

Edgar Filing: FRMO CORP - Form 10-Q

FRMO CORP
Form 10-Q
October 14, 2004

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: August 31, 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 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 October 1, 2004: 36,088,361

FRMO CORP.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED AUGUST 31, 2004

Edgar Filing: FRMO CORP - Form 10-Q

PART I - FINANCIAL INFORMATION

ITEM 1 Financial Statements.....
 Balance Sheets - August 31, 2004 (Unaudited) and February 29, 2004
 Statements of Income (Unaudited) - Three and six months ended August 31, 2004 and 2003 ...
 Statements of Cash Flows (Unaudited) - Six months ended August 31, 2004 and 2003
 Notes to Financial Statements (Unaudited)

ITEM 2 Management's Discussion and Analysis of Results of Operations and Financial Condition

ITEM 3 Quantitative and Qualitative Disclosures about Market Risk

ITEM 4 Controls and Procedures

PART II - OTHER INFORMATION

ITEM 4 Submission of Matters to a Vote of Security Holders

ITEM 6 Exhibits and Reports on Form 8-K

SIGNATURES

CERTIFICATIONS

- 2 -

FRMO CORP. BALANCE SHEETS

	AUGUST 31, 2004	FEBRUARY 29, 2004

	(UNAUDITED)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 527,283	\$ 406,110
Accounts receivable	55,930	41,637
Investments	221,438	36,900

Total current assets	804,651	484,647

Other assets:		
Intangible assets, net of accumulated amortization	56,036	56,458

Total other assets	56,036	56,458

Total assets	\$ 860,687	\$ 541,105
	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 30,724	\$ 20,188
Income taxes payable	62,902	22,112
Deferred income	10,546	12,031

Edgar Filing: FRMO CORP - Form 10-Q

Total current liabilities	104,172	54,331
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	3,343,571	3,334,135
Unrealized gain (loss) on marketable securities	(14,426)	1,036
Retained earnings	241,186	109,144
	3,606,419	3,480,399
Less: Receivables from shareholders for common stock issuance	2,849,904	2,993,625
Total stockholders' equity	756,515	486,774
Total liabilities and stockholders' equity	\$ 860,687	\$ 541,105

See notes to interim financial statements.

- 3 -

FRMO CORP.
STATEMENTS OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED AUGUST 31,		SIX MONTHS ENDED AUGUST 31,	
	2004	2003	2004	2003
Revenues				
Sub-advisory fees	\$ 930	\$ --	\$ 930	\$ --
Consulting	35,321	17,153	75,453	35,679
Research fees	20,666	7,607	49,928	11,337
Subscription fees	1,909	1,667	3,818	2,667
Income from investments in unconsolidated subsidiaries	48,989	--	97,746	--
Total Income	107,815	26,427	227,875	49,683
Costs and expenses				
Amortization	1,931	1,931	3,863	3,863
Contributed services	3,000	3,000	6,000	6,000
Accounting	7,805	2,250	10,305	4,500
Shareholder reporting	6,695	10,363	13,088	15,363
Office expenses	147	285	324	246
Other	18	116	18	236

Edgar Filing: FRMO CORP - Form 10-Q

Total costs and expenses	19,596	17,945	33,598	30,208
Income from operations	88,218	8,482	194,277	19,475
Dividend income	1,043	198	12,123	474
Income from operations before provision for income taxes	89,261	8,680	206,400	19,949
Provision for income taxes	36,240	2,613	74,358	5,807
Net income	\$ 53,021	\$ 6,067	\$ 132,042	\$ 14,142
Basic earnings per common share	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.00
Diluted earnings per common share	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.00
Average shares of common stock outstanding:				
Basic	6,904,651	3,897,524	6,526,087	3,897,524
Diluted	6,954,651	3,947,524	6,576,087	3,947,524

See notes to interim financial statements.

- 4 -

FRMO CORP.
Statements of Cash Flows
(Unaudited)

	SIX MONTHS ENDED	
	AUGUST 31,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 132,042	\$ 14,142
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of research agreements	3,863	3,863
Non-cash compensation	6,000	6,000
Changes in operating assets and liabilities:		
Accounts receivable	(14,293)	500
Accounts payable and accrued expenses	51,325	(15,867)
Deferred income	(1,485)	(2,341)
Net cash provided by operating activities	177,452	6,297
Cash flows from investing activities		
Investment in limited partnership	(200,000)	--
Net cash used in investing activities	(200,000)	--

Edgar Filing: FRMO CORP - Form 10-Q

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

Net cash provided by financing activities	143,721	--

Net increase in cash and cash equivalents	121,173	6,297
Cash and cash equivalents, beginning of period	406,110	135,003

Cash and cash equivalents, end of period	527,283	141,300
=====		
ADDITIONAL CASH FLOW INFORMATION		
Interest paid	\$ --	\$ --
=====		
Income taxes paid	\$ 31,050	\$ 5,840
=====		

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

See notes to interim financial statements.

- 5 -

FRMO CORP.
NOTES TO FINANCIAL STATEMENTS
SIX MONTHS ENDED AUGUST 31, 2004
(UNAUDITED)

1. BASIS OF PRESENTATION

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 August 31, 2004; results of operations for the three months and six months ended August 31, 2004 and 2003; and cash flows for the six months ended August 31, 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. The balance sheet at February 29, 2004 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.

2. INVESTMENTS

In August 2004, FRMO made a \$200,000 limited partner investment in a hedge fund known as Jordan Partners, LP. This is a value oriented fund that presently focuses on income-oriented securities and strategies. These are publicly traded securities, and the investment capital may be withdrawn on a quarterly basis. Horizon Asset Management, Inc. is a member both of the General Partner and of the Manager of Jordan Partners, LP.

Edgar Filing: FRMO CORP - Form 10-Q

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.

Intangible assets consist of the following:

	AUGUST 31, 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	24,657	20,795
Intangible assets, net	\$56,036	\$56,458

For each of the six months ended August 31, 2004 and 2003, amortization of intangible assets was \$3,863.

- 6 -

FRMO CORP.
NOTES TO FINANCIAL STATEMENTS
SIX MONTHS ENDED AUGUST 31, 2004
(UNAUDITED)

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

Basic earnings per common share for the six and three months ended August 31, 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 six and three months ended August 31, 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:

	THREE MONTHS ENDED AUGUST 31,		SIX MONTHS ENDED AUGUST 31,	
	2004	2003	2004	2003
Weighted average common shares	6,904,651	3,897,524	6,526,087	3,897,524

Edgar Filing: FRMO CORP - Form 10-Q

Effect of dilutive securities:				
Conversion of preferred stock	50,000	50,000	50,000	50,000
	-----	-----	-----	-----
Dilutive potential common shares	6,954,651	3,947,524	6,576,087	3,947,524
	=====	=====	=====	=====

5. COMPENSATION FOR CONTRIBUTED SERVICES

Two officers/shareholders performed services for the Company during the six months ended August 31, 2004 and 2003 for which no compensation was paid. The Company recorded a charge to operations for these contributed services of \$6,000 and a corresponding credit to paid-in-capital for each period.

6. INCOME TAXES

The provision for income taxes consists of the following:

	SIX MONTHS ENDED AUGUST 31,	
	2004	2003
	-----	-----
Current:		
Federal	\$57,334	\$ 3,554
State	17,024	2,253
	-----	-----
Total current	74,358	5,807
	-----	-----
Deferred:		
Federal	--	--
State	--	--
	-----	-----
Total deferred	--	--
	-----	-----
Total	\$74,358	\$ 5,807
	=====	=====

- 7 -

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 six months ended August 31, 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

Edgar Filing: FRMO CORP - Form 10-Q

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 August 31, 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.
- 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. From inception through Calendar 2003, it outperformed the S&P 500 Index by 68 percentage points, or in the parlance of investment professionals, by 6,800 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 a 7.71% interest in Kinetics Advisors, LLC 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 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. Through

Edgar Filing: FRMO CORP - Form 10-Q

December 31, 2003, it has outperformed the S&P 500 Index by a further 23 percentage points. On a cumulative basis, over the 3-year 4-month period from inception through year-end 2003, the Kinetics Partners Fund has returned 92%, whereas the S&P 500 Index has lost (23%).

- 8 -

- 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 the revenues were quite modest at the time of acquisition, they are expanding and management believes that the future scale of these revenues could be substantially greater.

RESULTS OF OPERATIONS

2004 PERIOD COMPARED TO THE 2003 PERIOD

The Company's revenues from operations for the three months ended August 31, 2004 ("2004") were \$107,800, an increase of \$81,400, or 308%, as compared to the three months ended August 31, 2003 ("2003"). The increase in the three-month period was due to increases in consulting, research and subscription revenues, as well as revenue from investments in unconsolidated subsidiaries (Kinetics Advisors, LLC) and from sub-advisory fees (the Lehman Brothers program) from which there was no revenue in the 2003 quarter. The Company's revenues from operations for the six months ended August 31, 2004 ("2004") were \$227,900, an increase of \$178,200, or 359%, as compared to the six months ended August 31, 2003 ("2003"). The increase in the six-month period was attributable to increases in consulting, research and subscription fees, as well as revenue from investments in unconsolidated subsidiaries (Kinetics Advisors, LLC) and from sub-advisory fees (the Lehman Brothers program) from which there was no revenue in the 2003 period.

Costs and expenses from operations were \$19,600 during the three months ended in August 2004, an increase of \$1,700 or (10%) from the comparable 2003 period. During the six-month period ended in 2004, costs and expenses increased by \$3,400 (11%) to \$33,600. The result for the three-month period was primarily due to an increase in accounting expenses, partially offset by a decline in shareholder reporting expenses. The increase for the six months ended in 2004 was primarily due to an increase in accounting expenses, somewhat offset by a decrease in shareholder reporting expenses.

For the reasons noted above, the Company's net income for the three months ended August 31, 2004 increased by \$46,900 to \$53,000, as compared to net income of \$6,100 in 2003. For the same reasons, net income for the six months ended August 31, 2003 was \$132,000, as compared to net income of \$14,100 for the same period in 2003.

Some discussion is required with respect to an asset that is presently carried at zero cost on the FRMO balance sheet and which had a negligible accounting impact on fiscal 2003 earnings, yet which had a large impact on revenues (43% of the total) during the first half of the fiscal 2004, and which has had a much more significant economic impact on the value of FRMO. This is the investment in Kinetics Advisors, LLC, ("Kinetics Advisors") that was acquired in February 2002 (as discussed in the preceding Overview). This investment takes the form of a minority interest in Kinetics Advisors, which controls and provides investment

Edgar Filing: FRMO CORP - Form 10-Q

advice to two hedge funds. Kinetics Advisors has elected to reinvest in these two 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 must record this investment on a cost basis, which was \$0 as of August 31, 2004. However, on an economic basis, FRMO's proportional share of Kinetics Advisors' capital accounts in those funds was approximately \$1.07 million (pre-tax and unaudited) as of August 31, 2004. FRMO's proportional share of the increase in the value of Kinetics Advisors' capital accounts in those funds during the period, predominantly from fee income and appreciation (also pre-tax and unaudited), was approximately \$369,000 during the six months ended August 2004. In accordance with EITF 03-16, "Accounting for Investments in Limited Liability Companies", the Company will change its accounting policy regarding this investment effective September 1, 2004 to the equity method.

- 9 -

LIQUIDITY AND CAPITAL RESOURCES

The Company's operating activities during the six months ended August 31, 2004 resulted in an increase in cash of \$177,500. This increase was due to income, after adjusting for amortization and contributed services, of \$141,900, increased by \$35,600 due to fluctuations in operating assets and liabilities primarily caused by timing differences. Cash used in investing activities for the six months ended August 31, 2004 was \$200,000, representing the Company's investment in a limited partnership interest in a hedge fund known as Jordan Partners, LP. Cash provided by financing activities approximated \$143,700, 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 accounts for its 8.44% 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 will change its method of accounting for this investment so that it will record its pro rata share of Kinetics Advisers income (loss) each period. Had EITF 03-16 applied effective March 1, 2004, the Company's assets and pre-tax income would have been increased by \$1,071,300 and \$450,600, respectively.

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 August 31, 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.

ITEM 4. CONTROLS AND PROCEDURES

Edgar Filing: FRMO CORP - Form 10-Q

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.

- 10 -

PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Shareholders held on July 15, 2004, the persons elected as directors of the Company and the voting for such persons were as follows:

Name	Votes For
-----	-----
Murray Stahl	27,364,167
Steven Bregman	27,264,167
Peter Doyle	27,364,167
Lawrence J. Goldstein	27,364,167
Allan Kornfeld	27,364,167
Lester Tanner	27,363,968

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

Edgar Filing: FRMO CORP - Form 10-Q

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: October 14, 2004

- 11 -