FRMO Corporation Annual Meeting of Shareholders

Thursday, September 7, 2023

Thérèse Byars – Corporate Secretary

Good afternoon, everyone. If everyone could please have a seat, we're about to begin. Please keep the background noise down, because we're also having a virtual meeting, and that could interfere with the sound production for the transmission.

Welcome to the FRMO 2023 Annual Meeting of Shareholders. My name is Thérèse Byars and I'm the Corporate Secretary of the company. We are hosting our first hybrid annual meeting that is both in person and virtual. This combination allows us to reach a greater number of our shareholders.

I'd like to take this opportunity to thank our colleague, Cherise Martin, for organizing the logistics of hosting this meeting in this venue. It's not an easy task, especially after COVID-19. Before I begin, I'd like to call your attention to the location of the exits. If there's an emergency, please don't take the elevator. Take the stairs. If you need assistance, let us know.

Now, a bit of housekeeping. Please note that this meeting is being recorded. However, no one attending the meeting in person, via the webcast, or by telephone is permitted to use any audio recording device to record the meeting. A replay will be available on the FRMO website, and a summary transcript will be posted.

As is our custom, we will conduct the business portion of our meeting first, after which Mr. Stahl and Mr. Bregman will answer questions. Though we might not be able to answer all of them, we will do our best to provide a response to as many as possible, and we will try to address unanswered questions in the summary transcript. We've received several in advance, but only validated stockholders may ask questions today in the designated field on the web portal.

The FRMO Annual and Quarterly Reports, as well as the 2023 Letter to Shareholders, can be viewed on our website at frmocorp.com. These items can also be viewed on the FRMO listing on the OTC Markets website by clicking the "Disclosure" tab.

It is now shortly after 3 p.m., and this meeting is officially called to order. It is my pleasure to introduce FRMO's eight directors, all of whom are candidates for reelection. They are Murray Stahl, Steven Bregman, Peter Doyle, Lawrence J. Goldstein, Jay P. Hirschson, Alice C. Brennan, Herbert M. Chain, and Dov Glickman. Also present at this meeting from our auditors, Baker Tilly US LLP, are John Basile and Patrick Warch. They will be available to respond to appropriate questions during the question-and-answer session after the formal meeting.

We now proceed to the report on the tabulation of the proxies for the two proposals. The Proxy Committee, appointed by the FRMO Board of Directors, is here this afternoon to represent those shareholders who gave their proxies to the Committee. The Board of Directors fixed July 24, 2023 as the record date for determining the stockholders entitled to vote at this meeting. An affidavit has been delivered attesting to the fact that the Notice of the Meeting, the Proxy Statement, and the Proxy Card were mailed on or about August 7, 2023.

The stockholder list shows that as of the record date, there were 44,022,781 shares of common stock outstanding and entitled to vote at this meeting. The Inspectors of Election report that proxies were received from FRMO shareholders holding approximately 28,841,136 shares of common stock, or 65.5% of the voting power on the record date. Therefore, this meeting is properly organized with a quorum present, and we may proceed.

There are two items of business for this meeting. The first is the election of the eight directors who were nominated in accordance with the company's governing documents. The second is the proposal to ratify the appointment of Baker Tilly US, LLP as the independent registered public accounting firm of the company for the fiscal year ending May 31, 2024. The Board recommends a vote "for" on both items.

It is now 3:04 p.m. on September 7, 2023, and the polls are still open. Any stockholder who hasn't yet voted or wishes to change their vote may do so by clicking on the “voting” button on the web portal and following the instructions. If you have already submitted your proxy, you do not need to vote again unless you wish to change your vote. We’ll pause for a moment for those who wish to to vote.

Now that everyone has had the opportunity to vote, I declare the polls for the 2023 FRMO Corp. Annual Meeting of Shareholders closed at 3:05 p.m. on September 7, 2023. Based on the preliminary report of the Inspectors of Election, all eight director nominees have been duly elected to the Board, with all nominees receiving 99.9% of the votes cast and 65.5% of the shares outstanding.

The proposal to ratify the appointment of Baker Tilly US, LLP as the independent registered public accounting firm of the company for the fiscal year ending May 31, 2024 has been approved, with approximately 99.9% of the votes cast and 65.5% of the shares outstanding.

There being no further business to come before this meeting, the formal part of this FRMO Corp. 2023 Annual Meeting of Shareholders is now adjourned.

The next item on our agenda is the Chairman's Report to the Shareholders. Joining me here are Murray Stahl, Chairman and Chief Executive Officer, and Steven Bregman, President and Chief Financial Officer. Mr. Stahl will review key points related to the 2023 financial results. When he has finished his remarks, he and Mr. Bregman will answer questions. At that time, we will begin with the questions we received in advance of today's meeting. We will then take questions as they are entered on the web portal. We will answer as many as time allows, but only those that are germane to the meeting will be addressed. As noted earlier, we will address unanswered questions in the summary transcript that will be posted on the company’s website.

With that, I'll turn the meeting over to the Chairman of the Board, Mr. Murray Stahl.

Murray Stahl – Chairman & Chief Executive Officer

Thank you, Thérèse, and thanks, everybody, for joining us. This is a new venue for us, it's been a long time, and I'm glad you're all here. What I'm going to do today is talk about things that form the backdrop of the Shareholder Letter. Of course, later, I'll answer any questions about the letter itself and what FRMO's up to, but the backdrop really starts before FRMO even existed in its current format. So, I want to take you back to 1982 or 1983.

A couple points to make there. In my personal career, which dates back to late 1978, I've lived the bulk of my career in a disinflationary environment. I didn't know it at the time, but it was the end of the inflationary era. And history records that it ended because the Federal Reserve raised interest rates to an appropriately high level, such that the economy slowed enough so that the pricing pressures relented. I remember that time very well. I never believed that argument then. I don't even believe it now.

Let me tell you the background of the inflationary argument. In 1982 and 1983, the world—especially the industrialized world, at the time—benefitted from a series of miracles. In some of my writings, I've alluded to this, so you can find it in some of the *Compendium Musings*, but I'll give you a more elaborate interpretation right now. What were the miracles? They're relevant today.

One miracle was, the Soviet Union was on the verge of collapse. It took six or seven years, but it was well and truly on its way to collapse. In order to stave off collapse, what did the Soviet Union of the era do? They had every manner and type of commodity. All they could really do was begin to put their commodities on the global market. That was something that, in the world of 1982 to 1983, was without precedent. Because, from the time of the establishment of the Soviet state at the end of the first world war until that juncture in 1982 to 1983, the Soviet Union was really outside of the context of the world economy.

Now, enter the world economy, and it was a miracle for the world—not so great for the Soviet Union—in that it did cause unrelenting downward pressure on commodity prices. When the Soviet Union ultimately collapsed in the 1989 to 1990 period, it just got worse, because the country was then known to be bankrupt. The people wouldn't accept the state-controlled system, and now there was even more commodity price selling pressure.

Next, let's turn to the People's Republic of China, otherwise known as Communist China or Red China. They didn't really have a lot in the way of commodities to offer, so that wasn't a factor, but they did have 1.4 billion people. So, instead of putting commodities on the market, they put people on the market. It was slow at first, and China had its emulators. Ultimately, these included Vietnam, Thailand, the Philippines, India, Pakistan, Indonesia, Malaysia, and the list goes on and on. Even the labor force of countries in Latin America, like Mexico, joined the world economy. I don't think it's an exaggeration to say at least 3 billion human beings joined the world labor pool.

The end of the power of labor to raise wages, at least real wages, wasn't the only miracle. The next miracle was—if you think of it this way—if you read books on geopolitics written before the collapse of the Soviet Union, some books talk about the Soviet Union and China, and they mention a phrase: "denied areas." What do they mean by that? They mean that businesses couldn't expand there.

Prior to 1990, if someone had asserted that McDonald's was going to open a store in Moscow, let's say, or even Bucharest or Warsaw, it was inconceivable. But it ultimately happened. And then in Shanghai and the other Chinese cities. So, in addition to the disinflationary commodity and labor pressures, we had another miracle, which was that all these companies that historically were confined to their nations and could only expand globally within the context of what we then called the free world, could now really be global companies. So, a lot of expansion, a lot of growth occurred that would not otherwise have occurred.

And of course, the inflationary pressures abating permitted governments to lower interest rates. And that, of course, gave governments more money to spend, and that has its own powerful effects on economic growth, so, a lot of miracles.

Fast-forward 40 years from that date, the miracles are abating. Let's take the example of Russia—no longer the Soviet Union, just Russia. Everyone knows what's happening in the Ukraine. So, say what we will that, because of sanctions and other factors, Russian commodities are not flowing west. They're flowing south and east, to China. That's a factor.

From the point of view of China, China itself is an industrialized nation. That wasn't true in 1982 to 1983. China makes all manner of industrial products; virtually nothing can't be made in China. And that's important to understand. It was in the paper recently with the expansion of the so-called BRICS countries. BRICS stands for Brazil, Russia, India, China, and South Africa. And now, six new nations have joined. In aggregate, those 11 nations control approximately 43% of the world's population. It's its own trading zone and they control roughly a third of the world oil production. But unlike OPEC, they also control one third of the global oil consumption.

So, BRICS as a trading bloc is in a very, very different position than OPEC as a cartel. Why? Is it clear that OPEC did, at various points in history, deny oil supplies to nations? Yes, they did, but their primary products were hydrocarbons. The other nations, the all-consuming nations, made a lot of goods that OPEC needed, so there was a possible riposte from the developed nations in the sense that they could deny OPEC certain products, so there was a balance there.

What's happening now is, the bloc is so big, it can trade with itself. That's relevant for us, because now that bloc of nations could—and might—de-dollarize. We've only seen a little bit of it in the last couple of weeks. We've seen Chinese yuan deals with Saudi Arabia, and it's minor in the context of world trade. But, it's major in the context of commodities, because all commodities are priced in dollars. Even though the yuan deal with Saudi Arabia is a rounding error, commodities are no longer necessarily priced in dollars. The issue is, to what degree is that going to expand? And if it does expand, what would happen?

In order to understand that, let's explore for a moment what happens before that de-dollarization occurs. The United States, wishing to control inflation, clearly raised interest rates. Other industrialized nations had to respond. If they didn't, their currencies would collapse relative to the dollar. So, let's look at two nations, India and the United Kingdom. The U.S. raises interest rates. The U.K. must raise interest rates to defend the currency, but the dollar increased relative to the pound. So, if the oil price is the same, and the dollar increases relative to the pound, we in America, maybe we could control domestic oil prices that way. But from a U.K. perspective, the oil price just went up, because they have to pay in dollars.

Similarly, in India, the dollar increases relative to the rupee. That means oil prices for the nation of India have increased. Inflation has been exported to India. Why wasn't that a problem in 1982? Because India was so impoverished, its oil consumption was so low, it almost didn't matter what the oil price was. Now, it really matters. For China, it matters more. So, all the miracles of the last 40 years are in the process of being reversed. Obviously, the trade sanctions, say what we will, I know it's a very controversial topic, but we can agree on one thing: No one's opening a McDonald's in Moscow anytime soon. So, there we are, now we're back to the concept of denied areas.

So, what do we do in FRMO? We want to establish a business, and we want to buy something. There are certain opportunities that we looked at. They were interesting. We just don't know enough about those businesses. Other businesses, you could argue, we knew a lot about those, but interest rates were very low, and they were unduly expensive—not because the businesses themselves were expensive, it's that the ultra-low interest rates make them expensive, and we could never have earned a justifiable return on capital.

Then, lo and behold, some years ago, cryptocurrency makes an appearance. Cryptocurrency is interesting. Of course, we had no experience in cryptocurrency, and no expertise in it. But neither did anybody else, so we were all starting at the same level. One of the benefits of cryptocurrency was that we didn't have to buy a business, because no one had a business to sell. We just gradually expanded. Little by little, we created a company from partnerships called Consensus Mining, which hopefully, in a few months will be publicly traded. And we acquired control of a publicly traded company called Winland that made humidity and temperature sensors. We didn't disturb that business at all, but we expanded that into cryptocurrency. FRMO itself began a venture in cryptocurrency mining. Horizon Asset Management set up some cryptocurrency funds.

And now, we look back, and step by step, gradually and with making mistakes, not having listed all our crypto ventures yet, but we managed to avoid a few so-called crypto winters. And just to stress that point, people don't yet know how to value cryptocurrency. They don't even understand the trade volumes, but to give you some facts and figures, you won't believe this, but it's in a recent *Compendium*. The trading volume of Bitcoin relative to the trading volume of Apple—which is the largest company in the world and the largest company in the S&P 500—Bitcoin trades more, considerably more, a day, using the blockchain statistics, than Apple.

So, how could securities exchanges not undertake to enter that sphere? That's one of the things that's happening that opens the first real use case for crypto. Why is it important, not merely to trade it and earn a fee for trading it? Because the world is moving to T+1, or one-day settlement, in May 2024. The number of days the trading networks are going to have to cure trading errors is one day, or 24 hours. Beyond that, we're going to move to instantaneous settlement in the not-too-distant future.

So, the idea of centralized trading and verification, one depository institution verifying all the trades—that's necessary, because there's not enough time to do it within the settlement rules as they're established. In the world of blockchain, you could actually have instantaneous or quasi-instantaneous verification. You could also have a multiplicity of verifiers. Just like we verify cryptocurrency transactions, we can verify stock transactions if each share is attached to a coin. It probably won't be Bitcoin that does that. The reason is, Bitcoin is not really designed for that. There are other currencies that are designed for that, so, now, you can see the beginning of the use case.

What we're going to do is, we're going to continue expanding cryptocurrency at the same pace that we've always done. Why? Because every four years, there's something called a halving. What that means is that the compensation you get, in terms of coins, for verifying transactions is cut by 50%. Meaning every four years, your mining reward is cut in half. So, the industry that produces these machines, which are referred to as rigs, has to get much more efficient every four years. You can never tell when a new iteration is going to be released. All you want to do is buy enough equipment to: A) replace any equipment that's becoming obsolete; and B) make sure that you grow your processing power so you can increase the number of coins you harvest. Otherwise, the number of coins you're ultimately going to get is going to be less.

And the machines are getting much more efficient, so the expense of that equipment, which people always measure in dollars—that's one of the things they don't get. We really should measure equipment cost in cryptocurrency. So, when we started mining cryptocurrency, to buy the then-state-of-the-art mining rig, you needed something like $9^1/_4$ bitcoin to buy a rig. Now, one bitcoin could buy $9^1/_4$ rigs. It's gotten that much better. That's going to continue, by the logic of the system. So, slow and sure, as I personally think, is the way forward.

Now, we're up to about 35% of Winland. If for whatever reason we ever got to 50%, under the rules, we could consolidate it. Little by little, step by step, we're developing an operating company.

I should say something about Horizon. Horizon is doing the same sorts of things. We have interesting products in relation to inflation, and we've developed an ETF called the Blockchain Development ETF. It hasn't raised a lot of money yet, but it's certainly in the process, if our contention is right, the exchange is a sort of pathway to crypto. I think that fund is going to flourish, so every business is operating extremely well. Every business is well prepared for inflation, and we're going to continue to innovate as we go forward.

So, with that, I'll just ask Steve: Do you have anything you'd like to add to what I said?

Steven Bregman – President & Chief Financial Officer

What you said.

Murray Stahl – Chairman & Chief Executive Officer

What I said, or contradicting it?

Steven Bregman – President & Chief Financial Officer

Well, I will say, I'm just commenting on something you said—a most remarkable statistic. Because it's a kind of simple, graspable, indicator of an idea, a concept, that can be startling. When you talk about Bitcoin now trading, on a daily basis, more than, let's say, Apple, there's a term you didn't use. It's implicit, but it's total dollar volume. Bitcoin trades more dollar volume than Apple. And there are subtleties, like Apple only trades five days a week, and during the hours of trading. Bitcoin trades every day, all day long. So, if you were to compare it on a five-day equivalent basis, a New York Stock Exchange trading basis, the volume is really far higher than that, despite that Bitcoin's just barely made an impact on the public markets, really. To me, that's this simple example that illustrates something more complex.

Murray Stahl – Chairman & Chief Executive Officer

Should we go to Q & A, Thérèse?

Thérèse Byars – Corporate Secretary

Sure.

Questioner 1

Are there any plans for Texas Pacific Land Corporation, or TPL, to include reporting of production and reserves data in their quarterly and annual reports as many other public royalty companies do, now that TPL has converted to a corporation? Is there some specific reason TPL does not already do this, so shareholders can get a rough idea of the kind of oil inventory that TPL is really sitting on, given some claims that TPL is the "ETF of the Permian?" Do members of management themselves know these figures, such that they could share with us on this call?

Murray Stahl – Chairman & Chief Executive Officer

All I can tell you with that is, I don't purport to be a spokesperson for the company. So, though I normally like to answer every question directly, in this case, I think the management of TPL, I'm sure, would welcome that question. And we look forward to hearing their response.

Questioner 2

Given FRMO's large bets on the energy industry, could management give their thoughts on the meaningfulness—or their interpretation of—the EIA "missing barrels" adjustment? On a related note, given management's involvement with one of the largest royalty owners in the Permian, what are management's general thoughts on the remaining reserves of oil that exist in U.S. shale, and specifically the Permian Basin?

Murray Stahl – Chairman & Chief Executive Officer

I'll do the reserves first, then we'll come back to the EIA statistics. As far as reserves go, let me explain what the meaning of reserves are. In common English, reserves mean how much oil is left in the ground. The problem with using that common English terminology is that it doesn't have the same meaning when it's used in financial statements—legally, it doesn't mean that. It means how much oil can be profitably extracted at the current price of oil, given the equipment that is on site.

For example, let's say I personally owned a million acres of land, and I hired some geologist, and the geologist told me that underneath the ground, the property contains five billion barrels of oil. If I were to then take my property and make it a publicly traded company—because all it is, is desert— and I said I would like to put in a prospectus that I have five billion barrels of oil in the ground, the regulators will not allow that statement. They would allow it only if I could establish that, at the moment, I could begin to profitably extract that oil. So, if I had five billion barrels in the ground, and I had enough equipment to profitably extract 100 million barrels over a period of time—and there are other requirements for that, like well spacing and so on and so forth, we need not go into—they would let me say that I have 100 million barrels of reserves. They would not let me say I have five billion. I'm at liberty to believe whatever I want, but I can't share my belief with anyone else.

That said, there's plenty of oil in the world. We're not going to run out of oil. We're not going to run out of oil for hundreds of years, globally. What is going to happen, however, is the infrastructure necessary to extract that oil from the ground at current prices, that infrastructure is lacking. That's the first problem. And it's not being addressed. There are all sorts of reasons for that: The lack of pipelines, the unwillingness of governments to license pipelines, and the unwillingness of financial institutions to provide capital for those companies that need it. The list goes on and on, so there is a deficiency. I could be wrong, but my opinion is that the supply issue is going to get worse for a long time before it gets better, if it actually gets better.

As far as the EIA number is concerned, when you're dealing statistically, in figures that are equal to millions of barrels a day: 16-plus million barrels a day are consumed in the U.S. And given the large number of refineries and pipelines, I would say not only is it very difficult, I would say it's impossible to keep track of all the oil. Some people might store oil in tankers that are not being used. Some people might store oil in salt domes. There is the residue of the oil at the bottom of the storage tanks that you see, so it's not even usable.

There is the amount of oil that's contained in reserves that's high sulfur. It's oil, but the refineries aren't configured for it, and even if they were configured for it, it's not legal in most applications to even use it. And then there's the transportation problem. There's leakage in pipelines. In some cases, transported by rail, the rail cars leak. There's a lot of loss throughout the system, so statistically, it's very difficult to keep track with the accuracy that we would expect. So, the refinery input is not necessarily, is usually not, equivalent to the American production plus the exports, made more complicated by the fact that the U.S. imports and exports.

So, there's a lot of statistical noise in the system. Therefore, logically, the output—whether it comes from imports or our own production—and the input in the system, they should balance. The purpose of the adjustment factor is to force it to balance. But you can look at a document published by the EIA, the Energy Information Administration, called the Oil Inventory Report. Actually, it just came out today, the weekly number. And you'll see, if you look, every week, there's an adjustment factor to make the figures balance. I don't think that's going to change anytime soon.

Questioner 3

Would management be able to provide any comments on TPL's high valuation multiples relative to similarly sized royalties like Viper Energy, given that management continues to buy shares for the various Horizon Kinetics companies and limited partners? Are these multiples misrepresenting something about TPL that make it appear more expensive when viewing it through these heuristics? How should investors think about these valuations?

Murray Stahl – Chairman & Chief Executive Officer

Well, valuation I can talk about. Let's start simplistically with an oil company, before we get to the royalties. You can find oil companies that trade at 8x earnings. So, you might say, well, TPL's multiple—say what you want, it's much higher than eight. Somebody could ask me the question, and I'll just take the liberty of asking it myself: Why wouldn't you undertake to buy something with 8x earnings rather than something that's much higher than 8x earnings?

The answer is as follows. Because that imaginary company, although it's not imaginary in the sense that multiples really are eight, is not really 8x earnings. Why is it not 8x earnings? Because every day that passes, that company is producing some of its reserves, and therefore, a goodly proportion of the earnings have to be reinvested in the company to make possible the production of more reserves. Usually, I'll use an average. I think it's representative, you're going to need about 75% of the earnings to be reinvested just to keep the business going.

As an owner, you really only have access to 25% of the earnings. You say, I have an eight multiple—well, let's make believe it's an eight multiple—with $8 of earnings. But you only have access to $2 of those earnings. So, it's not eight. It's 4 x 8, because you only can access a quarter of the earnings, so it's really 32x. That's part of the valuation problem.

With the other existing royalty companies, you will observe that the bulk of the cash earnings are paid out to the shareholders in the form of dividends. You will see that the bulk of the earnings are not invested into the company. The bulk of the earnings are paid out to shareholders, but the reserve life is actually very short, so the company at some point is going to have no alternative but to issue stock and/or borrow money to replace the reserves that are diminishing. Remember, it's an oil royalty company, so its royalty is dependent upon the efforts of other companies. It's not actually producing oil itself. So, that's the difference. You have a company that reinvests cash, as opposed to paying out its cash. I think that's the singular distinction.

Questioner 4

What is the end game for Horizon Kinetics Hard Assets? I think previously, it had been mentioned that there was an idea to turn it into a public investment vehicle. Is that still the case? Additionally, I think the only investment that has been disclosed as being in HKHA is Texas Pacific Land Corporation. Are there other investments held in HKHA or is TPL the only investment?

Murray Stahl – Chairman & Chief Executive Officer

First of all, just to use disclosure—you should know, I think I've mentioned this in other forums—but there are two HK Hard Assets: HK Hard Assets I and HK Hard Assets II. HK Hard Assets I is largely TPL, but we have other investments in there. And HK Hard Assets II is less—I think 66% TPL.

Another thing I'll say,—because they're in our portfolios, there's no need to keep it secret—we have things like the Mesabi Trust. We have the Permian Basin Trust. We have Prairie Sky. We also have a company that we could argue is a hard asset, but I don't know if anybody else would. We have a closed-end fund called Urbana, which I can elaborate on, if someone asks the question. We have other investments, and they're in other funds as well. So, I don't think it's a big secret that we own these things, as large shareholders, and we continue to buy them.

Questioner 5

Would you please explain the valuation/investment for increasing position holdings of TPL and Grayscale Bitcoin Trust? And would you comment on the recent TPL land purchases?

Murray Stahl – Chairman & Chief Executive Officer

As far as the land purchases, remember, I don't want to be the spokesperson for the company. I think the members of management are the best people to address that question, so I won't comment on that. As for what I do, I can tell you that if we're going to be in a world of inflation, then ideally, what you want is a company whose earnings don't require a lot of capital reinvestment.

As far as I can tell, there are eight or nine or ten companies like that in the world. One of them is TPL. Now, we could be wrong about inflation, but let's say we're not. If we're not, what will happen is, the revenue will rise at a rate disproportionate to the rise in the expenses. The expenses will rise, too, because all expenses, even if they're minimal, are going to be impacted by inflation. And if things work right, meaning demand for the commodities increases, which I think it will, because of this dichotomy—the world is breaking up into blocs, and I'll show you an example of this in a second in one of our holdings—you're going to get the benefit of an increased valuation on your reserves.

Let's take an example. I haven't really talked about Mesabi Trust in public, but it's really a trust for a mine that's owned by a trust in Silver Bay, Minnesota. The mine is operated by Cleveland-Cliffs Mining. Let's say you go back a quarter century, and you read the annual report. In the annual report, you'll see something like 525 million tons of iron ore reserves. And the trust gets credit for what Cleveland-Cliffs produces, about 4 million tons a year. There are no capital expenditures in the trust. You say: 25 years, 4 million ton a year, equals 100 million tons. You had 525 million tons, and now you should now have 425 million tons. Except now you don't have 425 million tons, you actually have well over 800 million.

So, what happened? The entity that operates the mine is in a position, because of its own capital investments, to extract more commodities. Therefore, it's valuable. The only thing that happened to iron ore, you will observe, in the last quarter century, is that the price has increased. Not in a straight line, of course, but it has increased by 4% a year. So, if your expenses, as a royalty trust, are de minimis and production remains constant, the price goes up by 4% a year, well, you're going to end up beating inflation. If there were more companies like that, I most assuredly would be on a mission seeking to own them. Unfortunately, there aren't more companies like that, and believe me, we are constantly looking for them.

The reason there aren't very many more is because of the miracle of the last 40 years, the disinflationary environment. If we were having this conversation in 1980, wherever in the world wealth was allowed to be owned, it largely consisted of hard or tangible assets. From that point forward, disinflation made possible the lowering your interest rates—it made financial assets possible. It made financial engineering possible. And it basically dethroned tangible assets from their previous preeminent position. If we're correct, and we might not be correct, but it may happen that the position tangible assets have had throughout history is now going to be restored.

Why do we believe that? Well, we gave a little argument about inflation. Let's cover one or two other points. You might have observed that India, several days ago, landed a spacecraft—not a manned spacecraft, but an unmanned spacecraft—on the moon. India could not have done that in 1982. It just did that. So, to ask myself rhetorically, is it unreasonable to assume that if India can land a spacecraft on the moon, could India produce a search engine that could compete with Google? I think, arguably, it could. I see no reason why it won't.

I'll just do one more example. China makes the hard disk drives that are used for the cloud. The big cloud companies are, you know what they are: Amazon, Microsoft, Google, and Apple. There are some other smaller ones. The excitement about the cloud, at the end of the day, leaves me mystified. It's just storage of enormous volumes of data on equipment that is manufactured in

China. The equipment is passive. It's just designed to store data and retrieve data when necessary. I can understand if it's proprietary data, but if it's not proprietary data, why can't some other company—it doesn't have to be Chinese—emerge on the world stage to store data? And it might be a Chinese company. Who knows?

Hon Hai Precision, a Chinese company, has 1.8 million employees. That's the company that manufactures the iPhone. It's only reasonable to assume that one day, Hon Hai Precision is not going to only want to manufacture the iPhone under contract, but actually create a competitor to the iPhone. Just like several months ago, a Chinese electric car manufacturer, BYD, was producing electric cars in the U.S. It's not a large number of vehicles yet, but it was enough to cause Tesla to lower its prices, and therefore, lower its margins. So, just BYD, at least in the world of electric vehicles, is now emerging on the world stage. There's no reason to believe other companies won't emerge on the world stage, and we'll be looking at a very, very different environment. So, I think I'll just leave it there.

Questioner 6

Urbana has, for a very long time, traded at a substantial discount relative to stated net asset value by the company. What, in your opinion, would help close this discount?

Murray Stahl – Chairman & Chief Executive Officer

I don't know what's going to help close the discount. I just know they have a lot of investments that I personally find interesting, at least on the private side. And I believe that those investments, as stated on the books, are undervalued. One such investment is MIAX—Miami International Holdings. As you might recall, it's the exchange to which we sold our interest in the Minneapolis Grain Exchange and the Bermuda Stock Exchange. So now we're very substantial holders of MIAX, and it's being carried at a certain price. I just believe it's worth a lot more than that price. Urbana owns the Canadian Securities Exchange, and you could look at the price it's carried at. I believe it's worth a lot more than that, so it doesn't require a reduction or discount to net asset value. All it requires is a value realization event.

Here's another investment on the books that we haven't talked about yet, but it's on Urbana's books. It's a company called Blue Ocean Technologies that is worth about $10 million on the Urbana books. They own about 35% of the company, so the theoretical market capitalization is about $30 million. The company does after-hours trading, which is an expanding field, because we talk about cryptocurrency trading 24/7. Eventually, all securities markets are going to be 24/7, and this is a 24/7 enterprise. A year ago, Blue Ocean was trading, after hours, 1 million shares a night. Now, it's trading 30 million shares a night. It was valued when it had virtually no business. And now, it has many orders of magnitude more: 30x the business it had when it was valued at $30 million. The Tokyo Stock Exchange—just to position it as a private entity, just my own belief, I could be wrong—I think it's worth 12x what it's marked to on the Urbana books. So, I have high hopes for it, and I keep accumulating shares.

Questioner 7

In regard to FRMO's short positions in the path-dependent ETFs, which of the following strategies guide your capital allocation decisions: Do you mechanically add to whichever position is the most "against you," knowing that leveraged funds can't go up indefinitely, and that they're most vulnerable to a decline at the point of greatest leverage? Or do you add to positions based on broader macro views, such as an opinion that gold will rise or oil will rise in the near future? Or does some other method guide your capital allocation decision in path-dependent ETF shorts?

Murray Stahl – Chairman & Chief Executive Officer

There are some exceptions but, generally speaking, we add mechanically. The idea is, you could sell some stocks short today, maybe it's a good or bad decision. In the fullness of time, you'll make money on it, but six months after, you might be sitting with a big loss. But if you were to measure it statistically, if you sold a little bit short every single day, within a year, you'd have a profit on your position in the aggregate—even though you might have certain small positions within that larger position that are not profitable. Eventually, it would be profitable, and the idea is to just short a little bit every day. We're shorting every day in many instances, and we have hedges on. So, if the worst were to happen and something we're shorting were to rise to some astronomical value, it'd be essentially fully hedged.

Questioner 8

While only a small portion of FRMO's assets, it can be seen from Form 4 filings that FRMO has accumulated some shares of the RENN Fund, which contains certain interesting investments that could be substantial for the fund in success mode. One of the fund's largest positions is in Apyx Medical, whose CEO is Charles Goodwin. Is management aware of Goodwin's past involvement with Olympus and the medical remuneration scandal at that company—where he worked as vice-president of sales for the Gyrus segment, which was at the center of the scandal? It's hard to believe that he was simply unaware of these issues, as he was VP of sales for their Gyrus segment, and the scheme was directly related to selling medical equipment. The court complaint asserts that Gyrus's fraudulent practices after the acquisition of Olympus were "firmly entrenched in a Gyrus business model prior to the Olympus acquisition and continued unabated following the acquisition with the full knowledge and endorsement by Olympus executive management."

Murray Stahl – Chairman & Chief Executive Officer

It should be noted that we are the new management of the RENN Fund. The RENN Fund was managed by another entity, and we took it over. As a condition of the change in management, we made a certain promise. The promise was to not sell Apyx without the agreement of the prior management, so we'd leave that position. And we left it, because we gave our word, and we keep our word. And I don't know what to say about the accusations, but we're going to adhere to our agreement.

Questioner 9

In the second quarter of fiscal year 2023 earnings call, management mentioned that Bitcoin mining rig sellers "want Bitcoin." Management has stated that they pay for their mining rigs using Bitcoin rather than U.S. dollars, and that this, along with FRMO's lack of significant debt, helped them avoid a lot of the fallout of the 2022 crypto winter. However, when looking at the Bitmain website, I noticed that while Bitcoin is a payment option, all rigs are priced in U.S. dollars. Wouldn't this have made FRMO's decisions to pay for rigs in Bitcoin versus U.S. dollars superfluous in 2022? My understanding is that FRMO did not buy new rigs in 2022 for many reasons, but it seems the policy of using Bitcoin versus U.S. dollars for purchasing machines doesn't make much difference, since everything is priced in U.S. dollars.

Murray Stahl – Chairman & Chief Executive Officer

My answer to that is, it's not that *we* have a policy of paying for machines in Bitcoin. Manufacturers won't take U.S. dollars. They only take Bitcoin, so it's not an FRMO policy decision. If you want to buy machines, you're going to have to pay in Bitcoin. They price them in U.S. dollars, because if they didn't price them in U.S. dollars, what would happen is, you wouldn't keep a price constant, because Bitcoin is constantly fluctuating. So they give you a dollar price, and if you want to buy the equipment, you've got to give them the Bitcoin equivalent. What the manufacturer does with the Bitcoin after that, I don't have the slightest idea, but it's not a policy decision. If you want to buy the equipment, you're going to have to pay in Bitcoin.

Questioner 10

Can management clarify the extent to which the various crypto mining businesses interact with each other, if at all? For example, HMTech advertises that "We have developed long-standing relationships with the top manufacturers. We can help you get the best deal on new equipment as well as handle the overseas shipping logistics." So, does FRMO use HMTech to source and procure mining rigs? Does FRMO actually use any of the environmental monitoring equipment produced by Winland Electronics? Does HMTech use Winland? Does Horizon Kinetics use HMTech for HK's engagement with cryptocurrency mining hosting facilities that is done on Winland Mining's behalf?

Murray Stahl – Chairman & Chief Executive Officer

We—Horizon, FRMO, and HMTech—don't believe we've ever used any of the sensors made by Winland. Windland and Consensus Mining have had machines hosted at HMTech. That has happened. I don't remember how many machines there are right now that are being hosted by HMTech, but there are machines. And HMTech has repaired machines for us in the past, and we've been able to source machines. Not very many, but on occasion, we've managed to source machines through HMTech, through their connections. So, largely, those statements are true.

Questioner 11

Management has described in the past what HK Crypto Mining I, LLC does. But could management describe what HK Crypto Mining II, LLC does?

Murray Stahl – Chairman & Chief Executive Officer

HK Crypto Mining I and II were merged into Consensus Mining, so I'll have to tell you what they did, rather than what they do. The idea behind Crypto Mining I: We were going to mine, sell the coins we produce, and pay dividends. Then we created II to mine, but only sell enough coins to pay for electric power, and keep the rest. So, the two funds were mine and sell, and mine and hold. When everything was rolled into Consensus, we didn't pay a dividend, so we were in the mine and hold strategy.

We only sold enough coins to pay our electric bill. And then, happily—from the point of view of Consensus and crypto mining in general, because we have a lot of cash on the balance sheet at Consensus—it occurred to everyone that the interest income we were getting on our cash balances was more than sufficient to pay our electric bills. So we just took the interest income and paid the electric bills, and we stopped selling any coins. I don't know what they restarted at, but as of late, we haven't sold any coins, just used the interest income.

Questioner 12

During prior conference calls, you spoke about FRMO pursuing an uplisting, and also pursuing the creation of an operating business, which would likely be in crypto. I'm hoping you can share some details regarding these plans. Before I ask my question, I want to acknowledge how very busy the two of you have been. Also, you two are the sole employees and do not draw a salary. You have large amounts of skin in the game, as you are the largest shareholders. As of July 29, 2023, FRMO was trading at $7.39 and had a five-year return of (7.63)%. The majority of investors who purchased shares from late 2020 are under water.

The company business economics have done well. For example, shareholders' equity attributable to the company was $114,992,841 on May 31, 2020, $177,904,904 on May 31, 2021, and $181,408,699 on May 31, 2022. Nonetheless, the stock price is flat-to-down over five years, and the dollar amount of its trading volume is rarely over $100,000. There were no shares traded on July 17, 2023. The most likely reason for shares to trade higher seemed to be if TPL or Bitcoin trade higher, as those are the larger holdings. So, I'm not sure what the question is there, but if you want to comment.

Murray Stahl – Chairman & Chief Executive Officer

Okay, I'll assume what the question is, so I'll state it, since people didn't hear it: ”Why don't you uplist FRMO so people can pay attention to it?” Which clearly, they are not, that's certainly true.

And apart from the fact that we're busy, we are, at the moment, engaged in the listing of Consensus Mining.

To list Consensus Mining, we had to do not just an audit of Consensus Mining, but a crypto audit. A crypto audit is much more rigorous than your standard audit, which is rigorous in and of itself. That's been completed. And then there's the whole series of application processes and forms to fill out, and people who have to consider those forms, make sure they're adequately filled out—which they apparently never are, and then they have to be redone. Hopefully, in not very many weeks, we can look forward to the listing of Consensus. And then we can turn our attention to other matters. But I don't think it's a good idea to do more than one thing at a time. So, that's the one we chose to do.

The reason we chose to list Consensus Mining first is because, when we did the initial public offering private placement for Consensus Mining, we promised everyone that we'd get a listing as soon as possible. Our hope was that we were going to list it last year. And you know what they say, hope springs eternal. We really wanted to list it, and we did all the things necessary to list it, but the auditors told us we needed a crypto audit. We said, "Well, we're certainly not against that. Why don't you just go ahead and do a crypto audit, and of course, we'll pay for it." Except that the auditor wouldn't do a crypto audit, so we had to find a new auditor that would. And since the auditor that does the crypto audit is completely unfamiliar with Consensus, we had to go right back to the beginning and start all over again, so it was a time-consuming process.

Questioner 13

As to potential crypto businesses to develop as operating companies, Consensus Mining is an FRMO holding, but for the 2022 FRMO Annual Report, FRMO owned 11,864 shares of CMSC out of a total of 2,249,985 shares, which is less than 1% of CMSC's total shares. As CMSC will have its own IPO, it cannot become an operating business for FRMO. I believe the other crypto holdings include roughly 32% of Winland, roughly 7% of HMTech, and an investment in Digital Currency Group and assorted cryptocurrencies.

In theory, Winland could become an FRMO operating business. Winland's CEO is Matthew Houk, a portfolio manager for Horizon Kinetics. Winland is small, with a market cap of around $10 million, and has several non-crypto-related business lines. In summary, given the time constraints of your many roles, isn't it more rational to think that the FRMO share price will be more a reflection of TPL and Bitcoin prices than newer investments, given their relative size in the portfolio? It seems unlikely that an operating business will be forthcoming in the near future. The stock market is a weighing machine in the long run, but can you give some guidance as to what events may lead to more widespread appreciation for the FRMO stock? Again, thank you for your work with FRMO and the other companies that you're involved with.

Murray Stahl – Chairman & Chief Executive Officer

To begin with, I think, if I'm not mistaken, we're approaching something like 34% of Winland. We buy shares in the open market when we can, when there's a trading window open. You'll see from time to time that we also buy shares privately, meaning that we obtain cryptocurrency mining equipment that we swap with Winland for shares. So, in terms of the scope of the operation, it's growing that way.

Also, it's important to note the number of coins that are in inventory is growing. And I personally think that cryptocurrency is very undervalued. I've written this many times, I think the day is going to come in the not-too-distant-future that the biggest asset class, bar none, is going to be cryptocurrency. I might be wrong. But if I'm right, I think people will appreciate the FRMO/Horizon crypto efforts. You'll get a window into it when you see the financials for Consensus Mining when it comes public, and people have an opportunity to compare that with the financials of the other crypto companies. So, little by little, it'll come together.

That's how we're going. I know everybody wants to speed it up, but as I said earlier, to do that requires big investments. And it's not that we don't have the capital to do it. But if we did, and we were wrong insofar as timing goes, we'd make a big capital commitment right before a technological improvement on the machines. It's instantaneous right now, so we need to keep the incremental steps small, because each incremental step amounts to a certain kind of risk.

If the investment process is marginal, incremental, it's easily manageable. If it's significant and bold, it may be successful if things go right, but it could be crippling if things go wrong. We can survive it in any event, but it would take a while to recover from it, so we choose not to do that. And I think history has recorded that it's been the right thing to do so far, so that's how we've done it. I, myself, wish it could be faster. But we have no alternative, I think, but to go at this pace.

Steven Bregman – President & Chief Financial Officer

May I add something? It's a qualitative observation, which is that it is inevitable, it is incontrovertible that investors by and large—by and large, not everybody—do not believe, cannot conceive, at least they don't do it in a practical sense, that something different is going to happen or will have a certain different return if that is not in evidence.

So, in my engagement with you, Murray, back at our previous jobs at the Private Bank of Bankers Trust Company, quite a long time ago, you had the notion for a bond substitute fund. Since bonds are a wasting asset in portfolios in which all the income was passed out—which is what happens with a large portion of the assets in any investment advisory firm, since clients live on their investment income, but certainly with trusts, since trusts are required to pass out income—a bond portfolio essentially is a wasting asset over time with respect to even a modest degree of inflation.

And you had the idea that it would be possible to buy something else with roughly a commensurate initial yield, which would have some inflation beneficiary component. So, maybe, the income from this could rise modestly over time, consistent with inflation. That would be a benefit. Someone could sell some of the bonds in their portfolio—just some—and put the proceeds into this other asset. And so, we had this conception of a fund that would own, at the time, one kind of long-term inflation-beneficiary asset, which were various types of utility stocks.

We actually had two funds that were complementary, but the second one was a fund that would own any kind of security that had a reasonably high dividend yield commensurate with bonds—but with some growth or accretion or inflation beneficiary component. And we found them. Some were convertible bonds. Some were preferred stocks. Some were common stocks. And wouldn't you know it, the ones we found were largely commodity based, and they were available because commodity prices were low and there wasn't anyone speaking about inflation. We're talking about, what was this, roughly 1992 or 1993?

Murray Stahl – Chairman & Chief Executive Officer

Yep, about that.

Steven Bregman – President & Chief Financial Officer

And therefore, you could find forest products companies. It might have been preferred shares. It might have been a common, it might have been a bond—but a bond with a discount, so there could be price accretion. A convertible bond. Oil companies, chemical companies. And the very simple notion behind it was that, when inflation is not expected, nobody's paying up for that optionality. Then you can buy it cheap, or sufficiently cheap, to have that benefit.

Well, if something is not working, people simply don't believe it. They might even see patterns. "Oh, you've been doing this thing, engaged in this process for some amount of time. And we see you making a little progress, but not much. We just don't see it." The observable evidence is that it's not working, because it hasn't worked yet, right? So, it's the difference between looking at numbers versus having an understanding of what's going on underneath.

So, the question with respect to small positions—really rounding errors, virtually, on the FRMO balance sheet of some crypto venture here or some crypto venture there—is how much can it really grow? The challenge back in 1993 or so, was that inflation wasn't in evidence. Now what's happening is that we're thinking about how ordinary businesses work, how ordinary operations work, and what's a normal growth rate. It's natural to question, "How can you possibly grow from—make up a number—half of 1%, or 1%, of the FRMO balance sheet. How is that going to grow to be worthwhile?"

People aren't accustomed to thinking in terms of returns of a new asset class that is barely a rounding error on, let's say, the global financial markets, something that might become a meaningfully accepted asset class. However, even if the likelihood of probability is very low, if that does happen, we're talking about orders of magnitude. And for people who aren't familiar with scientific notation, an order of magnitude is ten-fold: 1,000 is an order of magnitude greater than

100. People aren't accustomed to thinking that way. They're not accustomed to thinking of an order-of-magnitude return. A 100% return is great. It doubled. Oh, my God, it tripled. Oh, I got a 30% annualized return for three years. They're just not accustomed to the legitimate possibility that something could go up 100x, 500x, maybe more.

I've had this kind of discussion in various guises with clients for many years. Because when we first began to buy some Grayscale Bitcoin Trust in client accounts, I put it almost everywhere I could find it. Before giving permission to place it—including, and maybe perhaps especially, in bond accounts—they'd say, "What about the risk, it's so volatile, right?" But they didn't have the concept of how to handle the risk of something so volatile. If you don't realize or think that the gearing, the return leverage, is on an orders-of-magnitude scale, you don't realize that it's quite possible to buy some de minimis amount—by de minimis, meaning it wouldn't affect you in the slightest if it goes to zero—and yet, if it somehow does work out, it would be an amount that could radically change for the better your financial life forever.

We're just not used to that kind of effect, ordinarily. So maybe we've had clients who bought a 50-basis point position once, one half of 1%. And I like to use that as a de minimis amount, because I would tell clients, let's say you get your monthly statement, but you only get the front page. That gives you just the totals—you know, cash, bonds, stocks, income, cost basis, current market value. If we bought you a 50-basis point position in this thing called Bitcoin that people say is crazy and that it doesn't work and it's speculative, I defy you to tell me on your monthly statement if that's the month when it went to zero. Accounts go up and down 50 basis points every day, so that's how I define de minimis. We might have accounts where that's now a 3%, 4%, 5% position. And if it goes up as much again, their financial lives are changed.

Anyway, it's a very long-winded way, through a couple of examples, to say that these might be small investments on the surface. The question is, do you understand how we're thinking about it? Do you accept the premises, what the possibilities are? We don't think they're a waste of time.

Murray Stahl – Chairman & Chief Executive Officer

You just reminded me. I'm looking for something. I'll get to the page in a second, but what I am referring to is the page with our investments. We own the current estimated value of roughly $4.2 million in CDK. Back in the day, this was 2016, we had this tiny fund, CDK. There was no money in it and FRMO bought a de minimis position in CDK, and CDK bought a de minimis position in Bitcoin, and that investment is now worth $4 million, largely because we made a de minimis investment in GBTC. This fund is maybe 11% or 12% in cash, probably more like 12% in cash right now. It's been that way for a while. It doesn't take much.

On the other hand, what if that de minimis investment would have gone to zero? It wouldn't have mattered. So, if you think about if it were a half of 1%, let's just say for the sake of argument, it took two years to make its descent to nothingness in some exponentially smooth way, it would be a quarter of a percent for each of two years. You never know. When the S&P 500 fluctuates a quarter of a percent in a day, people say nothing much happened in the market. It's unusual to see the S&P fluctuate 1% or 2% in a day. I personally think that cryptocurrency will be the biggest asset class in the not-too-distant future, so I'll just make one or two remarks defending it. The problem with modern investments, apart from inflation and everything else, is that you think Bitcoin is volatile. The investments are too idiosyncratic.

You could make the following assertion. You could say, I think the U.S. economy is going to do very well, and I'm going to buy the S&P 500. One of the problems is that the companies that lead the S&P 500, they’re global companies, not American companies. You may be right about America, but you're wrong about the globe, and they will reflect that. That's the first problem.

The second problem is, you could have a buoyant economy, but you're going to have a lot of competition. Meaning globally, the S&P 500 companies encounter Chinese companies or Indian companies or what have you, and that's a problem. But in any event, you can't make an investment based on a macroeconomic analysis, however right your analysis might be, and expect it to be reflected in the stocks—even if the stocks are in an index—because there are too many variables. So, I believe the stock markets of the future are going to be less idiosyncratic.

Why are they going to be less idiosyncratic? Because what's going to happen is, someone is going to say, “I believe the U.S. economy is going to grow by more than 3%,” and that'll bring certain instrumentalities to trade. Such as, if the U.S. economy actually grows by more than 3%, then you'll get paid. If it grows by less than 3%, you're going to pay someone else. So, the cryptos are going to be vehicles to carry all sorts of things, including contracts like that, and they're going to have very, very intriguing values. I believe it's going to be the centerpiece of the financial system. So, it's worthwhile waiting, but it's not without its risks. The entire cryptocurrency project could fail, even though it's less likely to fail today than six or seven years ago. It could still fail, so it has to be approached in a measured way. And I think we're approaching it in a measured way.

Questioner 14

What are management's thoughts on executive compensation via options awards, which is how FRMO's directors are compensated, versus simply awarding cash for directors to buy stock on the open market? How does management think about the cost of capital in this regard?

Murray Stahl – Chairman & Chief Executive Officer

Don't forget that when we started the policy, FRMO was a very different company. We didn't have any cash. We didn't have any assets. So, we started with a very small amount of money. I think it's on the website. You can go back to the original annual report. Paying in cash wasn't an option. And because of inertia, we just left it that way. Maybe you have a point there. Maybe it's time to have a conversation about that.

Questioner 15

Under what conditions would FRMO consider issuing a regular cash dividend? My understanding is that the HK Cryptocurrency Mining LLC—which is now part of CMSC—would sell mined Bitcoin the day it was mined, and sell it for cash, a cash dividend. So, it appears management is open to dividends under certain conditions. What are those conditions? Management has also mentioned being open to the idea of a cryptocurrency dividend at some point in the future. How do they envision that kind of thing working logistically?

Murray Stahl – Chairman & Chief Executive Officer

I think if we get to the point where we have an operating company—and assuming it's successful, and that we have operating earnings—there's no reason why we can't pay a dividend. We can do it. And then we can do it, as the operating company might be publicly traded, and will pay a dividend, and whatever dividend we get from the operating company will in turn be passed out. Or maybe there's a more efficient way to do it for taxes. We'll just have to see how it works. But one of the purposes of the operating company is to have operating earnings. We have operating earnings. I personally would like to say, I own a lot of stock. I wouldn't mind seeing a dividend, so I'm very open to the idea.

Steven Bregman – President & Chief Financial Officer

I would like to come back to the options question. I learned somewhere—actually, I'm sure it was from you—that one can analyze something to a fine degree, quantitatively, but you must have a contextual or qualitative context or overlay for it.

At my very first job in this business, I was just a temp typist at an investment firm that eventually hired me. The first year I was there, they unveiled at a Christmas dinner—this was 1982—who was the winner of projecting, from the prior year's Christmas dinner, what the price of oil was going to be at the end of the year. This was an investment firm, and the oil analyst, she had it wrong. But she was very accurate, because she had the oil price down to the penny, whatever the number was, $30.42. Not valid, but accurate.

And the other side is that you can be right on the qualitative, but wrong on the quantitative. A wonderful company, great company, great prospects, great management—you go through all of those qualitative factors, but you're just not really covering, on the quantitative basis, how the investment works. How many years of earnings you're paying for, and so forth and so on.

So, the question about options—and this is a qualitative one, and it's a philosophical one perhaps, as well, which is important: executive compensation via options awards or via cash—there are books and papers and ongoing discussions about alignment of directors' and management's interests and how to escape the agency problem and so forth. But here, for scale, I would just note that there are 17,000 share options granted in the 2023 fiscal year for FRMO Corp., at a $9 strike price, so a value of about $153,000 for the five independent directors. Just in terms of scale, we're talking about $30-odd thousand per director. And just to compare it with the past, there are outstanding 65,000 options at a $7.50 average weighted price, and with an almost four-year average weighted term remaining. Take all that's outstanding, that incorporates several years' worth of grants, that comes out to $128,000 total, which is about $25,000 per director. So in terms of scale, I wouldn't think it's very large.

And the question is, is it worth having the discussion? It's always worth having a conceptual discussion, but $150,000 a year, it's about 10% of G & A expenses, which excludes virtual salaries for the two senior officers. It's 0.9% of equity attributable to common shareholders. I don't know if that's a lot or not, but even so, I suppose that if you paid in cash, then that's cash the company pays out and doesn't have. I suppose there might be tax differences. If you pay in equity, of course, equity is forever, so it might be more effective to buy back those shares with cash you retained.

There were some companies that you had identified over time—very, very few publicly traded companies, only a handful; I don't know if any are still around—that made a policy, a strategic long-term policy, of paying dividends only in shares. And you could take the shares and sell them, or you could accumulate shares, and it was a net benefit to both parties.

Shareholders had a much more tax-efficient way of getting their income. If you want to keep building up your shares, then you keep them. If you want the income, then once a year, once a quarter, you schedule it. You sell some shares and turn it into income, but it's capital gains tax, not income tax. And the company gets to retain the cash in order to reinvest, presuming they have good things to do with it, productive things to do with it.

Anyway, I was intrigued by the question, because it is correct. It's worth talking about. But it made me think of the difference between qualitative and quantitative, of just doing one or the other, and not blending them. But that it's an important question. Maybe one day, we'll have nine people on the Board. The company will be so, well, august—not that we don't have august directors—maybe their compensation should be raised, and maybe it would become a more serious discussion applicable to what our cash flow is, or our shareholders' equity is.

Murray Stahl – Chairman & Chief Executive Officer

I'd love to get into this discussion. You make a good point that, in theory, we could say, let's have a 3% stock dividend. Everybody will get 3% more shares. You want some cash, you sell the shares, and that's more tax efficient than just giving you a 3% dividend.

Steven Bregman – President & Chief Financial Officer

And that's something we can talk about. It's so effective. It's so much more efficient for all, you would think, for the company itself and for the shareholders to have a dividend policy of paying it in stock. And we wondered, "Why don't more companies do this?" You'd think they would all want to. Why don't they want to do it, do you think?

Murray Stahl – Chairman & Chief Executive Officer

Well, back in the day, we were talking about getting small numbers of shares. Institutional investors hated that, because you have 100,000 shares, and if they gave you a 3.33% stock dividend, you would have 103,333 shares. Everybody hated odd lots. Everybody likes to have even amounts, and you would never get an even amount. Now, imagine if you made it a little more complicated. You had a 2.51% stock dividend. Everyone would go crazy. And I think that's why people didn't like it. So, the only two companies I remember, no longer publicly traded, that did, were Chris-Craft. Do you remember Chris-Craft? And then there was Alleghany, which Berkshire Hathaway ultimately bought.

Steven Bregman – President & Chief Financial Officer

There was also the utility company.

Murray Stahl – Chairman & Chief Executive Officer

Citizens Utilities.

Steven Bregman – President & Chief Financial Officer

Yes, Citizens Utilities.

Murray Stahl – Chairman & Chief Executive Officer

Citizens Utilities, they did it also.

Steven Bregman – President & Chief Financial Officer

But the compounding over time, if you've seen any clients who ever had reinvested dividends in a bunch of stocks, over time, it really is impressive if you give it ten to 15 years.

Thérèse Byars – Corporate Secretary

We have a few questions on the same topic that I'll combine, because we have to stop at five.

Murray Stahl – Chairman & Chief Executive Officer

You mean they throw us out of here at five?

Thérèse Byars – Corporate Secretary

Yes. They have another event here.

I wanted to give people in the audience a chance to ask questions, so I'll combine the questions that are about your plans for succession.

Steven Bregman – President & Chief Financial Officer

"Love you guys. I'll even put you in august company—like Munger and Buffett—but you are getting on."

(Laughter).

"So, what are you thinking at all about anything? I love you guys."

(Laughter).

Murray Stahl – Chairman & Chief Executive Officer

Well, we have to be realistic. Nobody's here forever. So the first thing is, FRMO can't stay in the current format forever, because the current format is something that's conducive to the way we work. But it's got to have an operating business for people who are trained to operate, so it's got to have an operating business to generate cash.

And depending on the magnitude of the operating business, if it's big enough, the people who run the operating business, hopefully they have the wherewithal to run the entire business. If not, then let's not have an investment portion, and let's make that a fund, spin the fund off. We can do that, find somebody who would want to run a fund. We can do it that way. It's one of the reasons, by the way, the RENN Fund's around—take the assets and make it a much bigger closed-end fund. And it could even be a money-maker in the sense that we do a real offering and raise permanent capital that way, and there could be a closed-end fund division. It's possible.

I would like to open it up to questions from the audience and our attendees. Okay, over there, you're first.

Questioner 16

Murray, you spoke a lot recently about the difference between the returns from country indexes and the exchanges of those countries. Could you expand on that a little bit more, since it's getting a lot of interest? Would you discuss the difference between the returns of a country's indexes versus their local exchanges and how much more dynamic the exchange is than the actual country indexes?

Murray Stahl – Chairman & Chief Executive Officer

My research over the course of many years is that, if you want to invest in a given country—let's say, I'm just picking randomly, China. I'll do China and Brazil. Let's say China, which has a lot of problems, but you determine you would like to invest in China, whatever your logic is. So, the question is, what's the best way to go about it? And I'll give you two choices. One choice is, you can buy a Chinese index, a lot of companies. Or you can buy the exchange of China, which, at the moment, is the Hong Kong Stock Exchange. Hong Kong Stock Exchange beats the index by some incredible quantity.

Another example is if you decide to invest in Brazil. I'll give you a little Brazilian humor, not my humor, but we have to liven it up a little bit. They say in Brazil that Brazil is the country of the future and always will be.

(Laughter).

Anyway, your options are: You could buy an index of Brazilian companies, option one. Option two, you can invest in the exchange that is now called B3. It used to be called Bovespa. Bovespa, B3, beats the index by a country mile. So, I had this idea years ago to make a fund to do this, and you could do it in one of two ways. You could just buy the exchanges, just be long the exchanges, just leave them alone. That was option number one.

But option number two, you can make it more like a hedge fund. You can buy the exchanges in the right proportion and sell short the indexes, so that you'll control the volatility. Now, I'm not sure that's such a good idea, because I think the indexes over time will actually rise in value with inflation, so you'll just end up lowering your rate of return. I personally am not enamored with that approach, but you can see how somebody might like that.

I had this brilliant idea and decided to implement it, but what lessened considerably the brilliance of it was, I did it in late-2007. I started a fund, and you can actually see that fund on the FRMO financial statement, I referred to it earlier as CDK. I had a name for it then, I called it the Croupier Fund. I really liked that name because the exchange is not risking its own capital. It's like the croupier in Monte Carlo that gathers in your money with a rake and they shove your money down the slot. A game like baccarat, the odds are not in your favor, and that's why they make a lot of money that way.

It's the same thing; the exchanges are not risking their capital, and therefore it should be the pre-eminent financial instrumentality in the world of financial services. That was my thesis on the eve of 2008.And we all know what happened in 2008. And of course, the financial services stocks began a long and painful descent. And people would tell me two things. Number one, the exchanges are part of the financial services sector. So, if the financial services sector is in decline, they should all decline, perhaps by different magnitudes. But I would say, "Look at the earnings, they're so robust."

And they had an answer for me: Their answer was that because there's now a multiplicity of exchanges, they're no longer a monopoly. They're just businesses. With a multiplicity of exchanges, the incumbent exchanges are losing market share.

Well, that's true, because if you break up a monopoly—by definition, at 100% market share—it's going to have less than 100% market share. But with exchanges, now there's the arbitrage, or trading between the different venues, and the volume is going to go up. In the long run, they'll make more money. As persuasive as I thought that argument was, I could not find, during the dark days of 2008, a single human being that agreed with me. Therefore, you now see part of the residue of what was once the proud Croupier Fund on our financial statements.

(Laughter).

And then, some years afterwards, we had this little remnant of a fund that we started in the hopes of raising all this money, which we did not do. And I decided, we do have this little bed of cash. Why don't I make a half-percent position in Bitcoin in it, and the rest is history. And there we go. So, we have this new fund, the Blockchain Development Fund, which is largely exchanges. We didn't do it to invest in the exchanges; we did it because I believe that the pathway to the realization of cryptocurrency as an asset class is through the exchanges, because that's where it's going to trade. And not just trade, but be a medium of all sorts of new trading instrumentalities.

I'm actually very excited about that fund. But it only has, I think, $3.3 million of assets or something like that, so we'll see what happens. I certainly would not be against reviving the Croupier Fund. Perhaps the name was not as propitious as I would have thought, perhaps a different name, but a fund holding the exchanges with a view that this is better than buying a global index. Perhaps a better vehicle is to own an index of exchanges that in aggregate would be global. In that sense, I wrote a paper about it recently. I decided the time would come to revive it on the theory that the pen is mightier than the sword. Perhaps I can convince some people, but it's just out. I haven't convinced very many yet. Actually, I haven't convinced any, but we'll see.

Questioner 17

I remember seven to ten years ago, at some point, you had made a point about the private equity firms, which were becoming publicly traded. And you had mentioned that in the big long-term view, you're better off just owning the businesses than you are owning the individual deals. And so, the thought has occurred to me, and I don't think I'm mischaracterizing your thesis from ten years ago. It's been a while. I don't remember when it was. But I thought I'd ask, would the same logic apply to FRMO?

Murray Stahl – Chairman & Chief Executive Officer

Yes, the same logic applies. What he's referring to, about ten years ago I had this theory—one of the few theories that actually proved to work out—though there was no way to implement it in investing. The idea was based on the $5 trillion, presumably, invested in private equity. And of course, I couldn't look at every single deal, but I was looking at them. Not because I wanted to invest in private equity deals as such, but because I was interested in how I could engage the return of the asset class. And I came up with a number, what the return should be. And then it turned out that Blackstone and KKR and Apollo, to name three private equity companies, went public.

And I thought, well, the private equity companies, they have to put some money in the deal. But then they're getting the incentive fee, on top of everything else. So, let's say they put money in Deal A. If Deal A is successful, then by definition they have to do better than the clients, because they will make the same return the clients make on the deal, but they will also then get the performance fees, which the clients will pay. So, I thought to myself, if I want to be in private equity, I'm much better off buying the publicly traded private equity companies than I am buying into private equity directly or through a private equity fund. But there weren't enough publicly traded private equity companies to make an index out of it. It's just one of those theories, one of those theoretical constructs that I write about often, but this had no practical investment utilization. But it proved to be true, actually. And I think it's still true, and they all did well.

Questioner 18

I think this is a little bit of a compound question, but it speaks to both the uplisting and to some extent to TPL. First of all, I just want to say, as a shareholder, I recall a discussion that sometimes a company needs a century or longer to mature. That was the discussion about TPL that they do that. I don't have any problem if this company takes that long. I hope we're all here in 2130 to celebrate this. But I'd like to point out the premise of that is always that there's a liquidity discount somehow in FRMO's share price. I don't know if that's really true.

I do say that one of the nice things about this company is that there's a community of shareholders around us that provide an ongoing yield. It's not necessarily always quantifiable, but it's really very positive, and is a reason why people did come. So, before it becomes a circus, I think it's kind of nice that it's a smaller, more intimate group. I think there's real value in that.

Relatedly, though, the shares obviously trade at a significant premium to book, right? I thank you, by the way, for all the insights from your letter to try and help us understand the sum-of-the-parts aspect of the value of the firm. Because you invest in businesses that tend to compound or have these kinds of very large multiples like TPL, you see that a very significant portion of its balance sheet is related to that. What do you think is the reason, or the rationale, to invest in FRMO as opposed to just investing in TPL directly, and the degree to which TPL is sort of a compound asset for this company?

Murray Stahl – Chairman & Chief Executive Officer

There's nothing wrong with investing in TPL directly. I am not against it, because you can see in my SEC filings that I invest in TPL directly. But ultimately, at FRMO, there's more than TPL. At the moment, the focus is exchanges, which is clearly not related to TPL. And crypto is clearly not related to TPL. So, the issue is, do those investment theses materialize within a reasonable time period? I personally think it's going to happen. A reasonable time period, I would say, is 12 to 24 months. That's how we define a reasonable time period. And you can see it in the now-digital asset exchanges that are becoming parts of exchanges.

For example, just in the MIAX sense, you will observe that EDX is now a reality. EDX is really a partnership. It's a new exchange that's owned by Schwab, Fidelity, and MIAX—among other companies. And you see the digital asset exchange of the CBOE. We actually own shares CBOE as well. So, it's becoming a reality in the exchange sense: Inventing the trading rules, making sure they work—and the design of the trading systems and technology, making sure they work, too.

Crypto has its unique issues because it's very different. It has a very different settlement, if you want that. It's not even a security in the commonly understood sense of the word, so, how do you make sure that a settlement actually happens? The way exchanges—at least in this country—evolved is that clearing and settlement are separate from the exchanges. We have the Depository Trust Corporation, DTC. And now, we're moving into a world where clearing and settlement might actually be part and parcel to what exchanges do, so it takes some time to figure all those issues out. But they may end up being the dominant thing. So, if you think about crypto, the market capitalization of all the crypto in the world—you can look it up on CoinMarketCap—I think it's something like a trillion dollars. It's a big number, so, a trillion dollars, it's like the market cap of NVIDIA, one stock, all the cryptos.

How much money in the world is there in the M2 total money supply sense? Now they call it M2SL: $100 trillion and growing every day. How much nominal financial assets are there, like government bonds? There's money in it, and people will accept treasuries as money. Use that number, now we're in the $600 trillion area and growing very, very rapidly. What if the trillion became $600-plus trillion? Well, if the $600-plus trillion became a quadrillion? The coefficient of expansion would be 1,000x. So you see what our investment is in crypto. I'm not predicting it's going to happen, of course. But I'm just saying, for illustrative purposes, what if the coefficient of expansion were really 1,000x? We'd be having a completely different discussion. Anyway, I hope I answered your question.

Questioner 19

First off, I do want to thank you, Murray, Steve, the management, your senior staff, Thérèse, Jay, and your Board for all the hard work you guys are doing. So, thank you for that. I did want to ask you all about your assessment of the current state of government regulation of crypto without asking it in any politically charged way, I hope. But it's been a very circuitous way with the CFTC, the SEC, there have been court challenges. This is an evolutionary state of affairs. Would you mind sharing your perspective with us, please?

Murray Stahl – Chairman & Chief Executive Officer

I really shouldn't speak for regulators, but I'll put myself in their position, as if I were a regulator. I wouldn't have acted very differently than the way they acted. And I can understand what they're doing. Let me explain, to the degree I can, their point of view. The problem, from a regulatory stance, is that crypto is a 24/7 market, so it's just harder to regulate. The regulatory framework that we have in this country is that we regulate during business hours. It's inconceivable to have regulators working on Saturday and Sunday, unless it's some sort of a special project. So, imagine expanding your scope of regulation to 24/7. That's a completely new field. That's number one.

Number two, even if you were to do that, crypto is a global undertaking, so whatever the regular framework would be, even for 24/7, you only have jurisdiction within the United States. So, anybody who doesn't like that jurisdiction can, in principle, find another venue or another nation where crypto exists. It'd be the same crypto. It'd be the same Bitcoin, but it would be trading outside those regulations. So, if the regulation is too onerous for crypto trading in America, there'll be crypto trading somewhere else. And if you don't let it flourish in America, then a major asset class just won't happen in America. You don't want to do that.

On the other hand, you can't be so tolerant to be permissive in the sense that you permit the improper things that happen in trading any asset, like spoofing, wash sales, all sorts of things. How can you monitor that in a global environment? Nobody, in the world of regulating, ever had that challenge before. So, you can understand why it's been a gradual step by step process.

We don't regulate people at FRMO. But you see, in their sphere relative to our sphere, the value of really going step by step, because we're both learning as we go. I think we do have a framework right now in the sense that exchanges, on a preliminary basis, are beginning to trade crypto. So, before long, we're going to have a Bitcoin ETF. It may or may not be a Grayscale Bitcoin ETF, but somebody is going to get approval before very long, and the only reason the regulators are waiting—in my humble opinion—is we don't have enough experience in trading it in sufficient volume in this country that we can say with certainty that we already have a good price, meaning a reliable price.

If you don't have a good price for Bitcoin, then how could you price a Bitcoin ETF that's fair to everybody? It really wouldn't be fair. Even to this day, if you observe where Bitcoin trades in different countries, there are sometimes radical price differentials. There's a whole carry trade of buying bitcoin in America and selling in, let's say, South Korea within hours, and doing it again and again and again. And you can’t have a fair market if that sort of thing happens. So, I can understand what they're doing, but like anything else, eventually, it will become real.

I'll give you a comparison to the past. The commodities futures laws for a very long time were that you couldn't have a financial asset, like interest rate derivatives. Why? Because they said that would be a violation of gambling laws. You're betting on what the interest rate is going to be next month. You shouldn't be allowed to do that. So commodities—oil, natural gas, pork belly, soybean futures—at the end of the day, that's not betting. That's somebody willing to take delivery of the asset. With financial futures, there is no asset; that's a cash settlement trade.

So, how can you allow a financial future cash settlement? It's like legalizing gambling. And there was the moral taint against gambling. But on the other hand, you could argue, people do live in the world where they have interest rate liabilities. They don't want the liability to be infinite; they want to cap it. There are other people who would take the interest rate risk. So, why shouldn't people be able to lay off their liabilities?

It just required, however acrimonious it was at the time, a lot of discussion for everybody to work it out. People had different views. There was a robust discussion over time. We worked it out. Now, we have financial futures. The same is going to happen with crypto. So, we're going at, more or less, the same pace in crypto as we went in the world of financial futures. When we were living through it, it certainly seemed like it would take forever. Looking back on it, it seemed like yesterday that we didn't have financial futures, then all of a sudden, we had them. So, that's how I would answer that question.

Steven Bregman – President & Chief Financial Officer

I would add two general points. I know that you know this, Murray, I'm just saying it anyway. If I listen to the financial news every time there's some new regulation announced on crypto, the announcers treat it as bad news, “Oh, there goes Bitcoin, they want to regulate it.” Whereas we know that it actually translates into regulatory acceptance. The point is, you want it to be regulated, just the way money is regulated, like money laundering regulations. That means it's becoming part of the system as an accepted controlled part of the system. So, the regulation is good. It's the right pathway.

And then, I like to pay attention to the fairly large, fairly influential vested interests that are developing in Bitcoin, when you get all the major stock exchanges involved. And it's all approved. It's all regulatory approved when they establish a trust or establish custody or establish pricing and so forth, so they're all getting involved. Then the investing institutions, they get involved, because now the exchange is providing a venue. And I believe in vested interests. That's a powerful force.

Murray Stahl – Chairman & Chief Executive Officer

I'll just add one thing to what Steve said. When you read the papers and they talk about regulation, they never say the SEC or the CFTC has made another step in the regulation of Bitcoin. That's not what the headline ever says. The headline always says something like this, "They're cracking down on Bitcoin." Cracking down? That's not what the regulators say. The implication is, there's these rascals who are running amok, and it's time to put a stop to this lunacy.

Steven Bregman – President & Chief Financial Officer

Actually, I forget where I was looking a few weeks ago—the CBOE or CME website—and they have some new Bitcoin minis or Litecoin mini futures and what not, and you can go and see the exhibits they have of their various letters to and from the CFTC. They want to make a slight change to the contract size or something like that. There are letters back and forth every week. They're in constant communication. This is gone through with a fine-toothed comb. Everything's approved. Those products wouldn't exist if they weren't approved.

Questioner 20

Thanks for all you've done. I think I can crystallize this in an interesting and good way. Nine years ago in 2014, correct me if I'm wrong, you guys were already invested in TPL. You were loudly proclaiming the virtues of TPL. You also were already invested in Bitcoin. Since then, TPL, you can look it up, is a ten-bagger. Bitcoin, look it up on the chart, is a 100 bagger since 2014.

Then you went into making an ETF, highly dangerous. You could easily have failed. You started this ETF, INFL. You raised $1 billion, and you charged really high fees. That's good. Then you're invested in the Miami Exchange, brilliant. So, you've knocked like, four home runs. Meanwhile, you're shorting leveraged funds. It's a license to print money. So, the paradox that is screaming out to be explained—I'm sure that you can explain it—is, why was the stock of FRMO $9 in 2014 and it's $7 and change now? Was it deeply overvalued then? Deeply undervalued now? Some other explanation I don't understand? And also, why don't we see it in the earnings?

Murray Stahl – Chairman & Chief Executive Officer

Everything you said is accurate. I'll just correct one minor point. Our first investment in Bitcoin was 2016, not 2014, but I think the return is the same, because in 2014 to 2016, Bitcoin didn't do anything, so it's just as well we invested in 2016.

In my opinion, the reason is, at most, or at least a lot of, brokerage firms, if you wanted to buy a couple hundred shares of FRMO, I don't think they'd let you. And if you came in there with FRMO, and you wanted to fund your account with FRMO shares, and you weren't looking to trade it, you just wanted to have it there with your other investments, in a lot of places, they wouldn't accept it.

So, it trades where it trades, but the focus of the organized investment communities that broker the world, they're not geared up, for a lot of reasons, to traffic in a stock like FRMO. At best, they'll discourage it. At the worst, they won't permit it. And over the years, people have called me about it. I won't mention the name of the firm. They're at XYZ firm, and XYZ firm tells them, take your FRMO out of here, because it's dangerous, we don't want stocks like that here. You actually have to remove it.

Questioner 20 (cont'd)

But that has nothing to do with the valuation, the valuation in 2014 versus now.

Murray Stahl – Chairman & Chief Executive Officer

I understand that, but you see, what has to happen is, you need a new community of marginal buyers. How are we going to get a new community of marginal buyers if the financial services platforms on which they function—I don't want to mention any, but let's say, Robinhood, though I don't know what they would do—but if someone opened up an account at Robinhood, put an order in for 2,000 shares at FRMO, I don't know if they would execute that order. I don't know that for a fact, but I don't think you'd get very far in a lot of places.

Questioner 20 (cont'd)

Well, I've had no trouble buying it. That doesn't answer my questions, but hopefully I'll understand this paradox one day.

Murray Stahl – Chairman & Chief Executive Officer

I'm in the same position, so I guess the next step is, we'll have to try harder. Maybe we can do what's called a non-deal road show and just introduce it to institutional investors.

Questioner 20 (cont'd)

No, Berkshire did its thing with book value over time. And you know, the book value of Berkshire kept increasing, they chart it for 50 years or more. And he also tracked the stock price, but that was irrelevant. It was the book value increase that he tracked.

Murray Stahl – Chairman & Chief Executive Officer

Well, we have a nice book value increase as well. I will just remind you that the share price, if you look, Berkshire Hathaway beat it in 1965. In 1975, the 10-year period, not that great. And if you go back and look, I won't cover it unless you want me to, but he was involved in all sorts of controversies that, ultimately, were really nothing. But to the people who lived at the time, they thought much of it.

Steven Bregman – President & Chief Financial Officer

Although, if we do anything like a road show, I think I would invite you to it.

(Laughter).

Questioner 21

Well, gentlemen, there is one difference: registered stock versus unregistered stock. SEC registration and non-SEC registration.

Murray Stahl – Chairman & Chief Executive Officer

Yes, so, if we really want to make FRMO what it needs to be, we're going to have to go through that process, and we haven't done it. Years ago, if you look back in some of the documentation, you'll see that when Horizon Kinetics was separate companies, FRMO was owed a certain amount of money from Kinetics. But there was a timing difference of when we'd get the money—we received it with a lag—and the auditor would not bless that amount, and we actually couldn't produce the audited financial statement. And it created a headache for us, even though we were owed money, even though we were receiving it—it caused a big problem for us.

Steven Bregman – President & Chief Financial Officer

Kinetics itself was not audited—as a private company they didn't need to produce audited statements—and therefore, FRMO Corp. couldn't be audited, because it had financial arrangements with Kinetics, and we had to deregister.

Murray Stahl – Chairman & Chief Executive Officer

And we did. So, we're going to have to, at some point—reregister—and all I can say is mea culpa. Haven't got around to it. Doing other stuff, as you can see. The year 2023 has been very exciting for me. It's fair to say that.

(Laughter).

I'll get to it, though.

Questioner 22

My question is, you've mentioned at the past couple of annual meetings that you'd like FRMO to eventually become an operating business. To the other gentleman's comment, could FRMO become a holding company like Berkshire Hathaway. with all the investments underneath their risks, Bitcoin and energy and exchanges, et cetera? Is that a possibility?

Murray Stahl – Chairman & Chief Executive Officer

If a mere holding company, probably not. It's better, for a whole series of reasons, to be an operating company. We'll still have investments. But for the future, and for all sorts of other reasons, it's much better if we have a company that has operating earnings. One reason I'll touch on, for the people who follow us, is that it'll be a source of cash flow. Otherwise, then it's just a fund that sells Investment A to buy Investment B, and if investors are going to follow our approach to their long-term investments, we want to hold them basically for decades—maybe, hopefully, centuries. So, the investments might not throw off enough cash to fund new investments, so we're going to have to have an operating business. And I think that would be better for the valuation as well.

Thérèse Byars – Corporate Secretary

It's five o'clock.

Murray Stahl – Chairman & Chief Executive Officer

Okay, they didn't throw us out.

Let's adjourn the formal part of the meeting. I'm not going anywhere, and I'm just waiting for them to throw us out. So, I'll be here, and if you want to continue informally, we can continue informally. That's fine with me. So, thank you for attending.