The opinions contained in this transcript are not intended to be a forecast of future events, a guarantee of future results, or investment advice. The statements made in this transcript are based on information available to the public at the time of the shareholder meeting, and no representation is made with regard to their accuracy or completeness. The views expressed herein may change at any time. This transcript is neither an offer nor a solicitation to buy or sell securities.

Therese Byars: Good afternoon. My name is Therese Byars. I'm the Corporate Secretary of FRMO Corp and it is my pleasure to welcome you to the 2014 Annual Meeting of Shareholders.

Before turning the meeting over the Chairman, Murray Stahl, we have a few formalities. Please silence all mobile devices and be advised that in the interest of protecting the privacy of our shareholders, unauthorized recording and photographing are prohibited during this meeting. The FRMO Annual and Quarterly reports can be found on our website at www.frmocorp.com. If you would like a hardcopy of the 2014 annual report we have a few of them here and you may request one from me at the end of the meeting.

A summary transcript of today's meeting will be posted on our website in the coming weeks.

Discussion at this meeting may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding business strategies, future financial and operational performance and other matters. These forward-looking statements are based on management's current expectations and beliefs about future events. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances.

The only business on the agenda today is the election of the directors, who are seated at the head table. We have Murray Stahl, Chairman and CEO; Steven Bregman, President and CFO; Peter Doyle, Vice President; and Lawrence J. Goldstein, Independent Director. Also present today is FRMO's new General Counsel, Jay Kesslen. He was appointed upon the retirement from that position of Lester J. Tanner in July of this year.

On behalf of the Board of Directors and the shareholders, we welcome Mr. Kesslen and we thank Mr. Tanner for his distinguished service as General Counsel of FRMO. We are fortunate that he will remain on the board of FRMO's wholly owned subsidiary Fromex Equity Corp.

Paul Finegan, a representative from our auditors, Baker Tilly, is also here.

We now proceed to the report on the tabulation of the proxies for the election of the directors. Mr. Chairman, I have before me the affidavit of distribution by Broadridge attesting to the mailing to shareholders of the notice of this meeting, proxy statement and the proxy card, the shareholders list, as of the record date, July 15, 2014, the report from Broadridge on the proxy vote, and the report of the inspectors of election stating that the four nominees have been reelected by 88.94% of the outstanding shares of the company and by 99.91% of the shares voted.

The chairman will review key points related to the 2014 financial results. When he has finished his remarks, he and the other directors will answer questions. At that time if you have a question, please raise your hand. When you are recognized I will bring the microphone to you. Please clearly state your name, the person to whom your question is directed and then your question. Please speak clearly so everyone can hear the question.

And now I will turn the meeting over to the chairman of the board, Mr. Murray Stahl.

Murray Stahl: Thank you, Therese, and thanks, everybody, for coming today.

I was very fortunate when beginning to write the annual Letter to Shareholders to be apprised of an event that you may have read about in that letter. The idea was that we as a corporation were lacking in certain corporate governance formalities and requirements, one of which happened to be the lack of a compensation committee, and I took the occasion to comment on that. I hope you'll understanding that I did it tongue in cheek. Corporate governance is a very serious matter, but in our case the recommendation of a certain proxy firm was to withhold the vote from us for, among other reasons, the lack of corporate governance relating to management compensation.

Now, there's no excuse in a normal corporation for not having proper oversight of management. The only excuse we can offer on our own behalf is that we don't actually receive compensation and, therefore, we didn't think it was necessary to appoint a board, independent as they might be, and properly compensate them and incentivize them to rule on whether or not we're actually going to be compensated.

Interestingly enough, you might observe that since we control the company we could dismiss the board anytime we wanted to. So we'd be supervised by people who effectively serve at our pleasure. I didn't put this next point in the annual letter, but I might have. In terms of motivating us, our compensation is designed to come from our return as shareholders, and we don't wish to get any other compensation. Of course, a compensation committee could theoretically overrule us and force us to take compensation. They might be within their rights and might arguably do that with the idea that if we don't get compensation, how can they possibly motivate us to work harder, since only the threat of removing the compensation that we get would impel us to make the effort that's really required. To put themselves in that position, they would have to first give us compensation and, as big shareholders, the compensation would actually come from us. We would be compensating ourselves.

Steven Bregman: Then if they did that we would have to fire them.

Murray Stahl: Yes. Of course, I respect the corporate governance process, and I trust we have been faithful to it because we are the fiduciaries, we are the custodians, effectively, of the shareholder trust among other things. We take that responsibly very seriously. But the question is larger. The question is about form versus substance. Is one a proper corporate steward because of the presence of certain formalities, or is one a proper corporate steward by taking that

responsibly very seriously? That is the issue at hand and that is the best way of introducing what happened to us in a financial sense during the last year. I hope you will agree; we accomplished a lot.

We took the company up to almost, not quite, but almost $100 million of shareholders' equity. I like to say—again tongue in cheek—that if we ever get to $100 million of shareholders' equity we will finally be a real company. If you screened all the companies that are publicly traded in the United States of America, I think you would find that there are thousands that have lower shareholders' equity than we have right now. We are not a small company anymore and we take those responsibilities very seriously. It is really an outgrowth of all that we have done in the last year.

The basic challenge for us is to break away from being merely an appendage of Horizon Kinetics LLC, which remains a very substantial investment for us. To a large extent, Horizon Kinetics remains an equity-oriented investment management company within the sea of indexation, and that is a major point. Horizon Kinetics has created and will create many investment opportunities for us. But the days of thinking that we could collect $100 billion, $200 billion, or $300 billion in assets under management solely from the strategies that we had in place as equity have passed; it is not realistic. As a matter of fact, 20 years ago Steve and I were sitting in a Burger King. We were not there for the food; we were there to make a business plan for what became Horizon Asset Management. The idea was to get up to about $10 billion in assets under management and then not aggressively look for more assets for those strategies, but to branch out into different types of strategies, some of which I'll talk about in a minute. We just about got there in 2007, and we just kept going. I knew better, but I did not do what the business plan actually said I should have done. Nevertheless, we are doing it now.

To give you an idea of what that involves and maybe give you a hint of what 2007 was like, when a strategy gets to a level at which it really can't sustain a return to the clients, you need to deemphasize it. In the last year or two we began to deemphasize a high-yield strategy that has a great record. We could continue to raise money for it, but we could maybe get a 5% rate of return if we took a little bit of portfolio risk. After taxes, even with no management fee—and there would, of course, be a management fee—it just would not provide a reasonable return for the clients. So, we had to deemphasize that strategy, which means in a business sense that to walk forward we had to walk backward. We had to encourage clients to withdraw money from that strategy or, if not that, at least not put any more money in. We completely deemphasized the marketing of that strategy. We probably could have raised a lot of money, but we did not try, and instead we focused on new products.

When you focus on new products, there is a certain amount of expense involved in the beginning, and there is no track record. You cannot realistically expect to get a lot of traction in the beginning. But, fortunately, we have managed to do that. For example, we created what's known as the Horizon Kinetics ISE Wealth Index (RCH). I refer to it in the Letter to Shareholders. The mutual fund based on that index is the Virtus Wealth Masters Fund (VWMAX), which was launched by Horizon Kinetics and Virtus. A year ago when we met last,

the Virtus Wealth Masters Fund had $7 million in assets under management. Yesterday, if someone had added another $6,000 to the fund, it would have had $136 million, which is nearly a 20-fold increase.

What is the idea behind the Wealth Index? It is, to a certain extent, the incarnation of what we call the owner-operator principle. The companies that are in the Wealth Index are included because there is a key shareholder who has a tremendous investment in that company and, in many cases, those key shareholders are also the management. In a true owner-operator situation they would be the management. The Wealth Index is not a pure owner-operator strategy, only approximately so, because not all of the key shareholders are part of the management, although many of them are. The theory behind the strategy is that investors will earn an excess rate of return by holding that investment for long periods of time. There is some historical evidence to support that theory.

The Wealth Index is important to us, not just because it is a strategy that might work, but because we are moving counter to the basic trend of indexation in the world. That trend indicates a belief that no one can decide which companies are better, so you really need to buy them all. There is even phraseology for that strategy; they call it 'completeness.' You buy an index like the S&P 500 but, since that does not represent all the companies in America, you buy another index called the Russell 2000 that represents more. You might even buy a micro-cap index to represent small companies. I might remark parenthetically that one day we might even be in a micro-cap index. Who knows what would happen to our stock then?

We do not subscribe to the belief that indexation is the only logical approach; rather, we believe that investing is a human endeavor, not a scientific endeavor, and it thereby creates a human response. If we were talking about astronomy and you told me the scientifically calculated arc of the orbit of Jupiter around the sun, the fact that I believe something else to be true—that is in fact false—does not change the reality of the orbit. But, in the world of investing, when people believe something to be true, their actions do actually change the reality.

I will give you two examples. One is what gold has done as an investment during the last twelve years. In the last year it has not been so wonderful, but in the preceding 11 years it compounded at a double-digit rate of return. For those 12 years, it generated about a 9% compound annual rate of return. Why would someone buy gold? Presumably because they expect inflation, and maybe they are right.

Compare the rate of return on gold to that of an index of long-term government bonds. Why would someone buy those bonds? One would buy them if they expected disinflation, or maybe even deflation. The return of that bond index for the same period of time is about 9%. I mention that because for the two possibilities, inflation and the absence thereof, to occur at the same time is a logical impossibility. It is either one of the other; it cannot possibly be both. So, how could the two strategies have the same rate of return? Well, because if you are investing on a contingency basis you want to be prepared for either the presence of inflation or the absence of inflation—you are buying both and you are indifferent to the return and to the cost. You are

merely preparing for the contingency. It is sort of like buying health insurance and, if there was the opposite of health insurance, you would buy that as well. In the world of insurance that does not exist, but it does exist in the world of investing. You can see the length to which people have carried things.

Looking more deeply into the world of gold, I can tell you that in the last 12 years the price of gold went from roughly $360 an ounce to over $1,200 an ounce. If I had known that 12 years ago—of course I would not have—but if I had known that you might have thought I would have been motivated to buy a lot of gold equities, because how could they fail to do well? And yet, the largest gold companies, even many small gold companies, did not do well at all. Barrack Gold, Newmont Mining, and others, are companies you that would have bought if you knew what the price of gold would be 12 years in the future. You would have been certain that they would do well. Most people would have, and it would have been a sound investment except that those gold companies became members of the Gold Miners Index. Since that index buys shares of those companies on the contingency that gold might increase, it creates a natural and, I would argue, a permanent bid for those shares.

What is the result? The shares trade at a premium to their net asset value, and why shouldn't they? It is all a question of the possibility that gold might be a good investment, which actually it was. By virtue of the 'permanent bid' that was created by the index, gold companies were impelled—tempted at least—to issue shares. When they issued shares at premiums to net asset value, what did they do with the money? It was only logical that they would try to mine for more gold. Since they were all bidding for the same number of gold properties, they pushed up the prices of those properties beyond the point where they could be profitable.

For a gold mining company, the current all-in sustaining equilibrium or breakeven price of gold is over $1,200 an ounce, which is where it is right now. If gold prices stay where they are, with any kind of luck and excepting any environmental liabilities, the gold mining companies will break even. Imagine that gold almost quadruples in price and 12 years later, with any luck, the gold companies will break even. It is an amazing set of circumstances. That is what indexation has been bringing us.

We at FRMO and Horizon Kinetics have been running counter to that environment. The Wealth Index is one way and another is via the Multi-Disciplinary Income Fund (formerly known as the Multi-Disciplinary Fund). The goal behind the Multi-Disciplinary Income Fund is to mix bonds with way out-of-the-money options on stocks to provide investors with a 6% rate of return, yet with the volatility of a bond index. That is the idea.

The other day, the fund hit $120 million in assets under management. Strategically, that is not a big deal for us now, but there was a time when we were sitting in Burger King making our business plan that the prospect of reaching $120 million in a fund would have been a very big deal. Nevertheless, one day this could be a big fund; it is possible. The fund certainly has the capacity to do it and we believe we can deliver on the strategy to get 6% out of something that

behaves like a bond. That level of return is what people expected from a bond in the years when bonds were able to provide it.

The Multi-Disciplinary Income Fund is really a synthetic type of product. The strategy for this fund would not have been possible were it not for the fact that investors have certain expectations about bonds that may or may not be right. It is now possible to write an option on a bond index to achieve an extra rate of return. Most funds are not set up to be so heterodox, but this one is, and it could be a big deal. It is important strategically for another reason because, as a firm, we are no longer only an equity asset class manager. We are now in the bond field, which happens to be four times, maybe five times larger than the equity field, and we are now in the options field.

We also have products in the volatility asset class, and I should probably comment on it. People may not know what the volatility asset class is. Believe it or not, you can now trade volatility. In other words, you can be long or short volatility, which is incredible.

Here is the layman's introduction to the subject. If you are short volatility, you are telling somebody in effect that if there is volatility in the marketplace and prices go down, you will take those mark-to-market losses on your books. It is accomplished using a product that trades on the Chicago Board Options Exchange called the VIX Index. VIX stands for Volatility Index.

We sold the VIX short in certain funds and in so doing we are taking a certain risk. If you follow the newspapers, you will see that the VIX Index goes up when the market goes down. During those periods, we lose money; we lose heavily. But there is a quid pro quo, and we have to charge those on the other side of the transaction something for that risk. The charge to the other side of the transaction, believe it or not, is about 66% a year. You, as the short seller of the VIX, are saying to the other side of the transaction that you are willing to absorb a certain degree of their short-term losses on your books so that those on the other side of the transaction can show a smoother rate of return. You will take those losses on your books, but you have to charge them something for it and that number is going to be 66% a year.

This practice essentially comes from a really good idea presented in a book written by Harry Markowitz in the early 1950s called *Portfolio Selection*.[1] He was looking for a measure of risk. When you buy a stock, a lot can go wrong. The management could be crooks. The company can get sued. The economy could be bad. The business could be bad. The products could be obsolete. There could be competition. Lots of things can happen. But how do you quantify those risks? You can know about them in advance, at least theoretically in an abstract sense, but how do you quantify the risk? Every company has a certain risk of product obsolescence, but they are not necessarily the same. How do you know that some companies have more product obsolescence risk than others? There is no way to quantify it.

[1] Harry M. Markowitz, *Portfolio Selection: Efficient Diversification of Investments* (New York: John Wiley & Sons, 1959).

Markowitz's innovation was to take the variability of the stock price itself as expressed in the standard deviation of return, which is a statistical calculation. Using that method, if Company A has twice the standard deviation of return as Company B, it is twice as risky.

The idea behind looking at this statistic is to try to get the highest possible rate of return for the lowest standard deviation of return. In that world, a lot is possible. By the way, in the world of the 1950s, that strategy was not actionable, because we did not have the computer power to calculate the standard deviations on a real-time basis. It was only 30 years later that we gained the computer power to do it, so it is only recently that such business really came into its own. We can even carry that computer power in our pockets.

Speaking theoretically, if you carry the Markowitz approach to its reductio ad absurdum, a 1.2% rate of return, or 10 basis points a month, with regularity and no variability whatsoever, is a better rate of return than 2.4% with some variability. Taking it farther, that 2.4% might be a better rate of return than 4.8% with correspondingly more variability, and so on.

The thrust of modern financial theory is that you cannot predict the returns. What you can know is that there will be periods of drawdown and you can have a sense of what the potential for volatility is, and you need to protect against drawdowns. And everybody is doing that.

Our philosophy is that when everyone is doing something— as in the gold market example—it changes the reality of the situation, and we want to do the opposite. Over my career, now spanning 34 years, with the exception of one year, I always did that. There were times when I would own an unknown stock that the world eventually came to recognize. That was a wonderful and glorious result that I enjoyed for a few days, but then I'd immediately sell it because, at that point, my view was that the good in the company was priced into the stock. That approach has always served me well. In 2007, I did not strictly adhere to that practice, but that is another story. It did not actually create a problem until 2008 but that is water under the bridge. Now we are back to our knitting, so to speak, which we have never left since a certain dismal day in 2008.

One of the activities we have engaged in over the last year that you might not be able to get a sense of from reading the Annual Report has to do with our investment in a private fund that owns memberships in the Minneapolis Grain Exchange, which benefits from many factors, including two modern ideas. One of them stems from a policy change by the Canadian government. For many decades, it bought entire wheat crop of Canada each year. If you were a wheat farmer in Canada, the Canadian government would buy your crop and then sell it all in one lot. You would get your fair share of what was called the wheat pool. Not that many months ago, the Canadian government abandoned that practice. That change is important to the Minneapolis Grain Exchange, because it trades grain. Since the Canadian government closed the wheat pool, Canadian farmers have to hedge their grain. That necessity has led to a certain increase in trading volume for the Minneapolis Grain Exchange.

Another factor that has led to increased trading volume is indexation. There are now commodity index funds that buy wheat. They do not want to make it into bread nor do they wish to trade it.

They just want to hold it because, theoretically, it is an inflation beneficiary and that practice has led to some increased trading. As a business, the exchange is like FRMO in that more revenue, with very little incremental expense, goes right to the bottom line. I believe this is going to be a record year for the Minneapolis Grain Exchange.

As discussed in the Letter to Shareholders, the Minneapolis Grain Exchange building is about 550,000 square feet. The first question is what is the value of a building? It is maybe a class B-building, if you want to be generous, because it was built about 100 years ago. It is one-third vacant. I do not really know what it is worth. All I can tell you is that the current market value of all the Minneapolis Grain Exchange memberships is $80 million. If those 550,000 square feet were worth $100 a square foot, for example, the building would be worth $55 million. It shows you there might be some value in the real estate as well.

During the past year we made an investment in the Bermuda Stock Exchange. We did not do it because we like going to Bermuda, although it is beautiful; we did it for a couple of other reasons. I will tell you a minor one first. As part of the indexation trend, there are many global indexes. Just about every country can be found in at least one of the global indexes, including Ghana, Kenya, Zimbabwe, Lithuania, Latvia, Macau, etc. There are even frontier indexes that include some of the more outlandish places to invest like perhaps Vietnam. Even Myanmar, formerly known as Burma, is represented in the frontier indexes. There is only one country that is not represented: Bermuda. If Bermuda were included in an index—any index—the trading volume would go up a lot, as would the market value of the Bermuda Stock Exchange. Right now you could buy the whole exchange for about $6 million. FRMO bought almost 38% of it for about $2.3 million.

I am not against indexation; it has a place in portfolio structure. It makes sense for many people who are looking for broad representation and broad diversification. But there is a larger point that concerns how and why companies historically became publicly traded rather than privately held. In collaboration with underwriters and investment bankers, companies found that they could access capital at a very low cost if they were able to issue shares. The publicly traded shares were created because it was advantageous to the orchestrators of the corporation, not because investors requested a certain kind of security. No one represented the investors. No one ever said, "Let's design securities that investors want to buy." For instance, investors might want securities that yield 6%. No company decided to design securities that yield 6% with low volatility for investors who need to earn a 6% return on their capital with not a lot of volatility. No one ever decided to do that.

Instead, the way it is done is to mix and match the existing securities on the exchanges in certain combinations hoping that their variability will provide the desired characteristics. Designing new securities that provide the needed return has never been done, because the exchanges of the world were historically controlled by what is known as the 'sell side.' On the sell side are the underwriters and investment bankers. It is they who made the rules by which securities are traded on exchanges. What is important to take away from FRMO's investments in these exchanges is that it is the first time in history when the 'buy side' investors—that is those representing the

buyers of securities, not the sellers of securities—have taken a major position in two exchanges with the goal of creating products that investors want to buy as opposed to creating securities that investors should be convinced to buy. It is a completely different perspective. It has never been done before and, if we have any success with it, we are hopeful that the shareholders of FRMO will prosper.

That is a survey of what we have been doing so far. At this time, I'll open it up for questions.

Questioner 1: To what extent is FRMO diversified?

Murray Stahl: Reading from the balance sheets, we have $94 million of shareholders' equity, and $110 million of total assets. As of May 31, 2014—this is literally reading from the balance sheet—we have over $27 million of cash. A quarter of our assets are in cash, so that is not equities. On a market value basis, we have over $58 million of investments available for sale. Let me disaggregate that for you. About $4 million of that represents the Minneapolis Grain Exchange memberships which, as a private company owned by its members, is not really available for sale. I would look at the investments available for sale as $54 million plus.

The other investments include closed-end bond funds. Currently, the coupons on bonds are so low that it is hard to get a high rate of return, so we might be redeploying those assets. As of May 31, the bulk of that the investments are in bonds. There is cash, there are bonds, and there are some equities in there, too. There is the investment in the Bermuda Stock Exchange, and the ownership stake in Horizon Kinetics, which is diversifying itself but is still equity-oriented. Then we have the Horizon Kinetics revenue share, and that is an important asset. The whole idea behind the revenue share is that it is not a question of the appreciation of the investments; rather, it means that FRMO gets a piece of whatever revenue Horizon Kinetics earns and it goes right into the revenue line of FRMO. We do have one expense that we cannot avoid, and that is paying taxes. Other than that and a few minor expenses it goes to the revenue line.

I would argue that even in its current incarnation, FRMO is broadly represented in all the major asset classes. I did not even go into the minor asset classes. You will see a short position under "securities sold short" and that is what we call the dysfunctional indexes. We are short those indexes, which is another asset class. I would say we have broad diversification in just about anything that is out there.

Steven Bregman: If I may add a comment here. You mentioned that we are not quite at $100 million of shareholders' equity, but the way I look at it we actually are. The official number is $94 million, but there are two lines on our balance sheet to note. One is the non-current deferred tax liability of $4.2 million and that represents taxes payable on unrealized gains on certain securities that we do not actually plan to sell for a long time. It is an accounting deduction from the assets we already have accumulated from earnings. There is also a shorter term deferred tax liability of $9 million which has much the same characteristics. They are classified differently in terms of long-term and short-term, but as an owner of FRMO Corp, if you look at it that way, you really do have more than $100 million of shareholders' equity. If one day you had to pay the

taxes on that gain, you would have less relative to today some years from now when you pay that, but you get use of it in the interim and, presumably, we are accumulating more income anyway. There is the formal shareholders' equity and then there is the actual shareholders' equity. It is actual in terms of it being usable. If we wished to go to a bank to borrow funds they might look at the figures differently than on a pure GAAP basis.

Questioner 2: Would you tell us about the culture at Horizon Kinetics now that it is more directly linked with FRMO?

Murray Stahl: Let us just start with the four people you see here. I met Steve (Steven Bregman) at Bankers Trust in the early 1980s, so over 30 years ago. I met Peter (Peter Doyle) shortly thereafter. I was introduced to Larry (Lawrence J. Goldstein) at a luncheon at Bankers Trust. We didn't leave that luncheon until around 8:00 o'clock that night.

When you look at the other people at Horizon Kinetics, the first thing you will see about the organization is that there is very little turnover. The same people have been together for a long period of time. If you go to any other investment management company, they will talk about their corporate culture, their process, and their philosophy. The employees may share a philosophy, but the people who were there last year are not necessarily the people who are there this year. There are very few companies that can look over the span of decades and still have the same key people in place. We are together because we just wanted to work together. It started with that.

It wasn't entirely about money. We really wanted to be in business together as opposed to working somewhere else. I believe it was John D. Rockefeller who said in his autobiography called *Reminiscences*[2] that a friendship founded on business is better than a business founded on friendship.

You will see that people have joined us over the years. It is very much like the story of Robin Hood who goes out into the forest where he meets Friar Tuck, Little John, and Will Scarlett and they join him. There are people who have joined us over the years; we did not actually get an executive search firm and collect resumes. People just showed up. That is not an exaggeration in the slightest.

Steven Bregman: And it is still happening.

Murray Stahl: Yes, it is still happening. They all just showed up and they said, "I really want to work here" and they just kept coming for interviews.

Steven Bregman: If I may, I will add something anecdotally that speaks to this topic. In our very first statement of Horizon's raison d'être, who we are, our first brochure, Murray had written that we wish to be a place where we can engage in creative thought. That is hard to do. You have to

[2] John D. Rockefeller, *Random Reminiscences of Men and Events* (New York: Doubleday, Page & Company, 1909).

really want to and have the capacity to do that, because you are so busy with everything you must do, it is much easier to default to your responsibilities and your routines. You have to work at being creative.

I will tell you when I first noticed Murray and it has very much to do with this theme. At Bankers Trust Company people start at the bottom. Portfolio assistants in the investment advisory department assist officers in prosecuting their responsibilities and, if they do that well enough for enough years and do not make any major mistakes, they are promoted and get to manage portfolios.

When I was still an assistant, they sent some of the best and brightest of us, such as we were, to an offsite location for several days of what they called Trust Investment School, where portfolio assistants from Trust Banks around the country gathered to learn more about the business. They were held in Westchester somewhere in a nice hotel and there were a series of seminars during the course of the day on trust and estate planning, taxes, and other matters. One lecture I went to had to do with investing. I did not know Murray at the time, but listening to him speak that day about indexation, of all topics, made me want to get to know him.

Even back then, in about 1985 or so, there was tremendous pressure on investment managers to outperform the S&P 500 index, which is an arbitrary selection of securities. They are not only expected to outperform the index, but to do so in discrete artificial time periods, like a year, divisible by quarters. The extraordinary pressure even then that managers were under to beat it was such that Murray's speech, though somewhat sardonic, asked, basically, that if you want to beat the S&P 500, if that is so important to you and you are all working so hard trying to figure out how to analyze companies, how to choose the 30, 40, 50, or 60 different companies that would work well enough to beat the S&P 500, how about trying an easier way? Rather than try to choose the best companies, would it not be easier to choose the worst company in the S&P 500? A company that is going to do the worst must be easier to find than one that will perform the best. This would be a company whose revenues are not rising but whose costs are rising. It would have too much debt and some near-term maturities, and so forth. You can almost predict that it will go out of business. Why not buy all 499 companies in the S&P 500 except the worst one? If all you need to do is outperform by a few basis points, then you have done it.

I thought, "Wow, that seems so easy." Anyway, therein began my interest. The next time I saw him walking through the hallways, I said, "Hey, how are you?" And that is how one kernel of the culture began.

Murray Stahl: Our people are there because they want to be there. They could be other places if they wanted to be, but they want to be there. Every organization goes through its times, because the economy ebbs and flows as do the markets. You go through the trials and tribulations like any human being, but the group integrity is really important. I would say it is probably the most important asset you are going to have. Thankfully, we have had it and I am pretty proud of it and I am pretty proud of everybody who works there. I think we have built a unique culture.

Questioner 3: This is more of a macro question. I would be curious to know your view on where we are in the credit cycle. Are we in a partial credit bubble? If we are in a partial credit bubble, how can it be monetized?

Murray Stahl: The bond market itself is four times the size of the equity market, but it is also four times the size of the United States GDP. Using data from the Federal Reserve and SIFMA (Securities Industry and Financial Markets Association), I would say that the total debt, including non-publicly-traded forms of debt, is not far from about $60 trillion. That is an important number to focus on.

The U.S. GDP is nearly $17 trillion. Let us say rates were to go up 3% points (300 basis points), which is not even a lot by historical standards, so it is certainly an unheroic assumption. What would be the impact on the economy? Well, 3% of $60 trillion is $1.8 trillion. Who would pay that $1.8 trillion? Of the $17 trillion of GDP, not everybody owes money, so we do not have $17 trillion for servicing the debt. Using a round number, if you have $10 trillion with which to service it, is it reasonable to assert that this $10 trillion could service an incremental $1.8 trillion in interest expense? I do not see how it is even conceivable. Even if the number is $11 trillion or $12 trillion, the conclusion would still be the same. My analysis is not contingent on the number $10 trillion versus some other number.

The Federal Reserve is in a box. They cannot raise rates because, if they do, a lot can happen domestically and even globally, because they are certainly not going to raise the rates in Europe. France and Italy are back in recession. Greece is not even out of recession. Spain maybe came out of recession, but it is not doing that great. They are unlikely to raise rates. If they raise rates, even if the economy could actually service the incremental interest expense, which I do not believe it can, what would it do to the dollar? Time will tell whether or not the result will be inflationary, but I do not think will be.

I think the problem is that for 80% of the capital that is available to be invested in this country—maybe even the world—it is not going to have a good rate of return. That is a very unorthodox opinion, but it is obvious to me what is going on at the Federal Reserve. The only way out of it is to inflate your way out, but you cannot inflate your way out because the bond market would never let you do it. The only thing you can really do is to have a tiny bit of inflation, maybe over the course of 20 to 30 years, until things are set in order again.

The basic premise behind monetary theory is false, and here's why. The Federal Reserve can lower interest rates, which encourages you to invest in something. Using myself as an example, I am just a member of the economy; I am just one participant. There was a time when interest rates were 10%. If the Fed brings the interest rate down to 5%, what am I supposed to do? As a participant in the economy am I supposed to say how wonderful it is that rates are now 5%? Let me go and borrow some money and maybe open a restaurant? Maybe people will like my veal Marsala, but maybe they will not, in which case I am taking a certain amount of risk. Even if I borrow the money at a lower rate, I do not know if I am going to have a positive outcome or a

negative outcome. But I do know the Federal Reserve is lowering rates and if I buy the bonds using leverage, then I will have a wonderfully positive outcome.

What ultimately ended up happening, the tragedy of monetary theory, is that instead of people investing in real assets like they were supposed to, they invested in financial assets and now you are stuck, because people understand how that mechanism works.

That brings me back to an earlier point, which is not really a departure from the basic underlying premise of everything we do. If everyone understands the process, the process is not going to work. The process has now changed. The Fed cannot govern the economy by the traditional process. Therefore, they cannot raise rates, and rates will stay low for a very long period of time. It will not be a good situation for life insurance companies, pension funds, property casualty insurance, retirees who live on a fixed income, and others. Said another way, it is the problem of reinvestment rate risk. The whole academic literature focuses on volatility, which is more concerned with what happens to a bond if rates go up. But, what happens to a bond if rates do not go up? It matures sooner or later and then you are stuck with a low rate.

There may be a credit bubble, but it is not the kind of bubble that you can solve by raising rates so that maybe the wicked are punished and the profligate are punished and it all works out. They cannot raise rates and it may stay this way for an unbelievably long period of time. I hope that answers your question.

Questioner 4: In the next bear market cycle, is it possible that in their dismay, people will gravitate to firms like yours?

Murray Stahl: As much as I would like to say that I think it will work out that way, I do not think it will.

This is the way I see the world developing over the next decade or so. There is going to be a dichotomy between customers for firms like ours and those investors who want a broadly diversified portfolio at low cost, and that is going to be the indexation world. It will have ebbs and flows, but I do not think the bear market, if it comes, is going to shake loose that type of investor. I think they are in indexation for at least a generation, which is to say 25 years and maybe more. I will give you more on why I believe that in a moment.

The role of firms like ours is going to be for those who want a more, shall I say, idiosyncratic portfolio—something that does not behave like the indexes. The argument there is that you will pay a somewhat higher fee for a lot better rate of return. There will be a role for that. There is plenty of money for that. But I do not believe it is going to be the majority and I think that is really great because, looking at it from the point of view of firms like ours, indexation has been destroying other firms like ours, because the money comes out of mutual funds and other products like ours. It comes out every day. According to the Investment Company Institute, in a normal week for domestic or new equity actively managed mutual funds there is outflow of $2 billion in a normal week. For many weeks it is $3 billion or even $4 billion. This has been going

on for years, and I do not see anything to stop it. Once in a while there is a week when only $1 billion comes out and occasionally, though rarely, there is a week that actually gets inflow.

That is the way I see it working and it is good for us, because you we are going to be around for a long time. No one is going to destroy our business, but they are destroying our competitors. It makes it easier for us not just in marketing, but in getting a reasonable rate of return. It is sad to say because there are a lot of talented people who are being forced out of the industry or into segments of the industry they rather would not be in but, from a purely competitive perspective, it is good thing for us, and it is going to continue for many years.

The indexation business itself has a big problem, and that is Vanguard because, in certain of its products, Vanguard is down to charging fees of only a handful of basis points. You can have $100 billion at three basis points and that is just not a lot of fee revenue. What we now see proliferating on the indexation side of asset management is all manner of bizarre indexes that exist for no reason other than to charge high fees. If I am not mistaken, there are nearly 1,300 exchange-traded funds in registration right now. I spend a lot of time looking at them. I could spend every waking hour of the day looking at them and I would not be able to master the totality of that array. It is just amazing. On any day, I see new funds and the process just keeps repeating. I see nothing to disrupt that trend. It is going to continue. That is just the economics of the business.

It is actually a pretty good thing, because the business of indexation is necessarily based on liquidity. Whichever companies are the most liquid, which is to say the largest, are going to have the heaviest weight in the index. There will be other companies that are not as liquid that will be ignored by the indexes. They are not necessarily small companies, but they just are not so liquid. That situation has created opportunities that are exploitable. Even the academic literature says that those opportunities should exist. They call it the weak form of the efficient market theory.

So, it looks like it is going to be a pretty good universe, but I do not think there is going to be a groundswell of attention directed to firms like ours. Maybe that is good.

Steven Bregman: Which is not to say an index that we have might not, by some stroke of luck or timing, find success in the marketplace. In that case the scale can be as large as the market allows.

Questioner 5: I would first like to congratulate and thank the board for the great performance in the FRMO stock in the last two or three years. Also, I would be remiss if I did not ask Murray and Steve for the third year in a row for a couple of ideas on stocks that pique your interest. But first, I would like to ask you about Sears. I discovered the stock many years ago thinking that it was the next Alexander's with all of the land and property that it owns. A good friend of mine is a commercial real estate agent in Westchester county, which is one of the more affluent counties in the country, and he tells me about the year's worth of inventory on commercial properties. At this point with Sears, my concern would be that many of its commercial properties are around

parts of the country that are not doing as well as the major cities in the northeast. I'd like to get your insight on that and possibly why you are accumulating the shares over time.

Steven Bregman: I have yet to meet a realtor or someone familiar with commercial real estate who likes Sears. In fact, I have yet to meet anybody who likes Sears. If I were not an analyst and I simply based my assessment of Sears upon my own personal experience with a Sears store such as exist in Westchester, I might share the same opinion.

All that has changed in my assessment of Sears over the years is that Mr. Lampert's rearrangement of the corporate balance sheet and various actions he has taken and brought about year by year, have confirmed my initial impression, which I hope is not incorrect, which was that the value of the assets they own is many multiples above the current share price.

Our first assessment of Sears was the kind that we often have to make in the world of public equities when there is a lot of data we do not have. You are making decisions with imperfect and incomplete information and you can make some educated attempts at analysis about how many stores they own and what the square footage is and so on, what the replacement value might be or not. Even on the basis of some very crude estimates like that, and there are different ways to go about it, it seemed to us that the real estate, even without any other assets, was worth a lot more than the common stock market value. We were ascribing no value to other assets they own such as some of the brands like Craftsman and Kenmore. Over the years we have collected a little bit more information about those brands. For instance, it turns out Mr. Lampert is willing to monetize them. We find that he is altering the structure of the company; he has changed it in a way such that you find out that the mostly owned real estate, as opposed to the leased real estate, is bankruptcy remote, as are the brands themselves. In addition, substantially all of the debt is secured by what you might consider the less valuable assets. He is treating Sears more like a long-term holding company than not.

All of these observations, and there are more, were subsequent to our initial assessment. Then, of course, he does things like buy several hundred million dollars' worth of stock at the end of last year when the shares were down a lot. At least it confirms, presumably, what his own assessment is for the company.

There has been a lot more positive confirmation along the way in terms of what people observe different properties might be worth or where they think the inventory is for commercial real estate. That can change a lot and it depends on the person who makes that assessment. Do they pay attention to what clearing prices might be in five years? Mr. Lampert seems to be playing a very long game. We will find out ultimately what is going on.

I also think about that which I do not know. Sometimes you can conceptually ascribe value to things you do not know. For instance, if you have 1,000 properties, think of it like a 1,000 piece chess set. Out of all those properties there must be at least one store that is moribund, that is hardly worth anything as a store, but that might be on the right corner or near the right interstate exit, that wants to be a 40-story mixed use office/apartment complex, in other words, be

repurposed. That one location could be worth hundreds of millions of dollars. There could be more than one. We do not know.

From watching Mr. Lampert operate from a distance I suspect he knows every single property. He has a lot more information than I do. When someone puts an additional $500 million of his own money into a company, unless he is governed purely by some kind of emotional or ego problem or is really not a good analyst, you have to suspect that there is information content in that. I do not worry very much about it, though I am not totally complacent when I observe it and assess it.

Murray and I review all these investments regularly. When we last discussed Sears, we were in agreement again. We asked, “Are we missing something? Are we wrong? Is there a risk?” There is more of a portfolio risk, not a valuation risk. There is a possibility of, let’s say, a take under. What if one day Mr. Lampert comes in and the stock has been sinking and he makes a magnanimous gesture to offer a price well above the prospective best price, which is lower even than it is today? There might be a fuss and a back and forth and he would grudgingly offer a higher price, but basically you lose, right? It is a possibility. I cannot know, but I am not so sure I give it a high probability of happening because it is in the ultimate owner’s best interest to have a publicly traded share. There is flexibility in a publicly traded stub. There is indication of public market desire. There is the ability to quickly and easily make use of higher valuations, which is to say a lower cost of capital, and so forth. That is the biggest risk I personally feel about it. I do not know if you have any other observations.

Murray Stahl: Just a minor point. Sears Holdings is held in many accounts. You might not know it, but if you are in the securities lending programs, Sears is actually the highest yielding stock that we have in the portfolio, because we lend it out and they pay us interest on it. 7.5% is the latest rate and it has been higher.

Steven Bregman: It has been as high as 20%.

Murray Stahl: Basically, the more negative people feel about it, the higher the rate is. So, it is an equilibrium of sorts.

Steven Bregman: As for a stock recommendation, I will update one that Murray spoke to last year at this time: Texas Pacific Land Trust. This company is interesting to us for a number of reasons, not least of which is that the very first report we ever wrote at Horizon. To describe this company, I’ll use the term ‘unique,’ a word that is typically improperly used and overused, but in this case is an accurate assessment.

Texas Pacific Land Trust is a unique company. It is a trust that was created in the 1880s out of a bankrupt railroad and endowed with assets, which consisted of land along the railroad. It has its trustees and not very many employees. They were charged with and they are required to buy back shares over time using revenues earned from grazing fees and the odd sale of a parcel here or there and from certain mineral rights on which they collect royalties from entities that drill or

dig on their land. They have been buying back shares for over a century. I think there were only one or two years during that time in which they have not bought back shares. As a result, the share base has been shrinking.

Because of that, on an acre-per-share basis, they buy back shares at a more rapid rate than they sell land. It is an internal compounding machine subject to very little of the exogenous risk that a typical business faces. They do not have to invent a new product. They do not have to defend a patent. They do not have to worry about government regulations the same way. The power of compounding is such, if you look over most of the last century from the 1900s onward, the stock has appreciated by something on the order of 14% a year. It is not well-known, nor is it in any indexes.

There is a story of a certificate that was lost in 1907 when it was worth about $300. I believe it was certificate number 390. That certificate was recovered 72 years later and I think the figures were it ended up being worth more than $5.7 million. That's the power of compounding.

Since Murray covered Texas Pacific Land Trust at the last meeting, the stock has appreciated from about $85 per share to about $200. It is more interesting to me as to why it has appreciated. Shortly after the 2013 FRMO Annual Meeting, Chevron and Cimarex, two energy exploration companies, announced a joint venture. They each own land in that area and they combined their land holdings to do some drilling. There are a number of different shale deposits in that area that are said to be very rich and these two companies plan to engage in a major production effort there. In fact, the first phase of it could end up being $7 billion worth of capital expenditures to drill wells, and some portion of that—we just do not know which portion—is on property in which Texas Pacific Land Trust has a 1/16th royalty interest. The stock was flat for months. The announcement was made and the stock was flat. Then it went up to $100 after a 10Q was issued and people could see that Texas Pacific Land Trust's revenues were rising, not from land sales, but from royalty interests and from easements. They get paid for access through their land.

Then the stock was flat for months. After they filed their 10K, people saw more income so the stock went to $140. Then it was flat for months. After the next 10Q, it went up some more. It rose to the $165 range and it hung around there. Then a publication called Business Insider Report published a very long, very informative report all about Texas Pacific Land Trust and people must have read it, because now the stock is trading at around $200. Sometimes the market is efficient. People read something, they buy it and the price goes up. In one sense, there is nothing new about the company. Nothing has changed, but they needed confirmation.

Regarding diversification within the assets that Horizon Kinetics manages and upon which we receive our fees, which translate into revenues for FRMO Corp., two of the largest three positions we hold are land companies: Texas Pacific Land Trust and Howard Hughes Corp. These are uncorrelated assets or assets that do not move with the market, but move with specific information. They might be inflation hedges. There is statistical evidence going back just about a century that shows land is a much better inflation hedge, or at least it better mirrors inflation in terms of its price behavior than gold, for instance.

There are various reasons why land companies tend to be too cheap. They usually are and you can make use of that, but there are not many of them. One land company, and it is a position we own and like, is called Brookfield Residential Properties, which is classified as a homebuilder and is priced like a homebuilder, which is to say that it trades at a P/E of about 12 times, the same as other homebuilders. Its market capitalization is about $2 billion. However, it is less a homebuilder than it is a land company. It is about 70% owned by Brookfield Asset Management. In 2011, Brookfield Asset Management combined the homebuilding activities of one of its other companies, Brookfield Office Properties, with Brookfield Residential Properties, which gave it more scale. As well, during 2008 and 2009 Brookfield bought many lots in some of the states that had the deepest declines in housing prices. It owns about almost 110,000 lots and virtually all of them are in fairly high growth areas or corridors. In Canada there are Calgary, Toronto, and Edmonton. In the United States you have got Washington DC, Phoenix, San Diego, Los Angeles, Denver, and others.

If you value the company relative to the lots it owns, ignoring the debt for the moment, for the relationships work out the same, it is trading at about $24,000 per lot and that is what they really consider their business to be —the entitlement and development of lots for sale to homebuilders. They do their own homebuilding too, but that inventory they manage strategically. For instance, if they think prices are relatively low for the lots and demand might be increasing sometime in the future, they might sell them a little slowly. When homebuilders want to build more rapidly, they might raise the prices as demand for lots expands.

This company's market value per lot is about $24,000, which is far less than those of the larger homebuilders such as Lennar Corp., whose lots might be capitalized at something like $50,000 per lot or more. So, Brookfield Residential Properties is a very inexpensive way to own land.

There is another set of figures for which the numbers are impressive. The recent sale prices are about $127,000 per lot, which need not be the sale prices that they will experience in the future. Two years from now, for instance, they could be a lot higher. If you multiply that $127,000 by how many lots they own and you subtract their roughly $1.5 billion of debt, those lots are worth $12.5 billion dollars and the stock market value is about $2 billion.

It takes many years to accomplish and there has to be a margin on land sales and so forth. But those are the kinds of discounts we are talking about, and that discount gets earned over time. It is also, in its way, like Texas Pacific Land Trust, even though Brookfield Residential Properties is in the housing industry. You might not think so but, in a sense, there is not a lot of risk associated with it. This is not a debt-laden company. There is not a lot of exogenous risk going on other than market cycles. Eventually those lots will be sold and they will earn the discount, if you will, to what the ultimate value is. It is a very interesting investment, but its success is a very long term prospect. It depends on the security being held for a long time because, if you try to time it, one day there will be a 10Q that says something positive and by the time you go home and think about it and ask should I or shouldn't I, and you get out your Excel spreadsheet, it will be 30% to 40% higher.

Murray Stahl: My favorite stock at the moment is Icahn Enterprises, which is something we have owned for I think 14 years, and it is our third largest holding. As you know, it is comprised of an assortment of assets. It owns Apple and other securities. It owns two assets that trade more or less at their stated net asset value, but I think they are undervalued. One of them is the Fontainebleau Hotel and Casino in Las Vegas, which owns an 80% completed building. All around that casino there is building activity going on and then there is this hulk. It cost about $3 billion to construct that structure to be 80% complete. To construct it today would cost even more. That is an asset that could be monetized and could be worth a lot of money. We should mention that Icahn Enterprises bought the Fontainebleau Hotel and Casino for 10 cents on the dollar in 2008 or 2009. That $2 billion is not on the balance sheet; only a couple hundred million dollars is on the balance sheet.

Another asset that Icahn Enterprises owns is American Railcar Leasing. Leasing railcars means primarily leasing tanker cars. The company leases other cars too, but primarily tanker cars. Because the United States is finding oil in all sorts of places that it did not find oil before and, because there is no pipeline capacity to get it to market, the only way to get it to market is by rail lines. In theory you could build pipelines except most people do not want to have a pipeline across their property, or anywhere near a property, or even through their town. As a practical matter you cannot build the pipelines.

The only way to transport the oil is by rail. Railcar leasing rates are going up a lot and, interestingly enough, when you read the company's documents, they value this business based on the present value of all of the existing leases for the railcars. I do not think there is any business in the world that is valued on the present value of the contracted revenue. Normally you trade at a multiple of earnings. You can debate what that multiple is. So, I do not consider the business any different than a railcar leasing company like GATX Corp., for example and I believe its balance sheet value would be much higher if it were just valued like that, even assuming the lease rates do not go up, though they will likely go up a lot. Those two assets could tremendously increase the value of the shares, so I like Icahn Enterprises.

Questioner 6: American Railcar I think is up at about $80 or so these days. I stopped looking when I sold it at $60.

Murray Stahl: Understand that American Railcar (ARII) has a railcar leasing business, but that is not American Railcar Leasing. The major business of American Railcar (ARII) is building railcars. I think it is a good investment too, but it is a different animal than what I am talking about.

Questioner 6: Can it be that the only place for real capital growth is going to be in securities or predictable yields such as Texas Pacific Land Trust provides? Won't that raise the multiple of many stocks even though it is artificial and somewhat of a bubble in the market?

Murray Stahl: Well, actually I did not say that there is no other place in the market for the money to go but equities. If I did say that I did not mean it and I certainly did not; maybe I implied it, but I did not mean to imply that. I am just saying that the bond market will continue to absorb the bulk of the capital of the world, and it is going to get a low rate of return. Maybe a little of it will leak out into equities, but I do not think you are going to have a major effort on the part of institutions to sell their bond portfolios in the search for higher returns and try to attain that with equities. We are talking about institutional money, because that is the big money. The reason for that is because drawdowns in market value are now balance sheet and income statement events in institutions. I do not even believe they would be tempted but, even if they were, they wouldn't do it.

I follow the asset allocation moves fairly carefully and most of the big pension funds have their own annual reports and you can see there is no evidence of any wholesale movement towards equities and out of bonds. As far as individuals go, there is evidence that the equities are being sold and that bonds are being purchased. In other words, if 2% or 3% is somehow an inadequate rate of return well, that can be supplemented by selling some equities and buying some more bonds. There is no evidence of any movement into U.S. equities. There is some in the international area, but it is not a tremendous quantity and nothing that is outside of historical norms. I just do not see these things happening.

Questioner 7: You mentioned earlier that you had a lot of money invested in closed-end bond funds. Can you talk in more detail about the characteristics of the closed-end bond funds that you find attractive, either in general or specifically?

Murray Stahl: There was a time we did not buy any closed-end bond funds and then, in the later months of 2008, we bought a tremendous quantity of closed-end bond funds for the following reason. Closed-end bond funds in general, and the bank loan closed-end bond funds in particular, had the following characteristics. At the time, they traded at a 25% or more discount to net asset value, but the bonds themselves were priced at 50 cents on the dollar. Why? Because they were bank loans and bank loans were priced at 50 cents on the dollar because bank debt is very risky. But a bank loan is a first lien security. If a company goes bankrupt the holder of such a security has first claim on the assets. Nevertheless, it happens, though rarely, that even in bankruptcy you do not get par.

Let's say I have a fund that holds $100 worth of bank loans, par value, and the bank loans are priced at 50 cents on the dollar. That $100 par value is now $50. Then it trades at a 25% discount to the $50, which is more like $37.50. For $100 of par value I can pay $37.50. What can happen? Let's say half of my bonds default. I believe it all will be money good even in bankruptcy. Let us say, though, that half of my bonds default and go to zero and the other half of my bonds go to par. From my point of view, if they are trading at $50 and half of them go bankrupt and half of them go to par, I'm still going to have $50 of value even in that Draconian situation.

What if it is not as Draconian as that? What if only 40% go to zero? What if 30% go to zero? What if 30% do not even default? What if they end up at 50 cents on the dollar in bankruptcy or

60 cents or 80 cents, whatever it is? At that time, the possibility of earning a lot of money was very high. That is why I got into them. The discount was part of it, but it was not the primary motivation.

Today, the coupons are very low. There are still discounts to net asset value in closed-end funds, but it is an illusion. There are really two illusions in closed-end funds today. The first is that virtually every bond that you could have in any closed-end bond fund trades at a premium to par value, which is at a profit from where the fund bought it. If we buy that closed-end bond fund today, there is an embedded tax liability in the fund. So, naturally it is going to trade at a discount to its net asset value because, if it did not, we would get the tax liability without the corresponding pricing benefit. They are going to trade at a discount to net asset value, no question about it.

The coupons are really very low. Some of the bonds have higher coupons, but they trade well above par. So, it may look like they are distributing income, it may look like the fund yields 5%, but the yield to maturity is more like 3%. It is just not an adequate rate of return even before taxes. No one is missing anything. There are times when it is an inefficiently priced asset class. At the moment, I cannot say it is either efficiently or inefficiently priced. Bonds have a certain yield, and right now they all trade at the same yields to maturity and that is very low. I do not think it is a very alluring place for capital.

I have not bought a closed-end bond fund in a while and we have actually been sellers of some closed-end bond funds. I do not believe that there should be a rush to get out of them, but we are going to need to find other places to put that capital. It is not necessarily going to be in equity securities either.

This concludes the formal part of our presentation. We thank you for your attendance.

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