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.

	Fiscal Year Ended		
($ 000)	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