
FRMO CORPORATION

and Subsidiaries

ANNUAL REPORT

FEBRUARY 28, 2010

THE BUSINESS OF FRMO CORPORATION

FRMO CORPORATION (OTC Trading Symbol FRMO) is a financial risk management organization. The Company's management is experienced in the analysis of public companies within a framework of identifying investment strategies and techniques that reduce risk. The business includes the identification of assets, particularly in the early stages of the expression of their ultimate value, and the participation with them 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.

The Company's revenues are received from consulting and advisory fees that are derived from managed assets and research; income reported under the cost method from an unconsolidated subsidiary (Kinetics Advisers, LLC) in which FRMO holds an 8.44% membership interest; and dividends, interest, other investment income.

FRMO Corp.
Chairman's Letter

Dear Shareholders:

Much has happened since we last wrote shareholders a letter in an annual report, which was in the February 2004 fiscal year report. First, we became a larger company in the sense that the assets under management in some of our revenue interests significantly increased and our revenues from that source were rising. Subsequently, largely as a consequence of the events of 2008 and early 2009, those same assets under management decreased and, of course, the revenue that would otherwise be associated with such revenue interests also declined. This is readily visible in our income statements for the fiscal years ending in February 2010 and February 2009. However, it is rather ironic that we were able to deploy not insignificant portions of our own capital to the investment opportunities created by the very events that served to erode our revenue. In order to understand this phenomenon it is well to consider these figures taken from our 2010 annual report.

(\$ 000)	Fiscal Year Ended		
	Feb. 2010	Feb. 2009	Feb.2004 ¹
Total Revenue	\$4,424	\$11,488	\$160
Income from continuing operations, after-tax	1,967	7,624	63
Income from continuing operations, pre-tax	3,882	11,105	101

The most important of the three items cited is after-tax or net income. The decline is \$5.657 million. Phrased alternatively, had our net profit remained constant we would have earned, after taxes, \$7.624 million. Since we do not pay a dividend, our shareholders' equity would have increased by this amount. Since all of our assets are tangible assets, this is one way of considering the impact upon our shareholder wealth.

However, it is also worthy of note that our shareholders' equity did nevertheless increase. For instance, let us consider the following figures also taken from our 2010 annual report.

(\$ 000)	Feb. 2010	Feb. 2009	Feb. 2004
Shareholders' Equity	\$37,291	\$26,633	\$487

It is readily apparent that our shareholders' equity increased by \$10.658 million, or considerably more than the 2009 after-tax income. In fact, the increase in shareholders' equity is, in percentage terms, 40%. Although we are pleased that we could grow equity, we do not plan to be solely an enterprise that invests financial assets. We are, and will remain, an operating company. The range of possible business strategies becomes more vast as our tangible book value is now \$1.01 per share as of February 2010 versus approximately \$0.73 in the prior year. These figures do not include the 8.44% membership interest in Kinetics Advisers.

Our revenue interests in our Kinetics Asset Management and Horizon Asset Management investment advisory products are diminished in size, but still produce net profit. Despite the general disinclination of the investment public to invest in equities, we will continue to try to rebuild the assets under management. In this connection, we should state that in our investment advisory capacity we are investment managers, not merely active equity managers.

Hence, we are developing interests in other investment products. First, we have taken a small equity interest in WisdomTree, which is a company that manages assets passively, largely in the form of exchange traded funds or "ETFs". The firm has, as of this writing, over \$7 billion of assets under management, and some of its

¹ Last annual financial statement filed with the SEC; see our June 16, 2005 Shareholder Letter for additional discussion.

more successful product offerings are in the foreign currency asset class. Although the FRMO investment in this firm is small to date, the ETF business has vast potential. We are exploring other possible investments in this area.

We are also developing our own proprietary indexes for possible use in ETF format. Indexes are a natural outgrowth of our research business and do not require substantial cash investments to develop. We intend, if we can, to license these indexes to some third party index provider. The return on capital of an index in success mode is extraordinarily high.

We have also developed a different alternative investment strategy in conjunction with our partner, Horizon Asset Management. This is the so-called Multi-Disciplinary approach. It involves selling six month at-the-money put options on equities that we would otherwise be comfortable holding. At the moment, six month option premiums at-the-money can produce 10-11% upfront cash payments for the period in question. Therefore, if one were to imagine a steady state equity universe with no change in stock prices for one year (this is actually hard to imagine, but is nonetheless a useful means of understanding the return potential) the return would easily exceed 20%. Horizon Asset Management has established a fund to pursue this strategy that has \$15 million in assets under management and the conventional private partnership fee structure. FRMO recently purchased from Horizon a 20% revenue interest in this product at a cash flow multiple of 8x. This is a 12% pre-tax return even if the fund is unsuccessful in gathering any assets. Of course, if the fund is successful, the rate of return will be substantially higher. Naturally, we will endeavor to develop similar ventures in the future.

Thus, to summarize, we have the opportunity to earn a return on our financial capital of which we possess more than at any time in our history. We have the opportunity to earn a return on our intellectual capital that cannot be measured and placed upon a balance sheet. Yet, we hope that this brief letter gives the reader some sense that we are developing intriguing new investment products from our intellectual capital.

We like to believe that we are soberly and consistently, but not stubbornly, dedicated to the business strategy that we have pursued these past years. Of course, we cannot guarantee success. We do not assert that our progress will be exponentially smooth. Nevertheless, the financial position, as it is measured in 2010, is substantially superior to the financial position in 2004.

In addition to mailing you this annual report and, shortly, the report for the first quarter ended May 31, we will post these reports, as well as each of the annual reports for the fiscal years ended February 2001 through 2004, on our new FRMO website. Beginning with the second fiscal quarter ending August 31, 2010, we intend to become fully green in our communications to shareholders. Therefore, the mailing of paper copies will cease with the May report, and all reports and other information concerning the company will be available on the website.

The FRMO website address is www.FRMOCorp.net

Thank you for your continued interest in FRMO.

July 29, 2010


Murray Stahl, Chairman of the Board and
Chief Executive Officer

**FRMO CORPORATION
AND SUBSIDIARIES**

**REPORT ON AUDITS OF CONSOLIDATED
FINANCIAL STATEMENTS**

Years Ended February 28, 2010 and 2009

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Years Ended February 28, 2010 and 2009

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Independent Auditors' Report

To the Board of Directors and Stockholders
FRMO Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of FRMO Corporation and Subsidiaries (the "Company") as of February 28, 2010 and 2009, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company holds an 8.44% membership interest in Kinetics Advisors, LLC ("Kinetics Advisors"). Generally accepted accounting principles require the equity method of accounting for investments in limited liability companies that have separate ownership accounts for each investor greater than three to five percent. The Company cannot obtain audited financial statements from Kinetics Advisors to account for this investment under the equity method. Accordingly, the Company accounts for its 8.44% interest in Kinetics Advisors under the cost method.

In our opinion, except for the effects of not reporting the investment in Kinetics Advisors, LLC under the equity method, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of FRMO Corporation and Subsidiaries as of February 28, 2010 and 2009, and the results of their operations, and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Holtz Rubenstein Reminick LLP

New York, New York
July 6, 2010

**FRMO CORPORATION
AND SUBSIDIARIES**

Consolidated Balance Sheets

<i>February 28,</i>	2010	2009
Assets		
Current Assets:		
Cash and cash equivalents	\$ 15,665,481	\$ 17,698,525
Accounts receivable	566,063	756,769
Prepaid income taxes	310,621	2,497,770
Other investments, available for sale, at fair value (cost of \$17,869,035 and \$5,820,212 at February 28, 2010 and 2009, respectively)	<u>21,820,350</u>	<u>5,296,670</u>
Total Current Assets	38,362,515	26,249,734
Deferred Income Taxes - non-current	-	649,549
Other Assets	9,590	18,004
Total Assets	<u>\$ 38,372,105</u>	<u>\$ 26,917,287</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 140,782	\$ 284,178
Income taxes payable	180,599	-
Total Current Liabilities	<u>321,381</u>	<u>284,178</u>
Deferred Tax Liability - non-current	759,551	-
Total Liabilities	<u>1,080,932</u>	<u>284,178</u>
Stockholders' Equity:		
Preferred stock - \$.001 par value; Authorized - 2,000,000 shares; Issued and outstanding - 50 shares Series R	-	-
Common stock - \$.001 par value: Authorized - 90,000,000 shares Issued and outstanding - 38,913,812 shares at February 28, 2010 and 36,151,361 shares at February 28, 2009	<u>38,913</u>	<u>36,151</u>
Additional paid in capital	9,580,331	3,720,343
Other comprehensive income (loss)	2,513,945	(314,674)
Retained earnings	<u>25,157,984</u>	<u>23,191,289</u>
Total Stockholders' Equity	<u>37,291,173</u>	<u>26,633,109</u>
Total Liabilities and Stockholders' Equity	<u>\$ 38,372,105</u>	<u>\$ 26,917,287</u>

See notes to consolidated financial statements.

**FRMO CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Income

<i>Years Ended February 28,</i>	2010	2009
Revenue:		
Consultancy and advisory fees	\$ 3,142,539	\$ 6,097,923
Dividends, interest and investment income, net	384,214	327,333
Revenue from unconsolidated subsidiary	896,900	5,022,818
Total Revenue	<u>4,423,653</u>	<u>11,448,074</u>
Expenses:		
Employee compensation and benefits	167,215	75,000
Professional fees	218,503	154,026
Other expenses	105,888	31,480
Equity compensation	42,087	8,040
Amortization	8,414	75,013
Total Expenses	<u>542,107</u>	<u>343,559</u>
Income from Continuing Operations	3,881,546	11,104,515
Provision for Income Taxes	1,914,851	3,480,708
Income from Continuing Operations	<u>1,966,695</u>	<u>7,623,807</u>
Income from Discontinued Operations, net of provision for income taxes	-	61,385
Net Income	<u>\$ 1,966,695</u>	<u>\$ 7,685,192</u>
Basic Earnings per Common Share:		
Income from continuing operations	\$ 0.05	\$ 0.21
Loss from discontinued operations	-	-
Income per common share	<u>\$ 0.05</u>	<u>\$ 0.21</u>
Diluted Earnings per Common Share:		
Income from continuing operations	\$ 0.05	\$ 0.21
Loss from discontinued operations	-	-
Income per common share	<u>\$ 0.05</u>	<u>\$ 0.21</u>
Weighted Average Common Shares Outstanding:		
Basic	36,707,353	36,151,361
Diluted	<u>36,758,749</u>	<u>36,206,890</u>

See notes to consolidated financial statements.

FRMO CORPORATION AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity Years Ended February 28, 2010 and 2009

	Preferred Stock		Common Stock		Additional Paid-In Capital	Other Comprehensive Income (Loss)	Retained Earnings	Receivables from Stockholders for Common Stock Issuance	Total Stockholder's Equity
	Shares	Amount	Shares	Amount					
Balance - March 1, 2008	50	\$ -	36,151,361	\$ 36,151	\$ 3,637,303	\$ 81,107	\$ 15,506,097	\$ (176,763)	\$ 19,083,895
Proceeds from Stockholders Stock-based Payments	-	-	-	-	-	-	-	176,763	176,763
Non-cash Compensation	-	-	-	-	8,040	-	-	-	8,040
Other Comprehensive Loss	-	-	-	-	75,000	-	-	-	75,000
Net Income	-	-	-	-	-	(395,781)	7,685,192	-	(395,781)
Balance - February 28, 2009	50	\$ -	36,151,361	\$ 36,151	3,720,343	(314,674)	23,191,289	-	26,633,109
Shares Issued in Exchange for Investment	-	-	2,473,507	2,473	5,075,975	-	-	-	5,078,448
Sale of Common Stock	-	-	288,944	289	574,711	-	-	-	575,000
Stock-based Payments	-	-	-	-	42,087	-	-	-	42,087
Non-cash Compensation	-	-	-	-	167,215	-	-	-	167,215
Other Comprehensive Income	-	-	-	-	-	2,828,619	-	-	2,828,619
Net Income	-	-	-	-	-	-	1,966,695	-	1,966,695
Balance - February 28, 2010	50	\$ -	38,913,812	\$ 38,913	9,580,331	2,513,945	25,157,984	\$ -	\$ 37,291,173

See notes to consolidated financial statements.

**FRMO CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

<i>Years Ended February 28,</i>	2010	2009
Cash Flows from Operating Activities:		
Net income from continuing operations	\$ 1,966,695	\$ 7,623,807
Adjustments to reconcile net income to net cash provided by other operating activities:		
Exchange of interest receivable for additional investment in former subsidiary	-	(70,463)
Non-cash compensation	167,215	75,000
Stock-based payments	42,087	8,040
Amortization	8,414	75,013
Realized gain on investments	(45,412)	(24,511)
Net realized loss allocated from partnership investment	451,944	-
Deferred income tax benefit	(237,137)	(646,289)
Changes in operating assets and liabilities:		
Accounts receivable	190,706	1,295,626
Prepaid income taxes	2,187,149	(2,497,770)
Accounts payable and accrued expenses	(143,397)	183,305
Income taxes payable	180,599	(737,227)
Net Cash Provided by Operating Activities of Continuing Operations	4,768,863	5,284,531
Operating Activities of Discontinued Operations	-	(700,393)
Net Cash Provided By Operating Activities	4,768,863	4,584,138
Cash Flows from Investing Activities:		
Proceeds from sale of securities	-	149,511
Investment in securities	(7,376,907)	(3,735,935)
Proceeds from common stock issuance	575,000	-
Proceeds from stock subscription	-	176,762
Net Cash Used in Investing Activities of Continuing Operations	(6,801,907)	(3,409,662)
Investing Activities of Discontinued Operations	-	-
Net Cash Used In Investing Activities	(6,801,907)	(3,409,662)
Cash Flows from Financing Activities:		
Distribution from former subsidiary	-	1,292,978
Net Cash Provided by Financing Activities of Continuing Operations	-	1,292,978
Financing Activities of Discontinued Operations	-	-
Net Cash Provided by Financing Activities	-	1,292,978
Net (Decrease) Increase in Cash and Cash Equivalents	(2,033,044)	2,467,454
Cash and Cash Equivalents - beginning of year	17,698,525	15,231,071
Cash and Cash Equivalents - end of year	\$ 15,665,481	\$ 17,698,525
Supplemental Disclosures:		
Cash paid during the years for:		
Taxes	\$ 240,000	\$ 7,855,383
Non-cash Investing Activities:		
Investments in limited partnerships acquired through the issuance of common stock	\$ 5,078,448	\$ -

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended February 28, 2010 and 2009

1. Organization of the Company

FRMO Corporation (the "Company" or "FRMO") was incorporated in November 1993 under the laws of the State of Delaware under the name of PSI Settlement Corp. (initially changed to FRM Nexus, Inc. and then to FRMO Corp on November 29, 2001). One of the Company's former subsidiaries was MFC Development Corp. ("MFC"). On August 31, 2000, FRMO transferred to MFC all of its assets (except for \$10,000), including all the shares of its wholly owned subsidiaries subject to all of its liabilities which were assumed by MFC. This transfer was made in contemplation of a spin-off of MFC. In fiscal 2001, MFC filed a Form 10 to register its common stock and, on January 23, 2001, 1,800,000 shares of MFC were distributed to FRMO's stockholders pursuant to a spin-off on a share for share basis.

Because FRMO and MFC were under common control, the spin-off transaction has been accounted for on FRMO's books in a manner similar to a reverse pooling of interests with FRMO having a new start on January 23, 2001 with \$10,000 in assets, no liabilities and 1,800,000 shares of common stock outstanding.

On November 29, 2000, the Company increased authorized capital stock from 2,000,000 shares common stock, par value \$.10 per share to 2,000,000 shares preferred stock, par value \$.001 per share and 90,000,000 shares common stock, par value \$.001 per share. On January 23, 2001, 34,200,000 shares of common stock were issued to the FRM Control Group. Murray Stahl and Steven Bregman, Chairman and President of the Company, respectively, are the principal persons in the FRM Control Group.

2. Nature of Business and Significant Accounting Policies

Basis of presentation - The consolidated financial statements include the accounts of FRMO, its wholly owned subsidiary, Fromex Equity Corp. ("Fromex"), and the discontinued operations of Fromex's subsidiaries. The Company maintains its corporate office in Pleasantville, New York.

Until December 31, 2008, Fromex owned a 60% interest in Horizon Global Advisers LLC ("HGA"), a Delaware Limited Liability Company. HGA is a registered investment advisor founded on August 29, 2005 to carry on an investment management business and act as an investment advisor for various funds and other investment vehicles. HGA maintains its offices in New York City and Pelham, New York.

HGA is the sole owner of Horizon Multi-Strategy GP, LLC and Horizon Core Value Fund GP, LLC (Delaware Limited Liability Companies). Horizon Multi-Strategy GP, LLC is a General Partner in Horizon Multi-Strategy Fund, LP (a Delaware Limited Partnership), which commenced operations during 2007. Horizon Core Value Fund GP, LLC is an inactive entity formed in May 2006.

Horizon Multi-Strategy Fund, LP (the "Fund") was organized as a limited partnership in May 2006 under the laws of the State of Delaware and commenced operations in January 2007. Limited partnership interests are offered and sold through private placements under the exemptive provisions of the Securities Act of 1933. The Fund was formed for the purpose of investing in a broad range of securities as stated in the limited partnership agreement to achieve capital appreciation. The Fund maintains its general office in New York City.

Horizon Multi-Strategy GP, LLC, a Delaware limited liability company, serves as the General Partner of the Fund. As the General Partner of the Fund, Horizon Multi-Strategy GP, LLC has complete and exclusive control of the management of the business and affairs of the Fund. The General Partner has made a contribution to the capital of the Fund.

Notes to Consolidated Financial Statements

Years Ended February 28, 2010 and 2009

HGA serves as the investment manager of the Fund. The Fund has entered into an investment management agreement pursuant to which the investment manager invests the assets of the Fund in accordance with the Fund's objective and strategy. The investment manager provides the Fund with office space, utilities, investment management services, general administrative services and personnel, recordkeeping, and day to day operating requirements of the Fund.

As of the close of business on December 31, 2008, Fromex withdrew its 60% interest in HGA in exchange for a cash payment of \$1,292,978 which was equal to 60% of the net assets of HGA, except for HGA's capital investment in the Fund. Fromex received its capital investment in the fund upon the withdrawal from HGA. As a result of the exchange on December 31, 2008, the accounts of HGA and its subsidiaries have been presented as discontinued operations.

The consolidated financial statements for the fiscal year ended February 28, 2009 include the accounts of Fromex for the fiscal years ended February 28, 2009 and the operations of HGA and the Fund for their respective fiscal years ended December 31, 2008. All significant intercompany accounts have been eliminated in consolidation.

Nature of business - FRMO Corp. is an intellectual capital firm. The experience of its management has been in the analysis of public companies within a framework of identifying investment strategies and techniques that reduce risk. The business will include identification of assets, particularly in the early stages of the expression of their ultimate value, and the participation with them 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 Asset Management ("Horizon") to select and evaluate investment opportunities and strategies. Horizon was co-founded by Murray Stahl and Steven Bregman in 1994. It is an investment advisory and independent research firm, the research activities serving primarily institutional investors. It provides in-depth analysis of information-poor, under-researched companies and strategies to identify the complex or overlooked situations that can offer an advantage to the investor.

The Company earns fees that are derived from assets managed by other parties based on the research of Horizon, some of the principals of which are the officers of FRMO. The programs significant to FRMO's fees are:

(i) Kinetics Advisers' Hedge Funds. The Company acquired an 8.44% interest in Kinetics Advisors, LLC in exchange for 315 shares of FRMO common stock. Kinetics Advisors, LLC controls and provides investment advice to Kinetics Partners and Kinetics Fund, both of which are hedge funds.

(ii) Kinetics Paradigm Mutual Fund. The Company acquired, for 80,003 shares of FRMO common stock, 100% of the research fees to which Horizon Asset Management, Inc. is entitled from the open-end mutual fund, Kinetics Paradigm Fund (trading symbol WWNPX).

(iii) Sub-Advisory Fees. The Company acquired, for 4,587 shares of FRMO common stock, a one-third interest in the Sub-Advisory Fee Revenue that Horizon Asset Management, Inc. receives in its sub-advisory program for a large investment firm. Under this program, Horizon Asset Management, Inc. provides investment advisory services to certain clients of the investment firm, its fees being calculated on the basis of assets under management.

Notes to Consolidated Financial Statements

Years Ended February 28, 2010 and 2009

(iv) **HGA.** Effective January 1, 2009, the Company's subsidiary, Fromex, entered into a research agreement with HGA. Fromex will provide to HGA research and strategy services for HGA to execute trades in the security positions of the funds under management by HGA, including periodic reviews of, and recommendation for, the portfolios of such funds. Funds under management excludes the amount of capital investment of the limited members of HGA in Horizon Multi-Strategy Fund, LP. Fromex will receive a fee equal to 46% of the management fees received by HGA from its funds under management plus 60% of the incentive or performance fees received by HGA from its funds under management. The research agreement will continue until December 31, 2011, and for each 12 month period thereafter, unless terminated in writing by either party with 30 days advance written notification.

In addition, for the years ended February 28, 2010 and 2009, the Company received approximately \$20,000 and \$46,000, respectively, of consulting fees pursuant to an agreement whereby FRMO receives fees from the manager of Santa Monica Partners, LP, a director and stockholder of FRMO, for access to consultations with the Company's personnel designated by Murray Stahl and Steven Bregman. Santa Monica Partners, L.P. is a private fund, which owns 700,060 shares of common stock of FRMO as of February 28, 2010.

Cash and cash equivalents - The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of funds maintained in checking and money market accounts and investments in money market mutual fund accounts maintained at financial institutions to which the Company is exposed to credit risk. Money market funds are valued at net asset value per share.

At year-end and throughout the year, the Company had balances in excess of federally insured limits on deposit with the financial institutions. The Company has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash.

Investment valuation - The Company accounts for its investments in accordance with *Investments - Debt and Equity Securities*, which requires that fixed-maturity and equity securities that have readily determined fair values be segregated into categories based upon the Company's intention for those securities. In accordance with *Investments - Debt and Equity Securities*, the Company has classified its equity securities as available-for-sale. The Company may sell its available-for-sale securities in response to changes in interest rates, risk/reward characteristics, liquidity needs or other factors.

Equity securities are reported at their estimated fair values based on quoted market prices or a recognized pricing service, with unrealized gains and losses, net of tax effects, reported as a separate component of comprehensive income in stockholders' equity. Realized gains and losses are determined on the specific identification method.

The estimated fair values of financial instruments are determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates when presented herein are not necessarily indicative of the amounts that the Company could realize in a sale. The Company will record an impairment charge if and when it believes any investment has experienced a decline that is other than temporary.

Investments in subsidiaries - Investments in subsidiaries in which the Company holds a less than 20% voting interest and does not exert a significant influence over operations or financial policies are accounted for using the cost method. Under the cost method of accounting, the Company does not record its share in the earnings and losses of the companies in which it has an investment.

Notes to Consolidated Financial Statements

Years Ended February 28, 2010 and 2009

Under *Investments - Equity Method and Joint Ventures*, investments in limited liability companies that have separate ownership accounts for each investor greater than three to five percent should be accounted for under the equity method. The Company does not exert a significant influence over operations or financial policies of Kinetics Advisers, LLC ("Kinetics Advisers"), in which the Company holds an 8.44% membership interest. Due to the lack of significant influence, the Company cannot obtain audited financial statements from Kinetics Advisers which are necessary to account for this investment under the equity method. Accordingly, the Company accounts for its 8.44% investment in Kinetics Advisers under the cost method, which is a departure from generally accepted accounting principles.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles ("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.

Advertising costs - The Company's policy is to expense the cost of advertising as incurred. There were no advertising expenses for the years ended February 28, 2010 and 2009.

Comprehensive income (loss) - Other comprehensive income (loss) refers to revenues, expenses, gains, and losses that under accounting principles generally accepted in the United States of America are included in comprehensive income but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. For the years ended February 28, 2010 and 2009, comprehensive income (loss) was \$2,828,619 and (\$395,781), respectively.

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 February 28, 2010 and 2009 since, in the opinion of management, all of its accounts are deemed collectible.

Intangible assets - Intangible assets are amortized over their estimated lives, ten years, using the straight-line method.

Revenue recognition - The Company primarily generates revenue through research and consulting fees. The accrual method of accounting is used to record fee income, which is recognized when earned.

Research fees are earned and recorded on a monthly basis based upon FRMO's pro rata share of assets under management.

Revenue relating to consulting agreements is earned primarily on a month-by-month basis.

Revenue from unconsolidated subsidiaries is recognized when received.

Research - Research expenditures, consisting of investment research, are expensed as incurred.

Notes to Consolidated Financial Statements

Years Ended February 28, 2010 and 2009

Stock-based compensation - The Company records compensation expense associated with stock options and other equity-based compensation in accordance with guidance established by GAAP. In addition, the Company adheres to the guidance set forth within Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 107, which provides the Staff's views regarding the interaction between GAAP standards and certain SEC rules and regulations and provides interpretations with respect to the valuation of share-based payments for public companies. Stock option compensation expense for the years ended February 28, 2010 and 2009 is the estimated fair value of options granted amortized on a straight-line basis over the requisite service period for the entire portion of the award less an estimate for anticipated forfeitures.

Income taxes - The Company files a consolidated federal income tax return. 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. Through December 31, 2008, the Company's taxable income includes its allocated portion of HGA's earnings, which also includes its share of the Fund's taxable income.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Uncertain tax positions - The Company adopted the relevant provisions of GAAP concerning uncertainties in income taxes, which clarifies the accounting for uncertainty in tax positions and requires that the Company recognize in financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The adoption of this GAAP guidance did not have an impact on the Company's consolidated financial statements.

Reclassifications

The Company has reclassified certain amounts in its February 28, 2009 consolidated balance sheet and statement of cash flows for the year ended February 28, 2009 to conform to the February 28, 2010 presentation. None of these reclassifications had an effect on the Company's consolidated net earnings, total stockholders' equity, or cash flows.

The Company reclassified \$700,000 from beginning retained earnings to beginning additional paid-in capital in its February 28, 2009 consolidated statement of stockholders' equity as a result of a misclassification during the consolidation process. This reclassification did not have an effect on the Company's consolidated net earnings, total stockholders' equity, or cash flows.

Notes to Consolidated Financial Statements

Years Ended February 28, 2010 and 2009

3. Investments

All of the Company's investments are classified as available for sale. Investments consist of the following:

<i>February 28, 2010</i>	Cost	Unrealized Gains/ (Losses)	Fair Value
Investments:			
Investments in limited partnerships:			
Horizon Multi-Strategy Fund, LP	\$ 927,204	\$ 1,161,937	\$ 2,089,141
Jordan Partners, LP	500,000	(3,602)	496,398
Croupier Fund, LP	537,903	46,880	584,783
Polestar Fund, LP	4,540,546	78,594	4,619,140
	<u>6,505,653</u>	<u>1,283,809</u>	<u>7,789,462</u>
Bond and equity securities	11,363,382	2,667,506	14,030,888
Total Investments	<u>\$ 17,869,035</u>	<u>\$ 3,951,315</u>	<u>\$ 21,820,350</u>

<i>February 28, 2009</i>	Cost	Unrealized Gains/ (Losses)	Fair Value
Investments:			
Investments in limited partnerships:			
Horizon Multi-Strategy Fund, LP	\$ 1,156,970	\$ (182,983)	\$ 973,987
Jordan Partners, LP	500,000	(193,558)	306,442
	<u>1,656,970</u>	<u>(376,541)</u>	<u>1,280,429</u>
Bond and equity securities	4,163,242	(147,001)	4,016,241
Total Investments	<u>\$ 5,820,212</u>	<u>\$ (523,542)</u>	<u>\$ 5,296,670</u>

As a result of Fromex's withdrawal from HGA on December 31, 2008, the Company received its 60% interest in HGA's capital investment in the Horizon Multi-Strategy Fund, LP valued at \$1,156,970. A limited partner may, on 45 days prior written notice to the General Partner, 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.

The Company's investment capital in Jordan Partners, LP may be withdrawn on a quarterly basis. Horizon, a related party (see Note 2), is a member of both the General Partner and the Manager of Jordan Partners, LP.

The Company's investment capital in Croupier Fund, LP may be withdrawn as of the last day of each month by providing the general partner with 60 days advance written notice. The general partner, in its sole discretion, may permit withdrawals at other times or otherwise modify or waive such withdrawal conditions and requirements. All withdrawal amounts may be paid in cash or in kind (or a combination thereof), in the general partner's sole discretion.

Notes to Consolidated Financial Statements

Years Ended February 28, 2010 and 2009

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.

4. Fair Value Measurements

The Company follows *Fair Value Measurements* for its financial assets and liabilities that are re-measured and reported as fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually.

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of February 28, 2010 and 2009, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. 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:

		<i>February 28, 2009</i>			
Description	Total	Fair Value Measurements at Reporting Date Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money Market Mutual Funds included in Cash and Cash Equivalents	\$ 10,023,347	\$ 10,023,347	\$ -	\$ -	-
Investments:					
Bond and equity securities	14,030,888	14,030,888	-	-	-
Investments in Limited Partnerships	7,789,462	-	7,789,462	-	-
Total Investments	21,820,350	14,030,888	7,789,462	-	-
Total	\$ 31,843,697	\$ 24,054,235	\$ 7,789,462	\$ -	-

**FRMO CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Years Ended February 28, 2010 and 2009

Description	February 28, 2009			
	Total	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Mutual Funds included in Cash and Cash Equivalents	\$ 12,327,956	\$ 12,327,956	\$ -	\$ -
Investments:				
Bond and equity securities	4,016,241	4,016,241	-	-
Investments in Limited Partnerships	1,280,429	-	1,280,429	-
Total Investments	5,296,670	4,016,241	1,280,429	-
Total	\$ 17,624,626	\$ 16,344,197	\$ 1,280,429	\$ -

5. Income Taxes

The provision for (benefit from) income taxes from continuing operations is comprised of the following:

<i>Years Ended February 28,</i>	2010	2009
Current:		
Federal	\$ 1,138,507	\$ 3,160,290
State and local	1,013,481	966,707
	<u>2,151,988</u>	<u>4,126,997</u>
Deferred:		
Federal	(185,975)	(519,642)
State and local	(51,162)	(126,647)
	<u>(237,137)</u>	<u>(646,289)</u>
	<u>\$ 1,914,851</u>	<u>\$ 3,480,708</u>

The Company files a consolidated federal income tax return and a combined state tax return with its subsidiary, Fromex. FRMO and Fromex file separate local income tax returns.

A reconciliation of the federal statutory rate to the effective tax rate from continuing operations is as follows:

<i>Years Ended February 28,</i>	2010	2009
Statutory Federal Income Expense Rate	34.0%	34.0%
True-up of Prior Year Taxes	15.0	-
Permanent Differences	(5.4)	(7.6)
State/Local Taxes, less federal tax effect	5.7	5.0
Total Tax	<u>49.3%</u>	<u>31.4%</u>

Notes to Consolidated Financial Statements

Years Ended February 28, 2010 and 2009

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

<i>Years Ended February 28,</i>	2010	2009
Non-current Deferred Tax Assets:		
Unrealized loss from investment	\$ 5,206	\$ 604,805
Capital loss carryforward	237,136	44,744
Total Non-current Deferred Tax Assets	<u>242,342</u>	<u>649,549</u>
Current Deferred Tax Liabilities:		
Unrealized gain from stock investment	1,001,893	-
Total Current Deferred Tax Liabilities	<u>1,001,893</u>	<u>-</u>
Net Deferred Tax (Liability) Asset	<u>\$ (759,551)</u>	<u>\$ 649,549</u>

6. Net Income Per Common Share and Per Common Share Equivalent

Basic and diluted earnings per common share is calculated by dividing net income allocated to common stock by the weighted average common shares outstanding during the period. The weighted average number of shares of common stock used in the calculation of diluted earnings per share is adjusted for the dilutive effects of potential common shares including the assumed exercise of vested stock options based on the treasury stock method and the assumed conversion of convertible preferred stock. Assumed exercise or conversion of potential common shares is only when the exercise price and the conversion price exceed the weighted average market price for the period, and that the entity records earnings from continuing operations, as the inclusion of such adjustments would otherwise be anti-dilutive to earnings per share from continuing operations. Potential common shares for the periods presented consist of the following:

<i>February 28,</i>	2010	2009
Convertible Preferred Stock	50,000	50,000
Options	607,888	24,000
Total	<u>657,888</u>	<u>74,000</u>

For the year ended February 28, 2009, there were 6,000 vested options with an exercise price in excess of the weighted average market price of the Company's common stock during the period. The inclusion of 6,000 options in the computation of diluted earnings per common share would have been anti-dilutive, and as a result, the weighted average number of common shares used in the calculation of diluted earnings per common share have not been adjusted for the effects of such anti-dilutive options.

The reconciliation of the weighted average number of common shares used in the calculation of basic and diluted earnings per common share follows:

<i>Years Ended February 28,</i>	2010	2009
Weighted Average Common Shares Outstanding	36,707,353	36,151,361
Effect of Dilutive Securities, common share equivalents:		
Conversion of preferred stock	50,000	50,000
Exercise of stock options	1,396	5,529
Dilutive Potential Common Share Equivalents	<u>36,758,749</u>	<u>36,206,890</u>

Notes to Consolidated Financial Statements

Years Ended February 28, 2010 and 2009

7. Major Customers

Major customers, which are in excess of 10% of net revenues, are as follows:

<i>Years Ended February 28,</i>	2010	2009
Customer A	47.5%	40.7%
Customer B	12.5%	N/A
Revenue from Unconsolidated Subsidiary	20.3%	43.9%

8. Non-cash Compensation

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

9. Stockholders' Equity

Preferred stock - On July 2, 2001, the Company authorized the establishment of Series R preferred stock. The number of authorized shares is 5,000 with a par value of \$.001 per share. These shares are each convertible to 1,000 shares of the Company's common stock at the option of either the Company or the holder. The Company may redeem the shares at \$1,000 per share at any time after March 1, 2011 and shall be required to redeem them at \$1,000 per share upon the request of a holder after March 1, 2012. These shares have one vote per share on all matters that common stock can vote upon. Upon liquidation, there is preference to the extent of \$1,000 per share. No dividends may be paid on common stock unless a dividend per share of 1,000% of common stock dividends are paid on the preferred stock.

As of February 28, 2010 and 2009, there were 50 shares of Series R preferred stock outstanding.

Common stock

Shares Issued in Exchange for Investments

The Company acquired the following investments from Horizon, a related party (see Note 2) in exchange for shares of common stock:

<u>Effective Date</u>	<u>Investment</u>	<u>Shares Issued</u>	<u>Fair Value per Share</u>	<u>Fair Value of Shares Issued</u>
August 1, 2009	Limited Partnership Interest in Croupier Fund, LP	258,607	\$ 2.08	\$ 537,903
January 1, 2010	Limited Partnership Interest in Polestar Fund, LP	2,214,900	\$ 2.05	4,540,546
		<u>2,473,507</u>		<u>\$ 5,078,449</u>

Notes to Consolidated Financial Statements

Years Ended February 28, 2010 and 2009

The fair value of the shares issued was based on the average trading price of the Company's common stock for the ten days prior to the acquisition. The Company's management believes that the terms of the acquisitions were as favorable as could have been obtained from an unrelated party on an arm's length basis.

Shares Issued to Employees

On December 22, 2009, two executive officers purchased an aggregate of 288,944 shares of common stock valued at \$1.99 per share.

Stock options - During the year ended February 28, 2010, the Company granted: (i) two executive officers options to acquire a total of 577,888 shares of common stock, at an exercise price of \$1.99 per share, through December 16, 2019, and (ii) two directors of a subsidiary options to acquire a total of 6,000 shares of common stock, at an exercise price of \$2.03 per share, through October 8, 2016.

During the year ended February 28, 2009, the Company granted two directors of a subsidiary options to acquire a total of 6,000 shares of common stock, at an exercise price of \$2.00 per share, through October 23, 2015. All outstanding options are exercisable upon issuance.

The Company's Board of Directors and compensation committee determine the amount of options, expiration date, and the vesting provisions for options granted as compensation. The Company's results of continuing operations for the years ended February 28, 2010 and 2009 includes share-based compensation expense totaling approximately \$42,000 and \$8,000, respectively.

The weighted average estimated fair value of stock options granted during the years ended February 28, 2010 and 2009 was \$0.84 and \$1.34 per share, respectively. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The Company takes into consideration the guidance under current GAAP guidance and Staff Accounting Bulletin No. 107 (SAB No. 107) when reviewing and updating assumptions. The expected volatility is based upon the historical volatility of FRMO stock and other contributing factors.

The assumptions made in calculating the fair values of options are as follows:

<i>Years Ended February 28,</i>	2010	2009
Dividend Yield	0.00%	0.00 %
Volatility	72.73% - 81.31%	67.93 %
Risk-Free Interest Rate	1.36% - 2.83%	3.00 %
Expected Life	3 - 7 years	7 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Notes to Consolidated Financial Statements

Years Ended February 28, 2010 and 2009

A summary of option activity as of February 28, 2010 and 2009, and changes during the years then ended is as follows:

Stock Options	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 1, 2008	18,000	\$ 7.00	4.09	\$ 87,000
Granted	6,000	\$ 2.00	6.65	-
Exercised	-	\$ -	-	-
Forfeited	-	\$ -	-	-
Outstanding at February 28, 2009	24,000	\$ 5.88	5.01	\$ -
Granted	583,888	\$ 1.99	9.77	\$ 52,190
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at February 28, 2010	607,888	\$ 2.14	9.54	\$ 55,910
Vested and Exercisable at February 28, 2010	222,629	\$ 2.41	9.09	\$ 21,237

The following table represents non-vested stock options granted, vested, and forfeited during the years ended February 28, 2010 and 2009:

Non-Vested Options	Option	Weighted Average Grant Date Fair Value
Non-vested - March 1, 2008	-	\$ -
Granted	6,000	\$ 1.34
Vested	(6,000)	\$ 1.34
Forfeited/Expired	-	\$ -
Non-vested - February 28, 2009	-	\$ -
Granted	583,888	\$ 0.83
Vested	(198,629)	\$ 0.84
Forfeited/Expired	-	\$ -
Non-vested - February 28, 2010	\$ 385,259	\$ 0.82

The aggregate intrinsic value of options outstanding and options exercisable at February 28, 2010 and 2009 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 \$2.08 and \$0.76 closing price of FRMO's common stock on February 28, 2010 and 2009, respectively. No options were exercised in the years ended February 28, 2010 and 2009.

Notes to Consolidated Financial Statements

Years Ended February 28, 2010 and 2009

As of February 28, 2010, unrecognized compensation cost of \$294,000 related to unvested options is expected to be recognized over a remaining weighted-average life of 1.3 years. The total fair value of shares vested during the years ended February 28, 2010 and 2009 was approximately \$167,000 and \$8,000, respectively.

10. Discontinued Operations

As of the close of business on December 31, 2008, Fromex withdrew its 60% interest in HGA in exchange for a cash payment of \$1,292,978 which was equal to 60% of the net assets of HGA, except for HGA's capital investment in the fund, which such account was transferred to Fromex. As a result of the exchange on December 31, 2008, the operating results of HGA and its subsidiaries for the year ended February 28, 2009 have been presented as discontinued operations.

Summarized financial information of discontinued operations follows:

Year Ended February 28, 2009

Revenue:	
Investment management fees	\$ 1,838,912
Dividends and interest income	4,543,934
Net realized and unrealized losses	(177,545,709)
Other income	10,000
Total Revenue	<u>(171,152,863)</u>
Expenses:	
Management fee	1,767,453
Interest expenses	2,451,117
Research	185,911
Marketing	159,943
Employee compensation and benefits	249,533
Professional fees	322,930
Administrative and other expenses	118,246
Total Expenses	<u>5,255,133</u>
Loss from Operations	(176,407,996)
Minority Interest in Net Loss of Subsidiary	<u>176,564,128</u>
Income before Provision for Income Taxes	156,132
Provision for Income Taxes	94,747
Income from Discontinued Operations, net of income taxes	<u>\$ 61,385</u>

11. Subsequent Event

On March 31, 2010, the Company acquired from a third party, a fee participation of 20% of all management fees, incentive fees, and performance allocations that Horizon, a related party (see Note 2), receives from Horizon Multi Disciplinary Fund, LP and Horizon Multi Disciplinary Offshore Fund, Ltd in exchange for 151,807 shares of the Company's common stock. The fair value of the shares issued was \$372,437 based on the average trading price of the Company's common stock for the ten days prior to the acquisition.

On May 19, 2010, the Company acquired 115,000 shares of Wisdom Tree Investments, Inc. from Horizon, a related party (see Note 2), in exchange for 89,521 shares of the Company's common stock. The fair value of the shares issued was \$299,000 based on the average trading price of the Company's common stock for the ten days prior to the acquisition.

FRMO CORPORATION OFFICERS

Murray Stahl

Murray was with Bankers Trust Company From 1979 to 1995 as a portfolio manager and research analyst. In 1995 he co-founded Horizon Asset Management, Inc. and has been the Chief Executive Officer of FRMO Since 2001.

Steven Bregman

Steven was with Bankers Trust Company From 1986 to 1995 where he was an Investment Officer in the Bank's Private Clients Group. In 1995 he co-founded Horizon Asset Management, Inc. and has been President and the Chief Financial Officer of FRMO since 2001.

Peter Doyle

Peter was an Investment Officer with Bankers Trust Company from 1986 to 1995 after which he co-founded Horizon Asset Management, Inc. and Kinetics Asset Management, Inc. where he is Chief Investment Strategist for the Kinetics family of mutual funds. He has been Vice President of FRMO since 2001.

GENERAL COUNSEL OF FRMO

Lester J. Tanner

Harvard Law School. Lester has been a corporate attorney since 1950. In 1961 he was responsible for listing Mesabi Trust on the New York Stock Exchange, the first tax pass-through exchange-traded security. Mesabi changed the rule limiting listing to securities of corporations and paved the way for the current diversity of publicly traded securities. He has been General Counsel of FRMO since 2001.

DIRECTORS

Murray Stahl

Chairman of the Board of Directors.

Steven Bregman

Director

Peter Doyle

Director

Lawrence J. Goldstein

Lawrence is the General Partner of the Santa Monica family of private investment funds he founded in 1982. Before that he was an executive officer, security analyst, fund manager and Partner of Burnham & Company and First Vice President of its successor firm Drexel Burnham Lambert for 23 years. He has been an independent director of FRMO since 2001.

DIRECTORS OF SUBSIDIARY FROMEX EQUITY CORP.

Murray Stahl

Steven Bregman

Lester J. Tanner

Jay Hirschson, *Adviser on Financial matters; BS Brown University, MBA Columbia University.*

Allan Kornfeld, *CPA and Attorney, former audit partner of Ernst & Young and former Executive Vice President and CFO of Ametek, Inc. (NYSE).*

FRMO CORPORATION

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See FRMO's web site at frmocorp.net for more information and complete reports and notes to consolidated financial statements at February 28, 2010 and subsequent quarterly reports.