FRMO CORPORATION
AND SUBSIDIARY

Elmsford, New York

REPORT ON AUDITS OF
CONSOLIDATED FINANCIAL STATEMENTS

Including Report of Independent
Registered Public Accounting Firm

For the Years Ended May 31, 2013 and 2012

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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 audited the accompanying consolidated balance sheets of FRMO Corporation and Subsidiary (the "Company") as of May 31, 2013 and 2012, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for the years ended May 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FRMO Corporation and Subsidiary as of May 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years ended May 31, 2013 and 2012, in conformity with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

New York, New York
August 7, 2013

Consolidated Balance Sheets

May 31,	**2013**	2012
Assets		
Current Assets:		
Cash and cash equivalents	**$ 26,525,074**	$ 19,405,089
Accounts receivable (including due from broker of $0 and $32,894, at May 31, 2013 and 2012, respectively)	**476,266**	414,152
Participation receivable	**138,357**	-
Prepaid income taxes	**397,147**	177,807
Investments, available for sale, at fair value (cost of $32,003,738 and $29,601,105 at May 31, 2013 and 2012, respectively)	**47,306,151**	38,173,606
Investment, held to maturity, at cost (fair value of $0 and $888,330 at May 31, 2013 and 2012, respectively)	**-**	720,388
Total Current Assets	**74,842,995**	58,891,042
Investment in Unconsolidated Limited Liability Company, at fair value (cost of $10,342,228 and $42,731 at May 31, 2013 and 2012, respectively)	**10,973,940**	202,218
Participation in Horizon Kinetics Revenue Stream, at cost	**10,200,000**	-
Other Assets, net	**-**	217,255
Total Assets	**$ 96,016,935**	$ 59,310,515
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 171,779**	$ 161,824
Securities sold, not yet purchased (proceeds of $4,487,997 and $2,467,789 at May 31, 2013 and 2012, respectively)	**2,338,742**	1,682,784
Deferred tax liability	**5,851,595**	246,385
Redeemable preferred stock	**50,000**	50,000
Total Current Liabilities	**8,412,116**	2,140,993
Deferred Tax Liability - Non-Current	**4,237,675**	2,908,916
Total Liabilities	**12,649,791**	5,049,909
Stockholders' Equity:		
Preferred stock - $.001 par value; authorized - 2,000,000 shares issued and outstanding - 50 shares Series R	**-**	-
Common stock - $0.001 par value; authorized - 90,000,000 shares issued and outstanding - 43,255,972 and 39,138,154 shares at May 31, 2013 and 2012, respectively	**43,255**	39,138
Additional paid-in capital	**25,823,468**	10,834,907
Other comprehensive income	**7,495,416**	3,701,520
Retained earnings	**50,005,005**	39,685,041
Total Stockholders' Equity	**83,367,144**	54,260,606
Total Liabilities and Stockholders' Equity	**$ 96,016,935**	$ 59,310,515

See notes to consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

Years Ended May 31,	**2013**	2012
Revenue:		
Consultancy and advisory fees	**$ 2,417,836**	$ 2,325,041
Dividends and interest income, net	**1,819,312**	1,595,864
Realized gain on sale of investments	**120,192**	73,333
Gain on exchange of product specific revenue interests (1)	**10,057,232**	-
Gain on transfer of revenue interest	**511,475**	-
Income from investment partnerships and limited liability companies	**2,741,190**	1,321,545
Revenue from unconsolidated subsidiary	**-**	169,309
Total Revenue	**17,667,237**	5,485,092
Expenses:		
Employee compensation and benefits	**110,530**	141,520
Professional fees	**265,389**	279,226
Other expenses	**324,694**	224,342
Equity compensation	**92,519**	165,756
Amortization	**74,487**	74,487
Total Expenses	**867,619**	885,331
Income from Operations before Provision for Income Taxes	**16,799,618**	4,599,761
Provision for Income Taxes	**6,479,654**	1,331,972
Net Income	**$ 10,319,964**	$ 3,267,789
Other Comprehensive Income, net of tax:		
Gross unrealized investment holding gains arising during the period	**$ 6,537,033**	$ 265,493
Income tax expense related to items of other comprehensive income	**(2,743,137)**	(457,079)
Comprehensive Income	**$ 14,113,860**	$ 3,076,203
Earnings per Common Share:		
Basic	**$ 0.26**	$ 0.08
Diluted	**$ 0.26**	$ 0.08
Weighted Average Common Shares Outstanding:		
Basic	**39,280,354**	39,138,105
Diluted	**39,422,065**	39,188,105

(1) Basic and diluted earnings per share from the gain on exchange of product specific revenue interests was $0.15 per share for the year ended May 31, 2013.

Consolidated Statement of Stockholders' Equity

Years Ended May 31, 2013 and 2012

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
Balance - June 1, 2011	50	$ -	39,135,154	$ 39,135	$ 10,574,634	$ 3,893,106	$ 36,417,252	$ 50,924,127
Exercise of Stock Options	-	-	3,000	3	2,997	-	-	3,000
Stock-Based Payments	-	-	-	-	165,756	-	-	165,756
Noncash Compensation	-	-	-	-	141,520	-	-	141,520
Reclassification of Redeemable Preferred Stock	-	-	-	-	(50,000)	-	-	(50,000)
Change in Unrealized Gains on Available for Sales Securities, net of tax	-	-	-	-	-	(191,586)	-	(191,586)
Net Income	-	-	-	-	-	-	3,267,789	3,267,789
Balance - May 31, 2012	50	-	39,138,154	39,138	10,834,907	3,701,520	39,685,041	54,260,606
Proceeds from Private Placement	-	-	1,730,103	1,730	4,998,268	-	-	4,999,998
Common Stock Issued in Exchange for Additional Investment in Horizon Kinetics, LLC	-	-	2,387,715	2,387	9,787,244	-	-	9,789,631
Stock-Based Payments	-	-	-	-	92,519	-	-	92,519
Noncash Compensation	-	-	-	-	110,530	-	-	110,530
Change in Unrealized Gains on Available for Sales Securities, net of tax	-	-	-	-	-	3,793,896	-	3,793,896
Net Income	-	-	-	-	-	-	10,319,964	10,319,964
Balance - May 31, 2013	50	$ -	43,255,972	$ 43,255	$ 25,823,468	$ 7,495,416	$ 50,005,005	$ 83,367,144

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended May 31,	**2013**	2012
Cash Flows from Operating Activities:		
Net income	**$ 10,319,964**	$ 3,267,789
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Noncash compensation	**110,530**	141,520
Equity compensation	**92,519**	165,756
Amortization	**74,487**	74,487
Realized gain on sale of investments	**(120,192)**	(73,333)
Net income allocated from partnership investments	**(2,741,190)**	(1,276,726)
Loss on liquidation of unconsolidated limited liability company	**-**	330,764
Gain on exchange of product specific revenue interests	**(10,057,232)**	-
Gain on transfer of revenue interest	**(511,475)**	-
Deferred income tax provision	**4,190,835**	(1,679,410)
Changes in operating assets and liabilities:		
Accounts receivable	**(95,007)**	98,787
Prepaid income taxes	**(219,340)**	(177,807)
Accounts payable and accrued expenses	**9,955**	34,942
Income taxes payable	**-**	(1,486,522)
Net Cash Provided by (Used in) Operating Activities	**1,053,854**	(579,753)
Cash Flows from Investing Activities:		
Proceeds - investments available for sale	**249,576**	4,960,383
Purchases - investments available for sale	**(2,509,023)**	(3,076,716)
Proceeds - investment held to maturity	**664,277**	-
Proceeds from securities sold, not yet purchased	**3,387,346**	2,326,492
Purchases to cover securities previously sold	**(726,043)**	(871,326)
Net Cash Provided by Investing Activities	**1,066,133**	3,338,833
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock	**4,999,998**	-
Payment to stockholders	**-**	(59,958)
Proceeds from exercise of stock options	**-**	3,000
Net Cash Provided by (Used in) Financing Activities	**4,999,998**	(56,958)
Net Increase in Cash and Cash Equivalents	**7,119,985**	2,702,122
Cash and Cash Equivalents - beginning of year	**19,405,089**	16,702,967
Cash and Cash Equivalents - end of year	**$ 26,525,074**	$ 19,405,089
Supplemental Disclosures:		
Cash paid during the year for:		
Income taxes	**$ 2,506,745**	$ 4,720,549
Interest	**$ 51,107**	$ 27,869
Noncash Investing Activities:		
Investment acquired through the issuance of common stock	**$ 9,789,631**	$ -
Investment acquired through the transfer of revenue stream	**$ 511,475**	$ -
Participation receivable for investment held to maturity	**$ 720,388**	$ -

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended May 31, 2013 and 2012

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. 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 Elmsford, 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 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 ("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%. 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).

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 in each of the years ended May 31, 2013 and 2012.

(ii) ***Kinetics Paradigm Mutual Fund*** **-** Through May 31, 2013, the Company received 100% of the research fees to which Horizon is entitled from the open-end mutual fund, Kinetics Paradigm Fund (trading symbol WWNPX). On May 31, 2013, the Company transferred this revenue interest to Horizon Kinetics (see Note 3).

(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, 2012, the Company transferred its Revenue Stream to Horizon Kinetics in exchange for 39,897 A-1 units of Horizon Kinetics.

(iv) ***Research agreement*** **-** Through May 31, 2013, pursuant to a research agreement with Horizon Global Advisers LLC ("HGA"), the Company's subsidiary, Fromex, received 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. On May 31, 2013, the Company transferred this revenue interest to Horizon Kinetics (see Note 3).

(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. On May 31, 2013, the Company transferred this revenue interest to Horizon Kinetics (see Note 3).

(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 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 term on January 29, 2013. On April 12, 2013, the Company received $664,277 as a partial distribution. As of May 31, 2013, 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 August 7, 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 May 31, 2013 and 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.

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 security transactions that have not yet settled.

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 May 31, 2013 and 2012, investments in limited partnerships and limited liability companies are valued as of March 31, 2013 and 2012, the date of the most current available information.

Investments in unconsolidated subsidiaries **-** Investments in unconsolidated 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 either available for sale when appropriate, or if not available for sale, "investment in unconsolidated limited liability company" in the consolidated balance sheets as of May 31, 2013 and 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 a result of the May 1, 2011 Exchange, as described above in "nature of business", the Company's investment in Horizon Kinetics, which now includes the business operations of Kinetics Advisors, is accounted for using the cost method, and approximates fair value in the consolidated balance sheets as of May 31, 2013 and 2012.

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 May 31, 2013 and 2012 since, in the opinion of management, all of its accounts are deemed collectible.

Participation in Horizon Kinetics revenue stream **-** The fair value of the Participation in Horizon Kinetics revenue stream was determined by an independent valuation of the revenue stream acquired as of May 31, 2013.

Intangible assets **-** Net intangible assets as of May 31, 2013 and 2012 were approximately $0 and $217,000, respectively. Such amounts have been included in the consolidated balance sheets within other assets. Intangible assets were amortized over their estimated lives, five to ten years, using the straight-line method. Amortization expense for the years ended May 31, 2013 and 2012 was approximately $74,000 for both periods. On May 31, 2013, the Company's unamortized intangible assets were written off when the revenues related to such assets were included in the exchange of product specific revenues (see Note 3 Exchange of Product-Specific Revenue Interests).

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 year ended May 31, 2013.

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.

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.

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.

Revenue from unconsolidated subsidiaries was 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 U.S. GAAP and Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 107. Stock option compensation expense for the years ended May 31, 2013 and 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 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 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.

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. For the years ended May 31, 2013 and 2012, revenues from the product-specific revenue interests were approximately $2,361,000 and $2,211,000, respectively. FRMO will now receive 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 a fair value of $10,200,000 and is included in "Participation in Horizon Kinetics revenue steam" in the consolidated balance sheets as of May 31, 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 May 31, 2013.

4. Investments

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

May 31, 2013	Cost	Unrealized Gains	Fair Value
Investments:			
Investments in limited partnerships:			
Horizon Multi-Strategy Fund, LP	**$ 6,053,384**	**$ 688,542**	**$ 6,741,926**
Jordan Partners, LP	**510,718**	**129,640**	**640,358**
Croupier Fund, LP	**587,628**	**451,617**	**1,039,245**
Polestar Fund, LP	**5,781,014**	**2,793,107**	**8,574,121**
Multi-Disciplinary Fund, LP	**496,022**	**20,933**	**516,955**
South LaSalle Partners, LP	**298,493**	**10,601**	**309,094**
	13,727,259	**4,094,440**	**17,821,699**
Bond and equity securities	**18,276,479**	**11,207,973**	**29,484,452**
Total Investments	**$ 32,003,738**	**$ 15,302,413**	**$ 47,306,151**

May 31, 2012	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
	10,135,610	2,438,139	12,573,749
Bond and equity securities	19,465,495	6,134,361	25,599,857
Total Investments	$ 29,601,105	$ 8,572,500	$ 38,173,606

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. Horizon, a related party (see Note 2), 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 consisted 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 year ended May 31, 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.

***Investment in unconsolidated limited liability company* -** The Company's investment classified as investment in unconsolidated limited liability company not available for sale consists of the following:

As of May 31, 2012	**Cost**	**Unrealized Gains**	**Fair Value**
Investment in Horizon Kinetics, LLC (1)	**$ 10,342,228**	**$ 631,712**	**$ 10,973,940**

As of May 31, 2013	Cost	Unrealized Gains	Fair Value
Investment in Horizon Kinetics, LLC	$ 42,731	$ 159,487	$ 202,218

(1) During the year ended May 31, 2013, the Company recorded an increase of approximately $472,000 to unrealized gains on its investment in Horizon Kinetics, LLC due to adjustments in the fair value of the asset at acquisition on May 1, 2011 (see Note 2).

Until May 31, 2013, the Company's investment in Horizon Kinetics, LLC was classified as available for sale, with unrealized gains being recorded through such date. The Company's additional 4.09% interest in Horizon Kinetics that was acquired on May 31, 2013 (see Note 2) and prior units held are not available for sale. The classification as of May 31, 2012 has been reclassified to conform to the current presentation.

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.

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 table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of May 31, 2013 and 2012, 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:

May 31, 2013

		Fair Value Measurements at Reporting Date Using		
Description	**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	**$ 20,859,949**	**$ 20,859,949**	**$ -**	**$ -**
Investments:				
Available for sale:				
Bond and Equity Securities	**29,484,452**	**29,484,452**	**-**	**-**
Investments in Limited Partnerships	**17,821,699**	**-**	**17,821,699**	**-**
Total Investments Available for Sale	**$ 47,306,151**	**$ 29,484,452**	**$ 17,821,699**	**$ -**
Investment in Unconsolidated Limited Liability Company	**$ 10,973,940**	**$ -**	**$ 10,973,940**	**$ -**
Liabilities (at fair value):				
Securities Sold, not yet purchased	**$ 2,338,742**	**$ 2,338,742**	**$ -**	**$ -**

May 31, 2012

Description	Total	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)
Assets (at fair value):				
Money market mutual funds included in cash and cash equivalents	$ 14,142,632	$ 14,142,632	$ -	$ -
Investments:				
Available for sale:				
Bond and Equity Securities	25,599,857	25,599,857	-	-
Investments in Limited Partnerships	12,573,749	-	12,573,749	-
Total Investments Available for Sale	$ 38,173,606	$ 25,599,857	$ 12,573,749	$ -
Investment in Unconsolidated Limited Liability Company (see Note 4)	$ 202,218	$ -	$ -	$ -
Liabilities (at fair value):				
Securities sold, not yet purchased	$ 1,682,784	$ 1,682,784	$ -	$ -

6. Income Taxes

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

The provision for income taxes is comprised of the following:

Years Ended May 31,	**2013**	2012
Current:		
Federal	**$ 1,746,402**	$ 2,383,466
State and local	**542,417**	627,916
	2,288,819	3,011,382
Deferred:		
Federal	**3,285,702**	(1,331,505)
State and local	**905,133**	(347,905)
	4,190,835	(1,679,410)
Provision for Income Taxes	**$ 6,479,654**	$ 1,331,972

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

May 31,		**2013**		2012
Current Deferred Tax Liabilities:				
Investments in limited partnerships and limited liability company	**$**	**414,324**	$	246,385
Unrealized gain from investments		**5,437,271**		-
Total Current Deferred Tax Liabilities		**5,851,595**		246,385
Non-Current Deferred Tax Liabilities:				
Unrealized gain from investments		**-**		2,908,916
Investments in limited partnerships and limited liability company		**214,782**		-
Deferral of gain from like-kind exchange		**4,022,893**		-
Total Non-Current Deferred Tax Liabilities		**4,237,675**		2,908,916
Total Deferred Tax Liability	**$**	**10,089,270**	$	3,155,301

A reconciliation of the federal statutory rate to the effective tax rate for the year ended May 31, 2013 is as follows:

Years Ended May 31,		**2013**			2012	
Computed Expected Tax Expense	**$**	**5,711,870**	**34.0%**	$	1,563,910	34.0%
State Taxes, net of federal benefit		**825,642**	**4.9%**		403,462	8.8%
Permanent Differences		**(411,123)**	**2.4%**		(584,675)	-12.7%
True-Up of Prior Year Tax		**320,611**	**1.9%**		(55,273)	-1.2%
Other		**32,654**	**0.2%**		4,548	0.1%
Total Provision for Income Taxes	**$**	**6,479,654**	**38.6%**	$	1,331,972	29.0%

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 year ended May 31, 2013 consist of the following:

Years Ended May 31,	**2013**	2012
Redeemable Preferred Stock	**50,000**	50,000
Options	**622,888**	616,888
Total	**672,888**	666,888

As of May 31, 2013 and 2012, there were 599,702 and 595,888, respectively, vested options with an exercise price below the weighted average market price of the Company's common stock during the period. For the year ended May 31, 2013, the inclusion of 144,388 options in the computation of diluted earnings per common share would have been anti-dilutive, and as a result, the weighted average number of common shares used in the calculation of diluted earnings per common share have not been adjusted for the effects of such anti-dilutive options.

The reconciliation of the weighted average number of common shares used in the calculation of basic and diluted earnings per common share for the year ended May 31, 2012 follows:

Years Ended May 31,	**2013**	2012
Weighted Average Common Shares Outstanding:	**39,280,354**	39,138,105
Effect of Dilutive Securities, common share equivalents:		
Conversion of preferred stock	**50,000**	50,000
Exercise of stock options	**91,711**	-
Dilutive Potential Common Share Equivalents	**39,422,065**	39,188,105

8. Major Customers

Major customers, which are in excess of 10% of consultancy and advisory fees for the year ended May 31, 2013, are as follows:

Years Ended May 31,	**2013**	2012
Customer A	**54.1%**	60.6%
Customer B	**N/A**	13.0%
Customer C	**21.8%**	N/A

9. 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.

10. 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.

As of May 31, 2013 and 2012, there were 50 shares of Series R preferred stock outstanding.

Common stock - Pursuant to the Private Placement Memorandum dated March 15, 2013, the Company invited subscriptions from certain accredited investors to purchase up to a maximum of 1,730,103 shares of its common stock at $2.89 per share. Subscriptions were received by April 15, 2013 from 72 investors for 100% of the shares offered by the Company. The subscriptions were accepted by the Company, and the shares were issued on May 1, 2013. The Company received proceeds of $4,999,998 during the quarter ended May 31, 2013.

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.

Stock options - A summary of option activity as of May 31, 2013, and changes during the year ended May 31, 2013, is as follows:

Stock Options	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at June 1, 2012	616,888	$ 2.16	7.30	$ 64,468
Granted	6,000	1.95	6.37	12,900
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at May 31, 2013	622,888	$ 2.15	6.30	$ 1,277,244
Vested and Exercisable at May 31, 2013	622,888	$ 2.15	6.30	$ 1,277,244

The following table represents non-vested stock options granted, vested, and forfeited during the year ended May 31, 2012:

Non-Vested Options	Option	Weighted Average Grant Date Fair Value
Non-Vested - June 1, 2012	-	$ -
Granted	6,000	1.16
Vested	(6,000)	1.16
Forfeited/Expired	-	-
Non-Vested - May 31, 2013	-	$ -

The aggregate intrinsic value of options outstanding and options exercisable at May 31, 2013 and 2012 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 $4.10 and $2.10 closing price of FRMO's common stock on May 31, 2013 and 2012, respectively. There were no options exercised during the year ended May 31, 2013. There were 3,000 options exercised at an exercise price of $1.00 per share during the year ended May 31, 2012.

As of May 31, 2013, there was no unrecognized compensation cost related to unvested options.