FRMO CORPORATION
AND SUBSIDIARY

Elmsford, New York

CONSOLIDATED FINANCIAL STATEMENTS

Including Report of Independent
Registered Public Accounting Firm

As of August 31, 2014 and May 31, 2014 and for the
Three Months Ended August 31, 2014 and 2013

FRMO CORPORATION
AND SUBSIDIARY

TABLE OF CONTENTS

As of August 31, 2014 and May 31, 2014 and for the Three Months Ended August 31, 2014 and 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
FRMO Corporation and Subsidiary
Elmsford, New York

We have reviewed the accompanying consolidated balance sheet of FRMO Corporation and Subsidiary (the "Company") as of August 31, 2014, the related consolidated statements of income and comprehensive income for the three months ended August 31, 2014 and 2013, the consolidated statement of stockholders' equity for the three months ended August 31, 2014, and the consolidated statements of cash flows for the three months ended August 31, 2014 and 2013. 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). 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), 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 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), the consolidated balance sheets of FRMO Corporation and Subsidiary as of May 31, 2014 and, in our report dated August 12, 2014, we expressed an unqualified opinion on the consolidated balance sheet, but we have not performed any auditing procedures since that date on the May 31, 2014 consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of May 31, 2014, 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
October 15, 2014

CONSOLIDATED FINANCIAL STATEMENTS

FRMO CORPORATION
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
As of August 31, 2014 and May 31, 2014

ASSETS

	August 31, 2014	May 31, 2014
	(Unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	$ 27,876,801	$ 27,256,672
Accounts receivable (including due from related party of $1,469,607 and $544,388 at August 31, 2014 and May 31, 2014, respectively)	1,724,782	594,563
Investment in South LaSalle Partners, LP, available for sale, at fair value (cost of $5,177,034 and $3,721,207 at August 31, 2014 and May 31, 2014, respectively)	5,740,984	4,000,553
Other investments, available for sale, at fair value (cost of $30,338,648 and $31,863,743 at August 31, 2014 and May 31, 2014, respectively)	56,159,982	54,669,861
Total Current Assets	91,502,549	86,521,649
Participation receivable	138,357	138,357
Investment in The Bermuda Stock Exchange, at cost	2,423,898	2,370,515
Investment in Horizon Kinetics LLC, at cost	11,386,748	11,214,133
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
TOTAL ASSETS	$ 115,651,552	$ 110,444,654

LIABILITIES AND STOCKHOLDERS' EQUITY

	August 31, 2014	May 31, 2014
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 234,908	$ 426,000
Income taxes payable	1,112,960	1,004,097
Securities sold, not yet purchased (proceeds of $5,917,899 and $5,634,323 at August 31, 2014 and May 31, 2014, respectively)	1,700,927	1,709,985
Deferred tax liability	9,971,128	9,015,544
Total Current Liabilities	13,019,923	12,155,626
Deferred Tax Liability - non-current	4,249,952	4,237,675
Total Liabilities	17,269,875	16,393,301
STOCKHOLDERS' EQUITY		
Preferred stock - $.001 par value; Authorized - 2,000,000 shares; no shares outstanding	-	-
Common stock - $0.001 par value: Authorized - 90,000,000 shares Issued and outstanding - 43,670,405 shares and 43,504,712 shares at August 31, 2014 and May 31, 2014, respectively	43,670	43,504
Additional paid-in capital	29,051,480	27,573,602
Accumulated other comprehensive income	14,641,246	12,556,495
Retained earnings	54,645,281	53,877,752
Total Stockholders' Equity	98,381,677	94,051,353
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 115,651,552	$ 110,444,654

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

FRMO CORPORATION
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Three Months Ended August 31, 2014 and 2013

	2014	2013
	(Unaudited)	
REVENUE		
Consultancy and advisory fees	$ 922,228	$ 678,724
Board fees	800	-
Dividends and interest income, net	419,552	420,530
Realized gains	9,515	26,362
Income from investment partnerships and limited liability companies	138,588	1,256,213
Income from investment in The Bermuda Stock Exchange	30,699	-
Total Revenue	1,521,382	2,381,829
EXPENSES		
Employee compensation and benefits	25,800	25,800
Professional fees	78,750	96,831
Other expenses	117,593	90,211
Equity compensation	-	-
Total Expenses	222,143	212,842
Income from Operations before Provision for Income Taxes	1,299,239	2,168,987
Provision for Income Taxes	531,710	765,757
NET INCOME	767,529	1,403,230
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Gross unrealized investment holding gains (losses) arising during the period	3,308,880	(2,716,104)
Income tax (expense) benefit related to items of other comprehensive income (loss)	(1,224,129)	751,467
COMPREHENSIVE INCOME (LOSS)	$ 2,852,280	$ (561,407)
EARNINGS PER COMMON SHARE		
Basic	$ 0.02	$ 0.03
Diluted	$ 0.02	$ 0.03
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	43,504,842	43,256,755
Diluted	43,965,022	43,646,328

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

FRMO CORPORATION
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Three Months Ended August 31, 2014 (Unaudited)

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Retained	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Income	Earnings	Equity
BALANCE - May 31, 2014	-	$ -	43,504,712	$ 43,504	$27,573,602	$ 12,556,495	$ 53,877,752	$ 94,051,353
Common Stock Issued in Exchange for Additional Investment in South LaSalle Partners, LP	-	-	159,693	160	1,437,084	-	-	1,437,244
Exercise of Stock Options	-	-	6,000	6	14,994	-	-	15,000
Non-cash Compensation	-	-	-	-	25,800	-	-	25,800
Change in Unrealized Gains on available for Sales Securities, net of tax	-	-	-	-	-	2,084,751	-	2,084,751
Net Income	-	-	-	-	-	-	767,529	767,529
BALANCE - August 31, 2014	-	$ -	43,670,405	$ 43,670	$29,051,480	$ 14,641,246	$ 54,645,281	$ 98,381,677

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

FRMO CORPORATION
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended August 31, 2014 and 2013

	2014	2013
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 767,529	$ 1,403,230
Adjustments to reconcile net income to net cash flows from operating activities:		
Non-cash compensation	25,800	25,800
Realized gain on investments	(9,515)	(26,362)
Income from partnerships and limited liability companies	(138,588)	(1,256,213)
Income from investment in The Bermuda Stock Exchange	(30,699)	-
Deferred income tax (benefit) expense	(256,264)	482,349
Changes in operating assets and liabilities:		
Accounts receivable	(1,130,219)	(267,544)
Prepaid income taxes	-	(830,119)
Accounts payable and accrued expenses	(191,092)	46,235
Income taxes payable	108,863	-
Net Cash Flows from Operating Activities	(854,185)	(422,624)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds - investments available for sale	1,600,860	142,839
Purchases - investments available for sale	(402,438)	(625,153)
Proceeds - investment held to maturity	-	-
Proceeds from securities sold, not yet purchased	283,576	361,927
Purchases to cover securities previously sold	-	(251,431)
Investment in The Bermuda Stock Exchange	(22,684)	-
Net Cash Flows from Investing Activities	1,459,314	(371,818)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	-	-
Proceeds from exercise of stock options	15,000	12,090
Net Cash Flows from Financing Activities	15,000	12,090
Net Change in Cash and Cash Equivalents	620,129	(782,352)
CASH AND CASH EQUIVALENTS, Beginning of Period	27,256,672	26,525,074
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 27,876,801	$ 25,742,722
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for		
Income taxes	$ 679,000	$ 1,103,000
Interest	$ 12,503	$ 14,791
NONCASH INVESTING ACTIVITIES		
Investment acquired through the issuance of common stock	$ 1,437,244	$ -
Investment acquired through the transfer of revenue stream	$ -	$ -
Participation receivable for investment held to maturity	$ -	$ -
Conversion of redeemable preferred stock to common stock	$ -	$ -

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

NOTE 1 - Organization of the Company

FRMO Corporation ("FRMO") was incorporated in 1993. In January 2001, FRMO spun off its operations in a transaction accounted for as a reverse pooling of interests. On January 23, 2001, 34,200,000 shares of common stock were issued to the FRM Control Group. Murray Stahl and Steven Bregman, Chairman and President of the Company, respectively, are the principal persons in the FRM Control Group.

The Board of Directors elected and approved a change to the Company's fiscal year from February 28 to May 31, effective for the fiscal year ended May 31, 2012.

NOTE 2 - Nature of Business and Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of FRMO and its wholly owned subsidiary, Fromex Equity Corp. ("Fromex") (collectively referred to as the "Company"). The Company maintains its corporate office in Elmsford, New York.

Principles of Consolidation

The consolidated financial statements represent the consolidation of the accounts of FRMO and its subsidiary in conformity with 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. Investments in entities in which the Company does not have the ability to exercise significant influence are accounted for under the cost method. 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. At the present time, there are no interests in variable interest entities.

Nature of Business

Management is experienced in the analysis of public 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. It 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.

NOTE 2 - Nature of Business and Significant Accounting Policies (cont.)

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 Advisors contributed all of their membership interests in Kinetics Advisors to Horizon Kinetics and, in exchange, Kinetics Advisors members received certain membership interests of Horizon Kinetics and Kinetics Advisors became a wholly-owned subsidiary of Horizon Kinetics (the "Exchange"). As result of the Exchange, the Company exchanged its original 8.44% membership interest in Kinetics Advisors for a 0.47% membership interest in Horizon Kinetics and a receivable of approximately $4,814,000, which represents the Company's proportionate shares of fees that were earned and payable to Kinetics Advisors 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, 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 fees from Horizon Kinetics as a result of an amendment of its product-specific revenue interests (see Note 3). For the three months ended August 31, 2014 and 2013, 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. 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, 2016. On April 12, 2013, the Company received $664,277 as a partial distribution. As of August 31, 2014 and May 31, 2014, the balance of the assets to be distributed by Horizon was $138,357 and is included in "Participation receivable" in the consolidated balance sheets.

The Company has evaluated all subsequent events from the date of the consolidated balance sheets through October 15, 2014, which represents the date these consolidated financial statements are available to be issued.

NOTE 2 - Nature of Business and 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 August 31, 2014 and May 31, 2014, the Company had balances in excess of federally insured limits on deposit with financial institutions. 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 August 31, 2014 and May 31, 2014, investments in limited partnerships and limited liability companies are valued as of June 30, 2014 and March 31, 2014, the date of the most current available information.

Investments in Unconsolidated Subsidiaries

The Bermuda Stock Exchange

The Company's investment in The Bermuda Stock Exchange, in which the Company holds a 37.57% interest (see Note 4) is accounted for under the equity method. Under this method, investments are carried at cost and are adjusted only for other-than-temporary declines in fair value, certain distributions, additional investments, and its allocated share of net income (loss).

NOTE 2 - Nature of Business and Significant Accounting Policies (cont.)

Investments in Unconsolidated Subsidiaries (cont.)

Horizon Kinetics

The Company's investment in Horizon Kinetics, in which the Company now holds a 4.95% interest, is accounted for using the equity method. Under the equity method of accounting, investments are carried at cost and are adjusted only for other-than-temporary declines in fair value, certain distributions, additional investments, and its allocated share of net income (loss). Prior to the May 1, 2011 Exchange, as described in "nature of business", the Company's investment in Horizon Kinetics LLC was classified as available for sale, with unrealized gains being recorded through such date. Since May 31, 2012, the Company's additional 4.09% interest in Horizon Kinetics that was acquired on May 31, 2013 and prior units are no longer classified as available for sale and thus, are now carried at cost, which includes prior fair market value adjustments through May 31, 2013.

Investments in Other Partnerships and Limited Liability Companies

Investments in partnerships and limited liability companies that have separate ownership accounts for each investor greater than three to five percent are accounted for under the equity method. Under this method, the investments include all realized income and all allocated share of pass through income or loss items. The unrealized gains and losses of these entities are also reflected in the investment and in other comprehensive income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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 August 31, 2014 and May 31, 2014 since, in the opinion of management, all of its accounts are deemed collectible.

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.

Advertising Costs

The Company's policy is to expense the cost of advertising as incurred. There were no advertising expenses for the three months ended August 31, 2014 and 2013.

NOTE 2 - Nature of Business and Significant Accounting Policies (cont.)

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 investments.

Revenue Recognition

The Company primarily generates revenue through research 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 will include the Company's share of annual incentive fees earned by Horizon Kinetics, if any.

Revenue (losses) from investment partnerships is earned based upon FRMO's pro rata 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 and Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 107. Stock option compensation expense for the three months ended August 31, 2014 and 2013 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.

Income Taxes

The Company files a consolidated federal income tax return. 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.

NOTE 2 - Nature of Business and Significant Accounting Policies (cont.)

Income Taxes (cont.)

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. During the periods ended August 31, 2014 and 2013, the Company did not incur any interest and penalties. Tax returns for the years ended February 28, 2011 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 August 31, 2014 and May 31, 2014.

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 revenue stream" in the consolidated balance sheets as of August 31, 2014 and May 31, 2014. Revenue Interest from this transaction is recorded as “Consultancy and advisory fees” in the consolidated statements of Income and comprehensive income” for the three months ended August 31, 2014 and 2013 and represents substantially all of the consulting and advisory fees for the periods ended August 31, 2014 and 2013.

As a result of this transaction, the Company realized a gain of approximately $10,057,000 equal to the fair value of the 4.199% Revenue Interest at the close of business on May 31, 2013 over the cost basis of the revenue interests in the Horizon Kinetics related products transferred to Horizon Kinetics on that date. Income taxes of approximately $4,023,000 on the gain are deferred pursuant to Section 1031 of the Internal Revenue Code relating to "like exchanges" and are included "Deferred Tax Liability - non-current" in the consolidated balance sheets as of August 31, 2014 and May 31, 2014.

NOTE 4 - Investments

Available for Sale

The Company's investments classified as available for sale consist of the following as of August 31, 2014 and May 31, 2014:

	August 31, 2014		
	Cost	Unrealized Gains	Fair Value
		(Unaudited)	
Investments			
Investment in South LaSalle Partners, LP	$ 5,177,034	$ 563,950	$ 5,740,984
Other Investments			
Investments in limited partnerships:			
Horizon Multi-Strategy Fund, LP	$ 6,977,180	$ 4,525,633	$ 11,502,813
CDK Partners, LP	798,530	747,384	1,545,914
Polestar Fund, LP	5,577,745	6,951,499	12,529,244
Multi-Disciplinary Fund, LP	571,517	37,944	609,461
	13,924,972	12,262,460	26,187,432
Bond and equity securities	16,413,676	13,558,874	29,972,550
Total Investments	$ 30,338,648	$ 25,821,334	$ 56,159,982

	May 31, 2014		
	Cost	Unrealized Gains	Fair Value
Investments			
Investment in South LaSalle Partners, LP	$ 3,721,207	$ 279,346	$ 4,000,553
Other Investments			
Investments in limited partnerships:			
Horizon Multi-Strategy Fund, LP	$ 7,227,401	$ 3,311,652	$ 10,539,053
CDK Partners, LP	784,899	646,536	1,431,435
Polestar Fund, LP	5,559,263	5,982,007	11,541,270
Multi-Disciplinary Fund, LP	564,004	(8,326)	555,678
	14,135,567	9,931,869	24,067,436
Bond and equity securities	17,728,176	12,874,249	30,602,425
Total Investments	$ 31,863,743	$ 22,806,118	$ 54,669,861

NOTE 4 - Investments (cont.)

The Company’s limited partnerships interests are all under 50%, except for its investment in South LaSalle Partners, LP at August 31, 2014 and May 31, 2014, which was 65.86% and 57.4%, respectively.

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.

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.

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.

NOTE 4 - Investments (cont.)

Investments in Unconsolidated Subsidiaries at cost

The Companies' investments in unconsolidated subsidiaries classified as not available for sale consist of the following as of August 31, 2014 and May 31, 2014:

	2014	2013
Investment in The Bermuda Stock Exchange	$ 2,370,515	$ -
Investment in Horizon Kinetics LLC	$ 11,214,133	$ 10,973,940

On February 25, 2014, FRMO made an offer to the members of The Bermuda Stock Exchange ("BSX") to acquire up to a maximum of 575,265 shares, or 42.77% of total BSX shares issued and outstanding, at a price of $4.50 per share plus applicable stamp duty. The offer expired on March 31, 2014 and resulted in subscriptions for 509,114 shares (37.57%) for a total consideration of $2,370,515 (including Bermuda Stamp Duty of $79,502). The Bermuda Monetary Authority approved the transaction on April 11, 2014. The transaction closed on April 16, 2014.

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.

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 August 31 2014 and May 31, 2014, 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:

NOTE 5 - Fair Value Measurements (cont.)

	As of August 31, 2014			
		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Unaudited)			
Assets (at fair value)				
Money Market Mutual Funds included in Cash and Cash Equivalents	$ 27,708,511	$ 27,708,511	$ -	$ -
Investments				
Available for sale				
Bond and Equity Securities	$ 29,972,550	$ 29,972,550	$ -	$ -
Investments in Limited Partnerships	31,928,416	-	31,928,416	-
Total Investments Available for Sale	$ 61,900,966	$ 29,972,550	$ 31,928,416	$ -
Liabilities (at fair value)				
Common Stock	$ 1,709,927	$ 1,709,927	$ -	$ -

	As of May 31, 2014			
		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets (at fair value)				
Money Market Mutual Funds included in Cash and Cash Equivalents	$ 26,963,772	$ 26,963,772	$ -	$ -
Investments				
Available for sale				
Bond and Equity Securities	$ 30,602,425	$ 30,602,425	$ -	$ -
Investments in Limited Partnerships	28,067,989	-	28,067,989	-
Total Investments Available for Sale	$ 58,670,414	$ 30,602,425	$ 28,067,989	$ -
Liabilities (at fair value)				
Common Stock	$ 1,709,985	$ 1,709,985	$ -	$ -

NOTE 6 - Income Taxes

The Company files a consolidated federal income tax return and a combined state tax return with its subsidiary, Fromex.

The tax effects of temporary differences which give rise to deferred tax assets and liabilities consist of the following as of August 31, 2014 and May 31, 2014:

	August 31, 2014 (Unaudited)	May 31, 2014
Current Deferred Tax Liabilities		
Investments in limited partnerships	$ -	$ 268,541
Unrealized gain from investments	9,971,128	8,747,003
Total Current Deferred Tax Liabilities	9,971,128	9,015,544
Non-Current Deferred Tax Liabilities		
Investment in unconsolidated limited liability	227,059	214,782
Deferral of gain from like-kind exchange	4,022,893	4,022,893
Total Non-Current Deferred Tax Liabilities	4,249,952	4,237,675
Total Deferred Tax Liability	$ 14,221,080	$ 13,253,219

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 exercise price and the conversion price exceed the weighted average market price for the period, 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 for the three months August 31, 2014 and 2013 consist of the following:

	2014	2013
Redeemable Preferred Stock	-	50,000
Options	603,888	607,888
Total	603,888	657,888

As of May 31, 2014 and 2013, there were 597,888 and 601,888, respectively, vested options with an exercise price below the weighted average market price of the Company's common stock during the period.

NOTE 7 - Net Income Per Common Share and Per Common Share Equivalent (cont.)

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 ended August 31, 2014 and 2013:

	2014	2013
Weighted Average Common Shares Outstanding	43,504,842	43,256,755
Effect of Dilutive Securities, common share equivalents		
Conversion of preferred stock	-	50,000
Exercise of stock options	460,180	339,573
Dilutive Potential Common Share Equivalents	43,965,022	43,646,328

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.

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 August 31, 2014 and May 31, 2014.

Stock Options

A summary of option activity as of August 31, 2014, and changes during the three months then ended, is as follows:

NOTE 9 - Stockholders' Equity (cont.)

Stock Options	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at June 1, 2014	609,888	$ 2.19	5.48	$ 4,220,129
Granted	-	$ -	-	$ -
Exercised	(6,000)	$ 2.50	-	$ 39,000
Forfeited	-	$ -	-	$ -
Outstanding at August 31, 2014	603,888	$ 2.19	5.24	$ 4,150,935
Vested and Exercisable at August 31, 2014	603,888	$ 2.19	5.24	$ 4,150,935

All stock options were vested as of August 31, 2014 and May 31, 2014.

The aggregate intrinsic value of options outstanding and options exercisable at August 31, 2014 and May 31, 2014 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 $9.00 and $9.05 closing price of FRMO's common stock on August 31, 2014 and May 31, 2014, respectively.

As of August 31, 2014, there was no unrecognized compensation cost related to unvested options.