LOM (HOLDINGS) LIMITED
(INCORPORATED IN BERMUDA)

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
(Expressed in U.S. Dollars)

For the Years Ended December 31, 2010 and 2009

LOM (HOLDINGS) LIMITED

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Stockholders' of
LOM (Holdings) Limited

We have audited the accompanying consolidated balance sheets of LOM (Holdings) Limited and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' equity and comprehensive loss, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LOM (Holdings) Limited and Subsidiaries as of December 31, 2010 and 2009, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in the five year comparison table in Note 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in

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the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Marcum LLP

Melville, NY
April 27, 2011

LOM (HOLDINGS) LIMITED

CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)

December 31, 2010 and 2009

ASSETS

	2010	2009
Cash and cash equivalents	$ 3,795,209	$ 4,276,008
Securities owned (cost: 2010 - $2,853,012 2009 - $3,366,733)	4,353,685	4,953,207
Other receivables	357,346	144,756
Employee loans receivable	--	1,194,919
Due from related parties	20,004	12,027
Prepaid expenses and other assets	328,844	225,546
Investment in Yorkstreet Holdings Limited – equity method	978,172	967,141
Property and equipment, net	9,365,748	9,447,224
TOTAL ASSETS	$19,199,008	$21,220,828

LIABILITIES AND STOCKHOLDERS' EQUITY

	2010	2009
LIABILITIES		
Accounts payable and accrued liabilities	$ 763,801	$ 651,989
Unrealized loss on futures contract	4,412	--
Accrued legal fees and litigation expenses	--	1,688,426
TOTAL LIABILITIES	768,213	2,340,415
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common shares, par value $0.10 per share; 20,000,000 shares authorized, and 6,223,450 (2009 - 6,257,450) shares issued and outstanding	622,345	625,745
Additional paid-in capital	3,499,555	3,594,710
Loans receivable for issuance of common stock	(171,050)	(172,250)
Retained earnings	14,479,945	14,832,208
TOTAL STOCKHOLDERS' EQUITY	18,430,795	18,880,413
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$19,199,008	$21,220,828

Approved by the Board of Directors:

Director   Director

The accompanying notes are an integral part of these consolidated financial statements.

LOM (HOLDINGS) LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in U.S. Dollars)

For the Years Ended December 31, 2010 and 2009

	2010	2009
REVENUES		
Broking fee income	$3,706,049	$3,844,676
Management and investment advisory fees including related party management fees of $1,050,345 in 2010 and $906,910 in 2009	1,921,653	1,466,482
Net interest income, net of interest expense of $168,098 in 2010 and $84,079 in 2009	707,755	631,373
Rental income, including related party rent of $243,800 in 2010 and $216,967 in 2009	723,717	682,659
Other income	207,379	224,825
Income recorded under the equity method	113,231	101,713
Foreign exchange income, net	1,016,469	526,288
Net trading gains on securities owned	89,849	394,406
Corporate finance income	278,174	59,597
Administration and custody fees	77,029	82,470
TOTAL REVENUES	8,841,305	8,014,489
OPERATING EXPENSES		
Employee compensation and benefits	2,838,813	3,171,043
Commissions and referral fees	1,973,084	1,673,638
Computer and information services	695,788	732,532
Depreciation of property and equipment	393,096	408,388
Jitney fees	517,614	577,253
Advisory fee expense	126,700	--
Professional fees	955,040	402,723
Occupancy	572,261	669,893
Administration	320,182	284,623
Insurance	189,078	213,013
Custodial charges	522,873	404,905
Net foreign exchange transaction losses (gains)	26,664	(83,747)
TOTAL OPERATING EXPENSES	9,131,193	8,454,264
NET LOSS	$ (289,888)	$ (439,775)
NET LOSS PER COMMON SHARE Basic and diluted	$(0.05)	$(0.07)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: Basic and diluted	6,245,508	6,269,002

The accompanying notes are an integral part of these consolidated financial statements.

LOM (HOLDINGS) LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS
(Expressed in U.S. Dollars)

For the Years Ended December 31, 2010 and 2009

	Common Stock							
	Shares	Amount	Additional Paid-in Capital	Loans Receivable for Issuance of Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Total Comprehensive Loss
BALANCE – January 1, 2009	6,292,500	$629,250	$3,709,651	$(177,100)	$15,334,455	$ 2,137	$19,498,393	
Net loss	--	--	--	--	(439,775)	--	(439,775)	$ (439,775)
Comprehensive loss from investment recorded under the equity method	--	--	--	--	--	(2,137)	(2,137)	(2,137)
Total Comprehensive Income								$(441,912)
Repurchase and retirement of common stock	(35,050)	(3,505)	(124,685)	--	--	--	(128,190)	
Payment of loans receivable for issuance of common stock	--	--	--	3,650	--	--	3,650	
Stock based compensation	--	--	9,744	--	--	--	9,744	
Dividends declared	--	--	--	1,200	(62,472)	--	(61,272)	
BALANCE – December 31, 2009	6,257,450	$625,745	$3,594,710	$(172,250)	$14,832,208	$ --	$18,880,413	

The accompanying notes are an integral part of these consolidated financial statements.

LOM (HOLDINGS) LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS, continued
(Expressed in U.S. Dollars)

For the Years Ended December 31, 2010 and 2009

	Common Stock							
	Shares	Amount	Additional Paid-in Capital	Loans Receivable for Issuance of Common Stock	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Total	Total Comprehensive Loss
BALANCE – January 1, 2010	6,257,450	$625,745	$3,594,710	$(172,250)	$14,832,208	$ --	$18,880,413	
Net income	--	--	--	--	(289,888)	--	(289,888)	$ (289,888)
Repurchase and retirement of common stock	(34,000)	(3,400)	(104,900)	--	--	--	(108,300)	
Stock based compensation	--	--	9,745	--	--	--	9,745	
Dividends declared	--	--	--	1,200	(62,375)	--	(61,175)	
BALANCE – December 31, 2010	6,223,450	$622,345	$3,499,555	$(171,050)	$14,479,945	$ --	$18,430,795	

The accompanying notes are an integral part of these consolidated financial statements.

LOM (HOLDINGS) LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

For the Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (289,888)	$ (439,775)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation of property and equipment	393,096	408,388
Stock based compensation expense	9,745	9,744
Net income from equity method investments	(113,231)	(101,713)
Dividends received from equity method investments	102,200	--
Gain on disposal of fixed assets	(15,871)	--
Net trading gains on securities owned	(89,849)	(394,406)
Changes in operating assets and liabilities:		
Securities owned, net	689,371	420,834
Other receivables	(212,590)	1,008,887
Direct finance lease receivable	--	463
Employee loans receivable	1,194,919	43,686
Due from related parties	(7,977)	(4,782)
Prepaid expenses	(103,298)	106,438
Accounts payable and accrued liabilities	111,812	(64,267)
Net unrealized losses on futures	4,412	--
Accrued legal fees and litigation expenses	(1,688,426)	69,273
TOTAL ADJUSTMENTS	274,313	1,502,545
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(15,575)	1,062,770
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(322,590)	(146,132)
Proceeds from sale of property and equipment	26,841	--
Restricted cash	--	135,626
NET CASH USED IN INVESTING ACTIVITIES	(295,749)	(10,506)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of common stock	(108,300)	(128,190)
Proceeds from loan receivable for issuance of common stock	--	3,650
Dividends paid	(61,175)	(61,272)
NET CASH USED IN FINANCING ACTIVITIES	$ (169,475)	$ (185,812)

The accompanying notes are an integral part of these consolidated financial statements.

LOM (HOLDINGS) LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
(Expressed in U.S. Dollars)

For the Years Ended December 31, 2010 and 2009

	2010	2009
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$ (480,799)	$ 866,452
CASH AND CASH EQUIVALENTS - Beginning	4,276,008	3,409,556
CASH AND CASH EQUIVALENTS - Ending	$ 3,795,209	$4,276,008
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$168,098	$84,079
Non-Cash Investing and Financing Activities:		
Dividends paid during the year, offset against loans receivable for issuance of common stock	$ 1,200	$ 1,200

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - Nature of Business

LOM (Holdings) Limited ("Holdings"), a holding company for several wholly owned subsidiaries, was incorporated on May 1, 1996 under the laws of Bermuda. The common stock of Holdings is publicly traded and listed on the Bermuda Stock Exchange. Holdings, collectively with its subsidiaries, is referred to as the "Company" or the "LOM Group of Companies."

A description of the operations of Holdings' wholly-owned subsidiaries is as follows:

LOM Securities (Bermuda) Limited ("LOMB") was incorporated in 1998 to provide investment and financial advice, brokerage services and discretionary investment management services. LOMB is domiciled and operates in Bermuda and is regulated under the Investment Business Act (2003) of Bermuda.

LOM International Holdings Limited, a Bahamian company, was incorporated in the Commonwealth of the Bahamas in 2005 to hold the LOM Group of Companies non-Bermuda subsidiaries. LOM Securities (Cayman) Limited and LOM (UK) Limited are wholly owned subsidiaries of LOM International Holdings Limited. Unlike Holdings, LOM International Holdings Limited is not restricted by the 60/40 Bermudian ownership rules and gives the group greater flexibility to engage in joint ventures or partnerships, should it choose to do so.

LOM Securities (Cayman) Limited was incorporated in 1995 under the laws of the Cayman Islands as an exempt company with limited liability and was previously regulated by the Cayman Islands Monetary Authority. The LOM Securities (Cayman) Limited office was closed in March 2010 as the group consolidated its Caribbean operations into its office in Nassau in The Bahamas, it will be liquidated in 2011.

LOM Securities (Bahamas) Limited was incorporated in 2001 in the Commonwealth of The Bahamas and is regulated by the Securities Commission of the Bahamas. LOM Securities (Bahamas) Limited is domiciled in the Bahamas and is engaged in a single line of business as a Bahamian broker-dealer, which comprises several classes of service, including principal transactions, agency transactions and the provision of investment advisory services.

LOM Asset Management Limited was incorporated in 1995 to offer its services as investment consultant, manager and advisor. LOM Asset Management Limited is domiciled and operates in Bermuda and is regulated under the Investment Business Act (2003) of Bermuda.

NOTE 1 - Nature of Business, continued

Lines Overseas Management Limited ("LOML") was incorporated in 1992, to provide custody, settlement, information technology and execution services as well as certain finance, human resources and administrative services to other companies in the LOM Group of Companies. LOML operates in Bermuda and is regulated under the Investment Business Act (2003) of Bermuda.

LOM Properties Limited was incorporated in 1996 to hold property for Holdings in Bermuda.

LOM Capital Limited ("LOMCP") was incorporated in 1998 to offer services to source, value, document and close capital investments in growing companies. LOMCP is domiciled and operates in Bermuda.

LOM Services Limited, a Bermuda company, was incorporated in 2003 to provide information technology and client services to the LOM Group of Companies and external clients. The assets, liabilities and intellectual property of LOM Services Limited were purchased by LOML on October 19, 2010. The Company was dissolved on February 3, 2011.

LOM Nominees Limited, a Bermuda company, was incorporated in 1994 to perform nominee services.

LOM (UK) Limited was incorporated in the United Kingdom in 2004 to market the LOM Group of Companies services to intermediaries in Europe. It also provides assistance in administration for the LOM Group of Companies.

NOTE 2 - Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts and results of operations of all wholly-owned subsidiaries listed in Note 1. All inter-company balances and transactions are eliminated in consolidation.

NOTE 2 - Summary of Significant Accounting Policies, continued

Broking Fee Income and Jitney Fees
Broking fee income represents amounts charged to clients for brokerage services and related jitney fees are amounts charged to the Company by the executing broker. Both are recognized on a trade date basis.

Management and Investment Advisory Fees
The LOM Group of Companies receives management fees and investment advisory fees for managing assets on a discretionary basis for both private and institutional clients and earns management and investment advisory fees based on the value of the portfolio, which are recorded on an accrual basis and recognized on a monthly basis. The LOM Group of Companies also earns management fees from the following mutual funds listed on the Bermuda Stock Exchange (collectively referred to as the LOM Sponsored Funds), which are recorded on an accrual basis and recognized on a monthly basis, based on the net asset values:

- LOM Money Market Fund Limited
- LOM Fixed Income Fund Limited
- LOM Global Equity Fund Limited
- LOM Balanced Fund Limited
- LOM Commodity Fund

Foreign Exchange Income, net
Foreign exchange income represents income earned from foreign currency transactions facilitated for customers which is based on the current foreign exchange rates, and is net of foreign exchange fees charged by external brokers. Foreign exchange income is recorded on a trade date basis.

Corporate Finance Income
Corporate finance income consists of fees earned for the underwriting of securities, generally for privately held companies, and is received in the form of cash, securities or warrants from its underlying investments. When corporate finance income is received in the form of securities, the Company records income based on the fair value of the securities received as of the date of the transaction. Fair value is the last reported sales price on the main market in which the investments trade on the date of valuation. Where there are no sales on that day, the mid-market prices are used. Where income is received in the form of warrants, the Board of Directors determines a price based on the fair value of the warrant. Corporate finance income for 2010 amounted to $278,174 (2009 $59,597).

NOTE 2 - Summary of Significant Accounting Policies, continued

Administration and Custody Fees
Administration fees, charged for the administrative and custodial services provided to the LOM Sponsored Funds, are recorded on an accrual basis over the period which the service is provided.

Net Interest Income
Net interest income is a combination of interest earned on or paid to clients based on their daily cash balances and interest received or paid on the Company's cash balances from and to brokers, custodians, related parties (see Note 4), and direct finance leases. Interest income for 2010 amounted to $875,853 (2009 - $715,452). Interest expense for 2010 amounted to $168,098 (2009 - $84,079).

Other Income
Other income earned includes fees for settlement of client investment transactions and dividends received related to the Company’s investments. Fees earned for settlement of client investment transactions and dividends received related to the Company’s investments are recorded on a transaction date basis.

Rental Income
Rental income consists of rent earned from the lease of office space in the Company owned office building and includes rent from related parties and is recorded on an accrual basis. (See Note 11)

Accrued Legal Fees and Litigation Expenses
In making a determination of the amount to accrue for a loss contingency involving litigation, the Company’s policy is to accrue for expected legal fees and associated costs related to the litigation when the loss contingency is initially recorded, not when the legal services are actually provided.

Cash and Cash Equivalents
The Company has defined cash equivalents as highly liquid investments, with original maturities of 90 days or less that are not held for sale in the ordinary course of business. Cash and cash equivalents can include time deposits, money market funds and U.S. Treasury bills with original maturities of 90 days or less.

Property and Equipment
Property and equipment is stated at cost, net of accumulated depreciation. The costs of normal maintenance and repairs are charged to expense in the year incurred. Expenditures which significantly improve or extend the life of an asset are capitalized and depreciated over the assets remaining useful life.

NOTE 2 - Summary of Significant Accounting Policies, continued

Property and Equipment, continued
Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized over the lesser of the life of the asset or the remaining lease term. Upon sale or disposition, the related cost and accumulated depreciation are removed from this account and the result of gain or loss, if any, is reflected in earnings. The useful lives are as follows:

Building	40 years
Computer hardware and software	3 years
Furniture and fittings	4 years
Leasehold improvements	4 - 6 years
Machinery and equipment	4 years

Unclaimed Cash and Securities
Client funds received and unclaimed after a three-year period are included as income under the category of broking fees. Securities received and unclaimed after a five-year period are sold and included as income under the category of broking fees. During 2010, the amount of unclaimed cash and proceeds from the sale of unclaimed securities included in income was $515 (2009 - $9,370).

Foreign Currency Transactions and Balances
The Company has adopted U.S. Dollars as its functional currency for Holdings and all subsidiaries (including LOM (UK) Limited) because the majority of the Company's transactions and assets under management are denominated in U.S. Dollars. Bermuda Dollars and Bahamian Dollars trade at par with the U.S. Dollar. Therefore, no foreign currency translation gains or losses are recorded in the accompanying consolidated financial statements. Foreign currency transaction gains or losses are recorded at the prevailing foreign exchange rates on the date of the transaction and are reflected in earnings for the year in the accompanying consolidated statement of operations.

Impairment of Long-Lived Assets
The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of an asset to be held and used is measured by a comparison of the carrying amount of the asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount the carrying value of the assets exceeds the fair value of the assets.

NOTE 2 - Summary of Significant Accounting Policies, continued

Securities Owned

Securities owned are investments such as bonds and equities that are both marketable and non-marketable. These investments consist of trading investments, securities received as income from corporate finance transactions, privately held securities, and other strategic investments. Realized and unrealized gains or losses for trading securities and strategic investments are reflected in earnings for the year and are reflected as net trading gains and losses in the consolidated statements of operations. Realized gains or losses are based on the average cost method of securities purchased and sold. Security transactions are recorded on a trade date basis. Marketable securities are valued at the last reported sales price on the principal market in which the investments trade on the date of valuation. Where there are no sales on that day, the mid-market prices are used. For securities with no readily available market price or where the security is restricted, the securities are recorded at the estimated fair value in accordance with U.S. GAAP. The use of different assumptions or valuation techniques could produce materially different estimates of fair value. Non-marketable equity securities consist of privately held securities of $2,073,383 which were valued as of December 31, 2010 (2009 - $2,614,950) (see Note 3, Fair Value Measurements) in accordance with U.S. GAAP by reference to market prices and other analytics for similar securities traded in ready market.

Investments Recorded Under the Equity Method

For investments in entities that do not constitute a Variable Interest Entity (“VIE”), or for investments in securities owned and held as trading investments which is held at fair value, the Company considers other U.S. GAAP, as required, in determining (i) consolidation of the entity if the Company’s ownership interests comprise a majority of its outstanding voting stock or otherwise control the entity, or (ii) application of the equity method of accounting if the Company does not have direct or indirect control of the entity, with the initial investment carried at cost and subsequently adjusted for the Company’s share of net income or loss and cash contributions and distributions to and from these entities.

If events or circumstances indicate that the fair value of an investment accounted for using the equity method has declined below its carrying value and the Company considers the decline to be "other than temporary," the investment is written down to fair value and an impairment loss is recognized. The evaluation of impairment for an investment would be based on a number of factors, including financial condition and operating results for the investment, inability to remain in compliance with provisions of any related debt agreements, and recognition of impairments by other investors. Impairment recognition would negatively impact the recorded value of the Company’s investment and reduce net income.

NOTE 2 - Summary of Significant Accounting Policies, continued

Accumulated Other Comprehensive Income

Accumulated other comprehensive income represents the Company's proportional share of items of other comprehensive loss related to the Company's investments recorded under the equity method of accounting. For the year ended December 31, 2009, other comprehensive loss represents unrealized losses on investments recorded under the equity method of accounting (see Note 5).

Stock-Based Compensation Plans

The Company accounts for stock-based compensation under the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, "Compensation – Stock Compensation," which requires the recognition of the fair value of stock-based compensation. Under the fair value recognition provisions for ASC Topic 718, stock-based compensation is estimated at the grant date based on the fair value of the awards expected to vest and recognized as expense rateably over the requisite service period of the award. The Company uses the Black-Scholes valuation model to estimate fair value of stock-based awards, which requires various assumptions including estimating stock price volatility, forfeiture rates and expected life.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, securities owned, securities sold short, accounts payable and accrued liabilities. The book value of cash and cash equivalents, accounts receivable, and accounts payable is considered to be representative of their fair value because of their short term maturities.

Fair Value Measurements

Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" as codified in ASC 820 ("ASC 820"), defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 applies to all assets and liabilities that are measured and reported on a fair value basis (see Note 3).

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents, employee loans, and securities owned. The Company has its cash and cash equivalents and securities placed with major international, financial institutions. As part of its cash management process, the Company performs continuous evaluation of the relative credit standing of these institutions.

NOTE 2 - Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from the other sources. The most significant estimates include estimates recorded for the fair market value of non-marketable investments, certain accrued expenses, and recognition of revenue. On a continual basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

Reclassification

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements. These reclassifications have no effect on previously reported net loss.

Net Loss Per Common Share

The Company calculates basic net loss per common share and diluted net loss per common share assuming dilution. Basic net loss per common share is calculated by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is calculated by dividing the net income attributable to common stockholders by the weighted average number of common shares outstanding during the period, plus potential dilutive common shares. Options issued by the Company are considered potential dilutive common shares and are included in the calculation using the treasury stock method, unless their inclusion would be considered anti-dilutive. Securities that could potentially dilute basic net income per common share in the future, that were not included in the computation of both the 2010 and 2009 diluted net loss per common share because to do so would have been anti-dilutive, consist of 1,275,000 options (2009 – 1,375,000) to purchase common stock. For the years ended December 31, 2010 and 2009, the weighted average common shares basic and diluted were the same.

(Expressed in U.S. Dollars)

NOTE 2 - Summary of Significant Accounting Policies, continued

Securities Sold Short

The Company may sell a security it does not own in anticipation of a decline in fair value of the security, or as a hedge against similar securities owned. When the Company sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. Obligations related to securities sold short are recorded as a liability at fair value. Realized and unrealized gains and losses are recorded in net trading losses/gains in the consolidated statement of operations. A gain, limited to the price at which the Company sold the security short, or a loss, unlimited in size, is recognized on a monthly basis. Since the Company did not hold a significant portfolio of securities sold short, the amounts are included in accounts payable and accrued expenses due to their lack of materiality.

Recently Issued Accounting Pronouncements

The FASB has issued ASU 2010-29, "Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations." This amendment affects any public entity as defined by Topic 805, Business Combinations that enters into business combinations that are material on an individual or aggregate basis. The comparative financial statements should present and disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. It is not expected that the adoption of this standard will not have an impact on the Company's consolidated financial position and results of operations.

NOTE 3 - Securities Owned and Fair Value Measurements

Securities owned consist of the following:

	2010	2009
Marketable Securities:		
Equities	$2,280,302	$2,338,257
Privately Held Securities:		
Equities	2,073,383	2,614,950
	$4,353,685	$4,953,207

NOTE 3 - Securities Owned and Fair Value Measurements, continued

Included in privately held securities is the Company's investment in the Bermuda Stock Exchange ("BSX") which amounts to approximately 19% of the outstanding shares valued at $1,939,401 as of December 31, 2010 (2009 - $2,096,650). The stock of the BSX is not traded in an active market and management has estimated the fair value by using price to earnings ratios of comparable publically traded securities exchanges as well as other factors. The Company also included its investments in Pembrook Mining Corp. ("Pembrook") in privately held securities, which consist of a direct private common stock investment. This investment has been recorded at cost in accordance with accepted practices of U.S. GAAP due to the Company's limited operating history, lack of profitability and the uncertainty regarding future profits and cash flows. When evidence supports a change to the carrying value from the transaction price, adjustments will be made to reflect expected exit values in the investment's principal market under current market conditions. Ongoing reviews will be conducted by the Company's management based on an assessment of the underlying investment from the inception date through the most recent valuation date. At December 31, 2010 the fair value of the Company's investment in Pembrook was determined to be equal to the cost which was $123,962 in accordance with accepted practices of U.S. GAAP. The investments in the BSX and Pembrook are included in Level 3 of the fair value hierarchy.

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements" as codified in ASC 820. ASC 820 clarifies the definition of fair value, establishes a framework for measurement of fair value and expands disclosure about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 applies to all financial instruments that are measured and reported on a fair value basis.

Where available, fair value is based on observable market prices or is derived from such prices. In instances where valuation models are applied, inputs are correlated to a market value, combinations of market values or the Company's proprietary data. The Company primarily uses the market approach.

Market Approach

The market approach uses prices and other pertinent information generated from market transactions involving identical or comparable assets or liabilities. Valuation techniques consistent with the market approach often use market multiples derived from a set of comparables or may include matrix pricing.

NOTE 3 - Securities Owned and Fair Value Measurements, continued

Income Approach

The income approach uses valuation techniques to convert future values (i.e. cash flows, or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques include present value computations, option pricing models and a binomial model. In following these approaches, the types of factors the Company may take into account in estimating fair value include: available current market data, including relevant and applicable market quotes, yields and multiples, quotations received from counterparties, brokers or dealers when considered reliable, subsequent rounds of financing, recapitalizations and other recent transactions in the same or similar instruments, restrictions on disposition, the entity’s current or projected earnings and discounted cash flows, the market in which the entity does business, comparisons of financial ratios of peer companies that are public, merger and acquisitions comparables and the principal market and enterprise values, among other factors.

Based on these approaches, the Company will use certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Company aims to use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses valuation techniques it believes is most appropriate to estimate the fair value of its portfolio investments; however, considerable judgment is required in interpreting market data to develop the estimates of fair value. There are inherent limitations in any estimation technique.

For investments in publicly held securities that trade on exchanges, the Company generally uses the market approach, except when circumstances, in the estimation of the Company, warrant consideration of other data such as current market prices for similar securities in cases where current market data is not available or unreliable. Many of the stocks and warrants held are in small cap companies and are highly volatile with thinly traded daily volumes. Sudden sharp declines in the market value of such securities can result in very illiquid markets. Management and the directors have taken all of these factors into account, including the fact that some securities it holds are currently restricted as to sale, in arriving at their best estimate of the fair value of the securities. For privately held investments that do not trade on exchanges, the Company records its investment at cost until information such as financial ratios, benchmarks, and subsequent rounds of financing substantiate a different valuation in accordance with U.S. GAAP.

NOTE 3 - Securities Owned and Fair Value Measurements, continued

The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange and there can be no assurance that the fair values for these investments will be fully realizable upon their ultimate disposition or reflective of future fair values. Because of the inherent uncertainty of valuation, the estimated fair values of certain privately held investments may differ significantly from values that would have been used had an observable market for the private investment existed, and the differences could be material.

Based on the inputs used in the valuation techniques described above, financial instruments are categorized according to the fair value hierarchy prescribed by ASC 820. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets carried at fair value are classified and disclosed in one of the following three categories:

Level 1 - Observable inputs that reflect quoted market prices are available in active markets for identical assets or liabilities as of the reporting date. The types of investments in Level 1 include listed equities and monetary gold.
Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. Investments in this category include less liquid and restricted equity securities and securities in markets for which there are few transactions (non-active markets).

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs. Investments in this category include investments in private companies.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the assignment of the asset within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset.

(Expressed in U.S. Dollars)

NOTE 3 - Securities Owned and Fair Value Measurements, continued

When determination is made to classify a financial instrument within Level 3, the determination is based upon the lack of significance of the observable parameters to the overall fair value measurement. However, the fair value determination for Level 3 financial instruments may include observable components. The following are the Company's major categories of assets measured at fair value on a recurring basis at December 31, 2010 and 2009, categorized by the ASC 820 fair value hierarchy:

	Fair Value Measurements at December 31, 2010 Using:			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservabl e Inputs (Level 3)	Total
Assets:				
Marketable securities	$557,988	$1,722,314	$ --	$2,280,302
Privately held securities	--	--	2,073,383	2,073,383
Total Assets	$557,988	$1,722,314	$2,073,383	$4,353,685
Liabilities:				
Unrealized loss on future contracts	$ 4,412	$ --	$ --	$ 4,412

	Fair Value Measurements at December 31, 2009 Using:			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservabl e Inputs (Level 3)	Total
Assets:				
Marketable securities	$524,541	$1,813,716	$ --	$2,338,257
Privately held securities	--	--	2,614,950	2,614,950
Total Assets	$524,541	$1,813,716	$2,614,950	$4,953,207

(Expressed in U.S. Dollars)

NOTE 3 - Securities Owned and Fair Value Measurements, continued

The following is a reconciliation of the beginning and ending balances for the Company's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2010 and 2009:

Description	Privately Held Securities
Assets:	
Balance, January 1, 2010	$2,614,950
Purchases	13,337
Sales	(44,522)
Total loss, net included in earnings	(510,382)
Transfers in and/or out of Level 3	--
Balance, December 31, 2010	$2,073,383
Change in unrealized gains and losses relating to investments still held at December 31, 2010	$(396,175)

Description	Privately Held Securities
Assets:	
Balance, January 1, 2009	$2,574,635
Purchases	9,830
Sales	(66,351)
Total gains, net included in earnings	96,836
Transfers in and/or out of Level 3	--
Balance, December 31, 2009	$2,614,950
Changes in unrealized gains and losses relating to investments still held at December 31, 2009	$ 53,890

(Expressed in U.S. Dollars)

NOTE 3 - Securities Owned and Fair Value Measurements, continued

Derivatives

As of December 31, 2010, the Company owned five derivative futures contracts consisting of short gold mini futures which have been designated as hedges against quantities of physical gold held in inventory by the Company. These derivatives are traded on recognized commodity exchanges and the Company executes the trades through a broker on a net margin basis. As of December 31, 2010 the underlying notional value of the five short contracts, each representing 33.2 fine troy ounces of gold, amounted to $235,952 compared to a cost of $231,541 resulting in an unrealized loss of $4,412. Because the contracts are executed on a net margin basis, the Company recorded only the unrealized loss in the financial statements.

At December 31, 2010, the volume of the Company's derivative activities based on their notional amounts and number of contracts, categorized by primary underlying risk, are as follows:

	Short Exposure	
Primary Underlying Risk	Underlying Contract Size	Number of Contracts
Commodities		
Short Gold Mini Futures	33.2 ounces of Fine Troy Gold	5

During the year ended December 31, 2010, the Company recorded realized losses of $151,245 from derivative trades, hedging its physical gold held for resale to customers.

NOTE 4 - Employee Loans Receivable

In April 2008, the Company issued a mortgage for $1,268,679 to an officer of the company. The mortgage was secured by property owned by St. Georges Trust Company Limited, an affiliated entity, and by a guarantee from an officer of the Company in the total amount of the mortgage note. The mortgage bore interest at U.S. Dollar 3 month LIBOR plus 1% rate set at the beginning of each calendar month. The mortgage payment consisted of two payments per month totalling $7,500 per month, which included principal and interest. The term of the mortgage was 15 years and any remaining outstanding principal was due at the end of the term. Interest earned on the mortgage for the year ended December 31, 2010 amounted to $15,026 (2009 - $20,772) and is included in net interest income. This employee loan receivable was paid in full on December 22, 2010.

(Expressed in U.S. Dollars)

NOTE 5 - Equity Investment in Yorkstreet Holdings Limited

	2010	2009
Yorkstreet Holdings Limited (“YHL”)	$978,172	$967,141

The Company owns 127,750 (39.92%) ordinary shares of YHL, an affiliate, which is accounted for under the equity method. The Company’s Chair of the Board of Directors is the Chair of YHL’s Board of Directors and is involved in YHL’s operations. The Company also engages in certain transactions with YHL (see note 11). YHL provides management services through its wholly owned subsidiaries. The Company’s share of the net income of YHL for the year ended December 31, 2010 was $113,231 (2009 –$101,713). The Company received a dividend in 2010 of $102,200 (2009 – Nil) which was recorded as a reduction in the carrying value of the investment on the consolidated balance sheet.

YHL prepares its financial statements in accordance with Canadian GAAP. Effective on January 1, 2007, YHL adopted Section 3855 of the Canadian Institute of Chartered Accountants Handbook regarding recognition and measurement of financial instruments. This provision is similar to U.S. GAAP and requires reporting entities to categorize investments as trading, available-for-sale, and held-to-maturity with corresponding accounting for each category. YHL reported an unrealized loss related to the available-for-sale securities and the Company reported its proportional share of the loss in the amount of $Nil (2009 - $2,137) on the consolidated statement of changes in stockholders’ equity and comprehensive income.

Components of net change in investments recorded under the equity method:

	2010	2009
Net income	$ 113,231	$101,713
Dividends received	(102,200)	--
Items of other comprehensive loss	--	(2,137)
Net change	$ 11,031	$ 99,576

The following is summarized financial information of Yorkstreet Holdings Limited:

	2010	2009
Current assets	$2,892,050	$2,862,884
Total assets	3,163,958	3,108,884
Current liabilities	840,396	812,967
Total liabilities	840,396	812,967
Total equity	2,323,562	2,295,917
Total revenues	2,236,771	1,934,878
Net income	283,645	254,793

(Expressed in U.S. Dollars)

NOTE 6 - Property and Equipment

Property and equipment consists of the following:

	2010	2009
Building	$ 8,559,374	$ 8,559,374
Freehold land	2,008,192	2,008,192
Computer hardware and software	1,972,001	1,973,858
Fixtures and fittings	527,824	559,940
Leasehold improvements	477,056	495,257
Machinery and equipment	438,293	489,947
	13,982,740	14,086,568
Accumulated depreciation	4,616,992	4,639,344
Net carrying amount	$ 9,365,748	$ 9,447,224

Depreciation expense for the year ended December 31, 2010 amounted to $393,096 (2009 - $408,388). Included in computer hardware and software at December 31, 2010 are assets which have not been placed in service in the amount of $1,045,316 (2009 - $734,191). Accordingly, no depreciation expense was recorded related to these assets for the years ended December 31, 2010 and 2009.

NOTE 7 - Common Stock and Additional Paid-in Capital

The Board of Directors has authorized the Company in 2010 to purchase up to $500,000 (2009 - $500,000) of its own shares from existing stockholders at no fixed price per share and that the shares purchased be retired. Such repurchase is subject to appropriate market conditions and repurchases will only be made in the best interest of the Company. During the year the Company repurchased 34,000 (2009 – 35,050) shares on the open market at an average price of $3.19 (2009 - $3.66) per share, for cash. These shares were immediately retired upon purchase.

NOTE 8 - Stock-Based Compensation Plans

From time to time the Company may grant stock options to executive and management personnel at its discretion. A summary of the status of the plan as of December 31, 2010 and changes during the years then ended are presented below:

(Expressed in U.S. Dollars)

NOTE 8 - Stock-Based Compensation Plans, continued

Directors' and Executive Stock Option Plan

	2010			
	Number Of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contracted Terms (in years)	Aggregate Intrinsic Value
Outstanding – Beginning	1,375,000	$5.15	2.5 years	
Granted	--	0.00		--
Exercised	--	0.00		
Forfeited	(100,000)	$5.15		
Outstanding – Ending	1,275,000	$5.15	1.5 years	--
Exercisable	1,020,000	$5.15	1.5 years	--

On June 15, 2007, the Board of Directors granted and authorized the issuance of 1,375,000 stock options with an exercise price of $5.15 with an expiry date of June 14, 2012. The vesting period is 20% immediately and 20% annually on the anniversary date of the grants until fully vested. The fair value of shares vested during the years ended December 31, 2010 and 2009 amounted to $9,744. There were no options granted during 2009 or 2010. As of December 31, 2010 there was $9,036 of total unrecognized compensation costs related to stock options granted and it will be recognized over the remaining 1.5 years before expiry.

Stock Based Compensation expense of $9,745 was recognized during the year ended December 31, 2010 (2009 - $9,744).

NOTE 9 - Loans Receivable for Issuance of Common Stock

As of December 31, 2010, loans receivable for issuance of common stock relating to previous stock option exercises amounted to $171,050 (2009 - $172,250). These loans are to be repaid over a five-year period ending November 20, 2011. At December 31, 2010, common stock of the Company with a market value of $384,000 is held in two escrow accounts as collateral for the loans.

NOTE 10 - Assets Under Management

Cash, securities and properties held in the Company's role as custodian for customers are not included in the consolidated balance sheet as they are not the property of the Company. The Company is licensed by the Bermuda Monetary Authority under the Investment Business Act of 2003 and approved to hold client assets. The assets under management include LOM's investments, the LOM Sponsored Funds and the clients' investments which are included in the LOM Sponsored Funds. The fair value of assets under management as of December 31, 2010 is approximately $876 million (2009 - $796 million).

NOTE 11 - Related Party Transactions

During the year, the Company earned broking fee revenue from directors and employees of $31,059 (2009 - $44,608).

During the year, the Company had transactions with stockholders' who are also directors and employees of the Company. These transactions consisted of commission expenses of $684,938 (2009 - $594,950) and referral fee expenses of $103 (2009 - $1,558).

During 2010 the Company earned rent and service charge income of $243,800 (2009 - $216,967) from YHL. In addition, the Company earned $36,042 (2009 - $32,205) for information technology services, recorded in other income, of which $20,004 (2009 - $12,027) is still outstanding at year end.

During the year, the Company paid $53,231 (2009 - $50,051) for corporate services, recorded in professional fees, provided by Waterstreet Corporate Services, a subsidiary of YHL. However, $14,965 (2009 – $10,526) of this amount was paid for government annual fees.

The Company earned management fees during the year of $1,050,345 (2009 - $906,910) from the LOM Sponsored Funds, of which $187,635 (2009 - $70,093) was included in other receivables at year end.

The Company is the custodian for the LOM Sponsored Funds and receives a custodial fee, recorded in administrative and custody fees, of $77,029 (2009 - $82,470) for these services.

(Expressed in U.S. Dollars)

NOTE 12 – Off-Balance Sheet and Other Risks

In the normal course of trading, the Company is party to certain financial instruments with off-balance sheet risk, where the risk of potential loss due to changes in the market (“market risk”) or failure of the other party to the transaction to perform (credit risk) exceeds the related amounts recorded. The Company attempts to manage these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policies. (See also Note 15 for client related off-balance sheet risks).

Credit Risk
The Company is potentially subject to credit risk associated with its cash and cash equivalents and securities owned. The Company's credit risk is equal to the replacement cost at the then-estimated fair value of the instrument, less recoveries. As the Company places its cash and cash equivalents and securities with major international high credit quality financial institutions, management believes that the risk of incurring losses with these financial instruments is remote and that such losses, if any, would not be material.

Liquidity Risk
The Company is potentially subject to liquidity risk with some of its non-marketable or illiquid securities owned. As a result, the Company may be unable to realize the full fair value of these securities since it may not be able to liquidate its positions in a timely manner.

Market Risk
The Company is subject to market risk with its securities owned. As a result of changes in market conditions, the values of these financial instruments will fluctuate.

NOTE 13 - Future Lease Payments

The Company leases office space under operating leases for certain of its overseas operations. Future annual minimum lease payments (excluding real estate taxes and maintenance costs) are as follows:

For the Years Ending December 31,	Amount
2011	$ 61,000
2012	50,834
Total	$111,834

Operating lease rent expense (including real estate taxes and maintenance costs) were $63,792 (2009 – $176,600).

(Expressed in U.S. Dollars)

NOTE 14 - Income Taxes

The Company accounts for income taxes in accordance with ASC 740 "Income Taxes" ("ASC 740"). ASC 740 clarifies the accounting for uncertainty in income taxes recognized in financial statements and requires the impact of a tax position to be recognized in the financial statements if that position is more likely than not of being sustained by the taxing authority. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company makes no provision for income taxes since under current legislation in the jurisdictions in which it operates, no income taxes are imposed upon the Company. In addition, the Company is not subject to, and does not anticipate becoming subject to, income taxes in any jurisdiction in which it currently operates, other than in the United Kingdom. LOM (UK) Limited is subject to income taxes.

A reconciliation of the statutory income tax rates applied to the Company's net income from LOM (UK) Limited for the years ended December 31, 2010 and 2009 is as follows:

Provision for income taxes consist of the following:

	2010	2009
Income tax benefit for foreign operations at statutory rate in effect of 28% (2009 - 28%)	$(1,741)	$(9,851)
Depreciation adjustment	98	74
Permanent differences	--	--
Income tax benefit	(1,643)	(9,777)
Less: increase in valuation allowance	(1,643)	(9,777)
Income Tax Expense (Benefit)	$ --	$ --

LOM (UK) Limited, has a deferred tax asset of approximately $166,126 (2009 – $169,516), arising predominantly from availability of net operating losses to be deducted from future taxable income. The asset has not been recognized and a full valuation allowance is provided for as there is no certainty that sufficient profits will arise in future accounting periods.

NOTE 15 - Commitments, Contingencies and Off-Balance Sheet Risk

Client Activities

In the normal course of business, the Company's client activities include execution, settlement, and financing of various client securities and commodities transactions. These activities may expose the Company to off-balance sheet risk in the event the client is unable to fulfill its contractual obligations and the Company has to sell the financial instrument underlying the contract at a loss. The Company attempts to mitigate this risk by adhering to strict policies requiring client acceptance procedures prior to the execution of any transactions.

The Company's client securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to the client collateralized by cash and securities in the client's account. The Company seeks to control the risks associated with its client activities by requiring clients to maintain margin collateral in compliance with various regulatory, exchange, and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the clients to deposit additional collateral or reduce positions when necessary. Such transactions may expose the Company to significant off-balance sheet risk in the event the margin is not sufficient to fully cover losses which clients may incur. In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell the collateral at prevailing market prices in order to fulfill the client's obligations.

The Company records client transactions on a transaction date basis, which is generally the day of the trade. The Company is therefore exposed to risk of loss on these transactions in the event of the client's or broker's inability to meet the terms of their contracts in which case the Company may have to purchase or sell financial instruments at prevailing market prices.

Counterparty Risk

In the event counterparties to the transactions do not fulfill their obligations, the Company may be exposed to significant credit risk to the extent such obligations are unsecured. The Company's policy is to monitor its market exposure and counterparty risk through the use of a variety of credit exposure reporting and control procedures.

Employment Contract Commitments

The Company remains liable for health insurance premiums related to a termination agreement signed on July 1, 2005 for one its directors and officers. The firm is liable for 50% of the premiums due for this individual and their family through June 30, 2015. The Company recorded under commission and expenses total expenses of $10,936 in 2010 (2009 - $13,428) as a result of the agreement. The Company accrued the liability for the future health insurance premiums in the amount of $39,172 (2009 - $35,847) as of December 31, 2010.

NOTE 15 - Commitments, Contingencies and Off-Balance Sheet Risk, continued

Legal Proceedings

From time to time, the Company is involved in various legal proceedings, including arbitration proceedings, and/or regulatory inquiries that arise in the normal course of business. These matters generally relate to specific client accounts and/or transactions and may include requests for information on or from officers of the Company. In the opinion of management, the aggregate amount of any potential liability arising from such matters is not expected to have a material effect on the Company's financial position or results of operations. Management is unaware of any outstanding legal claims.

Regulatory Restrictions

The Company’s business operations are strictly regulated under the laws of Bermuda and Bahamas, and other jurisdictions that the Company operates and has business relationships. Compliance with many of the regulations applicable to the Company involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation. In the event of non-compliance with an applicable regulation, securities regulators may institute administrative or judicial proceedings that may result in censure, fines, civil penalties, issuance of cease-and-desist orders, deregistration or suspension of the non-compliant company. It could even lead to the suspension or disqualification of the Company officers or employees, or other adverse consequences. The imposition of such penalties or orders on the Company could in turn have a material adverse effect on the Company’s operating results and financial condition.

Futures Contracts

Futures contracts provide reduced counterparty risk to the Company since futures are exchange-traded; and the exchange’s clearinghouse, as the counterparty to all exchange-traded futures, guarantees the futures against default. For futures contracts where the Company takes a short position, a gain, limited to the original fair value of the contract, or a loss, unlimited in size, will be recognized upon the termination of the futures contract. Short futures contracts represent obligations of the Company to deliver specified securities or commodities at contracted prices and thereby create a liability to repurchase the securities or commodity in the market at prevailing prices. Accordingly, these transactions involve, to varying degrees, elements of market risk, as the Company’s ultimate obligation to satisfy the sale of securities sold short may exceed the amount recognized in the statement of financial condition.

(Expressed in U.S. Dollars)

NOTE 15 - Commitments, Contingencies and Off-Balance Sheet Risk, continued

Minimum Net Asset Requirements

Certain subsidiaries of the Company are required to maintain a minimum net asset or regulatory capital amount to satisfy the domiciliary regulator. Those minimum amounts are as follows:

LOM Securities (Bermuda) Limited	$250,000
LOM Asset Management Limited	$250,000
Lines Overseas Management Limited	$250,000
LOM Securities (Bahamas) Limited	$300,000

The above subsidiaries were in compliance with the net asset requirements as of December 31, 2010 and 2009. LOM Securities (Bermuda) Limited, LOM Asset Management Limited, and Lines Overseas Management Limited are referred to as the “Bermuda regulated companies.”

NOTE 16 - Regulatory Matters

Settlement of Securities and Exchange Commission Action

On October 15, 2010, the Company announced that the U.S. District Court in New York had approved a settlement, on consent, with the U.S. Securities and Exchange Commission (SEC) that resolved a civil enforcement action, commenced as an informal investigation in 2003, involving alleged improprieties with trades of Sedona Software Solutions Inc. and SHEP Technologies Inc. in 2002 and 2003.

As part of the settlement agreement, LOMH was dismissed entirely from the proceedings. Without admitting or denying any allegations in the SEC complaint, and without any adjudication of fact or law, five LOM Group subsidiaries and Scott Lines, the Company’s CEO, entered into settlements, with regard only to the charges of negligence, and agreed to be enjoined from future violations of certain United States securities laws and SEC rules. Charges of scienter fraud were dropped altogether as part of the settlement.

The settlement required the LOM Group subsidiaries to:

- Pay a civil monetary penalty of $450,000.
- Not open or maintain accounts for U.S. customers for two years (LOM ceased accepting new accounts for U.S. residents in 2001).
- Not trade in "penny stock" securities on the U.S. OTC-Bulletin Board or Pink Sheet markets for two years. (LOM’s dealing in the two U.S. markets was substantially curtailed to a negligible amount in 2005, following an internal policy change).
- Engage an independent consultant who will monitor that the Company is in compliance with the settlement.

NOTE 16 - Regulatory Matters, continued

Settlement of Securities and Exchange Commission Action, continued

Scott Lines was also required to disgorge certain funds as part of the settlement agreement, none of these funds were paid by the Company or any of the LOM Group Subsidiaries included in the action. LOM Group subsidiaries included in the settlement were Holdings, LOM Capital Limited, Lines Overseas Management Limited, LOM Securities (Bermuda) Limited, LOM Securities (Bahamas) Limited and LOM Securities (Cayman) Limited.

NOTE 17 - Segment Information

The Company operates its business in segments which have been segregated based on products and services reflecting the way that management organizes the segments within the business for making operating decisions and assessing performance.

Measurement of Segment Income and Segment Assets

The Company evaluates each segment's performance based on its contribution to consolidated net income (loss). The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Factors Management Used to Identify the Company's Reportable Segment

Management monitors performance based on individual companies. The description of these companies is included in Note 1 to the consolidated financial statements. Intersegment revenue and expenses are allocated based on contractual terms that may not necessarily be at arms length.

Intersegment revenue relates to recharges from Holdings to all wholly-owned subsidiaries for information technology charges, administrative expenses and rent. These are charged at Holdings estimated current market prices. Revenues from segments below the quantitative thresholds for disclosure prescribed by accounting principles generally accepted in the United States of America are attributable to three operating segments and are aggregated and included in the other operating segment. These operating segments include LOM Services Limited, LOM Capital Limited and LOM (UK) Limited.

NOTE 17 - Segment Information, continued

2010	Brokerage: LOM Securities (Bermuda) Limited	Brokerage: LOM Securities (Cayman) Limited	Brokerage: LOM Securities (Bahamas) Limited	LOM Asset Managemen t Limited (Bermuda)	Lines Overseas Management Limited (Bermuda)	LOM (Holdings) Limited (Bermuda)	LOM Properties Limited (Bermuda)	Other	Eliminations	Total
Revenues from external customers	$1,849,533	$203,186	$1,914,455	$1,584,655	$1,980,566	$ 176,826	$ 726,527	$ 405,557	$ --	$ 8,841,305
Intersegment revenue	--	--	--	120,983	1,425,069	250,000	396,679	628,269	(2,821,000)	--
Total Revenue	$1,849,533	$203,186	$1,914,455	$1,705,638	$3,405,635	$ 426,826	$1,123,206	$1,033,826	$(2,821,000)	$8,841,305
Depreciation	$ --	$ 2,774	$ 44,366	$ --	$ 26,452	$ --	$ 260,733	$ 58,771	$ --	$ 393,096
Operating expenses	2,297,997	296,786	1,593,025	1,434,713	3,625,267	637,231	823,338	993,836	(2,571,000)	9,131,193
Segment (loss) income	(448,464)	(93,600)	321,430	270,925	(219,632)	(210,405)	299,868	39,990	(250,000)	(289,888)
Identifiable assets	1,086,915	28,643	318,258	1,340,539	3,137,506	19,609,169	8,416,722	1,639,579	(16,378,323)	19,199,008
Long-lived assets net of depreciation	--	--	70,289	750,581	286,505	--	8,258,373	--	--	9,365,748
Capital expenditures	--	--	3,516	750,581	312,957	--	44,067	6,571	(795,102),	322,590

NOTE 17 - Segment Information, continued

2009	Brokerage: LOM Securities (Bermuda) Limited	Brokerage: LOM Securities (Cayman) Limited	Brokerage: LOM Securities (Bahamas) Limited	LOM Asset Management Limited (Bermuda)	Lines Overseas Management Limited (Bermuda)	LOM (Holdings) Limited (Bermuda)	LOM Properties Limited (Bermuda)	Other	Eliminations	Total
Revenues from external customers	$1,594,094	$647,534	$1,376,051	$1,765,002	$1,632,993	$ 217,022	$ 686,497	$ 95,296	$ --	$8,014,489
Intersegment revenue	--	--	--	158,789	1,421,710	100,000	396,679	878,474	(2,955,652)	--
Total revenue	$1,594,094	$647,534	$1,376,051	$1,923,791	$3,054,703	$ 317,022	$1,083,176	$973,770	$(2,955,652)	$8,014,089
Depreciation	$ --	$ 16,957	$ 44,149	$ --	$ --	$ --	$ 262,390	$ 84,892	$ --	$ 408,388
Operating expenses	1,644,570	1,113,780	1,347,140	1,612,683	3,401,161	243,843	843,300	1,103,439	(2,855,652)	8,454,264
Segment (loss) income	(50,476)	(466,246)	28,911	311,108	(346,458)	73,179	239,876	(129,669)	(100,000)	(439,775)
Identifiable assets	1,444,149	264,104	621,562	1,160,282	4,434,813	20,220,390	8,737,859	1,688,471	(17,350,802)	21,220,828
Identifiable long-lived assets- net of depreciation	--	13,745	111,139	--	734,191	--	8,475,037	113,112	--	9,447,224
Capital expenditures	--	3,019	--	--	103,437	--	4,205	35,471	--	146,132

NOTE 17 - Segment Information, continued

Geographic Split

2010	Bermuda	Cayman	Bahamas	Total
Revenues from external customers	$6,723,664	$203,186	$1,914,455	$8,841,305
Long lived assets - property, plant and equipment	9,295,459	--	70,289	9,365,748

2009	Bermuda	Cayman	Bahamas	Total
Revenues from external customers	$5,990,904	$647,534	$1,376,051	$8,014,489
Long lived assets - property, plant and equipment	9,322,340	13,745	111,139	9,447,224

Geographic split is disclosed by location of business.

NOTE 18 - Supplementary Information - Five Year Comparison Table

Income Statement Data – For the Year Ended December 31,

	2010	2009	2008	2007	2006
Net revenue-interest income	$ 707,755	$ 631,373	$ 1,239,978	$ 1,876,783	$ 1,588,119
Fees and other income	8,133,550	7,383,116	7,546,866	14,648,136	11,223,322
Operating expenses	(9,131,193)	(8,454,264)	(9,552,358)	(14,046,601)	(11,158,852)
Net Loss	$ (289,888)	$ (439,775)	$ (765,514)	$ 2,478,318	$ 1,652,589

NOTE 18 - Supplementary Information - Five Year Comparison Table, continued

Balance Sheet Data – As of December 31,

	2010	2009	2008	2007	2006
Cash, cash equivalents and restricted cash	$ 3,795,209	$ 4,276,008	$ 3,409,556	$ 8,410,832	$ 9,827,719
Securities owned	4,353,685	4,953,207	4,979,635	4,889,451	2,758,929
Property and equipment, net	9,365,748	9,447,224	9,709,480	9,345,224	9,257,592
Total assets	19,199,008	21,220,828	21,833,802	25,831,639	23,416,502
Stockholders' equity	18,430,795	18,880,413	19,498,393	21,879,946	20,240,103
Directors and Executives Shareholdings (in numbers of shares owned)	3,586,996	3,465,496	3,515,096	3,554,596	3,635,396

Financial Ratios – As of December 31,

	2010	2009	2008	2007	2006
Liabilities-equity ratio	4.2%	12.4%	12.0%	18.1%	15.7%
Return on equity	(1.6)	(2.3)	(3.9)	11.3	8.2
Return on assets	(1.5)	(2.1)	(3.5)	9.6	7.1

NOTE 19 – Subsequent Events

Management has evaluated subsequent events from the balance sheet date through April 27, 2011 other than those events noted below the company is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.