

FRMO Corp.

June 10, 2002

Dear Shareholders:

During the past year, much has occurred in the financial markets. Fortunately, none of this has occurred at our firm. FRMO has undertaken no debt. It has not accumulated liabilities. It has merely continued to develop its own resources internally, albeit from a very low base.

In this regard, the attention of the reader is called to our participation in the management of The New Paradigm Fund. At this point in time, the Fund has existed for nearly two and one-half years. Its assets under management are slightly below \$11 million, so that revenue derived from this source is still very small. Nonetheless, the Fund has doubled its assets under management during the past year. The Fund has manifested a positive rate of return in each of the past two years and has a positive year-to-date return at the time of this writing. The returns have been achieved despite the valuation and earnings compression of the past several years for equities.

If the fund can continue its performance, it will soon have a three-year record. It is only reasonable to believe that this type of record will not escape the attention of mutual fund investors. Therefore, we are hopeful that assets may be increased.

The attention of the reader is also called to our interest in the New Economy Partners hedge fund. This fund is a private investment partnership and has a nearly two-year record of consistent profitability. This particular fund now has assets in the range of \$32 million and a higher fee structure than The New Paradigm Fund. The New Economy

Fund has the ability to be both long and short. Consequently, it is absolute-return oriented as opposed to the relative-return orientation of mutual funds. The hedge fund industry is still in its infancy and only a very small portion of the investable assets of the world are accounted for by such funds. The opportunity to capture assets from relative-return oriented investment products is very large.

Apart from these assets, our consulting revenues continue to grow, although this growth is also from a very small base. Thus, we have so far built a small business with positive cash flow characteristics. It is not our intention to increase expenditure levels to create new business opportunities.

All of our assets are examples of intellectual capital. The level of business activity can be increased without the creation of expenses. FRMO merely provides a management expertise. The firm in its first year has built a foundation. Its next challenge is to build a structure upon this foundation. Management will be engaged in this effort in the course of the next year.

We will endeavor to communicate any changes in our business prospects to our shareholders with promptitude. In the interim, it remains only to thank our shareholders for their support during our first fiscal year.

Steven Bregman, President
and Chief Operating Officer

Murray Stahl, Chairman
and Chief Executive Officer