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FRMO CORP
Form 10-Q
February 17, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: November 30, 2004

TRANSITION REPORT PURSUANT TO SECTION 13(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 0-29346

FRMO CORP.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation
or organization)

13-3754422
(I.R.S. Employer Identification No.)

320 MANVILLE ROAD, PLEASANTVILLE, NY
(Address of principal executive offices)

10570
(Zip Code)

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE): (914) 632-6730

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /x/ No / /

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by checkmark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes () No ()

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, at December 7, 2004: 36,088,361

FRMO CORP.

QUARTERLY REPORT ON FORM 10-Q

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FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2004

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FRMO CORP. BALANCE SHEETS

	NOVEMBER 30, 2004	FEBRUARY 29, 2004
----- (UNAUDITED)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 560,127	\$ 406,110
Accounts receivable	87,799	41,637
Investments	240,936	36,900

Total current assets	888,862	484,647

Other assets:		
Investment in unconsolidated subsidiary*	1,098,532	613,925
Intangible assets, net of accumulated Amortization	53,760	56,458

Total other assets	1,152,292	670,383

Total assets	\$ 2,041,154	\$ 1,155,030

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LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable, accrued expenses and other current liabilities	\$	24,915	\$ 20,188
Income taxes payable		87,884	22,452
Deferred income		17,969	12,031

Total current liabilities		130,768	54,671
Deferred income taxes payable		439,000	245,000

Total Liabilities		569,768	299,671

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 - 36,088,361 and 36,083,774 shares, respectively			
		36,088	36,084
Capital in excess of par value		3,346,571	3,334,135
Unrealized gain on other current assets		10,731	--
Unrealized gain (loss) on marketable securities		(14,602)	1,036
Retained earnings		942,502	477,729

		4,321,290	3,848,984
Less: Receivables from shareholders for common stock issuance		2,849,904	2,993,625

Total stockholders' equity		1,471,386	855,359

Total liabilities and stockholders' equity	\$	2,041,154	\$ 1,155,030
=====			

* Investment in unconsolidated subsidiary at November 30, 2004 and February 29, 2004 has been increased by \$1,098,532 and \$613,925 for the retroactive application of EITF 03-16, which requires the equity method of accounting for the Company's investment in Kinetics Advisers, LLC.

See notes to interim financial statements.

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FRMO CORP.
STATEMENTS OF INCOME
(UNAUDITED)

THREE MONTHS ENDED NOVEMBER 30,		NINE MONTHS ENDED NOVEMBER 30,	
-----		-----	
2004	2003 (a)	2004	2003 (a)

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Revenues				
Sub-advisory fees	\$ --	\$ --	\$ 930	\$ --
Consulting	23,195	27,907	98,648	63,586
Research fees	25,621	9,496	75,549	20,833
Subscription fees	1,909	3,111	5,728	5,778
Income from investments in unconsolidated subsidiaries	368,238	69,909	613,420	334,200
Total Income	418,963	110,423	794,275	424,397
Costs and expenses				
Amortization	2,275	1,931	6,138	5,794
Contributed services	3,000	3,000	9,000	9,000
Accounting	2,500	2,250	12,805	6,750
Shareholder reporting	7,578	5,000	21,673	20,363
Office expenses	457	234	782	480
Other	23	371	41	606
Total costs and expenses	15,833	12,786	50,439	42,993
Income from operations	403,130	97,637	743,836	381,404
Dividend income	1,815	273	13,937	747
Income from operations before provision for income taxes	404,945	97,910	757,773	382,151
Provision for income taxes	159,859	36,964	292,943	146,680
Net income	\$ 245,086	\$ 60,946	\$ 464,830	\$ 235,471
Basic earnings per common share	\$ 0.03	\$ 0.01	\$ 0.07	\$ 0.06
Diluted earnings per common share	\$ 0.03	\$ 0.01	\$ 0.07	\$ 0.06
Average shares of common stock outstanding:				
Basic	7,589,321	4,485,902	6,576,087	4,093,650
Diluted	7,678,703	4,552,056	6,658,051	4,150,665

(a) Prior period amounts have been restated to reflect the Company's equity income from its investment in Kinetics Advisers, LLC.

See notes to interim financial statements.

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FRMO CORP.
Statements of Cash Flows
(Unaudited)

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	NINE MONTHS ENDED NOVEMBER 30,	
	2004 (a)	2003 (a)

CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 464,830	\$ 235,471
Adjustments to reconcile net income to net cash provided by operating activities		
Income from investment in unconsolidated subsidiary	(613,420)	(334,200)
Deferred income taxes	194,000	134,000
Amortization of research agreements	6,138	5,794
Non-cash compensation	9,000	9,000
Changes in operating assets and liabilities:		
Accounts receivable	(46,162)	7,687
Accounts payable and accrued expenses	70,102	(11,350)
Deferred income	5,938	(5,453)

Net cash provided by operating activities	90,426	40,949

Cash flows from investing activities		
Distributions from investment in unconsolidated subsidiary	128,813	--
Investment in limited partnership	(200,000)	--
Purchase of marketable equity securities	(8,943)	--

Net cash used in investing activities	(80,130)	--

Cash flows from financing activities		
Payment for release of stock held in escrow	143,721	178,520

Net cash provided by financing activities	143,721	178,520

Net increase in cash and cash equivalents	154,017	219,469
Cash and cash equivalents, beginning of period	406,110	135,003

Cash and cash equivalents, end of period	\$ 560,127	\$ 354,472
	=====	
ADDITIONAL CASH FLOW INFORMATION		
Interest paid	\$ --	\$ --
	=====	
Income taxes paid	\$ 31,050	\$ 3,590
	=====	

In June 2004, the Company issued common stock, valued at \$3,440, to acquire an interest in future advisory fee revenues.

(a) Prior period amounts have been restated to reflect the Company's equity income from its investment in Kinetics Advisers, LLC.

See notes to interim financial statements.

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The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information in response to the requirements of Article 10 of Regulation S-X. Accordingly they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting only of normal recurring items) necessary to present fairly the financial position as of November 30, 2004; results of operations for the three months and nine months ended November 30, 2004 and 2003; and cash flows for the nine months ended November 30, 2004 and 2003. For further information, refer to the Company's financial statements and notes thereto included in the Company's Form 10-K for the year ended February 29, 2004.

As indicated in Note 2, below, prior period financial statements have been restated to reflect the Company's change in accounting to the equity method for its investment in Kinetics Advisers, LLC. The balance sheet at February 29, 2004 was derived from the audited financial statements as of that date as restated. Results of operations for interim periods are not necessarily indicative of annual results of operations.

2. INVESTMENTS

In February 2002, FRMO acquired an interest in Kinetics Advisors, LLC, now 8.4%. Pursuant to a new accounting rule (EITF 03-16), and as noted on page 10 of the Company's 10-Q Report for the Quarterly Period Ended August 31, 2004, effective September 1, 2004 the Company has changed its accounting policy regarding its investment in Kinetics Advisors, LLC to the equity method. As a result, all prior periods have been restated as if this accounting rule had been in effect since the interest was acquired. Kinetics Advisors, LLC has a December 31 fiscal year, so that the nine months ended November 30, 2004 for the Company includes the Company's share of the income of Kinetics Advisors, LLC for the nine months ended September 30, 2004. The effect of the change for the three and nine month periods ended November 30, 2004, was to increase net income by \$202,312 (\$0.03 per diluted share) and \$290,664 (\$0.04 per diluted share), respectively. The financial statements for the three and nine months ended November 30, 2003 have been restated for the change that resulted in an increase in net income by \$39,899 (\$0.01 per diluted share) and \$200,282 (\$0.05 per diluted share), respectively. Retained earnings as of the beginning of fiscal year 2005 have been increased by \$369,000 for the effect of retroactive application of the equity method. At November 30, 2004 and 2003, the Company's share of the underlying net assets of Kinetics Advisors, LLC exceeded the investment by \$1,098,532 and \$613,925, respectively.

Following is a summary of the unaudited financial position and results of operations of Kinetics Advisers, LLC:

	SEPTEMBER 30,	
	2004	2003
Investments	\$16,347,526	\$5,016,733
Other assets	614,843	1,376
Liabilities	(3,925,536)	(276,547)
Members' equity	\$13,036,833	\$4,741,562

	THREE MONTHS ENDED	
	SEPTEMBER 30,	
	2004	2003

Net income	\$4,001,379	\$829,640

	NINE MONTHS ENDED	
	SEPTEMBER 30,	
	2004	2003

	\$5,751,085	\$3,966,119

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In August 2004, FRMO made a \$200,000 limited partner investment (100%) in a hedge fund known as Jordan Partners, LP. This is a value oriented fund that presently focuses on income-oriented securities and strategies, with an objective of providing double-digit returns in a relatively steady-state fashion. These are publicly traded securities, and the investment capital may be withdrawn on a quarterly basis. Horizon Asset Management, Inc. is a member of both the General Partner and the Manager of Jordan Partners, LP.

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3. INTANGIBLE ASSETS

RESEARCH AGREEMENTS

In March 2001, the Company acquired the research service fees that Horizon Research Group receives from The Kinetics Paradigm Fund in exchange for 80,003 shares of common stock. The value of the shares issued in this transaction was \$51,003. The Company is amortizing the cost of The Kinetics Paradigm Fund research agreement over ten years using the straight-line method.

SUBSCRIPTION REVENUES

In October 2001, the Company acquired a 2% interest in the subscription revenues from subscribers to The Capital Structure Arbitrage Report that Horizon Research Group and another third party receive. Consideration for this interest consisted of the issuance of 50 shares of Series R preferred stock. The value of the shares issued in both of these transactions aggregated \$26,250. The Company is amortizing the purchase of these subscription agreements over ten years using the straight-line method. At the time of these transactions, a 2% interest in the subscription revenues amounted to \$3,018 per annum.

SUB-ADVISORY REVENUES

In June 2004, acquired a one-third interest in the advisory fee revenue that Horizon Asset Management, Inc. receives from the Lehman Brothers Manager Access Program, in exchange for 4,587 shares of FRMO Corp. common stock. The value of the shares issued in this transaction was \$3,440. The Company is amortizing the cost of the Sub-Advisory Revenue interest over five years using the straight-line method.

Intangible assets consist of the following:

	NOVEMBER 30, 2004	FEBRUARY 29, 2004
Research agreements	\$ 51,003	\$ 51,003
Subscription revenue	26,250	26,250
Sub-advisory revenue	3,440	-
	80,693	77,253
Less accumulated amortization	26,933	20,795
Intangible assets, net	\$ 53,760	\$ 56,458

For the nine months ended November 30, 2004 and 2003, amortization of intangible assets was \$6,138 and \$5,794, respectively.

4. NET INCOME PER COMMON SHARE AND PER COMMON SHARE EQUIVALENT

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Basic earnings per common share for the nine and three months ended November 30, 2004 and 2003 are calculated by dividing net income by weighted average common shares outstanding during the period. Diluted earnings per common share for the nine and three months ended November 30, 2004 and 2003, are calculated by dividing net income by weighted average common shares outstanding during the period plus dilutive potential common shares, which are determined as follows:

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	THREE MONTHS ENDED NOVEMBER 30,		NINE MONTHS ENDED NOVEMBER 30,	
	2004	2003	2004	2003
Weighted average common shares	7,589,321	4,485,902	6,576,087	4,093,6
Effect of dilutive securities:				
Conversion of preferred stock	50,000	50,000	50,000	50,0
Exercise of stock options	39,382	16,154	31,964	7,0
Dilutive potential common shares	7,678,703	4,552,056	6,658,051	4,150,6

5. COMPENSATION FOR CONTRIBUTED SERVICES

Two officers/shareholders performed services for the Company during the nine months ended November 30, 2004 and 2003 for which no compensation was paid. The Company recorded a charge to operations for these contributed services of \$9,000 and a corresponding credit to paid-in-capital for each period.

6. INCOME TAXES

The provision for income taxes consists of the following:

	THREE MONTHS ENDED NOVEMBER 30,		NINE MONTHS ENDED NOVEMBER 30,	
	2004	2003	2004	2003
Current:				
Federal	\$ 20,000	\$ 7,000	\$ 84,000	\$ 10,000
State	5,859	1,964	14,943	2,680
Total current	25,859	8,964	98,943	12,680
Deferred:				
Federal	114,000	24,000	165,000	114,000
State	20,000	4,000	29,000	20,000
Total deferred	134,000	28,000	194,000	134,000
Total	\$ 159,859	\$ 36,964	\$ 292,943	\$ 146,680

Deferred taxes have been provided on the undistributed income of an

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unconsolidated subsidiary at 40% as if such income had been received in the current period.

7. COMPREHENSIVE INCOME

Other comprehensive income refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. Comprehensive income approximated net income for all periods presented.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

All statements contained herein that are not historical facts, including but not limited to, statements regarding future operations, financial condition and liquidity, capital requirements and the Company's future business plans are based on current expectations. These statements are forward looking in nature and involve a number of risks and uncertainties. Actual results may differ materially. Among the factors that could cause actual results to differ materially are changes in the financial markets, which affect investment managers, investors, mutual funds and the Company's consulting clients, and other risk factors described herein and in the Company's reports filed and to be filed from time to time with the Commission. The discussion and analysis below is based on the Company's unaudited Financial Statements for the three and nine months ended November 30, 2004 and 2003. The following should be read in conjunction with the Management's Discussion and Analysis of results of operations and financial condition included in Form 10-K for the year ended February 29, 2004.

OVERVIEW

By reason of the spin-off transaction described in Form 10-K for the year ended February 28, 2002, the Company had a new start in terms of its continuing business and its financial statements. After the spin-off, its balance sheet consisted of \$10,000 in assets, no liabilities and 1,800,000 shares of common stock. On January 23, 2001 the Company issued an additional 34,200,000 shares of common stock for \$3,258,000 to be paid as set forth in Item 1 of Form 10-K for the year ended February 28, 2001.

Since its new start on January 23, 2001, FRMO completed the following transactions through November 30, 2004:

- i. The Company invested \$5,000 in FRM NY Capital, LLC, a limited liability venture capital company whereby the substantial investment of financial capital will be made by unrelated parties but where FRMO will have a carried interest based on leveraging the creative services of its personnel (its intellectual capital). This interest was inactive and the investment was sold at cost during the fiscal 2004 year.
- ii. A consulting agreement was signed effective January 1, 2001, whereby FRMO is currently receiving approximately \$27,000 a year from the manager of Santa Monica Partners, LP, a director and shareholder of FRM, 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 218,000 shares of common stock of FRMO.

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- iii. In March 2001 FRMO acquired the research service fees that Horizon Research Group had received from The Kinetics Paradigm Fund in exchange for 80,003 shares of FRMO common stock. Management believes that the growth of that Fund in the current fiscal year and future years will increase the current level of research fees for which the stock consideration was paid. The Paradigm Fund outperformed the S&P 500 Index by approximately 13 percentage points in its first fiscal year of operation, Calendar 2000, and returned 21% during Calendar 2004. From inception through Calendar 2004, it outperformed the S&P 500 Index by 78 percentage points, or in the parlance of investment professionals, by 7,800 basis points. In August 2003, The New Paradigm Fund was assigned a five-star rating by Morningstar, Inc., the fund rating service. This is Morningstar's highest rating and is often the basis on which mutual fund investors seek to select funds.
- iv. In October 2001, FRMO acquired a 2% interest in the subscription revenues from The Capital Structure Arbitrage Report that Horizon Research Group and another third party receive, in exchange for 50 shares of Series R preferred stock. While the subscriptions were minimal at the time, they have advanced and management believes that they will continue to expand in future years.
- v. In February 2002, FRMO acquired an interest in Kinetics Advisors, LLC, now 8.4%, and the Finder's Fee Share Interest from the Stahl Bregman Group, in exchange for 315 shares of FRMO common stock. Kinetics Advisors, LLC controls and provides investment advice to Kinetics Partners, LP, a hedge fund and to Kinetics Fund, Inc., an offshore version of Kinetics Partners. While these funds were quite small at the time of acquisition, they have expanded significantly and management believes that they will continue to grow in future years. During its

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first year of operation in 2000, and in 2001, Kinetics Partners returned 23.7 and 21.6 percentage points more than the S&P 500 Index, net of management and incentive fees. In 2002, it outperformed the S&P 500 Index by 33 percentage points. In Calendar 2003 and 2004, it outperformed the S&P 500 Index by a further 23 percentage points and, according to preliminary figures, 6 percentage points, respectively. On a cumulative basis, over the 4-year 4-month period from inception through year-end 2004, the Kinetics Partners Fund has returned 124%, whereas the S&P 500 Index has lost (15%).

- vi. On June 1, 2004, FRMO acquired a one-third interest in the advisory fee revenue that Horizon Asset Management, Inc. receives from the Lehman Brothers Manager Access Program, in exchange for 4,587 shares of FRMO Corp. common stock. Under this program, Horizon Asset Management provides investment advisory services to certain Lehman Brothers clients, the fees being calculated on the basis of assets under management. While assets under management were quite modest at the time of acquisition, they have expanded significantly and exceeded \$100 million as of December 31, 2004. Management believes that they will continue to expand in future years. The five-year investment returns of the strategy utilized by this program, through December 2004, amount to about 14% per year versus the approximately 2% annualized loss for the S&P 500 Index over the same period.

RESULTS OF OPERATIONS

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2004 PERIOD COMPARED TO THE 2003 PERIOD

The Company's revenues from operations for the three months ended November 30, 2004 ("2004") were \$418,963, an increase of \$308,540, as compared to \$110,423 for the three months ended November 30, 2003 ("2003"). The increase in the three-month period was due principally to an increase in revenue from investments in unconsolidated subsidiaries (Kinetics Advisors, LLC); see Note 2, "Investments", above. The Company's revenues from operations for the nine months ended November 30, 2004 ("2004") were \$794,275, as compared to \$424,397 for the nine months ended November 30, 2003 ("2003"). The increase in the nine-month period was principally attributable to the increase in income from investments in unconsolidated subsidiaries (Kinetics Advisors, LLC).

Costs and expenses from operations were \$15,833 during the three months ended in November 2004, an increase of \$3,047 (or 24%) from the comparable 2003 period. During the nine-month period ended in 2004, costs and expenses increased by \$7,446 (17%) to \$50,439. The result for the three-month period was primarily due to an increase in accounting expenses. The increase for the nine months ended in 2004 was primarily due to increases in accounting expenses and shareholder reporting expenses.

For the reasons noted above as well as an adjustment for income tax expense, the Company's net income for the three months ended November 30, 2004 increased by \$184,140 to \$245,086, as compared to net income of \$60,946 in 2003. For the same reasons, net income for the nine months ended November 30, 2004 was \$464,830, as compared to net income of \$235,471 for the same period in 2003.

Some discussion is required with respect to an asset which, by reason of a change in the method of accounting, as discussed in Note 2 above, has had a large impact on the FRMO financial statements. This is the minority interest in Kinetics Advisors, LLC, acquired by the Company in February 2002, which controls and provides investment advice to several mutual and hedge funds. Kinetics Advisors has elected to reinvest in two of the funds the major portion of the fees to which it is entitled from them. As a consequence, FRMO does not receive its proportional interest in those fees until such time that Kinetics Advisors itself elects to or is required to receive them. Under generally accepted accounting principles, as they applied in fiscal 2003 and 2004, FRMO recorded this investment on a cost basis, which was \$0. As of November 30, 2004, the Company has applied the equity method for this report and restated prior periods to reflect the equity method. This is in accordance with the new accounting rule EITF 03-16, "Accounting for Investments in Limited Liability Companies."

Another asset whose impact on the Company's earnings was negligible during the three and nine months ended November 2004, yet which will have a more significant impact in future periods, is the sub-advisory fee revenue interest in the Lehman Brothers program. Based upon the amount of assets in this program as of January 2005, the level of annual revenues that would be due to the Company exceeds \$150,000, although this is received and recognized quarterly and with a lag since fees are paid in arrears.

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LIQUIDITY AND CAPITAL RESOURCES

The Company's operating activities during the nine months ended November 30, 2004 resulted in an increase in cash of \$154,017. This increase was due to \$90,426 of net cash provided by operations plus the \$143,721 provided by financing activities, less the \$80,130 used in investing activities. Net cash used in investing activities for the nine months ended November 30, 2004 was \$80,130, representing the Company's investment in a limited partnership interest

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in a hedge fund known as Jordan Partners, LP and in marketable equity securities, less distributions received from Kinetics Advisors, LLC. Cash provided by financing activities was \$143,721, representing payments from shareholders for common shares held in escrow. The Company expects its business to develop without the outlay of cash, since growth is expected to be a function of its intellectual property as presently represented by consulting, research, subscription and sub-advisory fees as well as its asset-based general partner interest.

EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

The Company previously accounted for its 8.4% investment in Kinetics Advisers, LLC using the cost method of accounting at February 29, 2004. In March 2004, the FASB ratified Emerging Issues Task Force Issue No. 03-16, "Accounting for Investments In Limited Liability Companies". Under EITF 03-16, investments in limited liability companies that have separate ownership accounts for each investor greater than 3 to 5 percent should be accounted for under the equity method. Effective September 1, 2004, the Company has changed its method of accounting for this investment so that it now records its pro rata share of Kinetics Advisers income (loss) each period. In addition, certain amounts in prior period financial statements have been adjusted for the retroactive application of the equity method since the inception of the Company's investment in Kinetics Advisers.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

On January 23, 2001 the Company issued 34,200,000 shares of \$.001 par value stock for \$3,258,000. Only \$39,375 was paid for at the time, and the balance remaining as of November 30, 2004 of \$2,849,904 will be paid to the Company as set forth in Item 1 of Form 10-K for the year ended February 28, 2001. The Company's market risk arises principally from the obligations of the shareholders to pay for the shares of common stock of the Company based on dividends from outside sources and the income generated from the management of the mutual and hedge funds. The carrying value of the investment in Kinetics Advisers is affected by the markets in which the hedge funds it manages invests.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures within 90 days of the filing date of this quarterly report, and, based on their evaluation, our principal executive officer and principal financial officer have concluded that these controls and procedures are effective. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) EXHIBITS

- 31.1 - Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 - Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 - Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b) REPORTS ON FORM 8-K None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FRMO CORP.

By: /s/ STEVEN BREGMAN

Steven Bregman
President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: February 17, 2005