Dear Shareholder,

This letter untraditionally accompanies an interim rather than an annual report, but seems appropriate in light of significant and productive changes that have taken place in recent weeks. First, FRMO's shareholders' equity as of November 30th is 11.8% higher than at the end of fiscal year February 2011. This continues the company's 10 years of progress reviewed in the last shareholders' letter, which noted with a modicum of satisfaction the more than 45% per year expansion of per-share book value. The balance sheet now contains $50 million of shareholders' equity, with the most significant obligations being $3 million in deferred tax liabilities. While not necessarily a large amount of capital in comparison with many publicly traded firms, this is substantially all a product of retained, after-tax earnings, and from a 2001 starting point of just under $50,000 of shareholders' equity.

Also discussed in our last letter was the May 1, 2011 merger of Kinetics Asset Management (KAM) and Horizon Asset Management. One benefit of the merger was the conversion of FRMO's interest in the Kinetics Advisers subsidiary of KAM, FRMO's most successful investment to date, into an interest in the combined Horizon Kinetics LLC. Horizon Kinetics, with over $7 billion of assets under management, is not only a far larger and more diversified entity, but one with substantially greater growth potential. With access to audited records for Kinetics Advisers, FRMO will now be able to produce an eagerly awaited document on a going-forward basis: fully GAAP compliant financial statements, without the noted departure represented by the Kinetics Advisers investment. The historical comparison columns in the financial statements, though – that is, those pre-dating the May 1st, 2011 merger – would still contain the Kinetics Advisers investment in its unaudited, non-GAAP compliant phase. That, limitation would have resolved with the mere passage of time, since with the arrival of February 28, 2013, the historical comparison columns would include post-May 1, 2011 comparable figures dated February 2012, at which point FRMO would again be able to present and file financial statements with the SEC.

That was Plan A. Unfortunately, the SEC has not permitted FRMO to wait the additional year without filing statements with the agency and, thereby, required that FRMO de-register until such time as that could be done. Wishing as we do to move forward on a timely basis, we have in turn embarked upon the following actions:

1. **Stock Split and De-Registration**: On January 17, 2012, FRMO undertook a reverse/forward stock split in order to reduce the number of shareholders of record below 300, thereby permitting us to de-register in accordance with the SEC's directive.
2. **Listing on OTC Markets**: Commencing with the January 12th announcement of the reverse/forward split, FRMO began to disseminate earnings and other announcements, and will file its periodic financial statements, on the OTC Disclosure & News Service of OTC Markets. Via its interdealer broker quotation system, OTC Markets operates the leading over-the-counter marketplace for equity securities and anticipates, following SEC approval, operating as an Alternative Trading System later this year.
3. **Change of Fiscal Year**: In order to accelerate the company's ability to provide GAAP compliant statements, FRMO's fiscal year has been changed to May 31st from February 28th. Aside from enabling the 3- and 6-month financial statements that accompany this letter, this change will permit full-year reporting as of May 2012, which would incorporate the comparison date of May 31, 2011, *after* the May 1, 2011 Horizon-Kinetics merger. Without a change in fiscal year, a GAAP-compliant annual report would not have been feasible until February 2013.

With these changes in place – a substantial, unencumbered balance sheet; the resumption of regular, GAAP compliant reporting; and a mainstream venue for disseminating financial information – FRMO can turn its attention to the next phases of its development. Announcements should be forthcoming in due course and we trust that they will continue what has thus far been a productive venture.

March 9, 2012

Steven Bregman
President