

**FRMO CORPORATION  
AND SUBSIDIARIES**

White Plains, New York

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

Including Report of Independent  
Registered Public Accounting Firm

As of February 28, 2019 (Unaudited) and  
May 31, 2018 and for the Three Months and Nine Months  
Ended February 28, 2019 and 2018 (Unaudited)

**FRMO CORPORATION  
AND SUBSIDIARIES**

TABLE OF CONTENTS

As of February 28, 2019 (Unaudited) and May 31, 2018 and for the  
Three Months and Nine Months Ended February 28, 2019 and 2018 (Unaudited)

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<b>Review Report of Independent Registered Public Accounting Firm</b>	1
<b>Interim Condensed Consolidated Financial Statements</b>	
Condensed Consolidated Balance Sheets	2
Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)	3
Condensed Consolidated Statement of Stockholders' Equity	4
Condensed Consolidated Statements of Cash Flows	5
Notes to Condensed Consolidated Financial Statements	6 - 16

## Review Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheet of FRMO Corporation and Subsidiaries (the "Company") as of February 28, 2019, the related condensed consolidated statements of income and comprehensive income for the three and nine months ended February 28, 2019 and 2018, the condensed consolidated statement of stockholders' equity for the nine months ended February 28, 2019, and the condensed consolidated statements of cash flows for the nine months ended February 28, 2019 and 2018. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the condensed consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements as of February 28, 2019 and for the three and nine months ended February 28, 2019 and 2018 referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of FRMO Corporation and Subsidiaries as of May 31, 2018 (not presented herein) and, in our report dated August 13, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of May 31, 2018 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

*Baker Tilly Virchow Krause, LLP*

New York, New York  
April 12, 2019

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FRMO CORPORATION  
AND SUBSIDIARIES**  
CONDENSED CONSOLIDATED BALANCE SHEETS  
As of February 28, 2019 and May 31, 2018

<i>ASSETS</i>	February 28, 2019 (Unaudited)	May 31, 2018
<b>Current Assets</b>		
Cash and cash equivalents	\$ 52,823,243	\$ 53,617,453
Accounts receivable (due from related parties)	1,250,102	787,889
Prepaid income taxes	113,647	168,493
Equity securities, at fair value (cost of \$38,211,940 and \$27,594,316 at February 28, 2019 and May 31, 2018, respectively)	61,500,500	38,522,139
Other assets	142,357	138,357
<b>Total Current Assets</b>	<u>115,829,849</u>	<u>93,234,331</u>
Computer equipment, net of accumulated depreciation of \$48,858 and \$19,204 at February 28, 2019 and May 31, 2018, respectively	96,476	75,711
Investment in limited partnerships and other equity investments at fair value (cost of \$24,315,241 and \$24,115,881 at February 28, 2019 and May 31, 2018, respectively)	44,166,497	41,407,776
Investments in Stock Exchanges	3,647,004	3,708,637
Other investments	313,615	189,128
Investment in Horizon Kinetics LLC	11,347,758	11,623,979
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
<b>Total Assets</b>	<u>\$185,601,199</u>	<u>\$160,439,562</u>
<b><i>LIABILITIES AND STOCKHOLDERS' EQUITY</i></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 171,920	\$ 193,719
Securities sold, not yet purchased (proceeds of \$10,709,591 and \$11,123,013 at February 28, 2019 and May 31, 2018, respectively)	6,999,631	5,495,513
<b>Total Current Liabilities</b>	<u>7,171,551</u>	<u>5,689,232</u>
Deferred tax liability	7,403,567	7,756,622
<b>Total Liabilities</b>	<u>14,575,118</u>	<u>13,445,854</u>
<b>Stockholders' Equity</b>		
Stockholders' Equity Attributable to the Company	124,165,784	119,410,504
Noncontrolling interests	46,860,297	27,583,204
<b>Total Stockholders' Equity</b>	<u>171,026,081</u>	<u>146,993,708</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$185,601,199</u>	<u>\$160,439,562</u>

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

**FRMO CORPORATION  
AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Three Months Ended		Nine Months Ended	
	February 28,		February 28,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
<b>REVENUE</b>				
Fees	\$ 462,330	\$ 1,781,941	\$ 1,504,546	\$ 2,746,046
Dividends and interest income, net	331,105	224,319	915,733	597,882
Net realized gains (losses) from investments	2,854,058	(48,706)	2,448,241	(234,897)
Equity (losses) earnings from partnerships and limited liability companies	(1,462,539)	1,900,671	200,211	3,464,918
Unrealized (losses) gains from investments subject to fair value valuation	(2,658,004)	8,922,643	2,556,349	14,859,261
Equity earnings (losses) from investment in The Bermuda Stock Exchange	69,833	(2,946)	186,946	13,716
Total revenue before unrealized gains from equity securities	(403,217)	12,777,922	7,812,026	21,446,926
Unrealized (losses) gains from equity securities	(7,227,626)	-	10,101,266	-
Total Revenue	(7,630,843)	12,777,922	17,913,292	21,446,926
<b>OPERATING EXPENSES</b>				
General and administrative expenses	271,826	191,852	957,453	598,766
Depreciation	10,676	6,616	29,654	11,294
Total Expenses	282,502	198,468	987,107	610,060
<b>(Loss) Income from Operations before Provision for Income Taxes</b>	(7,913,345)	12,579,454	16,926,185	20,836,866
(Benefit from) Provision for Income Taxes	(1,254,322)	(465,712)	365,154	2,553,862
Net (Loss) Income	(6,659,023)	13,045,166	16,561,031	18,283,004
Less net (loss) income attributable to noncontrolling interests	(5,972,034)	(8,795)	13,452,900	(34,777)
Net (Loss) Income Attributable to the Company	\$ (686,989)	\$ 13,053,961	\$ 3,108,131	\$ 18,317,781
<b>OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX</b>				
Net (Loss) Income	\$ (6,659,023)	\$ 13,045,166	\$ 16,561,031	\$ 18,283,004
Unrealized investment holding gains arising during the period	-	1,397,522	-	6,487,717
Income tax benefit related to items of other comprehensive income	-	405,080	-	668,697
Unrealized investment holding gains, net of tax	-	1,802,602	-	7,156,414
Comprehensive (Loss) Income	(6,659,023)	14,847,768	16,561,031	25,439,418
Less comprehensive (loss) income attributable to noncontrolling interests	(5,972,034)	2,104,350	13,452,900	7,219,227
Comprehensive (loss) income attributable to the Company	\$ (686,989)	\$ 12,743,418	\$ 3,108,131	\$ 18,220,191
<b>NET INCOME PER COMMON SHARE</b>				
Basic and diluted	\$ (0.02)	\$ 0.30	\$ 0.07	\$ 0.42
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>				
Basic	43,975,414	43,956,155	43,974,319	43,954,759
Diluted	43,975,414	44,015,852	43,974,319	44,002,613

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

**FRMO CORPORATION  
AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
For the Nine Months Ended February 28, 2019 (Unaudited)

	Redeemable Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Stockholders' Equity Attributable to the Company	Non-Controlling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
<b>BALANCE - June 1, 2018, as reported</b>	-	\$ -	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	-	-	-	-	-	(3,294,504)	3,294,504	-	-	-
<b>Balance, June 1, 2018, as adjusted</b>	-	-	43,973,781	43,973	32,527,939	435,680	86,402,912	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	-	-	-	-	77,400	-	-	77,400	-	77,400
Capital Accounts of Consolidated Limited Liability Company	-	-	-	-	1,515,071	-	-	1,515,071	-	1,515,071
Change in Unrealized Gains	-	-	-	-	-	15,308	-	15,308	-	15,308
Net Income	-	-	-	-	-	-	3,108,131	3,108,131	13,452,900	16,561,031
Noncontrolling interests	-	-	-	-	-	-	-	-	5,824,193	5,824,193
<b>BALANCE - February 28, 2019</b>	-	\$ -	43,976,781	\$ 43,976	\$ 34,159,777	\$ 450,988	\$ 89,511,043	\$ 124,165,784	\$ 46,860,297	\$ 171,026,081

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

**FRMO CORPORATION  
AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Nine Months Ended February 28, 2019 and 2018

	February 28,	
	2019 (Unaudited)	2018 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 16,561,031	\$ 18,283,004
Adjustments to reconcile net income to net cash flows from operating activities		
Non-cash compensation	77,400	77,400
Equity compensation	31,120	20,880
Net realized (gain) loss from investments	(2,448,241)	234,897
Equity earnings from partnerships and limited liability companies	(200,211)	(3,464,918)
Unrealized gains from investments subject to fair value valuation	(2,556,349)	(14,859,261)
Unrealized gains from equity securities	(10,101,266)	-
Equity earnings from investments in Stock Exchanges	(186,946)	(13,716)
Non-cash fee revenue	(42,665)	(70,337)
Depreciation	29,654	11,294
Deferred income tax (benefit) expense	(353,055)	724,709
Changes in operating assets and liabilities:		
Accounts receivable	(462,213)	(1,274,290)
Prepaid income taxes	54,846	338,735
Other current assets	51,001	-
Accounts payable and accrued expenses	(21,800)	47,655
Income taxes payable	-	1,280,701
Net Cash Flows from Operating Activities	<u>432,306</u>	<u>1,336,753</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	1,144,024	1,623,360
Purchases of investments	(4,282,876)	(2,863,502)
Proceeds from securities sold, not yet purchased	6,912,105	4,216,720
Purchases to cover securities previously sold	(5,002,600)	(3,242,954)
Distributions from limited partnerships	-	295,420
Investment in limited partnerships and other equity investments	-	(20,000)
Other investments	(125,000)	(68,854)
Purchase of computer equipment	(50,419)	(94,284)
Net Cash Flows used in Investing Activities	<u>(1,404,766)</u>	<u>(154,094)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of other consolidated subsidiary equity	170,000	285,000
Proceeds from exercise of stock options	8,250	41,825
Net Cash Flows from Financing Activities	<u>178,250</u>	<u>326,825</u>
<b>Net Change in Cash and Cash Equivalents</b>	(794,210)	1,509,484
CASH AND CASH EQUIVALENTS, Beginning of Year	53,617,453	51,125,142
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 52,823,243</u>	<u>\$ 52,634,626</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period for		
Income taxes	\$ 617,744	\$ 210,000
Interest	\$ 317,285	\$ 103,917
<b>NONCASH INVESTING ACTIVITIES</b>		
Investment acquired through the contribution of other investments	<u>\$ 7,184,573</u>	<u>\$ 5,749,939</u>

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



# FRMO CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2019 (Unaudited) and May 31, 2018 and for the  
Three Months and Nine Months Ended February 28, 2019 and 2018 (Unaudited)

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## NOTE 1 - Nature of Business and Basis of Presentation

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The condensed 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 February 28, 2019 and May 31, 2018, the Company held a 15.10% 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. 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. The noncontrolling interest of 84.90% and 87.08% in HKHA has been eliminated from results of operations for the periods ended February 28, 2019 and May 31, 2018. 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.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. The principles for condensed interim financial information do not require the inclusion of all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended May 31, 2018 and notes thereto. The accompanying condensed consolidated financial statements have not been audited by an independent registered public accounting firm in accordance with standards of the Public Company Accounting Oversight Board (United States) but, in the opinion of management, such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the Company's financial position and results of operations. The results of operations for the three months and nine months ended February 28, 2019 may not be indicative of the results that may be expected for the year ending May 31, 2019.

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## NOTE 2 - Summary of Significant Accounting Policies

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### *Investment Valuation*

As of February 28, 2019 and May 31, 2018, investments in limited partnerships and limited liability companies are valued using data inputs from December 31, 2018 and March 31, 2018, respectively, the dates of the most current available information. Management reviews relevant market and related data to reconcile for the period from January 1 through February 28. Because of its significance, subsequent market volatility has been reflected in these condensed consolidated financial statements.

### *Subsequent Events*

The Company has evaluated all subsequent events from the date of the condensed consolidated balance sheets through April 12, 2019, which represents the date these condensed consolidated financial statements are available to be issued.

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2019 (Unaudited) and May 31, 2018 and for the  
Three Months and Nine Months Ended February 28, 2019 and 2018 (Unaudited)

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**NOTE 3 - Adoption of New Accounting Pronouncements**

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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 quarter ended August 31, 2018. The adoption of this guidance resulted in the recognition of approximately \$3,295,000 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 accumulated other comprehensive income (“AOCI”) by the same amount. At May 31, 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 three months and nine months ended February 28, 2019, aggregate net unrealized (loss) gain from investments of approximately \$(9,886,000) and \$12,658,000, respectively, reflected in net (loss) income included approximately \$(7,228,000) and \$10,101,000, respectively, from the fair value change of equity securities.

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

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2019 (Unaudited) and May 31, 2018 and for the  
Three Months and Nine Months Ended February 28, 2019 and 2018 (Unaudited)

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**NOTE 4 - Investments**

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*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 February 28, 2019 and May 31, 2018:

	As of February 28, 2019 (Unaudited)		
	Cost or (Proceeds)	Unrealized Gains (Losses)	Fair Value
Equity Securities	\$ 38,211,940	\$ 23,288,560	\$ 61,500,500
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	\$ 5,756,330	\$ 1,700,834	\$ 7,457,164
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	\$ 6,730,681	\$ 7,964,688	\$ 14,695,369
CDK Partners, LP	1,127,729	1,339,046	2,466,775
Polestar Fund, LP	9,627,570	8,711,917	18,339,487
Multi-Disciplinary Fund, LP	592,457	(37,459)	554,998
Kinetics Institutional Partners, LP	9,808	5,454	15,262
Shepherd I, LP	10,231	1,940	12,171
Total Investments in Managed Funds	18,098,476	17,985,586	36,084,062
Investment in Winland Holdings Corporation	460,435	164,836	625,271
Total investments in limited partnerships and other equity securities	\$ 24,315,241	\$ 19,851,256	\$ 44,166,497
Securities sold, not yet purchased (liability)	\$ (10,709,591)	\$ 3,709,960	\$ (6,999,631)

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2019 (Unaudited) and May 31, 2018 and for the  
Three Months and Nine Months Ended February 28, 2019 and 2018 (Unaudited)

**NOTE 4 - Investments (cont.)**

	As of May 31, 2018		
	Cost or (Proceeds)	Unrealized Gains	Fair Value
Equity Securities	<u>\$ 27,594,316</u>	<u>\$ 10,927,823</u>	<u>\$ 38,522,139</u>
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	<u>\$ 5,766,100</u>	<u>\$ 496,274</u>	<u>\$ 6,262,374</u>
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	<u>10,341</u>	<u>2,495</u>	<u>12,836</u>
Total Investments in Managed Funds	<u>17,889,346</u>	<u>16,482,994</u>	<u>34,372,340</u>
Investment in Winland Holdings Corporation	<u>460,435</u>	<u>312,627</u>	<u>773,062</u>
Total investments in limited partnerships and other equity securities	<u>\$ 24,115,881</u>	<u>\$ 17,291,895</u>	<u>\$ 41,407,776</u>
Securities sold, not yet purchased (liability)	<u>\$(11,123,013)</u>	<u>\$ 5,627,500</u>	<u>\$ (5,495,513)</u>

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2019 (Unaudited) and May 31, 2018 and for the  
Three Months and Nine Months Ended February 28, 2019 and 2018 (Unaudited)

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**NOTE 4 - Investments (cont.)**

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*Investments in Unconsolidated Entities*

Investment in Stock Exchanges

Investments in stock exchanges consist of the following as of February 28, 2019 and May 31, 2018:

	February 28, 2019 <u>(Unaudited)</u>	May 31, 2018 <u></u>
The Bermuda Stock Exchange	\$ 2,907,964	\$ 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 stock exchanges	<u>\$ 3,647,004</u>	<u>\$ 3,708,637</u>

Other Investments Carried at Cost

The following are the Company's other investments as of February 28, 2019 and May 31, 2018:

	February 28, 2019 <u>(Unaudited)</u>	May 31, 2018 <u></u>
Cryptocurrency Mining Entities		
HK Cryptocurrency Mining, LLC	\$ 60,844	\$ 62,867
HK Cryptocurrency Mining II, LLC	125,000	-
Horatio Mining, LLC	<u>51,510</u>	<u>50,000</u>
Total cryptocurrency mining entities	237,354	112,867
Digital Currency Group, Inc.	<u>76,261</u>	<u>76,261</u>
Total other investments	<u>\$ 313,615</u>	<u>\$ 189,128</u>

The Company's investments in the Bermuda Stock Exchange and Horizon are accounted for under the equity method of accounting.

Investment Concentration

As of February 28, 2019 and May 31, 2018, the Company had one investment in an equity security held directly and indirectly, through its various investments in managed funds, amounting to approximately \$25,643,000 and \$15,056,000, respectively, which represents 20.7% 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.

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2019 (Unaudited) and May 31, 2018 and for the  
Three Months and Nine Months Ended February 28, 2019 and 2018 (Unaudited)

**NOTE 5 - 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 February 28, 2019 and May 31, 2018, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair values.

	As of February 28, 2019 (Unaudited)				
	Fair Value Measurements at Reporting Date Using				
	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)
		Total	Value	(Level 1)	(Level 2)
Assets (at fair value):					
Money Market Mutual Funds included in Cash and Cash Equivalents	\$ 48,688,222	\$ -	\$ 48,688,222	\$ -	\$ -
Other Investments:					
Equity Securities	\$ 62,125,771	\$ -	\$ 61,500,500	\$ 625,271	\$ -
Investments in Unconsolidated Limited Partnerships	43,541,226	43,541,226	-	-	-
Total Other Investments	\$ 105,666,997	\$ 43,541,226	\$ 61,500,500	\$ 625,271	\$ -
Liabilities (at fair value):					
Common Stocks	\$ 6,999,631	\$ -	\$ 6,999,631	\$ -	\$ -

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AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2019 (Unaudited) and May 31, 2018 and for the  
Three Months and Nine Months Ended February 28, 2019 and 2018 (Unaudited)

**NOTE 5 - Fair Value Measurements (cont.)**

	As of May 31, 2018				
	Fair Value Measurements at Reporting Date Using				
	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)
		Total			
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 6 - 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 condensed 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 tax rate was reduced to 21% in accordance with the Act.

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2019 (Unaudited) and May 31, 2018 and for the  
Three Months and Nine Months Ended February 28, 2019 and 2018 (Unaudited)

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**NOTE 6 - Income Taxes (cont.)**

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The (benefit from) provision for income taxes is comprised of the following for the three months and nine months ended February 28:

	Three Months Ended		Nine Months Ended	
	February 28,		February 28,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
Current				
Federal	\$ 60,449	\$ 781,356	\$ 600,287	\$ 1,362,622
State and City	(105,391)	310,218	117,922	466,531
Total Current	<u>(44,942)</u>	<u>1,091,574</u>	<u>718,209</u>	<u>1,829,153</u>
Deferred				
Federal	(1,100,032)	(1,536,469)	(210,954)	997,266
State and City	(109,348)	(20,817)	(142,101)	(272,557)
Total Deferred	<u>(1,209,380)</u>	<u>(1,557,286)</u>	<u>(353,055)</u>	<u>724,709</u>
Total (Benefit from) Provision for Income Taxes	<u>\$ (1,254,322)</u>	<u>\$ (465,712)</u>	<u>\$ 365,154</u>	<u>\$ 2,553,862</u>

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.



**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2019 (Unaudited) and May 31, 2018 and for the  
Three Months and Nine Months Ended February 28, 2019 and 2018 (Unaudited)

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**NOTE 6 - Income Taxes (cont.)**

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The tax effects of temporary differences which give rise to the deferred tax liability consist of the following as of February 28, 2019 and May 31, 2018:

	February 28, 2019 (Unaudited)	May 31, 2018
Deferred Tax Liability		
Investments in limited partnerships	\$ -	\$ 95,958
Investment in unconsolidated limited liability companies	232,186	181,946
Deferral of gain from like-kind exchange	2,779,555	2,861,312
Unrealized gain from investments	4,391,826	4,475,351
Unrealized gain from investments included in other comprehensive income	-	142,055
Total Deferred Tax Liability	\$ 7,403,567	\$ 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, 2018.

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**NOTE 7 - Net Income Per Common Share and Per Common Share Equivalent**

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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 the nine months ended February 28, 2019 and 2018.

As of February 28, 2019 and 2018 there were 80,000 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.

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2019 (Unaudited) and May 31, 2018 and for the  
Three Months and Nine Months Ended February 28, 2019 and 2018 (Unaudited)

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

The reconciliation of the weighted average number of common shares used in the calculation of basic and diluted earnings per common share follows for the three months and nine months ended February 28:

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
Weighted Average Common Shares				
Outstanding	43,975,414	43,956,155	43,974,319	43,954,759
Effect of Dilutive Securities, common share equivalents:				
Exercise of stock options	-	59,697	-	47,854
Dilutive Potential Common Share Equivalents	<u>43,975,414</u>	<u>44,015,852</u>	<u>43,974,319</u>	<u>44,002,613</u>

**NOTE 8 - 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. There were no shares of preferred stock outstanding as of February 28, 2019 and May 31, 2018.

*Stock Options*

A summary of option activity as of February 28, 2019, and changes during the nine months then ended, is as follows:

<i>Stock Options</i> (Unaudited)	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	6.60	-
Exercised	(3,000)	\$ 2.75	-	\$ 8,550
Forfeited	-	-	-	-
Outstanding at February 28, 2019	<u>104,000</u>	<u>\$ 4.34</u>	<u>2.32</u>	<u>\$ 218,400</u>
Vested and Exercisable at February 28, 2019	<u>104,000</u>	<u>\$ 4.34</u>	<u>2.32</u>	<u>\$ 218,400</u>

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2019 (Unaudited) and May 31, 2018 and for the  
Three Months and Nine Months Ended February 28, 2019 and 2018 (Unaudited)

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**NOTE 8 - Stockholders' Equity** (cont.)

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All stock options granted during the nine months ended February 28, 2019 were vested as of grant date. All stock options were vested as of February 28, 2019 and May 31, 2018.

The aggregate intrinsic value of options outstanding and options exercisable at February 28, 2019 and May 31, 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 \$5.75 and \$8.25 closing price of FRMO's common stock on February 28, 2019 and May 31, 2018, respectively.

As of February 28, 2019, there was no unrecognized compensation cost related to unvested options.