

**FRMO CORPORATION
AND SUBSIDIARY**

**REPORT ON CONSOLIDATED
FINANCIAL STATEMENTS**

*Three Months and Nine Months
Ended February 28, 2013*

Contents

Three Months and Nine Months Ended February 28, 2013 *Pages*

Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm	1
Consolidated Balance Sheets	2
Consolidated Statements of Income and Comprehensive Income	3
Consolidated Statement of Stockholders' Equity for the Nine Months Ended February 28, 2013	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 17

Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
FRMO Corporation and Subsidiary

We have reviewed the accompanying consolidated balance sheet of FRMO Corporation and Subsidiary (the "Company") as of February 28, 2013, the related consolidated statements of income and comprehensive income for the three months and nine months ended February 28, 2013, and the consolidated statement of stockholders' equity and consolidated statement of cash flows for the nine months ended February 28, 2013. This interim financial information is the responsibility of the Company's management.

We conducted our review in accordance with 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 financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements 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), the consolidated balance sheet of FRMO Corporation and Subsidiary as of May 31, 2012 and, in our report dated July 27, 2012, we expressed an unqualified opinion on the consolidated balance sheet. In our opinion, the information set forth in the accompanying consolidated balance sheet as of May 31, 2012, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

The accompanying consolidated statements of income and comprehensive income for the three months and nine months ended February 29, 2012, and the consolidated statement of stockholders' equity, and consolidated statement of cash flows for the nine months ended February 29, 2012 were compiled by us. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide assurance that there are no material modifications that should be made to the financial statements. Accordingly, we do not express an opinion or provide assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Holtz Rubenstein Reminick LLP

New York, New York
April 15, 2013

**FRMO CORPORATION
AND SUBSIDIARY**

Consolidated Balance Sheets

	February 28, 2013	May 31, 2012
	(Unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 21,171,091	\$ 19,405,089
Accounts receivable (including due from broker of \$-0- and \$32,894, at February 28, 2013 and May 31, 2012, respectively)	342,930	414,153
Participation receivable	802,634	-
Prepaid income taxes	-	177,807
Investments, available for sale, at fair value (cost of \$31,246,950 and \$29,643,836 at February 28, 2013 and May 31, 2012, respectively)	45,946,467	38,375,823
Investment, held to maturity, at cost (fair value of \$-0- and \$888,330 at February 28, 2013 and May 31, 2012, respectively)	-	720,388
Total Current Assets	<u>68,263,122</u>	<u>59,093,260</u>
Other Assets, net	161,389	217,255
Total Assets	<u>\$ 68,424,511</u>	<u>\$ 59,310,515</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 204,361	\$ 161,824
Income taxes payable	430,875	-
Securities sold, not yet purchased (proceeds of \$4,601,962 and \$2,467,789 at February 28, 2013 and May 31, 2012, respectively)	2,283,467	1,682,784
Deferred tax liabilities	4,589,324	246,385
Redeemable preferred stock	50,000	50,000
Total Current Liabilities	<u>7,558,027</u>	<u>2,140,993</u>
Deferred Tax Liability - non-current	-	2,908,916
Total Liabilities	<u>7,558,027</u>	<u>5,049,909</u>
Stockholders' Equity:		
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 - 39,138,154 shares at February 28, 2013 and May 31, 2012	39,138	39,138
Additional paid-in capital	11,012,156	10,834,907
Accumulated other comprehensive income	7,378,813	3,701,520
Retained earnings	42,436,377	39,685,041
Total Stockholders' Equity	<u>60,866,484</u>	<u>54,260,606</u>
Total Liabilities and Stockholders' Equity	<u>\$ 68,424,511</u>	<u>\$ 59,310,515</u>

**FRMO CORPORATION
AND SUBSIDIARY**

Consolidated Statements of Income and Comprehensive Income

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
	(Unaudited)		(Unaudited)	
Revenue:				
Consultancy and advisory fees	\$ 774,304	\$ 570,807	\$ 1,824,266	\$ 1,761,322
Dividends and interest income, net	542,671	473,714	1,395,125	1,218,379
Realized gains	138,367	63,604	626,795	93,239
Income from investment partnerships and limited liability companies	650,518	495,609	1,605,451	940,137
Revenue from unconsolidated subsidiary	-	-	-	500,073
Total Revenue	2,105,860	1,603,734	5,451,637	4,513,150
Expenses:				
Employee compensation and benefits	25,800	35,380	84,730	102,030
Professional fees	82,468	92,907	219,100	228,004
Other expenses	132,864	68,525	256,161	197,225
Equity compensation	6,581	47,289	92,519	130,377
Amortization	18,622	18,621	55,866	55,865
Total Expenses	266,335	262,722	708,376	713,501
Income from Operations	1,839,525	1,341,012	4,743,261	3,799,649
Provision for Income Taxes	980,722	281,021	1,991,925	1,018,862
Net Income	858,803	1,059,991	2,751,336	2,780,787
Other Comprehensive Income (Loss), net of tax				
Gross unrealized investment holding gains (losses) arising during period	1,929,191	3,017,288	5,357,701	(2,477,095)
Income Tax (Expense) Benefit Related to Items of Other Comprehensive income	(277,576)	(1,200,312)	(1,680,408)	705,073
Comprehensive Income	\$ 2,510,418	\$ 2,876,967	\$ 6,428,629	\$ 1,008,765
Basic and Diluted Earnings per Common Share	\$ 0.02	\$ 0.03	\$ 0.07	\$ 0.07
Weighted Average Common Shares Outstanding:				
Basic	39,138,154	39,138,154	39,138,154	39,138,088
Diluted	39,259,083	39,188,154	39,197,326	39,188,088

**FRMO CORPORATION
AND SUBSIDIARY**

Consolidated Statement of Stockholders' Equity

Nine Months Ended February 28, 2013 (Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance - June 1, 2012	39,138,154	\$ 39,138	\$10,834,907	\$ 3,701,520	\$39,685,041	\$54,260,606
Equity Compensation	-	-	92,519	-	-	92,519
Non-cash Compensation	-	-	84,730	-	-	84,730
Change in Unrealized Gains on Available for Sale Securities, net of tax	-	-	-	3,677,293	-	3,677,293
Net Income	-	-	-	-	2,751,336	2,751,336
Balance - February 28, 2013	39,138,154	\$ 39,138	\$11,012,156	\$ 7,378,813	\$42,436,377	\$60,866,484

**FRMO CORPORATION
AND SUBSIDIARY**

Consolidated Statements of Cash Flows

	<i>Nine Months Ended</i>	
	February 28, 2013	February 29, 2012
	(Unaudited)	
Cash Flows from Operating Activities:		
Net income	\$ 2,751,336	\$ 2,780,787
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Non-cash compensation	84,730	102,030
Equity compensation	92,519	130,377
Amortization	55,866	55,865
Realized gain on investments	(626,795)	(93,239)
Income allocated from partnership and limited liability company investments	(1,605,451)	(940,137)
Deferred income tax (benefit) expense	(246,385)	-
Changes in operating assets and liabilities:		
Accounts receivable	38,329	59,478
Prepaid income taxes	177,807	(2,170,083)
Accounts payable and accrued expenses	42,537	30,700
Income taxes payable	430,875	(1,486,522)
Net Cash Provided by (Used in) Operating Activities	1,195,368	(1,530,744)
Cash Flows from Investing Activities:		
Proceeds - investments available for sale	175,854	477,557
Purchases - investments available for sale	(1,980,842)	(2,492,859)
Proceeds from securities sold, not yet purchased	2,769,604	1,875,710
Purchases to cover securities previously sold	(393,982)	(751,925)
Net Cash Provided by (Used in) Investing Activities	570,634	(891,517)
Cash Flows from Financing Activities:		
Payment to stockholders	-	(59,958)
Proceeds from exercise of stock options	-	3,000
Net Cash Used in Financing Activities	-	(56,958)
Net Increase (Decrease) in Cash and Cash Equivalents	1,766,002	(2,479,219)
Cash and Cash Equivalents - beginning of period	19,405,089	16,702,967
Cash and Cash Equivalents - end of period	\$ 21,171,091	\$ 14,223,748
Supplemental Disclosures:		
Cash paid during the period for:		
Taxes	\$ 1,628,621	\$ 5,295,549
Interest	\$ 21,790	\$ 16,660
Non-cash Investing Activities:		
Investment acquired through the transfer of revenue stream	\$ 511,475	\$ -
Participation receivable for investment held to maturity	\$ 720,388	\$ -

Notes to Consolidated Financial Statements (Unaudited)

Three Months and Nine Months Ended February 28, 2013

1. Organization of the Company

FRMO Corporation ("FRMO") was incorporated in 1993 under another name. In January 2001, FRMO spun off its operations in a transaction accounted for as a reverse pooling of interests and was left with \$10,000 in assets, no liabilities, and 1,800,000 shares of common stock outstanding. 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.

On December 20, 2011, the Company declared a 1-for-100 reverse stock split of its common stock, effective on the record date of January 17, 2012. Stockholders owning fewer than 100 shares on the record date had their shares cancelled and converted into the right to receive \$3.00 for each share of common stock held prior to the reverse stock split. As a result of the reverse stock split, the Company cancelled 19,986 shares of its common stock on January 17, 2012 at a cost of \$59,958. The reverse stock split was immediately followed by a 100-for-1 forward split for stockholders owning 100 or more shares on January 17, 2012. Stockholders' equity and per share amounts have been restated to account for these transactions as if they occurred at the beginning of the periods presented.

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.

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 Pleasantville, New York.

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.

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 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 share of fees that were earned and payable to Kinetics Advisers prior to the Exchange (see Note 3). On August 15, 2012, the

Notes to Consolidated Financial Statements (Unaudited)

Three Months and Nine Months Ended February 28, 2013

Company transferred an interest in a revenue stream ("Revenue Stream"- see Note 2 (iii) below) to Horizon Kinetics in exchange for A-1 units of Horizon Kinetics, increasing the Company's membership interest in Horizon Kinetics to 0.86%.

The Company earns fees that are derived from assets managed by other parties based on the research of Horizon. The programs significant to FRMO's fees are as follows:

(i) Kinetics Advisers' Hedge Funds. Revenue that was earned by the Company before May 1, 2011 was included in the consolidated statements of income and comprehensive income as "Revenue from unconsolidated subsidiary". The investment was liquidated and had a balance of \$-0- at February 28, 2013 and May 31, 2012.

(ii) Kinetics Paradigm Mutual Fund. The Company receives 100% of the research fees to which Horizon is entitled from the open-end mutual fund, Kinetics Paradigm Fund (trading symbol WWNPX).

(iii) Sub-Advisory Fees. Until August 15, 2012, the Company received a one-third interest in a Revenue Stream that Horizon Kinetics derives from its sub-advisory program for a large investment firm. On August 15, the Company transferred its Revenue Stream to Horizon Kinetics in exchange for 39,897 A-1 units of Horizon Kinetics.

(iv) Research Agreement. Pursuant to a research agreement with Horizon Global Advisers LLC ("HGA") the Company's subsidiary, Fromex, receives a fee equal to 46% of the management fees received by HGA from its funds under management plus 60% of the incentive or performance fees received by HGA from its funds under management.

(v) Fee Participation. In March 2010, the Company acquired, for 151,807 shares of FRMO common stock, a fee participation of 20% of all management fees, incentive fees, and performance allocations that Horizon receives from Horizon Multi-Disciplinary Fund, LP and Horizon Multi-Disciplinary Offshore Fund, Ltd.

(vi) 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.

(vii) 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 Master Fund, LP ("Prive") for the purchase by Croupier Prive Private Equity 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 term on January 29, 2013. As of February 28, 2013, the balance of the assets to be distributed by Horizon was \$802,634 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 April 15, 2013, which represents the date these consolidated financial statements are available to be issued.

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 February 28, 2013 and May 31, 2012, 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.

Notes to Consolidated Financial Statements (Unaudited)

Three Months and Nine Months Ended February 28, 2013

Due to/from broker - Due to broker includes net cash amounts payable for securities that have not yet settled and margin interest owed. Due from broker includes net cash amounts owed from securities transactions that have not yet settled.

In the normal course of business, substantially all of the Company's securities transactions, money balances, and securities 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 determinable 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 February 28, 2013 and May 31, 2012, investments in limited partnerships and limited liability companies were valued as of December 31, 2012 and March 31, 2012, respectively.

Investments in subsidiaries - Investments in subsidiaries in which the Company holds a less than 20% voting interest and does not exert a significant influence over operations or financial policies are accounted for using the cost method. Under the cost method of accounting, investments are carried at cost and are adjusted only for other-than-temporary declines in fair value, certain distributions, and additional investments (including reinvestment of the allocated share of pass-through items from investment partnerships and limited liability companies). The unrealized gains and losses of these entities are also reflected in the investment and in other comprehensive income. Investments in unconsolidated subsidiaries are classified as available for sale in the consolidated balance sheets as of February 28, 2013 and May 31, 2012.

Under *Investments - Equity Method and Joint Ventures*, 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. As result of the May 1, 2011 and August 15, 2012 Exchanges, as described above in "Nature of business", the Company's investment in Horizon Kinetics, which now includes the business operations of Kinetics Advisers, is accounted for using the cost method, and approximates fair value in the consolidated balance sheets as of February 28, 2013 and May 31, 2012.

Notes to Consolidated Financial Statements (Unaudited)

Three Months and Nine Months Ended February 28, 2013

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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 February 28, 2013 and May 31, 2012 since, in the opinion of management, all of its accounts are deemed collectible.

Intangible assets - Net intangible assets as of February 28, 2013 and May 31, 2012 were approximately \$161,000 and \$217,000, respectively. Such amounts have been included in the consolidated balance sheets within other assets. Intangible assets are amortized over their estimated lives, five to ten years, using the straight-line method. Amortization expense for the nine months ended February 28, 2013 and February 29, 2012 was approximately \$56,000 for both periods. Amortization expense for the three months ended February 28, 2013 and February 29, 2012 was approximately \$19,000 for both periods. The Company will incur approximately \$74,000 per year of amortization expense over the 2.2 year remaining life of intangible assets.

Securities sold, not yet purchased - Securities sold, not yet purchased, and 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 and nine months ended February 28, 2013 and February 29, 2012.

Comprehensive income - Other comprehensive income refers to revenues, expenses, gains, and losses net of income taxes that, under 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 on investments, net of tax. For the nine months ended February 28, 2013 and February 29, 2012, comprehensive income (loss), net of tax, was \$3,677,293 and \$(1,772,022), respectively. For the three months ended February 28, 2013 and February 29, 2012, comprehensive income, net of tax, was \$1,651,615 and \$1,816,976, respectively.

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.

Research fees are earned and recorded on a monthly basis based upon FRMO's pro rata share of assets under management.

Revenue from fee participation and revenue relating to consulting agreements is earned primarily on a month-by-month basis.

Notes to Consolidated Financial Statements (Unaudited)

Three Months and Nine Months Ended February 28, 2013

Revenue (losses) from investment partnerships and limited liability companies is earned based upon FRMO's pro rata share of each partnership's pass through of income and expenses to its partners/members on a calendar year basis.

Revenue from unconsolidated subsidiaries is recognized when received.

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 GAAP and Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 107. Stock option compensation expense for the nine months ended February 28, 2013 and February 29, 2012 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 with a February 28/29 year end through February 29, 2012. Effective March 1, 2012, the Company changed its tax year end to May 31 to conform to its financial year end. 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 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.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. Tax years ended February 28, 2010 and forward are still subject to examination.

Reclassifications - As a result of the reverse stock split, payment of fractional shares, and forward stock split (see Note 1), due to stockholders, stockholders' equity, and per share amounts have been restated to account for these transactions as if they occurred at the beginning of the periods presented.

**FRMO CORPORATION
AND SUBSIDIARY**

Notes to Consolidated Financial Statements (Unaudited)

Three Months and Nine Months Ended February 28, 2013

3. Investments

Available for Sale

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

<i>February 28, 2013 (Unaudited)</i>	Cost	Unrealized Gains	Fair Value
Investments:			
Investments in limited partnerships:			
Horizon Multi-Strategy Fund, LP	\$ 4,913,385	\$ 883,253	\$ 5,796,638
Jordan Partners, LP	509,649	77,667	587,316
Croupier Fund, LP	606,007	281,616	887,623
Polestar Fund, LP	5,892,651	1,730,475	7,623,126
Multi-Disciplinary Fund, LP	413,991	26,445	440,436
South LaSalle Partners, LP	300,000	-	300,000
	<u>12,635,683</u>	<u>2,999,456</u>	<u>15,635,139</u>
Investment in unconsolidated limited liability company:			
Investment in Horizon Kinetics, LLC ⁽¹⁾	494,021	631,712	1,125,733
Bond and equity securities	<u>18,117,246</u>	<u>11,068,349</u>	<u>29,185,595</u>
Total Investments	<u>\$ 31,246,950</u>	<u>\$ 14,699,517</u>	<u>\$ 45,946,467</u>

(1) The Company recorded an increase of approximately \$472,000 to unrealized gains on its investment in Horizon Kinetics, LLC as of February 28, 2013 due to adjustments in the fair value of the asset at acquisition on May 1, 2011 (see Note 2).

<i>May 31, 2012</i>	Cost	Unrealized Gains	Fair Value
Investments:			
Investments in limited partnerships:			
Horizon Multi-Strategy Fund, LP	\$ 3,273,885	\$ 1,036,653	\$ 4,310,538
Jordan Partners, LP	502,600	74,005	576,605
Croupier Fund, LP	562,578	256,249	818,827
Polestar Fund, LP	5,531,383	1,047,159	6,578,542
Multi-Disciplinary Fund, LP	265,164	24,073	289,237
	<u>10,135,610</u>	<u>2,438,139</u>	<u>12,573,749</u>
Investment in unconsolidated limited liability company:			
Investment in Horizon Kinetics, LLC	42,731	159,487	202,218
Bond and equity securities	<u>19,465,495</u>	<u>6,134,361</u>	<u>25,599,856</u>
Total Investments	<u>\$ 29,643,836</u>	<u>\$ 8,731,987</u>	<u>\$ 38,375,823</u>

Notes to Consolidated Financial Statements (Unaudited)

Three Months and Nine Months Ended February 28, 2013

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 Jordan Partners, LP may be withdrawn on a quarterly basis. An entity related by common ownership, is a member of both the general partner and the Manager of Jordan Partners, LP.

The Company's investment capital in 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.

Held to Maturity

The cost and fair value of the Company's investment classified as held to maturity consist of a participation agreement with Horizon, a related party (see Note 2), which matured on January 29, 2013. The Company will receive from Horizon its share of the fair value of the assets included in the participation agreement, reflected as participation receivable in the balance sheet. For the three months and nine months ended February 28, 2013, realized gain on investments held to maturity was approximately \$82,000. There were no unrealized losses for investments held to maturity as of May 31, 2012.