FRMO CORP
Form 10-Q
January 16, 2001

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

/x/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: November 30, 2000

/ / 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	13-3754422
(State or other jurisdiction of incorporation or organization)	(I.R.S.Employer Identification No.)
271 NORTH AVENUE, NEW ROCHELLE, NY	10801
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (914) 636-3432

FRM NEXUS, INC.
(Former name, former address and former fiscal year, if changed since last report)

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 January 12, 2001: 1,800,000.

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FRMO CORP.

(FORMERLY FRM NEXUS, INC.)

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2000

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FRMO Corp. and Subsidiaries
(Formerly FRM Nexus, Inc.)

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PART I

ITEM 1. FINANCIAL STATEMENTS

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FRMO Corp.and Subsidiaries
(Formerly FRM Nexus, Inc.)
Consolidated Balance Sheets

	NOVEMBER 30, 2000 (UNAUDITED)	FEBRUARY 2000
ASSETS		
Current assets:		
Cash & cash equivalents	$ 585,233	$ 591,40
Mortgage and notes receivable - current	28,448	26,59
Finance receivables, net	4,345,860	2,479,99
Other current assets	97,379	103,99
Total current assets	5,056,920	3,201,99
Property and equipment:		
Property and equipment, at cost	537,428	348,57
Less accumulated depreciation and amortization	180,872	115,79
	356,556	232,78
Other assets:		
Real estate held for development and sale	498,548	510,88
Mortgage and notes receivable	3,131,110	3,152,68
Accrued interest receivable - related party mortgage	321,150	321,15
Loans receivable	136,609	98,38
Other	61,544	95,99
Net assets of discontinued operations	--	1,174,89
Total other assets	4,148,961	5,353,97
Total assets	$9,562,437	$8,788,75

See notes to interim consolidated financial statements.

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FRMO Corp. and Subsidiaries
(Formerly FRM Nexus, Inc.)
Consolidated Balance Sheets (continued)

	NOVEMBER 30, 2000 (UNAUDITED)
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and accrued expenses	$ 308,022
Current portion of notes payable	58,254
Due to finance customers	2,104,345
Income taxes payable	11,360
Other current liabilities	34,258

Total current liabilities	2,516,239
Other liabilities:	
Notes payable, including $306,500 payable to related party at November 30, 2000	378,299
Deferred income	2,407,311
Total other liabilities	2,785,610
Minority interest in subsidiary	100,612
Commitments and contingencies	
Stockholders' equity:	
Common stock - $.10 par value; Authorized - 2,000,000 shares; Issued and outstanding - 1,800,000 shares at November 30, 2000 and 1,816,462 shares at February 29, 2000	180,000
Capital in excess of par value	5,800,220
Accumulated deficit	(1,820,244)
Total stockholders' equity	4,159,976
Total liabilities and stockholders' equity	$ 9,562,437

See notes to interim consolidated financial statements.

FRMO Corp. and Subsidiaries
(Formerly FRM Nexus, Inc.)
Consolidated Statements of Operations
(unaudited)

	THREE MONTHS ENDED NOVEMBER 30, 2000	1999
REVENUES		
Sale of real estate	$ --	$ 85,0
Rental income	23,409	33,1
Interest from mortgages	22,832	58,0
Income from the purchase and collections of medical receivables	301,735	197,9
Medical management service fees	239,879	
Total income	587,855	374,1
COSTS AND EXPENSES		
Real estate	77,505	153,8
Medical receivables	323,485	357,5

Medical management services	228,078	
Corporate expenses	127,382	146,7
Depreciation and amortization	22,176	15,7
Total costs and expenses	778,626	673,9
Loss from operations	(190,771)	(299,7
Other income (expense):		
Interest income	8,173	4,9
Interest expense	(5,558)	(6,1
Minority interest in net income of subsidiary	(612)	
	2,003	(1,2
Loss from continuing operations before provision for income taxes	(188,768)	(301,0
Provision for income taxes	4,928	4,9
Loss from continuing operations	(193,696)	(305,9
Income from discontinued operations, net of taxes (including gain on sale of subsidiary of $-0- for the three months ended November 30, 2000 and 1999, $381,182 and $96,303 for the nine months ended November 30, 2000 and 1999, respectively)	--	60,9
Net Loss	$ (193,696)	$ (245,0
Basic and diluted loss per common share:		
Loss from continuing operations	$ (0.11)	$ (0.
Income from discontinued operations	--	0.
Basic and diluted loss per common share	$ (0.11)	$ (0.
Number of shares used in computation of basic and diluted earnings per share	1,800,000	1,816,4

See notes to interim consolidated financial statements.

FRMO Corp. and Subsidiaries
(Formerly FRM Nexus, Inc.)

Consolidated Statement of Stockholders' Equity

February 29, 2000 through November 30, 2000
(unaudited)

	COMMON STOCK	ADDITIONAL	T

	SHARES	AMOUNT	PAID-IN CAPITAL	(ACCUMULATED DEFICIT)	STOC E
BALANCE, FEBRUARY 29, 2000	1,816,462	$ 181,646	$ 5,826,909	$(1,312,643)	$ 4
PURCHASE AND RETIREMENT OF TREASURY STOCK	(16,462)	(1,646)	(26,689)	--	
NET LOSS	--	--	--	(507,601)	
COMPREHENSIVE LOSS					
BALANCE, NOVEMBER 30, 2000	1,800,000	$ 180,000	$ 5,800,220	$(1,820,244)	$ 4

See notes to interim consolidated financial statements.

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FRMO Corp. and Subsidiaries
(Formerly FRM Nexus, Inc.)
Consolidated Statements of Cash Flows
(Unaudited)

	NINE M NOV 2000
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (507,601)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	65,076
Gain on sale of real estate held for development and sale	(15,727)
Gain on sale of subsidiaries	(381,182)
Provision for bad debts	207,590
Minority interest in net income of subsidiary	612
Changes in operating assets and liabilities:	
Collections from the sale of real estate held for development and sale, net of payment to participant	69,000
Additions to real estate held for development and sale	(40,941)
Prepaid expenses, miscellaneous receivables and other assets	41,062
Net assets of discontinued operations	(18,926)
Accounts payable, accrued expenses and taxes	100,332
Other current liabilities	14,258
Net cash used in operating activities	(466,447)
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures & intangible assets	(71,161)
Finance receivables	(2,073,451)
Due to finance customers	701,799
Principal payments on notes receivable	19,722
Loan receivable	(79,685)
Principal payments on loan receivable	41,456

Proceeds from sale of subsidiaries	1,575,000
Net cash provided by investing activities	113,680
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds of notes payable	726,500
Principal payments on notes payable	(451,573)
Sale of equity by affiliate	100,000
Purchase and retirement of treasury stock	(28,335)
Net cash provided by (used in) financing activities	346,592
Net (decrease) increase in cash and cash equivalents	$ (6,175)
Cash and cash equivalents, beginning of period	591,408
Cash and cash equivalents, end of period	$ 585,233
ADDITIONAL CASH FLOW INFORMATION	
Interest paid	$ 22,192
Income taxes paid	$ 17,916
NONCASH INVESTING AND FINANCING ACTIVITIES	
Assets acquired under capital leases	$ 117,689

See notes to interim consolidated financial statements

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FRMO CORP. AND SUBSIDIARIES
(FORMERLY FRM NEXUS, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated 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 consolidated financial statements contain all adjustments (consisting only of normal recurring items) necessary to present fairly the financial position as of November 30, 2000; results of operations for the nine months and three months ended November 30, 2000 and 1999; cash flows for the nine months ended November 30, 2000 and 1999; and changes in stockholders' equity for the nine months ended November 30, 2000. 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, 2000. The consolidated balance sheet at February 29, 2000 was derived from the audited financial statements as of that date. Results of operations for interim periods are not necessarily indicative of annual results of operations.

Certain prior year amounts were reclassified to conform with the current year

presentation.

2. ORGANIZATION OF THE COMPANY

On August 9, 2000, one of the Companies subsidiaries, PSI Food Services, Inc. amended its certificate of incorporation, changing its name to MFC Development Corp. ("MFC"). On August 31, 2000, the Company transferred to MFC all of its assets (except for $10,000), including ownership of all of its wholly owned subsidiaries and all of its liabilities. On August 31, 2000, FRMO filed Form 8-K with the Securities and Exchange Commission, which disclosed that FRMO contemplates on or about November 30, 2000, or such later date as the registration of the common stock of MFC Development Corp. shall have become effective, distributing to its shareholders on the record date one share of MFC common stock for each one share of FRMO's outstanding common stock at the close of business on November 1, 2000 (the record date). There are presently 1,800,000 shares of common stock of FRMO outstanding. On October 19, 2000 FRMO filed Form 8-K with the Securities and Exchange Commission, which disclosed the board of directors' approval of the distribution. MFC filed a Form 10 on October 2, 2000 to register its common stock. Amendment Nos. 1 and 2 to Form 10 were filed on November 20, 2000 and December 6, 2000. The Company is currently waiting for any further comment from the Securities and Exchange Commission.

In addition to the two operating divisions of the Company, real estate and medical, a new division, Capco was formed during the quarter ended November 30, 2000. Operation of the Capco division commenced on September 14, 2000, when the Articles of

2. ORGANIZATION OF THE COMPANY (CONTINUED)

Organization in New York State for FRM N.Y. Capital LLC, an 80% majority owned subsidiary of PSI Capital Corp., a wholly owned subsidiary of the Company, were filed. This LLC was formed for the purpose of being approved as a "certified capital company" pursuant to Sections 11 and 1511 of the New York State Tax Law (herein a "Capco") under the Capco Program Three. A "certified capital company" as used in this context is a "for profit" entity, such as a limited liability company, located and qualified to conduct business in New York State which is certified by the New York State Insurance Department ("Department") based on standards set forth in the New York Tax Law (the "Statute"). The Capco was approved on November 28, 2000 and certified to participate in New York's Capco Program Three. The Statute creates a tax credit incentive mechanism to increase investment of financial resources of insurance companies into providing venture capital to businesses approved by the Department as qualified to provide jobs and promote the growth of the economy in New York State ("Qualified Businesses").

On November 29, 2000, the Company amended its certificate of incorporation and changed its name from FRM Nexus, Inc. to FRMO Corp.

3. FINANCE RECEIVABLES, NET

Net finance receivables consist of the following:

	NOVEMBER 30, 2000	FEBRUARY 29, 2000
Gross finance receivables	$5,213,989	$2,958,825
Allowance for credit losses	(420,078)	(212,488)
Deferred finance income	(448,051)	(266,338)
	$4,345,860	$2,479,999

These receivables are collateral for a line of credit (see note 5).

The Company purchases the receivables and has the right to return the "invalid receivables". By contractual definition these are receivables that have not been recovered from insurance companies because of denials, requests for additional information not readily available, or a matter under investigation within 180 days of the purchase date. For receivables purchased in the years ended February 29, 2000 and February 28, 1999 and the three months ended May 31, 2000 (unaudited) the Company returned approximately 21%, 17% and 19%, respectively. The Company does not expect the trend of returned receivables to change in the future.

In addition to the right to return the invalid receivables to the Seller, the Company has the right to offset any of its obligations to the Seller by any invalid receivables. As a result of the right of return and right of offset features, the Company believes that a valuation allowance generally is not required for these receivables.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	NOVEMBER 30, 2000	FEBRUARY 29, 2000
Leasehold improvements	$ 52,902	$ 51,402
Computer equipment	222,993	173,414
Medical equipment	46,350	32,500
Equipment under capital leases	185,060	67,371
Other equipment and furniture	30,123	23,888
	537,428	348,575
Less accumulated depreciation and amortization	180,872	115,794

Property and equipment, net	$356,556	$232,781

As of November 30, 2000 and February 29, 2000, accumulated amortization of equipment under capital leases was $40,617 and $21,699.

Depreciation expense for the nine months ended November 30, 2000 and 1999, which includes amortization under capital leases was $65,076 and $44,029.

5. NOTES PAYABLE

Notes payable include the following:

	NOVEMBER 30, 2000	FEBRUARY 29, 2000
Related party credit line	$306,500	$ --
Related party escrow loan	--	--
Capital lease obligations	130,053	43,937
	436,553	43,937
Less current maturities	58,254	19,282
Long-term debt	$378,299	$24,655

Related Party Credit Lines: In December 1997, a $700,000 line of credit was obtained from a related party, Northwest Management Corp. ("NMC"), a shareholder of the Company. In January 1999, the line of credit was increased to $785,000. The president of NMC, who is also a shareholder of the Company, has the power to vote NMC shares, which are owned by his two children. The line was terminated by mutual consent of both parties upon full repayment on June 21, 2000 of the outstanding balance of $200,000. Interest was calculated at a rate of 12% per annum.

5. NOTES PAYABLE (CONTINUED)

In October 2000, a $500,000 line of credit was obtained from a related party, NWM Capital, LLC. ("NWM"), which is owned by a shareholder of the Company. In December 2000, the line of credit was increased to $658,000. The line, under which there was an outstanding balance of $306,500 at November 30, 2000, expires on October 31, 2002. Interest is calculated at a rate of 15% per annum. Monthly interest only payments are due through October 31, 2002. Commencing on December 1, 2002, monthly payments will be $34,000 per month plus interest, with a final payment of any outstanding balance at October 31, 2003, the maturity date. The credit line may only be prepaid on six months prior written notice. The Company, at the option of the lender, may be required to prepay up to an aggregate of 20% of the stated principal amount of the credit line on 30 days prior written notice. There were no commitment fees paid in connection with this line of credit.

The line has a joint and several obligation of the Company and its subsidiary, Medical Financial Corp. The line is collateralized by the second mortgage receivable in Granby, Connecticut and certain purchased insurance claims receivable of Medical Financial Corp., which are not older than six months (see Note 3) equal to at least 222% of the principal sum outstanding under the line.

Related party escrow loan: In February 1999, a related partnership, whose partners are directors, officers and shareholders of the Company, committed to place in an escrow account until March 15, 2001 an investment portfolio, which at the time was valued at $240,000, for the benefit of the Medical Financial Corp. subsidiary. This investment portfolio was held in escrow and used as collateral for the purpose of obtaining margin loans. All risks and rewards of the investment portfolio pass to the related party. The Company, being the primary obligor on the margin loans, is responsible for the repayment of the loans. The margin loans bear interest at a variable rate based on market condition set at the discretion of the investment brokerage firm. A fee is payable monthly to the related party at the rate of 5% per annum on the value of the investment escrow account. This fee is included in interest expense. Proceeds from the loan may only be used to fund the purchase of certain medical receivables. The loan is repaid as payment is received from such receivables. On June 26, 2000, the then outstanding balance of $170,000 was paid in full. On June 30, 2000, the line was terminated by mutual consent of both parties.

Interest expense on these related party borrowings was $10,358 and $33,738 for the nine months ended November 30, 2000 and 1999.

Capital Lease Obligations: The Company has acquired certain equipment under various capital leases expiring in 2004. The leases provide for monthly payments of principal and interest of $5,782 and have been capitalized at imputed interest rates of 10.00% to 16.72%.

5. NOTES PAYABLE (CONTINUED)

Aggregate maturities of the amount of notes payable and capital leases for the years ending February 28 are as follows:

	NOTES PAYABLE	CAPITAL LEASE OBLIGATIONS	TOTAL
2001 (three months)	$ --	$ 17,347	$ 17,347
2002	--	66,625	66,625
2003	306,500	51,624	358,124
2004	--	11,393	11,393
	306,500	146,989	453,489
Amount representing interest	--	16,936	16,936
Total (a)	$306,500	$130,053	$436,553

(a) -- Total capital lease obligations represent present value of minimum lease payments.

6. MINIMUM OPERATING LEASE COMMITMENTS

Subject to annual real estate adjustments, the following is a schedule of future minimum rental payments required under the Company's operating leases for the years ending February 28:

2001 (three months)	$ 42,100
2002	139,600
2003	130,920
2004	133,556
2005	138,744
Thereafter	160,800
Total	$745,720

7. INCOME TAXES

The provision for income taxes consist of the following:

	THREE MONTHS ENDED NOVEMBER 30,		NINE MONTHS ENDED NOVEMBER 30,	
	2000	1999	2000	1999
Current:				
Federal	$ --	$ --	$ --	$ --
State	4,928	4,925	15,130	15,223
Total current	4,928	4,925	15,130	15,223
Deferred:				
Federal	--	--	--	--
State	--	--	--	--
Total deferred	--	--	--	--
Total	$4,928	$4,925	$15,130	$15,223

8. DISCONTINUED OPERATIONS

On May 14, 1999 the Company sold Wendclark, Inc., one of the two subsidiaries that operated in the food service division. The Company received $975,000 in

cash, resulting in a gain of $96,303, which was recorded during the three months ended May 31, 1999. As a result of this sale, $2,342,555 of debt that was carried by Wendclark was assumed by the buyer. On May 23, 2000 the Company committed to sell Wendcello Corp., the remaining subsidiary that operated in the food service division. On June 20, 2000 the Company completed the sale of Wendcello Corp., including all of its assets and liabilities, and received $1,575,000 in cash, resulting in a gain of approximately $381,000 that was recorded during the six months ended August 31, 2000. As a result of this sale, $125,000 of current debt that was carried on Wendcello was eliminated. During the period from May 23, 2000 (the measurement date for discontinuing operations of the food service division) to June 20, 2000 (disposal date), net income from operations of the discontinued food service division was $11,700. The results of operations of both subsidiaries have been classified as discontinued operations and prior periods have been restated.

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FRMO CORP. AND SUBSIDIARIES
(FORMERLY FRM NEXUS, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. DISCONTINUED OPERATIONS (CONTINUED)

The net assets of the discontinued operations are as follows:

	NOVEMBER 30 2000	FEBRUARY 29 2000
Cash & cash equivalents	$ --	$ 328,607
Inventories	--	62,360
Other current assets	--	146,552
Property and equipment, at cost	--	2,352,846
Less accumulated depreciation and amortization	--	(1,548,005)
Other assets	--	536,579
Total assets	--	1,878,939
Accounts payable and accrued expenses	--	554,397
Other current liabilities	--	149,650
Total liabilities	--	704,047
Net assets of discontinued operations	$ --	$ 1,174,892

A summary of the results of discontinued operations for the food services division is as follows for the nine months and three months ended:

	THREE MONTHS ENDED NOVEMBER 30		NINE MON NOVE
	2000	1999	2000

Operating revenues, including gain on sale of subsidiary of $-0- for three months ended November 30, 2000 and 1999, $381,182 for the nine months ended November 30, 2000 and $96,303 for the nine months ended November 30, 1999	$ --	$ 2,702,854	$ 3,714,425
Operating expenses	--	2,644,474	3,316,091
Income from operations	--	58,380	398,334
Interest expense, net of interest (income)	--	(1,290)	(1,774)
Income before income taxes	--	59,670	400,108
Income taxes	--	(1,250)	1,080
Income from discontinued operations, net of taxes	$ --	$ 60,920	$ 399,028

9. MINORITY INTEREST

Minority interest in subsidiary represents the remaining 20% ownership of the Class A members of FRM NY Capital, LLC, the subsidiary that operates in the Capco division.

10. BUSINESS SEGMENT INFORMATION

Operating segments are managed separately and represent separate business units that offer different products and serve different markets. The Company's reportable segments include: (1) real estate, (2) medical (3) capco and (4) other, which is comprised of corporate overhead and net assets of discontinued operations. The real estate segment operates in New York and Connecticut. The medical segment operates in New York and New Jersey. The capco segment was formed on September 14, 2000 and operates only in New York.

Upon the certification of Capco by New York State on November 28, 2000, an insurance company can purchase up to $10 million of debt of Capco and receive a dollar-for-dollar tax credit spread out over a 10 year period beginning in 2002. Such an investing insurance company is called a "Certified Investor" and Capco will seek one or more such investors for $10 million. Capco Program Three authorizes state tax credits of up to $150 million for all insurance company participants. Capco will use (i) its own capital of $500,000, 80% of which was supplied by the Company and 20% by Daniel Elstein who was a director of FRM Corp. in 1997-1998, plus (ii) the investment of the Certified Investor to take substantial equity interests in New York companies in order to encourage and assist them in creating, developing and expanding their business. Capco's emphasis will be on viable small business enterprises which have had difficulty in attracting institutional venture capital and which will expand employment opportunities in New York, thereby promoting the growth of the State's economy. By virtue of the equity interests, Capco obtains in the Qualified Businesses, or through contemporaneous agreements, it is expected that it will be a significant factor in the direction and control of the Qualified Businesses in which it

invests its funds. Capco's mission is to be an active participant with the management of its selected companies, in order to grow the values of the qualified company, its own investment therein and the interest of the Certified Investor at the same time that the enterprise contributes to more jobs and growth in New York State. As of November 30, 2000, Capco had not yet commenced operations.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies included in the Company's Form 10-K for the year ended February 29, 2000. All inter-segment balances have been eliminated. Inter-segment balances that have not been capitalized, bear interest at the rate of 10% per annum and are included in net interest expense. Business segment information for the nine months and three months ended November 30, 2000 and 1999 follows. Certain prior year information has been reclassified to conform with the current year presentation.

FRMO CORP. AND SUBSIDIARIES
(FORMERLY FRM NEXUS, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. BUSINESS SEGMENT INFORMATION (CONTINUED)

	REAL ESTATE	MEDICAL	CAPCO
THREE MONTHS ENDED NOVEMBER 30, 2000			
Total revenue from external customers	$ 46,241	$ 541,614	$ --
Loss from operations	(32,193)	(30,259)	--
Interest income (expense), net	8,500	(9,038)	3,153
Minority interest	--	--	(612)
(Loss) income from continuing operations before provision for income taxes	(23,693)	(39,297)	2,541
Capital expenditures	4,322	5,818	--
Depreciation and amortization	929	20,310	--
THREE MONTHS ENDED NOVEMBER 30, 1999			
Total revenue from external customers	$ 176,216	$ 197,932	$ --
Income (loss) from operations	19,909	(172,978)	--
Interest income (expense), net	51,036	(52,286)	--
Minority interest	--	--	--
Income (loss) from continuing operations before provision for income taxes	70,945	(225,264)	--
Capital expenditures	4,185	12,229	--
Depreciation and amortization	2,450	13,324	--
NINE MONTHS ENDED NOVEMBER 30, 2000			
Total revenue from external customers	$ 208,171	$ 1,404,943	$ --
(Loss) from operations	(99,690)	(457,402)	--
Interest income (expense), net	30,782	(33,509)	3,153
Minority interest	--	--	(612)
(Loss) income from continuing operations before provision for income taxes	(68,908)	(490,911)	2,541
Assets - continuing	4,037,767	5,004,045	503,072
Assets - discontinued	--	--	--
Total assets	4,037,767	5,004,045	503,072

Capital expenditures	4,322	184,028	--
Depreciation and amortization	2,143	60,121	--
NINE MONTHS ENDED NOVEMBER 30, 1999			
Total revenue from external customers	$ 555,931	$ 807,513	$ --
Income (loss) from operations	31,968	(219,247)	--
Interest income (expense), net	129,454	(160,022)	--
Minority interest	--	--	--
Income (loss) from continuing operations before provision for income taxes	161,422	(379,269)	--
Assets - continuing	5,108,194	3,019,441	--
Assets - discontinued	--	--	--
Total assets	5,108,194	3,019,441	--
Capital expenditures	4,185	79,635	--
Depreciation and amortization	5,671	38,358	--

FRMO CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Aug 31:			
2000			
Total revenue from external customers	161,930	863,329	--
(Loss) income from operations	(67,497)	(427,143)	(205,902)
Interest expense, net	22,282	(24,471)	--
(Loss) income from continuing operations before provision for income taxes	(45,215)	(451,614)	(205,902)
Assets - continuing	4,618,228	4,447,413	18,491
Assets - discontinued	--	--	--
Total assets	4,618,228	4,447,413	18,491
Capital expenditures	--	178,210	500
Depreciation and amortization	1,214	39,811	1,875
1999			
Total revenue from external customers	379,715	609,581	--
Income (loss) from operations	12,059	(46,269)	(188,944)
Interest expense, net	78,418	(107,736)	--
(Loss) income from continuing operations before provision for income taxes	90,477	(154,005)	(188,944)
Assets - continuing	5,068,430	2,969,225	3,169
Assets - discontinued	--	--	1,356,466
Total assets	5,068,430	2,969,225	1,359,635
Capital expenditures	--	67,406	--
Depreciation and amortization	3,221	25,034	--

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, expenditures to develop real estate owned by the Company, future borrowing, capital requirements and the Company's future development 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 the following: changes in the business of the Company's medical provider clients, changes in the real estate and financial markets 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 consolidated financial statements for the nine months and three months ended November 30, 2000 and 1999. The following should be read in conjunction with the Management's Discussion and Analysis of results of operations and financial condition included in the 2000 10-K.

OVERVIEW

FRMO generates revenues from two business segments: real estate and medical. A third segment, Capco, was formed during the three months ended November 30, 2000 and was not yet operational. The real estate segment consists of various parcels of real estate, held for future development and sale, in which co-investors also have interests, and mortgage notes receivable on two properties that were previously sold. The medical segment consists of three Limited Liability Companies which act as service organizations for providers of medical services and a wholly-owned subsidiary, Medical Financial Corp., which purchases medical insurance claims receivable, paying cash to the medical provider in return for a negotiated fee. The Capco segment consists of an 80% ownership in FRM NY Capital, LLC, a certified capital company as described in Note 2 and Note 10 of the consolidated financial statements.

Revenues in the real estate division vary substantially from period to period depending on when a particular transaction closes and depending on whether the closed transaction is recognized for accounting purposes as a sale or reflected as a financing or is deferred to a future period. On May 23, 2000 the Company committed to sell Wendcello Corp., the remaining subsidiary that operated in the food service division. On June 20, 2000 the Company completed the sale and received $1,575,000 in cash, resulting in a gain of approximately $381,000 that was recorded during the six months ended August 31, 2000. As a result of that sale and the sale of the Wendclark subsidiary in May 1999, the food service segment has been classified as discontinued operations and prior periods have been restated.

On August 9, 2000, one of the Companies subsidiaries, PSI Food Services, Inc. amended its certificate of incorporation, changing its name to MFC Development Corp. ("MFC"). On August 31, 2000, the Company transferred to MFC all of its assets (except for $10,000), including ownership of all of its wholly owned subsidiaries and all of its liabilities. On August 31, 2000, FRMO filed Form 8-K with the Securities and Exchange Commission, which disclosed that FRMO contemplates on or about November 30, 2000,

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or such later date as the registration of the common stock of MFC Development Corp. shall have become effective, distributing to its shareholders on the record date one share of MFC common stock for each one share of FRMO's outstanding common stock at the close of business on November 1, 2000 (the record date). There are presently 1,800,000 shares of common stock of FRMO outstanding. MFC filed a Form 10 on October 2, 2000 to register its common stock. Amendment Nos. 1 and 2 to Form 10 were filed on November 20, 2000 and December 6, 2000. The Company is currently waiting for any further comment from

the Securities and Exchange Commission.

RESULTS OF OPERATIONS

2000 PERIOD COMPARED TO THE 1999 PERIOD

The Company's revenues from continuing operations increased by $214,000 or 57%, for the three months ended November 30, 2000 ("2000") to $588,000 from $374,000 for the three months ended November 30, 1999 ("1999"). The Company's revenues from continuing operations increased by $250,000 or 18%, for the nine months ended November 30, 2000 ("2000") to $1,613,000 from $1,363,000 for the nine months ended November 30, 1999 ("1999"). The increase in both the nine month and three month periods was a result of an increase in the medical division, offset by decreased revenues in the real estate division.

Revenue in the real estate division decreased in 2000 by $130,000, to $46,000 for the three month period and decreased by $348,000 to $208,000 for the nine month period. The decrease in revenue in both the three month and nine month periods were due to decreases of $85,000 and $227,000 in the sales of real estate in the three month and nine month periods ended in 2000 as compared to 1999. Rental income decreased by $10,000 and $15,000 in the three months and nine months ended in 2000 because rent is no longer being received on the properties that were sold during the remainder of fiscal 2000. The $35,000 and $106,000 decrease in the three months and nine months ended in 2000 in interest from mortgages was attributable to a decrease in accrued interest income on the mortgage receivable from the property located in Goshen, NY. Interest is no longer being accrued on this mortgage because the annual interest payment that was due in February 2000 has not been paid.

The $344,000 increase in revenues in the medical division for the three month period ended in 2000 was due to an increase in both earned fees from the purchase and collection of medical claims and management fees. The $597,000 net increase in revenue in the medical division for the nine month period ended in 2000 was due to an increase in management fees, offset by a decrease of fees from the purchase and collection of medical claims.

The increase in management fees of $240,000 and $660,000 for the three months and nine months ended in 2000, was a result of the ownership, beginning in February 2000, of an MRI facility that provides management services to a finance client's radiology practice. Management fees were also generated, beginning in April 2000, from the management of a finance client's physical therapy practice. Two other finance client's practices were managed for a temporary period in 2000. These fees are net of reserves of $70,000 and $190,000 for the three months and nine months ended November 30, 2000.

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The increase in earned fees from the purchase and collection of medical claims of $104,000 for the three month period was due to an increase in medical claims purchased in current and earlier periods, which resulted in an increase in revenue recognition over the period of collections, which is usually six months. The increase in claims purchased was due to the Company obtaining new clients and additional purchases from existing clients. The increase in purchases during the three months ended in 2000 resulted in an overall increase in purchases of $1,653,000 during the nine month period ended in 2000 as compared to the same nine month period ended in 1999. The income that is derived from these purchases is deferred and recognized as the claims are collected during an average six month period. The decrease in earned fees of $63,000 for the nine month period was due to a decrease in medical claims purchased in earlier periods, which resulted in a decrease in revenue recognition over the period of collections, which is usually six months. The decrease in claims purchased in earlier periods

was due to the Company's decision to be more selective in the bill purchasing process. Since the Company has become more selective in determining which bills to purchase, the collection process is more efficient, since the insurance companies are less likely to delay or question certain procedures. This reduces the cost and time of the Company's collection effort for each bill and results in a more rapid collection of the receivable.

Costs and expenses from continuing operations increased by $105,000, or 16%, for the three months ended in 2000, to $779,000 as compared to $674,000 for the same period ended in 1999. Costs and expenses from continuing operations increased by $618,000, or 33%, for the nine months ended in 2000, to $2,504,000 as compared to $1,886,000 for the same period ended in 1999. The net increase for the three months ended in 2000 was due to increases of $194,000 in the medical division and $6,000 in depreciation and amortization, which were offset by decreases of $76,000 in the real estate division and $19,000 in corporate expenses. The net increase for the nine months ended in 2000 was due to increases of $814,000 in the medical division and $21,000 in depreciation and amortization, which were offset by decreases of $213,000 in the real estate division and $4,000 in corporate expenses.

The decrease in costs and expenses in the real estate division in both the three month and nine month periods ended in 2000 were due to a decrease in the amount of properties sold in 2000, which results in a decrease in the cost of sales. Operating expenses also decreased in 2000, after a portion of the Hunter property and all of the Brookfield property were sold during the last three quarters of fiscal 2000.

The costs and expenses in the medical division for the three month and nine month periods ended in 2000 was $552,000 and $1,802,000. The net increase of $194,000 for the three month period was due to expenses of $228,000 that are related to the three new subsidiaries that were formed in 2000 to manage the operations of certain medical practices, offset by a decrease of $34,000 in medical receivable expenses. The decrease in medical receivable expenses is primarily due to a reduction of the amount of bad debt reserves for the three month period ended in 2000.

The increase of $814,000 for the nine month period was due to expenses of $739,000 that are related to the three new subsidiaries and a $75,000 increase in medical receivable expenses. The $75,000 increase in medical receivable expenses in the nine month period is attributable to additional expenses incurred that were needed to properly service the current additions and projected increases to the client base. These expenses included additional (i) staff and related

employment costs, in part due to reclassifying a portion of executive salaries from corporate, part due to the hiring of additional employees and part due to annual salary increases, (ii) occupancy and office costs, (iii) arbitration costs in connection with the collection of claims receivable and (iv) closing costs that are related to new clients. The infrastructure of the company as established, can now service a greater number of clients than currently exists. This is necessary to efficiently service expected new clients with properly trained employees.

The decrease in corporate expenses of $19,000 and $4,000 in the three month and nine month periods ended in 2000 is primarily due to reductions and reallocations of professional fees to the medical division. The increase in depreciation and amortization of $6,000 and $21,000 in the three month and nine month periods ended in 2000 is attributable to additional depreciation as a result of increased capital expenditures in the medical financing division.

Interest expense for the three months ended 2000 was $6,000, unchanged from 1999. Interest expense for the nine months ended 2000 was $19,000, a decrease of $19,000 from $38,000 in 1999. The decrease was attributable to the debt that was eliminated in 1999 when a portion of the proceeds from the sale of the Wendclark subsidiary was used to repay amounts that had been borrowed to finance the purchase of medical claims receivable, offset by acquisition, by capital lease, of an MRI machine in the medical division.

Income from discontinued operations for the three month period, which included the operations of the Wendcello subsidiary in 1999, decreased by $61,000 to nothing in 2000, due to the sale of that subsidiary in the quarter ended August 31, 2000. The increase for the nine month period was $46,000, to $399,000 in 2000. The increases in 2000 were primarily due to the gain of $381,000 from the sale of the Wendcello subsidiary in the nine month period. The increase in nine month period, which included the gain on sale of Wendcello were offset by the profits from that subsidiary that were included in the entire 1999 period.

For the reasons noted above, the Company's net loss was reduced by $51,000 for the three months ended in 2000 to $194,000 as compared to a net loss of $245,000 in 1999. The loss for the nine month period in 2000 was $508,000, $293,000 greater than the loss of $215,000 in 1999.

LIQUIDITY AND CAPITAL RESOURCES

The Company's two continuing business activities and discontinued operations during the nine months ended November 30, 2000 resulted in a decrease of cash in the amount of $6,000. The Company expects the continued growth of its medical division to increase based on its on-going negotiations with prospective new clients, which are expected to be obtained in the next few months. These prospective clients will result in an increase in the amount of cash needed to purchase their medical insurance claims receivable. The funds for those needs are expected to be provided from the balance of the $658,000 credit line. Additional funds may be provided for from financing activities such as additional asset-based borrowing facilities on the Company's mortgages and accounts receivable and the sale of real estate assets.

The real estate division is not expected to be a significant user of cash flow from operations, due to the elimination of carrying costs on the real estate that was sold during the year ended

February 29, 2000 and the nine months ended November 30, 2000. The Company's real estate assets in Hunter, NY are owned free and clear of mortgages. Further development of this property, at any significant cost, is expected to be funded by the sale of property in Hunter or asset-based financing. The mortgage receivable on the Goshen, NY property does not call for principal payments until February 28, 2002, however, interest payments in the amount of $30,000 are due annually. The annual payment that was due on February 29, 2000 has not been paid, which resulted in the suspension of interest being accrued.

The Company believes that its present cash resources and the cash available from financing activities will be sufficient on a short-term basis and over the next 12 months to fund continued expansion of its medical financing business, its company-wide working capital needs and expected investments in property and equipment. The Company intends to pace its growth in the medical financing division to its capacity to provide the funds internally and from its financing activities.

Cash used by operations during the nine months ended November 30, 2000 was $466,000, as compared to $269,000 being used in the same period in 1999. The

$197,000 increase in the use of cash in 2000 was due to a net loss for the nine months ended in 2000 of $508,000 (net of $381,000 gain on sale of subsidiary and $208,000 provision for bad debts) as compared to a net loss of $215,000 (net of $96,000 gain on sale of subsidiary and $22,000 provision for bad debts) in 1999, a decrease in the sale of real estate, which resulted in a decrease in collections of $212,000, offset by fluctuations in operating assets and liabilities (including net assets of discontinued operations) primarily caused by timing differences.

Cash provided by investing activities was $114,000 for the nine months ended in 2000 as compared with $1,372,000 being provided in 1999. The net decrease of $1,258,000 was primarily due to the increase in medical insurance claims receivable (net of amounts due to finance customers for payments of residual collections) by $1,372,000 in 2000, compared to a $464,000 decrease in 1999. The increase in 2000 was attributable to a greater amount of bills purchased, beginning during the month of May from new clients. The use of cash by the medical division was offset by an increase of $600,000 from discontinued operations, resulting from the sale of the Wendcello subsidiary in June 2000.

Net cash provided by financing activities was $347,000 in 2000 as compared with $854,000 being used in 1999. The $1,201,000 increase in 2000 was primarily due to $275,000 of net borrowing in 2000 as compared to $854,000 of net debt repayments in 1999. In addition, the company received $100,000 from a minority interest in 2000. These proceeds were offset by the use of $28,000 to purchase and acquire treasury stock in 2000.

EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In June 1999, the Financial Accounting Standards Board issued Statement No. 137, amending Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", which extended the required date of adoption to the years beginning after June 15, 2000. The Statement permits early adoption as of the beginning of any fiscal

quarter after its issuance. The Company expects to adopt the new Statement effective March 1, 2001. The Company does not anticipate that the adoption of this Statement will have any effect on its results of operations or financial position.

REVENUE RECOGNITION IN FINANCIAL STATEMENTS

The Company expects to adopt Securities and Exchange Commission Staff Accounting Bulletin 101 ("SAB 101"), Revenue Recognition in Financial Statements in the quarter starting December 1, 2000. SAB 101 requires revenue to either be realized or realizable and earned prior to recognition. This generally does not occur until there is persuasive evidence of an arrangement, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectibility is reasonably assured.The Company does not anticipate that the adoption of SAB 101 will have any impact on the Company's current and prior revenue recognition policies and its results of operations or financial position.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's market risk arises principally from the interest rate risk related

to its receivables. Interest rate risk is a consequence of having fixed interest rate receivables in the Company's Real Estate and Medical Divisions. The Company is exposed to interest rate risk arising from changes in the level of interest rates.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) EXHIBITS.

None

b) REPORTS ON FORM 8K.

The Company filed a form 8K on October 19, 2000

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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/ VICTOR BRODSKY

Victor Brodsky
Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: January 12, 2001