

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

FRMO CORP.

A Delaware Corporation

Principal Executive Offices and Principal Place of Business:
1 North Lexington Avenue, Suite 12C
White Plains, NY 10601

914-632-6730
www.frmocorp.com
info@frmocorp.com
SIC Code: 6719 – Holding Company

Annual Report

For the period ended May 31, 2024 (the “Reporting Period”)

Outstanding Shares

The number of shares outstanding of our Common Stock was:

44,022,781 as of May 31, 2024 [Current Reporting Period],

44,022,781 as of May 31, 2023 [Most Recent Completed Fiscal Year End]

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: ☐ No: ☒

1) Name and address(es) of the issuer and its predecessors (if any)

¹ “Change in Control” shall mean any events resulting in:

- (i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

FRMO Corp.

FRMO Corp. is an active corporation incorporated in the state of Delaware in November 1993. The name of the Corporation was changed from FRM Nexus (a Delaware Corporation) to FRMO Corp. on November 29, 2000.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the issuer's principal executive office:

1 North Lexington Avenue, Suite 12C
White Plains, NY 10601

The address(es) of the issuer's principal place of business:

1 North Lexington Avenue, Suite 12C
White Plains, NY 10601

☒ *Check if principal executive office and principal place of business are the same address:*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name:

Broadridge Corporate Issuer Solutions, Inc.
1717 Arch Street, Suite 1300
Philadelphia, PA 19103

Phone: 800-733-1121

Email: Shareholder@Broadridge.com

Publicly Quoted or Traded Securities:

Trading symbol:	FRMO	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:	30262F205	
Par or stated value:	\$0.001	
Total shares authorized:	90,000,000	as of date: May 31, 2024
Total shares outstanding:	44,022,781	as of date: May 31, 2024
Number of shares in the Public Float:	16,908,994	as of date: May 31, 2024
Total number of shareholders of record:	54	as of date: May 31, 2024

All additional class(es) of publicly quoted or traded securities (if any):

Trading symbol: n/a
Exact title and class of securities outstanding: Preferred Stock
CUSIP: n/a
Par or stated value: \$0.001
Total shares authorized: 2,000,000 as of date: May 31, 2024
Total shares outstanding: None as of date: May 31, 2024
Total number of shareholders of record: None as of date: May 31, 2024

Other classes of authorized or outstanding equity securities:

None

Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

None

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End: Opening Balance Date: May 31, 2022 Common: 44,017,781 Preferred: None									
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
October 3, 2022	Option Exercise	Option exercise of 5,000 shares of common stock at price of \$7.98 per	Common	Value of Shares at issuance \$9.90 per share	Yes	Option Exercised by Allan Kornfeld	Option Exercise	Shares are restricted for at least 1 year from issue date.	Shares carry the customary Securities Act of 1933 legend.

		share Grant date: 10/8/15							
October 6, 2022	Option grant	Option grant to purchase 5,000 shares of common stock, exercise price of \$9.00 per share	Common	N/A	N/A	Option Granted to Allan Kornfeld	Director Compensation	Options are unexercised. Will be restricted upon exercise.	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.
October 6, 2022	Option grant	Option grant to purchase 3,000 shares of common stock, exercise price of \$9.00 per share	Common	N/A	N/A	Option Granted to Jay Hirschson	Director Compensation	Options are unexercised. Will be restricted upon exercise.	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.
October 6, 2022	Option grant	Option grant to purchase 3,000 shares of common stock, exercise price of \$9.00 per share	Common	N/A	N/A	Option Granted to Alice C. Brennan	Director Compensation	Options are unexercised. Will be restricted upon exercise.	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.
October 6, 2022	Option grant	Option grant to purchase 3,000 shares of common stock, exercise price of \$9.00 per share	Common	N/A	N/A	Option Granted to Hebert M. Chain	Director Compensation	Options are unexercised. Will be restricted upon exercise.	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.
October 6, 2022	Option grant	Option grant to purchase 3,000 shares of common stock, exercise price of \$9.00 per share	Common	N/A	N/A	Option Granted to Dov Glickman	Director Compensation	Options are unexercised. Will be restricted upon exercise.	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.
October 5, 2023	Option grant	Option grant to purchase 3,000 shares of common stock, exercise price of \$7.50 per share	Common	N/A	N/A	Option Granted to Jay Hirschson	Director Compensation	Options are unexercised. Will be restricted upon exercise.	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.
October 5, 2023	Option grant	Option grant to purchase 3,000 shares of common stock, exercise price of \$7.50 per share	Common	N/A	N/A	Option Granted to Alice C. Brennan	Director Compensation	Options are unexercised. Will be restricted upon exercise.	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by

									Section 4(2) of the Act.
October 5, 2023	Option grant	Option grant to purchase 3,000 shares of common stock, exercise price of \$7.50 per share	Common	N/A	N/A	Option Granted to Hebert M. Chain	Director Compensation	Options are unexercised. Will be restricted upon exercise.	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.
October 5, 2023	Option grant	Option grant to purchase 3,000 shares of common stock, exercise price of \$7.50 per share	Common	N/A	N/A	Option Granted to Dov Glickman	Director Compensation	Options are unexercised. Will be restricted upon exercise.	Registration of these Shares under the Securities Act of 1933, as amended, is not required pursuant to the exemption provided by Section 4(2) of the Act.
Shares Outstanding Ending Balance on Date of This Report: Date: May 31, 2024 Common: 44,022,781 Preferred: None									

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☒ Yes: ☐ (If yes, you must complete the table below)

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.
(Please ensure that these descriptions are updated on the Company's Profile on www.otcmarkest.com).

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

The corporation is an intellectual capital firm identifying and managing investment strategies and business opportunities.

B. List any subsidiaries, parent company, or affiliated companies.

Fromex Equity Corp., a Delaware corporation, is a wholly owned subsidiary of FRMO Corp.

C. Describe the issuers' principal products or services.

The consolidated financial statements include the accounts of FRMO Corporation and its controlled subsidiaries (collectively referred to as the "Company"). As of May 31, 2024 and May 31, 2023, the Company held a 21.84% and 21.80% equity interest in Horizon Kinetics Hard Assets LLC ("HKHA"), a company formed by Horizon Kinetics LLC ("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 78.16% and 78.20% in HKHA has been eliminated from results of operations for the periods ended May 31, 2024 and 2023. Total stockholders' equity includes, as a separate item, the amount attributable to the noncontrolling interests.

The Company also holds a 4.95% interest in Horizon and earns substantially all of its advisory fees from Horizon. On August 1, 2024, Horizon completed its previously announced merger with Scott's Liquid Gold Inc., which was renamed Horizon Kinetics Holding Corporation ("HKHC") (OTC: SLGDD). In connection with the merger, HKHC effected a reverse stock split of the company's

outstanding shares of common stock at a ratio of 1-for-20, and issued 17,984,253 shares of common stock to the members of Horizon, including 823,863 shares to FRMO.

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

D. Investment Concentration

The following are the approximate amounts of the Company's investments in equity securities and digital asset funds held directly and indirectly, through its various investments in managed funds, amounting to greater than 10% of stockholders' equity attributable to the Company ("Equity"). None of the Company's other direct or indirect investments were greater than 10% of Equity as of May 31, 2024 and 2023.

Investment	As of May 31, 2024		As of May 31, 2023	
	Amount	Percent of Equity	Amount	Percent of Equity
Investment A	\$ 117,083,000	48.4%	\$ 78,849,000	46.6%
Investment B	\$ 37,695,367	15.6%	na	na

The following are the approximate amounts of investments included in the Company's investments in equity securities, and investments in limited partnerships and other equity investments (together, "Investments") held directly and indirectly, through its various investments in managed funds, amounting to greater than 10% of Investments. None of the Company's other direct or indirect investments were greater than 10% of Investments as of May 31, 2024 and 2023.

Investment	As of May 31, 2024		As of May 31, 2023	
	Amount	Percent of Investments	Amount	Percent of Investments
Investment A				
Equity securities	\$ 211,986,000	95.6%	\$ 146,790,000	94.4%
Investments in limited partnerships and other equity investments	\$ 55,008,000	43.1%	\$ 37,985,000	53.8%
Investment B				
Investments in limited partnerships and other equity investments	\$ 37,144,000	29.1%	\$ 9,930,000	14.1%

The following are the approximate amounts of investments included in the Company's unrealized gains (losses) from equity securities amounting to greater than 10% of unrealized gains (losses) from equity securities. None of the Company's other investments were greater than 10% of unrealized gains (losses) from equity securities for the years ended May 31, 2024 and 2023.

Investment	Year Ended May 31, 2024		Year Ended May 31, 2023	
	Amount	Percent of Unrealized (Losses) Gains	Amount	Percent of Unrealized (Losses) Gains
	(Unaudited)		(Unaudited)	
Investment A	\$ 61,244,000	92.5%	\$ (30,038,000)	107.6%

5) Issuer's Facilities

Company leases fully furnished office space from Horizon Kinetics LLC at 1 North Lexington Avenue, Suite 12C, White Plains, New York 10601. The lease term is one year renewable for consecutive one-year periods until terminated.

Company owns two (2) warehouses, approximately 30,000 square feet each, situated on 3.56 acres of land located in North Carolina. The buildings are subject to a first mortgage with a principal balance of \$668,624 as of May 31, 2024.

6) Officers, Directors, and Control Persons

Name of Beneficial Owner	Shares Beneficially Owned or Controlled	Approximate Percentage of Shares outstanding
Murray Stahl	7,165,736	16.3%
Steven Bregman	6,081,829	13.8%
John C. Meditz	6,211,051	14.1%
Thomas C. Ewing	4,539,048	10.5%
Peter B. Doyle	4,226,140	9.6%
Lawrence J. Goldstein	1,865,632	4.3%
Santa Monica Partners, L.P.(1)	1,012,757	2.3%
Dov Glickman	4,400	*
Jay P. Hirschson	3,000	*
Herbert M. Chain	1,000	*
Alice C. Brennan	1,000	*
Jay Kesslen	12,243	*
Therese Byars	50,640	*
Directors and executive officers as a group	31,174,476	70.8%

* Less than 1%

(1) Controlled by Mr. Goldstein

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

NONE

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

NONE

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

NONE

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a “yes” answer to part 3 above; or

NONE

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

NONE

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

NONE

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

NONE

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name:	Morris Simkin
Firm:	Law Office of Morris Simkin
Address 1:	5400 Broken Sound Blvd. NW, Apt. 431
Address 2:	Boca Raton, FL 33487
Phone:	(212) 455-0476
Email:	msimkin@securitiesregslawyer.com

Accountant or Auditor

Name:	John Basile, Engagement Partner
Firm:	Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Address 1:	66 Hudson Blvd E, Suite 2200
Address 2:	New York, NY 10001
Phone:	(212) 697-6900
Email:	John.Basile@bakertilly.com

Investor Relations

None

All other means of Investor Communication:

Twitter: n/a

Discord: n/a
LinkedIn n/a
Facebook: n/a
[Other] n/a

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: n/a
Firm: n/a
Nature of Services: n/a
Address 1: n/a
Address 2: n/a
Phone: n/a
Email: n/a

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: Therese Byars
Title: Corporate Secretary
Relationship to Issuer: Officer

B. The following financial statements were prepared in accordance with:

- ☐ IFRS
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: Victor Brodsky
Title: Accountant
Relationship to Issuer: Consultant

Describe the qualifications of the person or persons who prepared the financial statements:⁵ Certified Public Accountant, has prepared SEC filings for public companies including NASDAQ and OTC filers for over 40 years.

The financial statements listed in items 9Ca – 9Cf are appended to this Disclosure Statement.:

- a. Report of Independent Registered Public Accounting Firm
- b. Condensed Consolidated Balance Sheets
- c. Condensed Consolidated Statements of Income
- d. Condensed Consolidated Statements of Stockholders' Equity
- e. Condensed Consolidated Statements of Cash Flows
- f. Notes to Condensed Consolidated Financial Statements

⁵ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

10) Issuer Certification

Principal Executive Officer:

I, Murray Stahl certify that:

1. I have reviewed this Disclosure Statement for FRMO Corp.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

8/15/2024

/s/ Murray Stahl

Principal Financial Officer:

I, Steven Bregman certify that:

1. I have reviewed this Disclosure Statement for FRMO Corp.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

8/15/2024

/s/ Steven Bregman

**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, 2024 and 2023

**FRMO CORPORATION
AND SUBSIDIARIES**

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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 Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of FRMO Corporation and Subsidiaries (the Company) as of May 31, 2024 and 2023, the related consolidated statements of income (loss), stockholders' equity and 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 present fairly, in all material respects, the financial position of the Company as of May 31, 2024 and 2023 and the results of its operations and its 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 the Company's 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. 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. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

DIGITAL ASSETS ASSESSMENT

Critical Audit Matter Description

As described in Notes 2 and 6 to the consolidated financial statements, the Company holds intangible assets in digital assets. Digital assets are subject to unique risks and investing in digital assets is currently unregulated, highly speculative, and volatile. The digital assets are recorded at fair value. As of May 31, 2024, the fair value of the Company's digital assets was \$10,978,796.

We identified the evaluation of audit evidence pertaining to the existence and valuation of the digital assets and whether the Company controls the digital assets as a critical audit matter. Especially subjective auditor judgment was involved in determining the nature and extent of evidence required to assess the existence of the digital assets and whether the Company controls the digital assets, as control over the digital assets is provided through private cryptographic keys stored using third-party custodial services. In addition, audit professionals with specialized skills and knowledge in blockchain technology were needed to assist in the evaluation of the sufficiency of certain audit procedures.

How We Addressed the Matter in Our Audit

The following are the primary procedures we performed to address this critical audit matter. For the existence of the digital assets, we evaluated the design of certain internal controls over the digital assets process. We obtained confirmation of the Company's digital assets in custody as of May 31, 2024, from third parties and compared the total digital assets confirmed to the Company's records of digital asset holdings. We also compared the Company's record of digital asset transactions to the records on the public blockchain using a software audit tool. For valuation of the digital assets, we obtained third party pricing information to ensure appropriateness of the valuation. We applied auditor judgment in determining the nature and extent of audit evidence required, especially related to assessing the existence and valuation of the digital assets and whether the Company controls the digital assets. We evaluated the sufficiency and appropriateness of audit evidence obtained by assessing the results of procedures performed over the digital assets.

The image shows a handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

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

New York, New York
August 15, 2024

CONSOLIDATED FINANCIAL STATEMENTS

**FRMO CORPORATION
AND SUBSIDIARIES**
CONSOLIDATED BALANCE SHEETS
As of May 31, 2024 and 2023

<i>ASSETS</i>			May 31, 2024	May 31, 2023
Current Assets				
Cash and cash equivalents			\$ 39,189,906	\$ 38,077,492
Accounts receivable (due from related parties)			3,443,834	3,214,132
Prepaid income taxes			640,623	158,004
Equity securities, at fair value (cost of \$76,720,971 and \$74,176,757 at May 31, 2024 and 2023, respectively)			221,681,671	155,512,185
Digital assets, at fair value (cost of \$4,189,488 and \$3,699,554 at May 31, 2024 and 2023, respectively)			10,978,796	4,216,814
Other current assets			167,357	167,297
Total Current Assets			276,102,187	201,345,924
Digital mining assets, net of accumulated depreciation of \$1,286,317 and \$1,050,854 at May 31, 2024 and 2023, respectively)			1,139,972	1,330,754
Investments in limited partnerships and other equity investments at fair value (cost of \$41,753,870 and \$39,021,622 at May 31, 2024 and 2023, respectively)			127,578,968	70,656,050
Investments in Securities Exchanges			6,463,351	4,869,070
Other investments, at cost			469,430	484,409
Investment in Horizon Kinetics LLC			17,204,752	14,607,525
Participation in Horizon Kinetics LLC Revenue Stream			10,200,000	10,200,000
Total Assets			<u>\$439,158,660</u>	<u>\$303,493,732</u>
<i>LIABILITIES AND STOCKHOLDERS' EQUITY</i>				
Current Liabilities				
Accounts payable and accrued expenses			\$ 589,228	\$ 322,631
Current portion of mortgage note payable			668,624	31,215
Securities sold, not yet purchased (proceeds of \$10,575,986 and \$10,670,820 at May 31, 2024 and 2023, respectively)			950,762	2,352,910
Total Current Liabilities			2,208,614	2,706,756
Deferred tax liability			33,668,129	16,003,942
Mortgage note payable, net of current portion			-	668,625
Total Liabilities			<u>35,876,743</u>	<u>19,379,323</u>
Stockholders' Equity				
Redeemable preferred stock - \$.001 par value; Authorized - 2,000,000 shares; no shares outstanding			-	-
Common stock - \$.001 par value, authorized 90,000,000 shares Issued and outstanding - 44,022,781 shares at May 31, 2024 and 2023, respectively			44,022	44,022
Additional paid-in capital			42,050,118	41,754,855
Retained earnings			200,042,552	127,483,881
Stockholders' Equity Attributable to the Company			242,136,692	169,282,758
Noncontrolling interests			161,145,225	114,831,651
Total Stockholders' Equity			<u>403,281,917</u>	<u>284,114,409</u>
Total Liabilities and Stockholders' Equity			<u>\$439,158,660</u>	<u>\$303,493,732</u>

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

FRMO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
REVENUE		
Fees and other income	\$ 2,714,862	\$ 3,221,561
Dividends and interest income, net	3,763,818	5,081,547
Net realized gains (losses) from investments	510,909	(1,035,096)
Equity earnings from limited partnerships and limited liability companies	5,044,368	1,614,213
Unrealized gains (losses) from investments	<u>53,935,183</u>	<u>(13,661,130)</u>
Total revenue before unrealized gains (losses) from equity securities and digital assets	65,969,140	(4,778,905)
Unrealized gains (losses) from equity securities	66,186,297	(27,918,409)
Unrealized gains (losses) from digital assets	<u>6,272,047</u>	<u>(449,773)</u>
Total Revenue	<u>138,427,484</u>	<u>(33,147,087)</u>
OPERATING EXPENSES		
General and administrative expenses	1,307,685	1,497,408
Depreciation	<u>248,140</u>	<u>339,720</u>
Total Expenses	<u>1,555,825</u>	<u>1,837,128</u>
Income (Loss) from Operations before Provision for (Benefit from) Income Taxes	136,871,659	(34,984,215)
Provision for (Benefit from) Income Taxes	<u>18,420,408</u>	<u>(3,222,443)</u>
Net Income (Loss)	118,451,251	(31,761,772)
Less net income (loss) attributable to noncontrolling interests	<u>45,892,580</u>	<u>(19,157,800)</u>
Net Income (Loss) Attributable to the Company	<u>\$ 72,558,671</u>	<u>\$ (12,603,972)</u>
NET INCOME (LOSS) PER COMMON SHARE		
Basic and diluted	<u>\$ 1.65</u>	<u>\$ (0.29)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	<u>44,022,781</u>	<u>44,021,069</u>
Diluted	<u>44,026,529</u>	<u>44,021,069</u>

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

**FRMO CORPORATION
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Years Ended May 31, 2024 and 2023

	Common Stock	Additional	Retained	Stockholders' Equity	Non-	Total
	Shares	Amount	Paid-In Capital	Earnings	Controlling Interests	Stockholders' Equity
BALANCE - June 1, 2022	44,017,781	\$ 44,017	\$ 41,276,829	\$ 140,087,853	\$ 132,918,741	\$ 314,327,440
Equity Compensation	-	-	84,320	-	-	84,320
Exercise of Stock Options	5,000	5	39,895	-	-	39,900
Non-cash Compensation	-	-	103,200	-	-	103,200
Capital Accounts of Consolidated Limited Liability Company	-	-	250,611	-	-	250,611
Net loss	-	-	-	(12,603,972)	(19,157,800)	(31,761,772)
Capital contributed to consolidated subsidiary from noncontrolling interests	-	-	-	-	1,070,710	1,070,710
BALANCE - June 1, 2023	44,022,781	44,022	41,754,855	127,483,881	114,831,651	284,114,409
Equity Compensation	-	-	49,800	-	-	49,800
Non-cash Compensation	-	-	103,200	-	-	103,200
Capital Accounts of Consolidated Limited Liability Company	-	-	142,263	-	-	142,263
Net income	-	-	-	72,558,671	45,892,580	118,451,251
Capital contributed to consolidated subsidiary from noncontrolling interests	-	-	-	-	420,994	420,994
BALANCE - May 31, 2024	44,022,781	\$ 44,022	\$ 42,050,118	\$ 200,042,552	\$ 161,145,225	\$ 403,281,917

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

FRMO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2024 and 2023

	May 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 118,451,251	\$ (31,761,772)
Adjustments to reconcile net income (loss) to net cash flows from operating activities		
Non-cash compensation	49,800	84,320
Equity compensation	103,200	103,200
Net realized (gains) losses from investments	(510,909)	1,035,096
Equity earnings from limited partnerships and limited liability companies	(5,044,368)	(1,614,213)
Unrealized (gains) losses from investments subject to fair value valuation	(53,935,183)	13,661,130
Unrealized (gains) losses from equity securities	(66,186,297)	27,918,409
Unrealized (gains) losses from digital assets	(6,272,047)	449,773
Non-cash fee revenue	(450,086)	(381,563)
Depreciation	248,140	339,720
Deferred income tax expense (benefit)	17,664,187	(4,466,497)
Changes in operating assets and liabilities:		
Accounts receivable	(229,702)	(1,031,915)
Prepaid income taxes	(482,619)	574,549
Other current assets	(60)	60
Accounts payable and accrued expenses	266,597	141,097
Net Cash Flows from Operating Activities	<u>3,671,904</u>	<u>5,051,394</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,276,778	1,215,351
Purchases of investments	(4,882,202)	(2,312,466)
Proceeds from sale of digital assets	199	-
Purchases of digital assets	(40,000)	-
Proceeds from securities sold, not yet purchased	208,496	2,436,778
Purchases to cover securities previously sold	(105,388)	(782,302)
Distributions from limited partnerships	78,473	190,143
Investments in limited partnerships	(20,000)	-
Other investments	(663,113)	(172,581)
Purchase of digital mining assets, net of disposals	(81,517)	(38,156)
Net Cash Flows (used in) from Investing Activities	<u>(2,228,274)</u>	<u>536,767</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage payable	(31,216)	(30,023)
Proceeds from issuance of other consolidated subsidiary equity	60,000	60,000
Distributions to members of consolidated limited liability company	(360,000)	(870,000)
Proceeds from exercise of stock options	-	39,900
Net Cash Flows used in Financing Activities	<u>(331,216)</u>	<u>(800,123)</u>
Net Change in Cash and Cash Equivalents	1,112,414	4,788,038
CASH AND CASH EQUIVALENTS, Beginning of Year	38,077,492	33,289,454
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 39,189,906</u></u>	<u><u>\$ 38,077,492</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for		
Income taxes	\$ 1,238,343	\$ 644,906
Interest	<u>\$ 55,139</u>	<u>\$ 132,196</u>
NONCASH INVESTING ACTIVITIES		
Investment acquired through the contribution of other investments	<u>\$ 784,784</u>	<u>\$ 1,941,179</u>

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

FRMO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended May 31, 2024 and 2023

NOTE 1 - Nature of Business and Basis of Presentation

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.

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, Steven Bregman and Peter Doyle, 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.

The consolidated financial statements include the accounts of FRMO and its controlled subsidiaries. The Company holds a 4.95% interest in Horizon Kinetics LLC and earns substantially all of its advisory fees from Horizon (see Note 13 - Subsequent Event). As of May 31, 2024 and 2023, the Company held a 21.84% and 21.80% equity interest, respectively 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 78.16% and 78.20% in HKHA has been eliminated from results of operations for the years ended May 31, 2024 and 2023, 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 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, 2024 and 2023, 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.

NOTE 2 - Summary of Significant Accounting Policies

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.

FRMO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended May 31, 2024 and 2023

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when acquired to be cash equivalents. At May 31, 2024 and 2023, the Company had balances in excess of federally insured limits on deposit with financial institutions. At May 31, 2024 the Company had: (1) three accounts with balances of approximately \$24,005,000, \$8,441,000 and \$6,039,000 at one large global financial institution, and (2) one account with a balance of approximately \$525,000 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.

Investment Valuation

The Company accounts for its investments in equity 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.

Equity 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. 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.

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 in the consolidated statements of income.

FRMO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended May 31, 2024 and 2023

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

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 limited partnerships and limited liability companies. The unrealized gains and losses of these entities are also reflected in the investment and are included in unrealized gains (losses) 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.

Digital Assets Held at Fair Value

As of May 31, 2024 and 2023, the Company held \$10,978,796 and \$4,216,814 of digital assets at fair value. The Company records digital assets held at fair value on the consolidated balance sheets within the Digital assets held line item. The activity from remeasurement of digital assets at fair value is reflected in the consolidated statements of operations within Unrealized gains (losses) from digital assets. Digital assets that are mined and held, are received as noncash fee revenue, and are presented as cash flows from operating activities, while other sales and purchases are reflected as cash flows from investing activities in the consolidated statements of cash flows. The highest cost-in, first-out method of accounting is used to determine the cost basis for computing gains and losses. Refer to Note 6, Digital Assets Held, and Note 7, Fair Value Measurements, for additional information.

The Company's investments in digital assets include direct exposure to Bitcoin, Bitcoin Cash, Ethereum Classic, Ethereum, Litecoin and ZCash. Direct holdings of digital assets are generally classified as Level 1 assets as they are traded in active markets with quoted prices.

The Company uses the price stated by an independent source that is deemed by the Company to represent the most accurate price as of a given date and time. An independent pricing source shall be a reputable, third party that is actively involved in pricing/trading digital assets such as Coinbase. The Company prices its digital assets on the last trading day of a given month at 11:59:59 PM (UCT). In each instance where the Company utilizes an independent pricing source, it will maintain information identifying the name of the independent pricing source used.

FRMO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended May 31, 2024 and 2023

Digital assets are subject to a high degree of uncertainty, including such factors as cyber theft from online wallet providers or from individuals' wallets, worldwide growth and adoption of the use of digital assets, regulation of access to and operation of the digital asset networks and changes in consumer preferences or perceptions of digital assets, for example. The Company is also subject to market risk, liquidity risk and concentration risk and investing in digital assets is currently unregulated, highly speculative and volatile.

Digital Mining Assets

Digital mining assets consists of building and computer equipment utilized in the Company's digital asset mining operations and are 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, and building is 39 years.

The Company reviews its real estate asset to evaluate the necessity of recording impairment losses for market changes due to declines in the estimated fair value of the property. In evaluating potential impairment, management considers the current estimated fair value compared to the carrying value of the asset. At May 31, 2024, due to the recent acquisition, the fair value of the real estate asset is estimated to be equal to or in excess of the carrying value.

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, 2024 and 2023 since, in the opinion of management, all of its accounts are deemed collectible. Accounts receivable as of May 31, 2024 and 2023 are comprised 100% from one related party.

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.

Revenue Recognition

The Company primarily generates revenue through advisory, consulting fees and digital asset mining revenue. The accrual method of accounting is used to record fee income, which is recognized when the advisory and consulting services are performed. The Company's digital asset mining assets include computer equipment that participates in validation of the cryptocurrency network by solving algorithms in exchange for a reward. The Company receives digital assets, as its proportional share of network rewards, on a daily basis. The value of the digital assets received for the reward is based on the market price of digital assets at 4:00 pm New York time on the day the reward is received.

FRMO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended May 31, 2024 and 2023

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, 2024 and 2023 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.

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.

FRMO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended May 31, 2024 and 2023

All interest and penalties are expensed as incurred. Tax returns for the years ended May 31, 2021 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, 2024 and 2023.

Subsequent Events

The Company has evaluated all subsequent events from the date of the consolidated balance sheets through August 15, 2024, which represents the date these consolidated financial statements are available to be issued.

NOTE 3 - Adoption of New Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board issued ASU No. 2023-08, *Intangibles — Goodwill and Other — Crypto Assets* (Subtopic 350-60) (ASU 2023-08), which provides an update to existing digital asset guidance and requires an entity to measure certain digital assets at fair value. In addition, this guidance requires additional disclosures related to digital assets once it is adopted. The ASU is effective for reporting periods with fiscal years beginning on or after December 2024 with early adoption permissible. The Company has elected to early adopt the ASU in accordance with its guidance which requires any adjustments to be reflected as of the beginning of the fiscal year. Prior year balances were reclassified to conform with the current year presentation.

The Company reflects digital assets held at fair value on the consolidated balance sheets and consolidated statements of cash flows, the activity from remeasurement of digital assets at fair value on the consolidated statements of income, and the required expanded disclosures in Note 6 – *Digital Assets Held*. The cumulative effect adjustment resulting from the adoption of ASU 2023-08 was not material to the consolidated financial statements.

The Company has determined that no other recently issued accounting pronouncements will 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. See Note 5 for additional disclosures relating to this VIE. This revenue interest was approximately \$2,101,000 and \$2,665,000, representing approximately 77% and 83% of "fees" included in operations for the years ended May 31, 2024 and 2023.

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. This participation interest is a non-amortizing indefinite life intangible asset that was recorded at cost and is assessed for impairment at least annually.

As a result of this transaction, the Company realized a gain of approximately \$10,057,000 in 2013. As of May 31, 2024 and 2023, income taxes of approximately \$3,404,000 and \$3,330,000, 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
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2024 and 2023

NOTE 5 - Investments

Limited Partnerships and Equity Investments

The Company's investments in limited partnerships and equity investments consist of the following as of May 31, 2024 and 2023:

	As of May 31, 2024		
	Cost or (Proceeds)	Net Unrealized Gains	Fair Value
Equity Securities	<u>\$ 76,720,971</u>	<u>\$144,960,700</u>	<u>\$221,681,671</u>
Investments in limited partnerships and other equity investments:			
Limited partnerships			
Investment in South LaSalle Partners, LP	<u>\$ 5,543,994</u>	<u>\$ 5,944,824</u>	<u>\$ 11,488,818</u>
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	15,953,087	34,332,219	50,285,306
CDK Partners, LP	1,790,997	6,674,187	8,465,184
Polestar Fund, LP	15,465,895	31,686,626	47,152,521
Multi-Disciplinary Fund, LP	613,511	397,809	1,011,320
Kinetics Institutional Partners, LP	6,081	31,839	37,920
Shepherd I, LP	13,608	27,284	40,892
Other	<u>28,010</u>	<u>415,662</u>	<u>443,672</u>
Total Investments in Managed Funds	<u>33,871,189</u>	<u>73,565,626</u>	<u>107,436,815</u>
Investment in Winland Holdings Corporation, 1,712,311 shares	<u>2,338,687</u>	<u>6,314,648</u>	<u>8,653,335</u>
Total investments in limited partnerships and other equity investments	<u>\$ 41,753,870</u>	<u>\$ 85,825,098</u>	<u>\$127,578,968</u>
Securities sold, not yet purchased (liability)	<u>\$(10,575,986)</u>	<u>\$ 9,625,224</u>	<u>\$ (950,762)</u>

FRMO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended May 31, 2024 and 2023

	As of May 31, 2023		
	Cost or (Proceeds)	Net Unrealized Gains	Fair Value
Equity Securities	<u>\$ 74,176,757</u>	<u>\$ 81,335,428</u>	<u>\$155,512,185</u>
Investments in limited partnerships and other equity investments:			
Limited partnerships			
Investment in South LaSalle Partners, LP	<u>\$ 5,551,425</u>	<u>\$ 3,008,160</u>	<u>\$ 8,559,585</u>
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	15,195,225	9,828,876	25,024,101
CDK Partners, LP	1,375,367	2,898,502	4,273,869
Polestar Fund, LP	14,603,543	13,969,021	28,572,564
Multi-Disciplinary Fund, LP	594,128	112,340	706,468
Kinetics Institutional Partners, LP	8,111	14,613	22,724
Shepherd I, LP	15,735	4,252	19,987
Other	<u>2,514</u>	<u>248,286</u>	<u>250,800</u>
Total Investments in Managed Funds	<u>31,794,623</u>	<u>27,075,890</u>	<u>58,870,513</u>
Investment in Winland Holdings Corporation, 1,500,443 shares	<u>1,675,574</u>	<u>1,550,378</u>	<u>3,225,952</u>
Total investments in limited partnerships and other equity investments	<u>\$ 39,021,622</u>	<u>\$ 31,634,428</u>	<u>\$ 70,656,050</u>
Securities sold, not yet purchased (liability)	<u>\$(10,670,820)</u>	<u>\$ 8,317,910</u>	<u>\$ (2,352,910)</u>

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.

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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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2024 and 2023

Investments in Unconsolidated Entities

Investment in Securities Exchanges

Investments in securities exchanges consist of the following as of May 31, 2024 and 2023:

	May 31, 2024	May 31, 2023
Miami International Holdings, Inc., at fair value (cost of \$4,322,905 at May 31, 2024 and 2023)	\$ 6,220,311	\$ 4,626,030
CNSX Markets, Inc.	243,040	243,040
Total securities exchanges	<u>\$ 6,463,351</u>	<u>\$ 4,869,070</u>

The Company investment in Miami International Holdings, Inc. is accounted for under the fair value method of accounting. The Company holds less than a 2.00% interest in CNSX Markets, Inc., which is carried at cost.

Other Investments

The following are the Company's other investments as of May 31, 2024 and 2023:

	May 31, 2024	May 31, 2023
Digital Asset Mining Entities		
Consensus Mining and Seigniorage Corporation	\$ 393,169	\$ 393,169
HM Tech, LLC	-	14,979
Total digital asset mining entities	393,169	408,148
Digital Currency Group, Inc.	76,261	76,261
Total other investments	<u>\$ 469,430</u>	<u>\$ 484,409</u>

The Company held a 7.434% interest in HM Tech, LLC and was accounted for under the equity method of accounting. The Company holds a less than a 1.00% interest in each of the other investments, which are carried at cost.

Investments under the Equity Method of Accounting

The Company's investment in Horizon is accounted for under the equity method of accounting (see Note 13 - Subsequent Event). This investment has been reviewed for impairment with none being noted.

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As of May 31, 2024 and 2023, significant financial information relating to the Company's investment in Horizon consists of the following:

	As of May 31, 2024	As of May 31, 2023
Equity Investment	\$ 17,204,752	\$ 14,607,525
Ownership %	4.95%	4.95%
Equity Earnings (Loss)	\$ 2,907,590	\$ 403,806
Accounts Receivable	\$ 3,135,097	\$ 3,053,833

The Company's equity investment in Horizon includes adjustments related to acquisition fair market valuation.

Horizon's summarized significant financial data is as follows:

	As of March 31, 2024	As of March 31, 2023
Balance Sheet Data:	(Unaudited)	(Unaudited)
Goodwill and Other Intangible Assets	\$ 62,722,258	\$ 64,429,937
Other Assets	\$ 196,473,129	\$ 134,986,973
Liabilities	\$ 11,635,004	\$ 6,749,247
Equity	\$ 247,560,383	\$ 192,667,663

	Years Ended March 31, 2024	Years Ended March 31, 2023
Income Statement Data:	(Unaudited)	(Unaudited)
Revenue (1)	\$ 49,267,336	\$ 64,814,358
Expenses	\$ 48,642,001	\$ 52,779,971
Other Income	\$ 54,198,894	\$ 3,741,670
Net Income	\$ 54,824,229	\$ 15,776,056

- (1) Revenue includes annual earned incentive fees of \$1,076,994 and \$4,089,276 for the years ended March 31, 2024 and 2023, respectively.

Investment Concentration

The following are the approximate amounts of the Company's investments in equity securities and digital asset funds held directly and indirectly, through its various investments in managed funds, amounting to greater than 10% of stockholders' equity attributable to the Company ("Equity"). None of the Company's other direct or indirect investments were greater than 10% of Equity as of May 31, 2024 and 2023.

	As of May 31, 2024		As of May 31, 2023	
Investment	Amount	Percent of Equity	Amount	Percent of Equity
Investment A	\$ 117,083,000	48.4%	\$ 78,849,000	46.6%
Investment B	\$ 37,695,367	15.6%	na	na

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The following are the approximate amounts of investments included in the Company's investments in equity securities, and investments in limited partnerships and other equity investments (together, "Investments") held directly and indirectly, through its various investments in managed funds, amounting to greater than 10% of Investments. None of the Company's other direct or indirect investments were greater than 10% of Investments as of May 31, 2024 and 2023.

Investment	As of May 31, 2024		As of May 31, 2023	
	Amount	Percent of Investments	Amount	Percent of Investments
Investment A				
Equity securities	\$ 211,986,000	95.6%	\$ 146,790,000	94.4%
Investments in limited partnerships and other equity investments	\$ 55,008,000	43.1%	\$ 37,985,000	53.8%
Investment B				
Investments in limited partnerships and other equity investments	\$ 37,144,000	29.1%	\$ 9,930,000	14.1%

The following are the approximate amounts of investments included in the Company's unrealized gains (losses) from equity securities amounting to greater than 10% of unrealized gains (losses) from equity securities. None of the Company's other investments were greater than 10% of unrealized gains (losses) from equity securities for the years ended May 31, 2024 and 2023.

Investment	Year Ended May 31, 2024		Year Ended May 31, 2023	
	Amount	Percent of Unrealized (Losses) Gains	Amount	Percent of Unrealized (Losses) Gains
	(Unaudited)		(Unaudited)	
Investment A	\$ 61,244,000	92.5%	\$ (30,038,000)	107.6%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 – Digital Assets Held

Digital Assets Held

The Company's holdings in digital assets consist of the following as of May 31, 2024 and 2023:

As of May 31, 2024				
	Units	Cost	Net Unrealized Gains	Fair Value
Digital assets held				
Bitcoin	157.4	\$ 3,885,689	\$ 6,734,775	\$ 10,620,464
Other digital assets		303,799	54,533	358,332
Total		<u>\$ 4,189,488</u>	<u>\$ 6,789,308</u>	<u>\$ 10,978,796</u>

As of May 31, 2023				
	Units	Cost	Net Unrealized Gains (Losses)	Fair Value
Digital assets held				
Bitcoin	146.8	\$ 3,441,059	\$ 524,184	\$ 3,965,243
Other digital assets		258,495	(6,924)	251,571
Total		<u>\$ 3,699,554</u>	<u>\$ 517,260</u>	<u>\$ 4,216,814</u>

The following table represents a reconciliation of the fair values of the Company's digital assets held for the years ended May 31, 2024 and 2023:

	Years Ended May 31,	
	2024	2023
Digital assets held		
Beginning balance at fair value	\$ 4,216,814	\$ 4,285,026
Mining revenue	450,086	381,563
Purchases	40,000	-
Proceeds from sale	(151)	-
Unrealized gains (losses)	6,272,047	(449,775)
Ending balance at fair value	<u>\$ 10,978,796</u>	<u>\$ 4,216,814</u>

During the year ended May 31, 2024, the Company had digital asset dispositions of \$151, inclusive of realized gains of \$48.

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NOTE 7 - 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, 2024 and 2023, and indicates the fair value hierarchy 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.

		As of May 31, 2024			
		Fair Value Measurements at Reporting Date Using			
		Quoted Prices			
		Investments Measured at Net Asset Value	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					
	\$ 38,485,460	\$ -	\$ 38,485,460	\$ -	\$ -
Other Investments:					
Equity Securities	\$ 221,681,671	\$ -	\$ 221,681,671	\$ -	\$ -
Digital Assets	10,978,796	-	10,978,796	-	-
Investment in Limited Partnerships and other Equity Investments	127,578,968	118,925,633	-	8,653,335	-
Total Other Investments	\$ 360,239,435	\$ 118,925,633	\$ 232,660,467	\$ 8,653,335	\$ -
Liabilities (at fair value):					
Common Stocks	\$ 950,762	\$ -	\$ 950,762	\$ -	\$ -

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	As of May 31, 2023							
	Fair Value Measurements at Reporting Date Using							
	Quoted Prices							
	Investments Measured at Net Asset Value		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)	(Level 3)			
Assets (at fair value):								
Money Market Mutual Funds included in Cash and Cash Equivalents	\$ 37,044,809	\$ -	\$ 37,044,809	\$ -	\$ -			
Other Investments:								
Equity Securities	\$ 155,512,185	\$ -	\$ 155,512,185	\$ -	\$ -			
Digital Assets	4,216,814	-	4,216,814	-	-			
Investment in Limited Partnerships and other Equity Investments	70,656,050	67,430,098	-	3,225,952	-			
Total Other Investments	\$ 230,385,049	\$ 67,430,098	\$ 159,728,999	\$ 3,225,952	\$ -			
Liabilities (at fair value):								
Common Stocks	\$ 2,352,910	\$ -	\$ 2,352,910	\$ -	\$ -			

NOTE 8 - 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. HKHA, included in consolidated net income before taxes, is a pass-through entity subject to K-1 reporting and is not included in the Company's consolidated income tax return. Pass-through income allocated to the Company is based on the Company's ownership percentage as of May 31, 2024 and 2023, which was 21.84% and 21.80% respectively. Income tax attributable to the remaining noncontrolling interest of 78.16% and 78.20% represents a permanent difference related to "consolidation of noncontrolling interests" in the reconciliation table below of federal statutory rate to effective tax rate.

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 resulted in a decrease of \$664,884 and \$936,115 to the provision for income taxes during the years ended May 31, 2024 and 2023, respectively. These adjustments are listed as "True-up of prior year tax" in the reconciliation table below of federal statutory rate to effective tax rate, and are primarily related to pass through items from investment partnerships and allocations of state and city income subject to taxation. These adjustments to prior year income taxes represent 1.90% and 7.49% of income before taxes for the years ended May 31, 2023 and 2022.

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The provision for (benefit from) income taxes is comprised of the following for the years ended May 31:

	Years Ended May 31,	
	2024	2023
Current		
Federal	\$ 361,697	\$ 629,327
State and City	394,524	614,727
Total Current	<u>756,221</u>	<u>1,244,054</u>
Deferred		
Federal	17,570,047	(4,446,793)
State and City	94,140	(19,704)
Total Deferred	<u>17,664,187</u>	<u>(4,466,497)</u>
Total Provision for (Benefit from) Income Taxes	<u>\$ 18,420,408</u>	<u>\$ (3,222,443)</u>

The provision for income taxes includes estimated amounts for income and loss items derived from pass through entities. The actual amounts are determined upon completion of the Company's tax return and may differ from the amounts presented above due to the variable nature of these items.

Deferred tax assets and liabilities are determined using the enacted tax rates applicable to the period the temporary differences are expected to be recovered. 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.

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The tax effects of temporary differences which give rise to the net deferred tax liability consist of the following as of May 31, 2024 and 2023:

	May 31, 2024	May 31, 2023
Deferred Tax Asset		
Capital loss carry forward	\$ -	\$ 198,819
Total deferred tax asset	<u>-</u>	<u>198,819</u>
Deferred Tax Liability		
Investments in limited partnerships	52,485	32,409
Investment in unconsolidated limited liability companies	132,660	132,660
Deferral of gain from like-kind exchange	3,403,699	3,329,673
Unrealized gain from equity securities and investments in managed funds	<u>30,079,285</u>	<u>12,708,019</u>
Total deferred tax liability	<u>33,668,129</u>	<u>16,202,761</u>
Net Deferred Tax Liability	<u>\$ (33,668,129)</u>	<u>\$ (16,003,942)</u>

A reconciliation of the federal statutory rate to the effective tax rate is as follows for the years ended May 31, 2024 and 2023:

	2024		2023	
Income (loss) before taxes	<u>\$ 136,871,659</u>	100.00%	<u>\$ (34,984,215)</u>	100.00%
Computed expected federal tax expense (benefit)	\$ 28,743,048	21.00%	\$ (7,346,685)	21.00%
State and City taxes,				
net of federal benefit	544,204	0.40%	801,848	-2.29%
Increase decrease in allocation of income to State and City	74,026	0.05%	(7,974)	0.02%
True-up of prior year tax	(664,884)	-0.49%	(936,115)	2.68%
Permanent differences	(690,763)	-0.50%	179,300	-0.51%
Other	<u>498</u>	<u>0.00%</u>	<u>616</u>	<u>0.00%</u>
Provision for (Benefit from) income taxes before consolidation of noncontrolling interests	28,006,129	20.46%	(7,309,010)	20.90%
Permanent differences related to consolidation of noncontrolling interests	<u>(9,585,721)</u>	<u>-7.00%</u>	<u>4,086,567</u>	<u>-11.68%</u>
Total provision for (benefit from) income taxes	<u>\$ 18,420,408</u>	<u>13.46%</u>	<u>\$ (3,222,443)</u>	<u>9.22%</u>

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NOTE 9 – Mortgage Payable

On November 8, 2019, the Company acquired a building located in North Carolina to be used in certain business operations for \$1,050,000. The building was purchased subject to an \$800,000 mortgage with a 3.9% interest rate and a balloon payment of \$655,255 due on the maturity date of November 6, 2024. The mortgage is also collateralized by an assignment of all rents received from the building. The building is rented to a related party, subject to a lease that calls for \$11,450 per month in rent through November 2024.

NOTE 10 - 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 69,000 and 65,000 for years ended May 31, 2024 and 2023, respectively.

As of May 31, 2024 and 2023 there were 24,000 and 40,000 vested options, respectively, with an exercise price below the weighted average market price of the Company's common stock during the period.

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:

	2024	2023
Weighted Average Common Shares Outstanding	44,022,781	44,021,069
Effect of Dilutive Securities, common share equivalents:		
Exercise of stock options	3,748	-
Dilutive Potential Common Share Equivalents	<u>44,026,529</u>	<u>44,021,069</u>

NOTE 11 - 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.

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NOTE 12 - 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 May 31, 2024 and 2023.

Stock Options

A summary of option activity as of May 31, 2024, and changes during the year then ended, is as follows:

<i>Stock Options</i>	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at June 1, 2023	65,000	\$ 7.48	3.77	\$ 59,040
Granted	12,000	\$ 7.50	6.35	\$ -
Exercised	-	\$ -	-	\$ -
Forfeited	<u>(8,000)</u>	\$ 4.80	-	\$ 20,260
Outstanding at May 31, 2024	<u>69,000</u>	<u>\$ 7.80</u>	<u>3.79</u>	<u>\$ 23,840</u>
Vested and Exercisable at May 31, 2024	<u>69,000</u>	<u>\$ 7.80</u>	<u>3.79</u>	<u>\$ 23,840</u>

All stock options were vested as of May 31, 2024 and 2023.

The aggregate intrinsic value of options outstanding and options exercisable at May 31, 2024 and 2023 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 \$7.04 and \$7.58 closing price of FRMO's common stock on May 31, 2024 and 2023, respectively.

As of May 31, 2024, there was no unrecognized compensation cost related to unvested options.

NOTE 13 – Subsequent Event

As disclosed in Note 1 to the consolidated financial statements, the Company holds a 4.95% interest in Horizon and earns substantially all of its advisory fees from Horizon. On August 1, 2024, Horizon completed its previously announced merger with Scott's Liquid Gold Inc., which was renamed Horizon Kinetics Holding Corporation ("HKHC") (OTC: SLGDD). In connection with the merger, HKHC effected a reverse stock split of its outstanding shares of common stock at a ratio of 1-for-20, and issued 17,984,253 shares of common stock to

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the members of Horizon, including 823,863 shares to FRMO. Management has evaluated this subsequent event through the date the consolidated financial statements were issued and determined that no adjustment to the consolidated financial statements is necessary.