Investment Valuation

The Company accounts for its investments in accordance with "*Investments - Debt and Equity Securities*", which requires that fixed-maturity and equity securities that have readily determined fair values be segregated into categories based upon the Company's intention for those securities. Accordingly, the Company has classified its equity securities as available-for-sale and its investment in a participation agreement as held to maturity. The Company may sell its available-for-sale securities in response to changes in interest rates, risk/reward characteristics, liquidity needs, or other factors.

Equity securities are reported at their estimated fair values based on quoted market prices or a recognized pricing service, with unrealized gains and losses, net of tax effects, reported as a separate component of comprehensive income in stockholders' equity. Realized gains and losses are determined on the specific identification method.

Investments that the Company has the specific intent and ability to hold until maturity are carried at cost.

The estimated fair values of financial instruments are determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates, when presented herein, are not necessarily indicative of the amounts that the Company could realize in a sale. The Company will record an impairment charge if and when it believes any investment has experienced a decline that is other than temporary.

As of November 30, 2016 and May 31, 2016, investments in limited partnerships and limited liability companies are valued using data inputs from September 30, 2016 and March 31, 2016, respectively, the dates of the most current available information.

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
Three Months and Six Months Ended November 30, 2016 and 2015 (Unaudited)

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Investments in Unconsolidated Entities

The Company evaluates investments in other entities for consolidation. The Company considers the percentage interest in the joint venture, evaluation of control and whether a variable interest entity exists when determining if the investment qualifies for consolidation. Investments in limited liability companies that have separate ownership accounts for each investor greater than three to five percent are accounted for under the equity method of accounting.

Under the equity method of accounting, the investment is recorded initially at cost, and subsequently adjusted for all realized income (loss) and all allocated shares of pass-through income or loss items ("Net Income"). The Net Income of each investor will be allocated in accordance with the provisions of the operating agreement of the entity. The allocation provisions in these agreements may differ from the ownership interest held by each investor. These items are reported as a single line item in the consolidated statements of income as income and comprehensive income (loss) from investment partnerships and limited liability companies. The unrealized gains and losses of these entities are also reflected in the investment and are included in other comprehensive income. Under the cost method of accounting, the investment is recorded initially at cost, and subsequently adjusted for cash contributions and distributions resulting from any capital events.

On a quarterly basis, the Company assesses whether the value of its investments in unconsolidated entities has been impaired. An investment is impaired only if management's estimate of the fair value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. The ultimate realization of the Company's investment in partially owned entities is dependent on a number of factors including the performance of that entity and market conditions. If the Company determines that a decline in the value of a partially owned entity is other than temporary, it will record an impairment charge.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Allowance for Doubtful Accounts

In the normal course of business, the Company provides unsecured credit to customers, performs credit evaluations of these customers, and maintains reserves for potential credit losses. In determining the amount of allowance for doubtful accounts, management considers historical credit losses, the past due status of receivables, payment history, and other customer-specific information. The past due status of a receivable is based on its contractual terms. Expected credit losses are recorded as an allowance for doubtful accounts. Receivables are written off when management determines they are uncollectible. An allowance for doubtful accounts is not provided as of November 30, 2016 and May 31, 2016 since, in the opinion of management, all of its accounts are deemed collectible.

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
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NOTE 2 - Summary of Significant Accounting Policies (cont.)

Securities Sold, not yet purchased

Securities sold, not yet purchased, or securities sold short, represent obligations of the Company to deliver the specified security, and thereby create a liability to repurchase the security in the market at then prevailing prices. Securities sold, not yet purchased are recorded as a liability at fair value.

Other Comprehensive Income

Other comprehensive income refers to revenues, expenses, gains, and losses net of income taxes that, under U.S. GAAP, are included in comprehensive income but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity and consist primarily of unrealized gains (losses) on available for sale investments.

Revenue Recognition

The Company primarily generates revenue through advisory and consulting fees. The accrual method of accounting is used to record fee income, which is recognized when earned.

Security transactions are recorded based on a trade date. Dividend income is recognized on the ex-dividend date, and interest income is recognized on an accrual basis. Discounts and premiums on securities purchased are amortized over the life of the respective securities. Realized gains and losses from securities transactions are recorded on a specific identification basis.

Revenue from the Company's interest in Horizon Kinetics' gross revenues is earned primarily on a month-by-month basis. Beginning with the quarter ended February 28, 2014, and each year thereafter, the revenue recorded for the quarter ended February 28/29 will include the Company's share of annual incentive fees earned by Horizon Kinetics, if any.

Revenue (loss) from investment partnerships is earned based upon FRMO's allocated share of each partnership's pass-through of income and expenses to its partners on a calendar year basis.

Research

Research expenditures, consisting of investment research, are expensed as incurred.

Stock-based Compensation

The Company records compensation expense associated with stock options and other equity-based compensation in accordance with guidance established by U.S. GAAP. Stock option compensation expense for the three months and six months ended November 30, 2016 and 2015 is the estimated fair value of options granted amortized on a straight-line basis over the requisite service period for the entire portion of the award less an estimate for anticipated forfeitures.

Item 5 **FINANCIAL STATEMENTS (Continued)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
Three Months and Six Months Ended November 30, 2016 and 2015 (Unaudited)

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Income Taxes

The Company files a consolidated federal income tax return with its wholly-owned subsidiary. Material differences between the financial reporting and the tax reporting of the Company's revenue, assets, and liabilities are included in deferred tax assets or liabilities. The income tax provisions and liability for income taxes are based on enacted tax laws and statutory tax rates applicable to the respective periods.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Uncertain Tax Positions

The Company follows the relevant provisions of U.S. GAAP concerning uncertainties in income taxes, which clarifies the accounting for uncertainty in tax positions and requires that the Company recognize in its consolidated financial statements the impact of an uncertain tax position, if that position has a more-likely-than-not chance of not being sustained on audit, based on the technical merits of that position. All related interest and penalties would be expensed as incurred. Tax returns for the years ended May 31, 2013 and forward are still subject to examination. The Company has evaluated its tax position and determined that no provision for uncertainty in income taxes is necessary as of November 30, 2016 and May 31, 2016.

Subsequent Events

The Company has evaluated all subsequent events from the date of the consolidated balance sheets through January 12, 2017, which represents the date these consolidated financial statements are available to be issued.

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
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NOTE 3 - Exchange of Product-Specific Revenue Interests

By agreement dated April 16, 2013, the Company amended the terms of its product-specific revenue interests in the following products managed by Horizon Kinetics and its subsidiaries: (i) a mutual fund, (ii) two private investment funds, (iii) a consultative relationship with an institutional investor and, (iv) an institutional separate account. The transaction was consummated at the close of business on May 31, 2013 and commenced on June 1, 2013. FRMO now receives a single revenue interest (the "Revenue Interest") equal to 4.199% of the gross revenues of Horizon Kinetics. On May 31, 2013, the 4.199% Revenue Interest had an estimated fair value of \$10,200,000 as determined by an independent valuation and is shown as "Participation in Horizon Kinetics LLC revenue stream" in the consolidated balance sheets as of November 30, 2016 and May 31, 2016. Revenue Interest from this transaction is recorded as "Consultancy and advisory fees" in the consolidated statements of income and comprehensive income (loss) for the three months and six months ended November 30, 2016 and 2015 and represents substantially all of the consulting and advisory fees for the three months and six months ended November 30, 2016 and 2015.

As a result of this transaction, the Company realized a gain of approximately \$10,057,000 in 2013. Income taxes of approximately \$4,395,000 on the gain are deferred pursuant to Section 1031 of the Internal Revenue Code relating to "like-kind exchanges" and are included in "Deferred Tax Liability - non-current" in the consolidated balance sheets as of November 30, 2016 and May 31, 2016.

NOTE 4 - Investments*Available for Sale*

The Company's investments classified as available for sale consist of the following as of:

	As of November 30, 2016		
	Cost	Unrealized Gains (Losses)	Fair Value
Investments			
Investment in South LaSalle Partners, LP	<u>\$ 5,764,717</u>	<u>\$ (424,962)</u>	<u>\$ 5,339,755</u>
Investment in Winland Electronics, Inc.	<u>\$ 460,435</u>	<u>\$ 676,421</u>	<u>\$ 1,136,856</u>
Other Investments			
Investments in limited partnerships			
Horizon Multi-Strategy Fund, LP	\$ 7,671,477	\$ 1,599,652	\$ 9,271,129
CDK Partners, LP	976,631	417,922	1,394,553
Polestar Fund, LP	7,229,764	4,492,437	11,722,201
Multi-Disciplinary Fund, LP	<u>553,635</u>	<u>(10,021)</u>	<u>543,614</u>
Total Investments in limited partnerships	16,431,507	6,499,990	22,931,497
Bond and equity securities	<u>12,909,668</u>	<u>2,359,713</u>	<u>15,269,381</u>
Total Other Investments	<u>\$ 29,341,175</u>	<u>\$ 8,859,703</u>	<u>\$ 38,200,878</u>

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
Three Months and Six Months Ended November 30, 2016 and 2015 (Unaudited)

NOTE 4 - Investments (cont.)

Available for Sale (cont.)

	As of May 31, 2016		
	Cost	Unrealized Gains (Losses)	Fair Value
Investments			
Investment in South LaSalle Partners, LP	\$ 5,771,005	\$ (780,556)	\$ 4,990,449
Investment in Winland Electronics, Inc.	\$ 460,435	\$ 665,052	\$ 1,125,487
Other Investments			
Investments in limited partnerships			
Horizon Multi-Strategy Fund, LP	\$ 7,817,962	\$ 895,830	\$ 8,713,792
CDK Partners, LP	911,349	407,121	1,318,470
Polestar Fund, LP	7,181,462	3,626,235	10,807,697
Multi-Disciplinary Fund, LP	549,082	(34,217)	514,865
Total Investments in limited partnerships	16,459,855	4,894,969	21,354,824
Bond and equity securities	12,720,543	(993,221)	11,727,322
Total Other Investments	\$ 29,180,398	\$ 3,901,748	\$ 33,082,146

The Company's limited partnerships interests are all under 50%, except for its investment in South LaSalle Partners, LP at November 30, 2016 and May 31, 2016, which was 51.12% and 55.04%, respectively. This entity has not been consolidated into the Company due to lack of control. South LaSalle Partners, LP owns 14.2% of the seats on the Minneapolis Grain Exchange.

The Company's investment capital in South LaSalle Partners, LP may be withdrawn as of the last day of each calendar quarter by providing the general partner with 60 days advance written notice. The general partner, in its sole discretion, may permit withdrawals at other times or otherwise modify or waive such withdrawal conditions and requirements, including any notice period, for any or all of the limited partners at any time without notice to or the consent of the limited partners. An entity, related by common ownership, is a member of both the general partner and the Manager of South LaSalle Partners, LP.

The Company's investment capital in the Horizon Multi-Strategy Fund, LP may be withdrawn on 45 days prior written notice to the general partner, and the Company may redeem all or part of its capital account on the last day of each calendar quarter. Redemptions may be settled in cash or, at the discretion of the general partner, through in-kind distributions of portfolio securities, the fair market value of which would satisfy the redemption request. An entity, related by common ownership, is a member of both the general partner and the manager of Horizon Multi-Strategy Fund, LP.

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
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NOTE 4 - Investments (cont.)

The Company's investment capital in CDK Partners, LP (formerly known as Croupier Fund, LP) may be withdrawn as of the last day of each month by providing the general partner with 60 days advance written notice. The general partner, in its sole discretion, may permit withdrawals at other times or otherwise modify or waive such withdrawal conditions and requirements. All withdrawal amounts may be paid in cash or in kind (or a combination thereof), in the general partner's sole discretion.

The Company's investment capital in Polestar Fund, LP may be withdrawn as of the last day of each month (or such other dates as the general partner in its discretion shall determine) by providing the general partner with 45 days advance written notice, with the minimum amount to be withdrawn of \$100,000. The general partner may, in its sole discretion, allow redemptions that do not comply with the above requirements; however, such redemptions may be subject to a penalty equal to up to 2% of the redemption amount requested. All withdrawal amounts may be paid in cash or in kind (or a combination thereof), in the general partner's sole discretion. An entity, related by common ownership, is a member of both the general partner and the manager of Polestar Fund, LP.

The Company's investment in the Multi-Disciplinary Fund, LP may be withdrawn as of the last business day of any calendar quarter upon at least 45 days advance written notice to the general partner, and in such other amounts and at such other times as the general partner may determine in its sole discretion. The minimum amount to be withdrawn is \$50,000. Partial withdrawals may not be made without the general partner's consent if they would reduce the investor's capital account balance below \$100,000. All withdrawals shall be deemed made prior to the commencement of the following calendar quarter. The general partner has discretion to waive or vary these terms. An entity, related by common ownership, is a member of both the general partner and the manager of Multi-Disciplinary Fund, LP.

Investments in Unconsolidated Subsidiaries

The Company's investments in unconsolidated subsidiaries not classified as available for sale consist of the following as of November 30, 2016 and May 31, 2016:

	November 30, 2016	May 31, 2016
Investment in OneChicago, LLC	<u>\$ 246,000</u>	<u>\$ 246,000</u>
Investment in Digital Currency Group, Inc.	<u>\$ 76,261</u>	<u>\$ 76,261</u>
Investment in CNSX Markets, Inc.	<u>\$ 243,040</u>	<u>\$ 243,040</u>
Investment in Miami International Holdings, Inc.	<u>\$ 250,000</u>	<u>\$ 250,000</u>
Investment in National Stock Exchange Holdings, Inc.	<u>\$ 248,580</u>	<u>\$ -</u>
Investment in The Bermuda Stock Exchange	<u>\$ 2,709,640</u>	<u>\$ 2,642,020</u>
Investment in Horizon Kinetics LLC	<u>\$ 11,065,770</u>	<u>\$ 10,880,228</u>

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
Three Months and Six Months Ended November 30, 2016 and 2015 (Unaudited)

NOTE 4 - Investments (cont.)

Investments in Unconsolidated Subsidiaries (cont.)

OneChicago, LLC

On June 18, 2015, the Company acquired 5 units of OneChicago, LLC for \$246,000. The Company's investment in OneChicago, LLC, in which the Company holds a 0.279% interest, is accounted for using the cost method of accounting.

Digital Currency Group, Inc.

On February 26, 2016, the Company acquired 353 shares of Digital Currency Group, Inc. for \$76,261. The Company's investment in Digital Currency Group, Inc., in which the Company holds a 0.05% interest, is accounted for using the cost method of accounting.

CNSX Markets, Inc.

On January 21, 2016, the Company acquired 380,000 shares of CNSX Markets, Inc. for \$243,040. The Company's investment in CNSX Markets, Inc., in which the Company holds a 1.41% interest, is accounted for using the cost method of accounting.

Miami International Holdings, Inc.

On May 5, 2016, the Company acquired 50,000 shares of Miami International Holdings, Inc. for \$250,000. The Company's investment in Miami International Holdings, Inc. in which the Company holds less than a 1.00% interest, is accounted for using the cost method of accounting.

National Stock Exchange Holdings, Inc.

On September 16, 2016, the Company acquired 21 shares of National Stock Exchange Holdings, Inc. for \$248,580. The Company's investment in National Stock Exchange Holdings, Inc. in which the Company holds less than a 1.00% interest, is accounted for using the cost method of accounting.

The Bermuda Stock Exchange

Pursuant to an offer to the members of the Bermuda Stock Exchange ("BSX"), the Company acquired 509,114 shares of BSX (37.57%) for a total consideration of \$2,370,515 on April 16, 2014. On February 27, 2015, FRMO acquired an additional 33,940 shares of BSX from existing shareholders for \$154,521. The additional shares purchased increased FRMO's investment in BSX to 40.08% effective March 2, 2015. The Company's investment in The Bermuda Stock Exchange is accounted for under the equity method of accounting.

Horizon Kinetics LLC

The Company's investment in Horizon Kinetics, in which the Company now holds a 4.95% interest, is accounted for using the equity method of accounting.

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
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NOTE 4 - Investments (cont.)

Noncontrolling Interests

Horizon Kinetics Hard Assets LLC

Horizon Kinetics Hard Assets LLC ("HKHA") is a New York limited liability company formed by Horizon, and certain officers, principal stockholders and directors of the Company for the purpose of investing in companies that own 'hard assets' with intrinsic value such as commodities including oil, natural gas, precious metals as well as land assets including industrial and commercial real estate, and other similar assets.

From November 1, 2015 through November 1, 2016, the Company acquired an interest in HKHA by contributing securities with a fair market value of \$718,590. As of November 30, 2016 and May 31, 2016 the Company holds a 9.23% and 5.08% interest, respectively, in HKHA.

Due to the common control and ownership between HKHA and the Company's principal stockholders and directors, HKHA has been consolidated within the Company's financial statements in accordance with the Company's consolidation policy. The noncontrolling interest of 90.77% and 94.92% in HKHA has been eliminated as of November 30, 2016 and May 31, 2016, respectively.

Securities Sold, not yet purchased (liability)

Securities sold, not yet purchased, or securities sold short, consist of equity securities that the Company has borrowed and sold. The Company is required to "cover" its short sales in the future by purchasing the security at prevailing market prices and delivering it to the counterparty from which it borrowed the security. The Company is exposed to loss in the event that the price at which a security may have to be purchased to cover a short sale exceeds the price at which the borrowed security was sold short. Securities sold, not yet purchased are recorded as a liability at fair value. A gain, limited to the price at which the Company sold the investment short, or a loss, unlimited in amount, will be recognized upon the cover of the short sale.

NOTE 5 - Fair Value Measurements

The Company follows "*Fair Value Measurements*" for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually.

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of November 30, 2016 and May 31, 2016, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair values. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates, and yield curves, and quoted prices for identical or similar instruments in markets that are not active. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and includes situations where there is little, if any, market activity for the asset or liability. The Company does not have Level 3 assets or liabilities:

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
Three Months and Six Months Ended November 30, 2016 and 2015 (Unaudited)

NOTE 5 - Fair Value Measurements (cont.)

As of November 30, 2016				
Fair Value Measurements at Reporting Date Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Assets (at fair value)				
Money Market Mutual Funds included in Cash and Cash Equivalents	\$ 48,338,743	\$ 48,338,743	\$ -	\$ -
Investments				
Available for sale				
Bond and Equity Securities	\$ 16,406,237	\$ 15,269,381	\$ 1,136,856	\$ -
Investments in Limited Partnerships	28,271,252	-	28,271,252	-
Total Investments Available for Sale	\$ 44,677,489	\$ 15,269,381	\$ 29,408,108	\$ -
Liabilities (at fair value):				
Common Stocks	\$ 3,574,384	\$ 3,574,384	\$ -	\$ -
As of May 31, 2016				
Fair Value Measurements at Reporting Date Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Assets (at fair value)				
Money Market Mutual Funds included in Cash and Cash Equivalents	\$ 48,727,079	\$ 48,727,079	\$ -	\$ -
Investments				
Available for sale				
Bond and Equity Securities	\$ 12,852,809	\$ 11,727,322	\$ 1,125,487	\$ -
Investments in Limited Partnerships	26,345,273	-	26,345,273	-
Total Investments Available for Sale	\$ 39,198,082	\$ 11,727,322	\$ 27,470,760	\$ -
Liabilities (at fair value):				
Common Stocks	\$ 4,412,055	\$ 4,412,055	\$ -	\$ -

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
Three Months and Six Months Ended November 30, 2016 and 2015 (Unaudited)

NOTE 6 - Income Taxes

The Company files a consolidated federal income tax return and a combined state tax return with its wholly-owned subsidiary, Fromex Equities Corp.

The provision for (benefit from) income taxes is comprised of the following for the three months and six ended November 30:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2016	2015	2016	2015
Current				
Federal	\$ 149,357	\$ 930,326	\$ 664,423	\$ 2,032,185
State and City	77,606	216,277	111,945	504,181
Total Current	<u>226,963</u>	<u>1,146,603</u>	<u>776,368</u>	<u>2,536,366</u>
Deferred				
Federal	10,202	(28,941)	(306,498)	(337,997)
State and City	5,679	22,124	(126,693)	(70,767)
Total Deferred	<u>15,881</u>	<u>(6,817)</u>	<u>(433,191)</u>	<u>(408,764)</u>
Total Provision for Income Taxes	<u>\$ 242,844</u>	<u>\$ 1,139,786</u>	<u>\$ 343,177</u>	<u>\$ 2,127,602</u>

The tax effects of temporary differences which give rise to deferred tax assets and liabilities consist of the following as of:

	November 30, 2016	May 31, 2016
Current Deferred Tax Liabilities		
Investments in limited partnerships	\$ -	\$ 471,890
Unrealized gain from investments	<u>6,162,983</u>	<u>5,348,398</u>
Total Current Deferred Tax Liabilities	<u>6,162,983</u>	<u>5,820,288</u>
Non-Current Deferred Tax Liabilities		
Investment in unconsolidated limited liability company	568,239	366,925
Deferral of gain from like-kind exchange	<u>4,395,010</u>	<u>4,385,955</u>
Total Non-Current Deferred Tax Liabilities	<u>4,963,249</u>	<u>4,752,880</u>
Total Deferred Tax Liability	<u>\$ 11,126,232</u>	<u>\$ 10,573,168</u>

During the year ended May 31, 2016, the Company established nexus in New York City and calculated an estimate of income taxes and accrued interest for the years ended May 31, 2013, 2014 and 2015. In September 2016, the Company filed the required tax returns which resulted in the actual income tax and accrued interest being \$168,725 less than the estimate as of May 31, 2016. The net amount of this adjustment after federal tax was \$111,358. The net adjustment reduced the provision for income taxes by \$111,358 for the six months ended November 30, 2016, and reduced the effective tax rate by 8.9%.

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
Three Months and Six Months Ended November 30, 2016 and 2015 (Unaudited)

NOTE 7 - Net Income Per Common Share and Per Common Share Equivalent

Basic and diluted earnings per common share is calculated by dividing net income allocated to common stock by the weighted average common shares outstanding during the period. The weighted average number of shares of common stock used in the calculation of diluted earnings per share is adjusted for the dilutive effects of potential common shares including the assumed exercise of vested stock options based on the treasury stock method and the assumed conversion of convertible preferred stock. Assumed exercise or conversion of potential common shares is only when the weighted average market price for the period exceeds the exercise price and the conversion price, and that the entity records earnings from continuing operations, as the inclusion of such adjustments would otherwise be anti-dilutive to earnings per share from continuing operations.

Potential common shares consist of the following for the six months ended November 30:

	<u>2016</u>	<u>2015</u>
Stock Options	<u>111,626</u>	<u>246,138</u>

As of November 30, 2016 and May, 31, 2016, there were 87,626 and 79,626, respectively vested options with an exercise price below the weighted average market price of the Company's common stock during the period.

The reconciliation of the weighted average number of common shares used in the calculation of basic and diluted earnings per common share follows for the three months and six months ended November 30:

	Three Months Ended November 30,		Six Months Ended November 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(Unaudited)		(Unaudited)	
Weighted Average Common Shares Outstanding	43,953,155	43,733,375	43,953,155	43,730,751
Effect of Dilutive Securities, common share equivalents:				
Exercise of stock options	<u>-</u>	<u>159,710</u>	<u>46,537</u>	<u>163,045</u>
Dilutive Potential Common Share Equivalents	<u>43,953,155</u>	<u>43,893,085</u>	<u>43,999,692</u>	<u>43,893,796</u>

NOTE 8 - Noncash Compensation

Noncash compensation expense represents a notional salary allocation for the Company's senior officers, as required under U.S. GAAP. The officers of the Company are responsible for all of the Company's operations and have agreed to not draw any salaries for an indefinite period. Noncash compensation expense is recorded as an increase to additional paid-in capital.

Item 5 FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2016 (Unaudited) and May 31, 2016 and for the
Three Months and Six Months Ended November 30, 2016 and 2015 (Unaudited)

NOTE 9 - Stockholders' Equity*Redeemable Preferred Stock*

The number of authorized Series R preferred shares is 5,000 with a par value of \$.001 per share. These shares are each convertible to 1,000 shares of the Company's common stock at the option of either the Company or the holder. The Company is required to redeem them at \$1,000 per share upon the request of a holder. These shares have one vote per share on all matters that common stock can vote upon. Upon liquidation, there is preference to the extent of \$1,000 per share. No dividends may be paid on common stock unless a dividend per share of 1,000% of common stock dividends is paid on the preferred stock. There were no shares of preferred stock outstanding as of November 30, 2016 and May 31, 2016.

Stock Options

A summary of option activity as of November 30, 2016, and changes during the six months then ended, is as follows:

<i>Stock Options</i>	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at June 1, 2016	103,626	\$ 3.40	3.87	\$ 260,742
Granted	8,000	4.80	6.86	4,800
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at November 30, 2016	<u>111,626</u>	<u>\$ 3.50</u>	<u>3.61</u>	<u>\$ 273,505</u>
Vested and Exercisable at November 30, 2016	<u>111,626</u>	<u>\$ 3.50</u>	<u>3.61</u>	<u>\$ 273,505</u>

All stock options were vested as of November 30, 2016 and 2015.

The aggregate intrinsic value of options outstanding and options exercisable at November 30, 2016 and 2015 is calculated as the difference between the exercise price of the underlying options and the market price of FRMO's common stock for the shares that had exercise prices that were lower than the \$5.40 and \$5.30 closing price of FRMO's common stock on November 30, 2016 and May 31, 2016, respectively.

As of November 30, 2016, there was no unrecognized compensation cost related to unvested options.

Item 6 Describe the Issuer's Business, Products and Services

A. A description of the issuer's business operations:

The corporation is an intellectual capital firm identifying and managing investment strategies and business opportunities.

B. Date and State of Incorporation:

Issuer is a Corporation incorporated in the state of Delaware in November 1993

C. The Issuer's primary SIC Code:

SIC Code: 6719 – Holding Company

D. The Issuer's fiscal year end date:

Fiscal year end is May 31

E. Principal Products or Services, and their Markets:

Holding Company

Item 7 Describe the Issuer's Facilities

Company leases fully furnished office space from Horizon Kinetics LLC at 1 North Lexington Avenue, Suite 12C, White Plains, New York 10601. The lease term is one year renewable for consecutive one year periods until terminated.

Item 8 Officers, Directors, and Control Persons

A. Names of Officers, Directors, and Control Persons:

Name of Director/Officer	Title
Murray Stahl	Chairman, CEO, Beneficial owner of more than 10%
Steven Bregman	President, CFO, Director, Beneficial owner of more than 10%
Peter Doyle	Vice President, Director, Beneficial owner of more than 5%
Lawrence J. Goldstein	Director, Beneficial owner of more than 5%
Lester J. Tanner	Director
Allan Kornfeld	Director
Jay P. Hirschson	Director
John C. Meditz	Beneficial owner of more than 10%
Thomas C. Ewing	Beneficial owner of more than 10%
Jay Kesslen	General Counsel
Therese Byars	Corporate Secretary

B. Legal/Disciplinary History

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

None

C. Beneficial Shareholders.

The following table provides information as of November 30, 2016 concerning the beneficial ownership or control of our Common Stock by all persons known by us who beneficially own more than ten percent (10%) of any class of our equity securities.

Name	Title	Number of Shares	Percentage of Shares
Murray Stahl FRMO Corp. 1 North Lexington Ave, Suite 12C White Plains, NY 10601	Chairman, CEO	7,164,912	16.3%
Steven Bregman FRMO Corp. 1 North Lexington Ave, Suite 12C White Plains, NY 10601	President, CFO, Director	6,912,970	15.7%
John C. Meditz Horizon Kinetics LLC 470 Park Avenue South New York, NY 10016	Control Person	7,139,851	16.2 %
Thomas C. Ewing Horizon Kinetics LLC 1111 Metropolitan Ave, Suite 750 Charlotte, NC 28204	Control Person	5,597,051	12.7%

Item 9 Third Party Providers

1. Legal Counsel

Morris Simkin
Law Office of Morris Simkin
60 East 42nd Street, Suite 1101, New York, NY 10017
Phone: (212) 455-0476 | Email: msimkin@securitiesregslawyer.com

2. Accountant or Auditor

John Basile, Engagement Partner
Baker Tilly Virchow Krause, LLP
One Penn Plaza, Suite 3000, New York, NY 10119
Phone: (212) 697-6900 | Email: John.Basile@bakertilly.com

Item 10 Issuer Certification

I, Murray Stahl, certify that:

1. I have reviewed this Quarterly Report of FRMO Corp.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Dated: January 12, 2017

/s/ Murray Stahl
Murray Stahl
Chairman & CEO

I, Steven Bregman, certify that:

1. I have reviewed this Quarterly Report of FRMO Corp.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Dated: January 12, 2017

/s/ Steven Bregman
Steven Bregman
President & CFO