FRMO CORPORATION
AND SUBSIDIARIES

White Plains, New York

CONSOLIDATED FINANCIAL STATEMENTS

Including Report of Independent
Registered Public Accounting Firm

As of and for the Years Ended May 31, 2019 and 2018

FRMO CORPORATION
AND SUBSIDIARIES

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As of and for the Years Ended May 31, 2019 and 2018

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
FRMO Corporation and Subsidiaries

Opinions on the Financial Statements

We have audited the accompanying consolidated balance sheets of FRMO Corporation and Subsidiaries (the "Company") as of May 31, 2019 and 2018, the related consolidated statements of income and comprehensive income, consolidated statement of stockholders' equity, and consolidated statements of cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FRMO Corporation and Subsidiaries as of May 31, 2019 and 2018 and the consolidated results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. 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 performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audits included consideration of its 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. We believe that our audits provide a reasonable basis for our opinion.

Baker Tilly Virchow Krause, LLP

We have served as the Company's auditor since 2001.

New York, New York
August 13, 2019

CONSOLIDATED FINANCIAL STATEMENTS

FRMO CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of May 31, 2019 and 2018

ASSETS

	May 31, 2019	May 31, 2018
Current Assets		
Cash and cash equivalents	$ 53,080,680	$ 53,617,453
Accounts receivable (due from related parties)	760,619	787,889
Prepaid income taxes	736,436	168,493
Equity securities, at fair value (cost of $43,731,538 and $27,594,316 at May 31, 2019 and 2018, respectively)	63,564,512	38,522,139
Other current assets	142,357	138,357
Total Current Assets	118,284,604	93,234,331
Computer equipment, net of accumulated depreciation of $62,335 and $19,204 at May 31, 2019 and 2018, respectively	94,998	75,711
Investment in limited partnerships and other equity investments at fair value (cost of $26,208,639 and $24,115,881 at May 31, 2019 and 2018, respectively)	47,513,033	41,407,776
Investments in Securities Exchanges	3,641,522	3,708,637
Other investments	452,458	189,128
Investment in Horizon Kinetics LLC	11,487,950	11,623,979
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
Total Assets	$ 191,674,565	$ 160,439,562

LIABILITIES AND STOCKHOLDERS' EQUITY

	May 31, 2019	May 31, 2018
Current Liabilities		
Accounts payable and accrued expenses	$ 161,157	$ 193,719
Securities sold, not yet purchased (proceeds of $11,581,064 and $11,123,013 at May 31, 2019 and 2018, respectively)	8,133,244	5,495,513
Total Current Liabilities	8,294,401	5,689,232
Deferred tax liability	8,383,113	7,756,622
Total Liabilities	16,677,514	13,445,854
Stockholders' Equity		
Redeemable 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 - 43,976,781 shares and 43,973,781 shares at at May 31, 2019 and 2018, respectively	43,976	43,973
Additional paid-in capital	34,792,027	32,527,939
Accumulated other comprehensive income	-	3,730,184
Retained earnings	91,548,254	83,108,408
Stockholders' Equity Attributable to the Company	126,384,257	119,410,504
Noncontrolling interests	48,612,794	27,583,204
Total Stockholders' Equity	174,997,051	146,993,708
Total Liabilities and Stockholders' Equity	$ 191,674,565	$ 160,439,562

See report of independent registered public accounting firm.

FRMO CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Years Ended May 31, 2019 and 2018

	2019	2018
REVENUE		
Fees	$ 2,026,637	$ 3,257,415
Dividends and interest income, net	1,713,973	1,097,450
Net realized gains (losses) from investments	2,518,726	(91,760)
Equity earnings from partnerships and limited liability companies	2,560,430	3,782,462
Unrealized gains from investments subject to fair value valuation	3,839,264	8,351,287
Equity earnings from investment in The Bermuda Stock Exchange	181,465	16,989
Total revenue before unrealized gains from equity securities	12,840,495	16,413,843
Unrealized gains from equity securities	6,725,464	-
Total Revenue	19,565,959	16,413,843
OPERATING EXPENSES		
General and administrative expenses	1,289,437	789,241
Depreciation	43,132	19,204
Total Expenses	1,332,569	808,445
Income from Operations before Provision for Income Taxes	18,233,390	15,605,398
Provision for Income Taxes	1,025,742	1,382,096
Net Income	17,207,648	14,223,302
Less net income attributable to noncontrolling interests	12,497,986	170,784
Net Income Attributable to the Company	$ 4,709,662	$ 14,052,518
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Net Income	$ 17,207,648	$ 14,223,302
Unrealized investment holding gains arising during the period	-	10,216,396
Income tax benefit related to items of other comprehensive income	-	559,260
Unrealized investment holding gains, net of tax	-	10,775,656
Comprehensive Income	17,207,648	24,998,958
Less comprehensive income attributable to noncontrolling interests	12,497,986	10,163,351
Comprehensive income attributable to the Company	$ 4,709,662	$ 14,835,607
NET INCOME PER COMMON SHARE		
Basic	$ 0.11	$ 0.32
Diluted	$ 0.11	$ 0.32
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	43,974,940	43,959,554
Diluted	44,016,535	44,007,828

See report of independent registered public accounting firm.

FRMO CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Years Ended May 31, 2019 and 2018

	Redeemable Preferred Stock		Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Retained	Stockholders' Equity Attributable to the	Non-Controlling	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Income	Earnings	Company	Interests	Equity
BALANCE - June 1, 2017	-	$ -	43,953,155	$ 43,953	$ 31,275,473	$ 2,904,955	$ 69,119,083	$ 103,343,464	$ 10,876,277	$ 114,219,741
Equity Compensation	-	-	-	-	20,880	-	-	20,880	-	20,880
Exercise of Stock Options	-	-	20,626	20	41,805	-	-	41,825	-	41,825
Non-cash Compensation	-	-	-	-	103,200		-	103,200	-	103,200
Capital Accounts of Consolidated Limited Liability Company	-	-	-	-	1,086,581	-	-	1,086,581	-	1,086,581
Change in Unrealized Gains	-	-	-	-	-	762,036	-	762,036	10,163,351	10,925,387
Reclassify Stranded Tax Effects from Accumulated Other Comprehensive Income to Retained Earnings	-	-	-	-	-	63,193	(63,193)	-	-	-
Net Income	-	-	-	-	-	-	14,052,518	14,052,518	170,784	14,223,302
Noncontrolling contributions	-	-	-	-	-	-	-	-	6,372,792	6,372,792
BALANCE - May 31, 2018, as reported	-	-	43,973,781	43,973	32,527,939	3,730,184	83,108,408	119,410,504	27,583,204	146,993,708
Cumulative effect of adoption of updated accounting guidance for equity financial instruments at June 1, 2018	-	-	-	-	-	(3,730,184)	3,730,184	-	-	-
BALANCE - June 1, 2018, as adjusted	-	-	43,973,781	43,973	32,527,939	-	86,838,592	119,410,504	27,583,204	146,993,708
Equity Compensation	-	-	-	-	31,120	-	-	31,120	-	31,120
Exercise of Stock Options	-	-	3,000	3	8,247	-	-	8,250	-	8,250
Non-cash Compensation	-	-	-	-	103,200	-	-	103,200	-	103,200
Capital Accounts of Consolidated Limited Liability Company	-	-	-	-	2,121,521	-	-	2,121,521	-	2,121,521
Net Income	-	-	-	-	-	-	4,709,662	4,709,662	12,497,986	17,207,648
Noncontrolling contributions	-	-	-	-	-	-	-	-	8,531,604	8,531,604
BALANCE - May 31, 2019	-	$ -	43,976,781	$ 43,976	$ 34,792,027	$ -	$ 91,548,254	$ 126,384,257	$ 48,612,794	$ 174,997,051

See report of independent registered public accounting firm.

FRMO CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2019 and 2018

	May 31, 2019	May 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 17,207,648	$ 14,223,302
Adjustments to reconcile net income to net cash flows from operating activities		
Non-cash compensation	103,200	103,200
Equity compensation	31,120	20,880
Net realized (gain) loss from investments	(2,518,726)	91,760
Equity earnings from partnerships and limited liability companies	(2,560,430)	(3,782,462)
Unrealized gains from investments subject to fair value valuation	(3,839,264)	(8,351,287)
Unrealized gains from equity securities	(6,725,464)	-
Equity earnings from investments in Stock Exchanges	(181,465)	(16,989)
Non-cash fee revenue	(81,695)	(89,564)
Depreciation	43,132	19,204
Deferred income expense tax (benefit)	626,491	(589,336)
Changes in operating assets and liabilities:		
Accounts receivable	27,270	(44,988)
Prepaid income taxes	(567,943)	170,242
Other current assets	51,000	-
Accounts payable and accrued expenses	(32,562)	53,369
Net Cash Flows from Operating Activities	1,582,312	1,807,331
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,568,218	1,978,867
Purchases of investments	(6,581,316)	(3,603,663)
Proceeds from securities sold, not yet purchased	8,055,556	6,748,085
Purchases to cover securities previously sold	(5,107,374)	(4,952,773)
Distributions from limited partnerships	-	301,408
Investment in limited partnerships and other equity investments	-	(20,000)
Other investments	(270,000)	(118,854)
Purchase of computer equipment	(62,419)	(94,915)
Net Cash Flows (used in) from Investing Activities	(2,397,335)	238,155
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of other consolidated subsidiary equity	270,000	405,000
Proceeds from exercise of stock options	8,250	41,825
Net Cash Flows from Financing Activities	278,250	446,825
Net Change in Cash and Cash Equivalents	(536,773)	2,492,311
CASH AND CASH EQUIVALENTS, Beginning of Year	53,617,453	51,125,142
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 53,080,680	$ 53,617,453
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for		
Income taxes	$ 972,744	$ 1,760,000
Interest - margin	$ 410,307	$ 162,798
NONCASH INVESTING ACTIVITIES		
Investment acquired through the contribution of other investments	$ 10,382,969	$ 7,267,301

See report of independent registered public accounting firm.

NOTE 1 - Nature of Business

FRMO Corporation ("FRMO" or the “Company”) was incorporated in 1993 under the laws of the State of Delaware. In January 2001, FRMO spun off its operations in a transaction accounted for as a reverse pooling of interests. Since that time, FRMO has focused its activities on making strategic investments in public and private companies and providing advisory services to its clients and customers.

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

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

The Company earns substantially all of its consulting and advisory fees from Horizon Kinetics as a result of an amendment of its product-specific revenue interests (see Note 4). For the years ended May 31, 2019 and 2018, 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 Company earns consulting fees pursuant to an agreement with Santa Monica Partners, LP, whose manager is a director and stockholder of the Company.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of FRMO and its controlled subsidiaries (collectively referred to as the "Company"). The Company holds a 4.95% interest in Horizon Kinetic LLC (“Horizon”) and earns substantially all of its advisory fees from Horizon. As of May 31, 2019 and May 31, 2018, the Company held a 15.49% and 12.92% equity interest in Horizon Kinetics Hard Assets LLC (“HKHA”), a company formed by Horizon and certain officers, principal stockholders and directors of the Company for the purpose of investing in companies that own 'hard assets' with intrinsic value such as commodities including oil, natural gas, precious metals as well as land assets including industrial and commercial real estate, and other similar assets. From November 1, 2015 through May 31, 2019, the Company acquired interests in HKHA by contributing securities with a fair market value of $5,131,528. Due to the common control and ownership between HKHA and the Company’s principal stockholders and directors, HKHA has been consolidated within the Company’s financial statements. FRMO is the noncontrolling member of HKHA and its noncontrolling interest of 84.51% and 87.08% in HKHA has been eliminated from results of operations for the periods ended May 31, 2019 and 2018, respectively. Total stockholders’ equity includes as a separate item the amount attributable to the noncontrolling interests.

The Company maintains its corporate office in White Plains, New York.

Principles of Consolidation

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

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, 2019 and 2018, the Company had balances in excess of federally insured limits on deposit with financial institutions. At May 31, 2019 the Company had: (1) three accounts with balances of approximately $11,533,000, $35,640,000 and $1,308,000 at one large global financial institution, and (2) one account with a balance of approximately $4,599,000 at another large global financial institution. The Company has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Credit Risk

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.

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

Investment Valuation

The Company accounts for its investments in marketable securities in accordance with ASU 2016-01 "*Financial Instruments"*, which requires that equity investments, including limited partnership interests, except those accounted for under the equity method of accounting, that have readily determinable fair value to be measured at fair value with any changes in fair value recognized in net income (see note 3).

Equity marketable securities are reported at their estimated fair values based on quoted market prices or a recognized pricing service, with unrealized gains and losses, included in unrealized gains from equity securities in the consolidated statements of income and comprehensive income. Realized gains and losses are determined on the specific identification method. Equity securities that do not have readily determinable fair values may be measured at estimated fair value or cost less impairment, if any, adjusted for subsequent observable price changes, with changes in the carrying value recognized in net income.

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. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates, and yield curves, and quoted prices for identical or similar instruments in markets that are not active. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and includes situations where there is little, if any, market activity for the asset or liability. The Company does not have Level 3 assets or liabilities.

As of May 31, 2019 and 2018, investments in limited partnerships and limited liability companies are valued using data inputs from March 31, 2019 and 2018, respectively, the dates of the most current available information. Management reviews relevant market and related data to reconcile for the period from April 1 through May 31. Because of its significance, subsequent market volatility has been reflected in these consolidated financial statements.

Investments in managed funds are recorded at fair value using the practical expedient and in accordance with Accounting Standards Update ("ASU") No. 2015-07, "*Disclosures for Investments in Certain Entities That Calculate Net Asset Value ("NAV") per Share (or Its Equivalent)*, " which removes the requirement to categorize within the fair value hierarchy all investments measured using the net asset value per share as a practical expedient and related disclosures. Changes in unrealized gains from assets subject to NAV are included in unrealized gains from investments recorded at fair value in the consolidated statements of income and comprehensive income.

The Company regularly reviews its investments to evaluate the necessity of recording impairment losses for declines in the fair value of investments.

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

Investments in Unconsolidated Entities

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

For investments in unconsolidated entities utilizing the equity method of accounting, the investment is recorded initially at cost, and subsequently adjusted for all realized income (loss) and all the Company’s proportionate share of income or loss (“Equity Earnings”). The Net Income of each investor is allocated in accordance with the provisions of the operating agreement of the entity. The allocation provisions in these agreements may differ from the ownership interest held by each investor. The Company's Equity Earnings in these items are reported as a single line item in operations as equity earnings from partnerships and limited liability companies. The unrealized gains and losses of these entities are also reflected in the investment and are included in unrealized gain from investments.

For investments in unconsolidated entities utilizing the cost method of accounting, the investment is recorded initially at cost, and subsequently adjusted for cash contributions and distributions.

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

Use of Estimates

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

Accounts Receivable and Allowance for Doubtful Accounts

In the normal course of business, the Company provides unsecured credit to customers, performs credit evaluations of these customers, and maintains reserves for potential credit losses. In determining the amount of allowance for doubtful accounts, management considers historical credit losses, the past due status of receivables, payment history, and other customer-specific information. The past due status of a receivable is based on its contractual terms. Expected credit losses are recorded as an allowance for doubtful accounts. Receivables are written off when management determines they are uncollectible. An allowance for doubtful accounts is not provided as of May 31, 2019 and 2018 since, in the opinion of management, all of its accounts are deemed collectible. Accounts receivable as of May 31, 2019 and 2018 are comprised 100% from one related party.

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

Computer Equipment

Computer equipment is reported at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The Company estimates the useful life for computer equipment is three years.

Securities Sold, not yet purchased

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

Other Comprehensive Income

Other comprehensive income refers to revenues, expenses, gains, and losses net of income taxes that, under U.S. GAAP, historically are included in comprehensive income but are excluded from net income as these amounts are recorded directly as a component of stockholders' equity and consist primarily of unrealized gains.

Revenue Recognition

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

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 security transactions are recorded on a specific identification basis.

Revenue from the Company's interest in Horizon Kinetics' gross revenue stream is earned primarily on a month-by-month basis. The Company's share of annual incentive fees earned by Horizon Kinetics, if any, are included in the quarter ended in February when the incentive fees are determinable.

Income from investments measured at fair value are as follows:

Revenue from investments carried at fair value is earned based upon FRMO's allocated share of each investment's proportionate share of changes in unrealized gains and losses 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 equity-based compensation in accordance with guidance established by U.S. GAAP. Equity award compensation expense for the years ended May 31, 2019 and 2018 is the estimated fair value of the grants amortized on a straight-line basis over the service period for the entire portion of the award less an estimate for anticipated forfeitures.

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

Income Taxes

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

Deferred income 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 income 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 income 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.

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 interest and penalties are expensed as incurred. Tax returns for the years ended May 31, 2016 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 May 31, 2019 and 2018.

Subsequent Events

The Company has evaluated all subsequent events from the date of the consolidated balance sheets through August 13, 2019, which represents the date these consolidated financial statements are available to be issued.

NOTE 3 - Adoption of New Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01 – Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). Effective June 1, 2018, the Company has early adopted the provisions of ASU 2016-01. The updated guidance requires equity investments, except those accounted for under the equity method of accounting or use the practical expedient, that have readily determinable fair value to be measured at fair value with any changes in fair value recognized in net income. Equity securities that do not have readily determinable fair values may be measured at estimated fair value or cost less impairment, if any, adjusted for subsequent observable price changes, with changes in the carrying value recognized in net income. A qualitative assessment for impairment is required for equity investments without readily determinable fair values. The updated guidance also eliminates the requirement to disclose the method and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost on the balance sheet. The updated guidance was adopted for the year ended May 31, 2019. The adoption of this guidance resulted in the recognition of approximately $3,730,000 of net after-tax unrealized gains on equity investments as a cumulative effect adjustment that increased retained earnings as of June 1, 2018 and decreased

NOTE 3 - Adoption of New Accounting Pronouncements (cont.)

accumulated other comprehensive income ("AOCI") by the same amount. Effective June 1, 2018, equity investments were classified as available-for-sale on the Company's balance sheet. The updated guidance eliminated the available-for-sale balance sheet classification for equity investments. After adoption the Company now reports changes in the fair value of equity investments in net unrealized gains from equity securities in net income. Accordingly, for the year ended May 31, 2019, aggregate net unrealized gain from investments of approximately $10,564,000 reflected in net income included approximately $6,725,000 from the fair value change of equity securities.

In February 2018, the FASB issued ASU - 2018-03 - Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10) ("ASU 2018-03"). Effective June 1, 2018, the Company has adopted the provisions of ASU 2018-03 along with ASU 2016-01. The updated guidance provides additional clarity of areas for correction or improvement relating to the following topics that would be relevant to the Company: (1) equity securities without a readily determinable fair value - discontinuation and adjustments; and (2) transition guidance for equity securities without a readily determinable fair value. The amendment clarifies that an entity measuring an equity security using the measurement alternative may change its measurement approach to a fair value method in accordance with Topic 820, Fair Value Measurement, through an irrevocable election that would apply to that security and all identical or similar investments of the same issuer. All future purchases of identical or similar investments of the issuer would be valued in accordance with Topic 820 as well. Additionally, the amendment clarifies that the adjustment made under the measurement alternative are intended to reflect the fair value of the security as of the date that the observable transaction for a similar security took place. The amendment also clarifies that the prospective transition approach for equity securities without a readily determinable fair value in ASU 2016-01 is meant only for instances in which the measurement alternative is applied. The adoption of this pronouncement has not had a material impact on the Company's consolidated financial position, results of operations and cash flows.

The Company has determined that all other recently issued accounting pronouncements will not have a material impact on its consolidated financial position, results of operations and cash flows, or do not apply to its operations.

NOTE 4 - Participation Interest

In 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. Since then, FRMO now receives a single revenue interest (the "Revenue Interest") equal to 4.199% of the gross revenues of Horizon Kinetics. Horizon Kinetics is considered a VIE of the Company due to this revenue interest. This revenue interest now represents substantially all of the "Consultancy and advisory fees" included in operations for the years ended May 31, 2019 and 2018.

The 4.199% Revenue Interest had an estimated fair value of $10,200,000 as determined by an independent valuation and is shown as "Participation in Horizon Kinetics LLC revenue stream" in the consolidated balance sheets.

As a result of this transaction, the Company realized a gain of approximately $10,057,000 in 2013. As of May 31, 2019 and 2018, income taxes of approximately $2,780,000 and $2,861,000, respectively, on the gain are deferred pursuant to Section 1031 of the Internal Revenue Code relating to "like-kind exchanges" and are included in "Deferred tax liability" in the consolidated balance sheets.

FRMO CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2019 and 2018

NOTE 5 - Investments

Limited Partnerships and Limited Liability Companies and Equity Investments

The Company's investments in limited partnerships and limited liability companies and equity investments consist of the following as of May 31, 2019 and 2018:

	As of May 31, 2019		
	Cost or (Proceeds)	Unrealized Gains	Fair Value
Equity Securities	$ 43,731,538	$ 19,832,974	$ 63,564,512
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	$ 5,753,268	$ 1,673,937	$ 7,427,205
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	$ 6,464,011	$ 10,148,441	$ 16,612,452
CDK Partners, LP	1,435,786	1,446,042	2,881,828
Polestar Fund, LP	11,478,409	7,793,533	19,271,942
Multi-Disciplinary Fund, LP	596,586	10,645	607,231
Kinetics Institutional Partners, LP	9,879	6,246	16,125
Shepherd I, LP	10,265	3,871	14,136
Total Investments in Managed Funds	19,994,936	19,408,778	39,403,714
Investment in Winland Holdings Corporation	460,435	221,679	682,114
Total investments in limited partnerships and other equity securities	$ 26,208,639	$ 21,304,394	$ 47,513,033
Securities sold, not yet purchased (liability)	$(11,581,064)	$ 3,447,820	$ (8,133,244)

FRMO CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2019 and 2018

NOTE 5 - Investments (cont.)

	As of May 31, 2018		
	Cost or (Proceeds)	Unrealized Gains	Fair Value
Equity Securities	$ 27,594,316	$ 10,927,823	$ 38,522,139
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	$ 5,766,100	$ 496,274	$ 6,262,374
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	7,404,988	7,184,641	14,589,629
CDK Partners, LP	1,163,817	1,287,583	2,451,400
Polestar Fund, LP	8,719,529	7,999,522	16,719,051
Multi-Disciplinary Fund, LP	580,852	4,530	585,382
Kinetics Institutional Partners, LP	9,819	4,223	14,042
Shepherd I, LP	10,341	2,495	12,836
Total Investments in Managed Funds	17,889,346	16,482,994	34,372,340
Investment in Winland Holdings Corporation	460,435	312,627	773,062
Total investments in limited partnerships and other equity securities	$ 24,115,881	$ 17,291,895	$ 41,407,776
Securities sold, not yet purchased (liability)	$(11,123,013)	$ 5,627,500	$ (5,495,513)

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

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

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.

NOTE 5 - Investments (cont.)

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 in Kinetics Institutional Partners, LP may be withdrawn upon 20 days prior notice to the general partner, on the last business day of each calendar month at the then net asset value, less any applicable accrued incentive allocations as of the previous valuation date, or at such other times at the general partner's discretion, to make a partial or total withdrawal from the Company's capital accounts (subject to the right of the general partner, in its sole discretion, to waive such withdrawal restrictions).

The Company's investment in Shepherd I, LP may be withdrawn on 45 days prior written notice to the general partner, in whole or in part, from the Company's capital account, as adjusted for net profits and net losses, as of the last business day of June and December of each year, subject to a minimum transaction amount of $10,000 (or the balance of the capital account if less than $10,000) or at such other times and in such other amounts as the general partner shall determine in its sole discretion. Without the consent of the general partner, which may be given or withheld in its sole discretion, no partial withdrawal may be made that would reduce the Company's residual balance in its capital account below $250,000. All redemptions will take into account the applicable performance allocation, if any, due to the general partner. Withdrawals are not permitted unless the interest has been held for at least six months as of the withdrawal date. The general partner, in its sole discretion, may waive any of these withdrawal requirements.

The Company's investment in Winland Holdings Corporation is recorded as a non-current asset due to its limited trading activity and the possible inability of the Company to sell all of the shares owned within a one-year period.

NOTE 5 - Investments (cont.)

Investments in Unconsolidated Entities

Investment in Securities Exchanges

Investments in securities exchanges consist of the following as of May 31, 2019 and 2018:

	May 31, 2019	May 31, 2018
The Bermuda Stock Exchange	$ 2,902,482	$ 2,721,017
OneChicago, LLC	246,000	246,000
CNSX Markets, Inc.	243,040	243,040
Miami International Holdings, Inc.	250,000	250,000
National Stock Exchange Holdings, Inc.	-	248,580
Total securities exchanges	$ 3,641,522	$ 3,708,637

The Company holds a 40.08% interest in the Bermuda Stock Exchange, a 1.41% interest in CNSX Markets, Inc. and less than a 1.00% interest in other stock exchanges.

Other Investments Carried at Cost

The following are the Company's other investments as of May 31, 2019 and 2018:

	May 31, 2019	May 31, 2018
Cryptocurrency Mining Entities		
HK Cryptocurrency Mining, LLC	$ 56,467	$ 62,867
Horatio Mining, LLC	48,621	50,000
HK Cryptocurrency Mining II, LLC	126,109	-
Hash Master Tech LLC	145,000	-
Total cryptocurrency mining entities	376,197	112,867
Digital Currency Group, Inc.	76,261	76,261
Total other investments	$ 452,458	$ 189,128

Investments under the Equity Method of Accounting

The Company’s investments in the Bermuda Stock Exchange and Horizon are accounted for under the equity method of accounting. Both investments have been reviewed for impairment with none being noted.

NOTE 5 - Investments (cont.)

Securities Sold, not yet purchased

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

Investment Concentration

As of May 31, 2019 and 2018, the Company had one investment in an equity security held directly and indirectly, through its various investments in managed funds, amounting to approximately $26,562,000 and $15,056,000, respectively, which represents 21.0% and 12.6%, respectively, of stockholders' equity attributable to the Company ("Equity"). None of the Company's other direct or indirect investments were greater than 10% of Equity.

NOTE 6 - Fair Value Measurements

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of May 31, 2019 and 2018, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair values.

In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has elected the fair value option for its investments on an investment-by-investment basis at the time each investment is initially recognized in the financial statements or upon an event that gives rise to a new basis of accounting for these items. The Company has elected the fair value option for its investment in Winland Holdings Corporation.

NOTE 6 - Fair Value Measurements (cont.)

	As of May 31, 2019				
		Fair Value Measurements at Reporting Date Using			
	Total	Investments Measured at Net Asset Value	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	$ 48,481,777	$ -	$ 48,481,777	$ -	$ -
Other Investments:					
Equity Securities	$ 64,246,626	$ -	$ 63,564,512	$ 682,114	$ -
Investments in Unconsolidated Limited Partnerships	46,830,919	46,830,919	-	-	-
Total Other Investments	$ 111,077,545	$ 46,830,919	$ 63,564,512	$ 682,114	$ -
Liabilities (at fair value):					
Common Stocks	$ 8,133,244	$ -	$ 8,133,244	$ -	$ -

NOTE 6 - Fair Value Measurements (cont.)

	As of May 31, 2018				
		Fair Value Measurements at Reporting Date Using			
	Total	Investments Measured at Net Asset Value	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	$ 49,454,004	$ -	$ 49,454,004	$ -	$ -
Other Investments:					
Equity Securities	$ 39,295,201	$ -	$ 38,522,139	$ 773,062	$ -
Investments in Unconsolidated Limited Partnerships	40,634,714	40,634,714	-	-	-
Total Other Investments	$ 79,929,915	$ 40,634,714	$ 38,522,139	$ 773,062	$ -
Liabilities (at fair value):					
Common Stocks	$ 5,495,513	$ -	$ 5,495,513	$ -	$ -

NOTE 7 - Income Taxes

The Company files a consolidated federal income tax return and a combined state/city tax return with its wholly-owned subsidiary, Fromex Equities Corp. The Company records adjustments related to prior years' taxes during the period when they are identified, generally when the tax returns are filed. The effect of these adjustments on the current and prior periods (during which the differences originated) is evaluated based upon quantitative and qualitative factors and are considered in relation to the consolidated financial statements taken as a whole for the respective periods. These adjustments have not been significant to the Company's financial statements.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act"), was enacted by the U.S. federal government. The Act provides for significant changes to corporate taxation including the decrease of the federal corporate tax rate to 21%. The Company's fiscal year ending May 31, 2018, had a blended federal corporate tax rate of 28.62%, which is based on the applicable tax rates and the number of days before and after the Act. Beginning June 1, 2018, Company's federal tax rate was reduced to 21% in accordance with the Act.

NOTE 7 - Income Taxes (cont.)

The provision for income taxes is comprised of the following for the years ended May 31:

	Years Ended May 31, 2019	Years Ended May 31, 2018
Current		
Federal	$ 360,772	$ 1,472,693
State and City	38,479	498,739
Total Current	399,251	1,971,432
Deferred		
Federal	604,133	(88,887)
State and City	22,358	(500,449)
Total Deferred	626,491	(589,336)
Total Provision for Income Taxes	$ 1,025,742	$ 1,382,096

Deferred tax assets and liabilities are determined using the enacted tax rates applicable to the period the temporary differences are expected to be recovered. Accordingly, the current period income tax provision is affected by the enactment of new tax rates. The net deferred income taxes on the balance sheets reflect temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and income tax purposes, tax effected at a various rates depending on whether the temporary differences are subject to federal taxes, state and city taxes, or both. Upon completion of the 2017 U.S. income tax return in March 2019 the Company did not identify additional re-measurement adjustments to its recorded deferred tax liabilities and the one-time transition tax.

The tax effects of temporary differences which give rise to the deferred tax liability consist of the following as of May 31, 2019 and 2018:

	May 31, 2019	May 31, 2018
Deferred Tax Liability		
Investments in limited partnerships	$ 622,616	$ 95,958
Investment in unconsolidated limited liability companies	230,672	181,946
Deferral of gain from like-kind exchange	2,779,555	2,861,312
Unrealized gain from investments	4,750,270	4,475,351
Unrealized gain from investments included in other comprehensive income	-	142,055
Total Deferred Tax Liability	$ 8,383,113	$ 7,756,622

The Company has accounted for the material impacts of the Act by re-measuring its deferred tax liabilities at the 21% enacted tax rate as of May 31, 2019 and 2018.

NOTE 7 - Income Taxes (cont.)

A reconciliation of the federal statutory rate to the effective tax rate is as follows for the years ended May 31, 2019 and 2018:

	2019		2018	
Income before taxes	$ 18,233,390	100.00%	$ 15,605,398	100.00%
Computed expected tax expense	$ 3,829,012	21.00%	$ 4,466,265	28.62%
Change in enacted tax rates on net deferred tax liabilities	(101,953)	-0.56%	(4,530,890)	-29.03%
State and City taxes, net of federal benefit	139,119	0.76%	357,978	2.29%
Permanent differences				
Permanent differences related to consolidation of noncontrolling interests	(2,176,015)	-11.93%	1,504,037	9.63%
Other permanent differences	(378,683)	-2.08%	(356,510)	-2.28%
True-up of prior year tax	(285,738)	-1.57%	52,496	0.34%
Other	-	0.00%	(111,280)	-0.71%
Total Provision for Income Taxes	$ 1,025,742	5.62%	$ 1,382,096	8.86%

The Company filed its corporate tax returns for the years ended May 31, 2017 and 2016 during the years ended May 31, 2019 and 2018. Due to the nature and timing of income tax pass-through items, actual taxable pass-through items from investment partnerships and unconsolidated limited liability companies can differ from estimated amounts. For the years ended May 31, 2019 and 2018, the filing of the corporate tax returns resulted in tax (benefit) expense true-ups of $(285,738) and $52,496, respectively, primarily due to differences in pass through items.

NOTE 8 - 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. Assumed exercise or conversion of potential common shares is only when the weighted average market price for the period exceeds the exercise price and the conversion price, and that the entity records earnings from continuing operations, as the inclusion of such adjustments would otherwise be anti-dilutive to earnings per share from continuing operations.

Potential common shares consist of unexercised stock options of 104,000 and 99,000 for years ended May 31, 2019 and 2018.

As of May 31, 2019 and 2018 there were 72,000 and 83,000 vested options, respectively, with an exercise price below the weighted average market price of the Company's common stock during the period.

NOTE 8 - 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 years ended May 31:

	2019	2018
Weighted Average Common Shares Outstanding	43,974,940	43,959,554
Effect of Dilutive Securities,		
common share equivalents:		
Exercise of stock options	41,595	48,274
Dilutive Potential Common Share Equivalents	44,016,535	44,007,828

NOTE 9 - Noncash Compensation

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

NOTE 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. There were no shares of preferred stock outstanding as of May 31, 2019 and 2018.

NOTE 10 - Stockholders' Equity (cont.)

Stock Options

A summary of option activity as of May 31, 2019, and changes during the year then ended, 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, 2018	99,000	$ 4.00	2.64	$ 427,700
Granted	8,000	7.90	6.35	-
Exercised	(3,000)	2.75	-	8,550
Forfeited	-	-	-	-
Outstanding at May 31, 2019	104,000	$ 4.34	2.06	$ 329,040
Vested and Exercisable at May 31, 2019	104,000	$ 4.34	2.06	$ 329,040

All stock options were vested as of May 31, 2019 and 2018.

The aggregate intrinsic value of options outstanding and options exercisable at May 31, 2019 and 2018 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 $7.25 and $8.25 closing price of FRMO's common stock on May 31, 2019 and 2018, respectively.

As of May 31, 2019, there was no unrecognized compensation cost related to unvested options.