

FRMO Corp. Q1 2025 Conference Call  
Tuesday, October 22, 2024

**Thérèse Byars** – Corporate Secretary

Good afternoon, everyone. This is Thérèse Byars speaking, and I'm the Corporate Secretary of FRMO Corp. Thank you for joining us on this call.

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Today's discussion will be led by Murray Stahl, Chairman and Chief Executive Officer, and Steven Bregman, President and Chief Financial Officer. They will review key points related to the fiscal 2025 first quarter earnings.

And now, I'll turn the discussion over to Mr. Stahl.

**Murray Stahl** – Chairman & Chief Executive Officer

Thank you, Thérèse. And thanks, everybody, for joining us. In my introductory remarks, I'm going to do it in two parts. One, I'll point out some interesting things on our financial statements. Then, I'll point out some things I also find interesting that are *not* on our financial statements, but that'd be good to get some more information on. And then we'll go to questions.

Let's start with the things that should be obvious. Looking at the balance sheet, you can see there are total assets of \$548 million. That's a record for us. And you'll see our cash balance of \$42.4 million. I'm not sure if that is a record or not. It looks like it's certainly a recent record going back many, many years. I don't know if we might have modestly exceeded that at one point, but if we did, we didn't exceed it by much. So, it's close to a record, possibly a record.

Here are some things that are on the balance sheet where the consequences are not necessarily as obvious. Let's do the most-obvious of them first, then the less-obvious. You'll see our deferred tax liability now exceeds \$42 million. That's basically a tax-free loan from the government. As long as we keep that going, we'll earn a lot more money than we otherwise would earn if we paid that. That's one of the reasons, but not the only reason, why we're long-term investors. So, that is a number worth paying attention to.

Now, a part of that number is something you'll see under "Securities sold, not yet purchased." We basically sell short what we call dysfunctional—other people call path-dependent—ETFs. You see our cost basis comfortably exceeds \$10 million, and the market value is less than \$1 million. It'd be nice if we could carry that and never realize a tax, but there are two things about it. Number one, some of these are exchange-traded notes or ETNs, and they have a maturity date. And we

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have to realize it, so we have no choice in that regard. Secondly, even when they're not ETNs, but rather ETFs, which don't have a maturity date as such, those funds pass out K-1 forms. If we're short, then we might inadvertently, by the nature of the investment, have profits passed out to us for being short. Therefore, we have to pay taxes on it, so it's not quite as good as a long-term security that you'll hold, but it's almost as good.

When those decline in value, there's margin released, and, as you can see, that is not an insignificant part of our cash balance. We use our cash balance to do all sorts of interesting things that you'll hear about presently.

Another not-so-obvious thing that you'll find interesting are these digital assets, now worth over \$9.5 million. We keep mining more digital assets. You'll see that the cost basis went up, but not because we bought digital assets. We mine digital assets. So, the mining is continuing. We have to live with the up-and-down fluctuations in value, and in this quarter, the value actually went down modestly. But in the long run, it's going to be a great investment. That also forms a part of our deferred tax liability, it's worth saying.

If you go further down the balance sheet, you will see "Digital mining assets." That's the equipment we own that we use to mine; that'll accumulate depreciation. You'll hear in a moment about how we've been doing a lot of our mining inside of Winland Holdings (WELX). We're not actually letting these amounts decline to nothingness. We've been changing the kinds of equipment that we've been buying, and we've been buying mining equipment gradually. This is a very unusual balance sheet position relative to other companies. Other companies make huge investments at one time, and they want to dominate the market. We've had a gradual approach. I'll go into the gradual approach in just a minute or two.

Let me point out where we've been dramatically increasing our crypto investments, and that's by expanding into Winland. Again, much of our cryptocurrency mining activity takes place in Winland. We now own as a firm—in round numbers, but for our purposes, they're exact enough—about 38% of Winland. Because a company related to us, called Horizon Common, and myself personally, own an additional 2%, we control about 40% of the votes of Winland.

So, we do two things. One, we buy Winland in the market to gradually increase our exposure. But secondarily, of late, for most of the cryptocurrency mining equipment we have bought, we basically swap it with Winland in exchange for its shares. And that, of course, raises our ownership of Winland.

The reason for the gradualist approach is two-fold. The first is that when we started mining years ago, there was no one, including ourselves, that knew everything there was to know about mining. Nor could anyone have known everything there was to know about mining, because the nature of mining over the last eight years has changed, in some ways, quite dramatically. So, we've been learning as we go. And our mining operations have gotten much more efficient than they've ever been. I would say in this calendar year, 2024, we made the biggest strides that we've ever made in

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efficiency and profitability, and we're still learning. So, it's an ongoing learning experience for everyone.

Second reason is that the nature of the equipment is constantly changing. If you were to compare the most recent iterations of equipment and their energy efficiency relative to the equipment that you could have purchased eight years ago, it's just incommensurable how much it has improved. If the equipment generations were released on a predictable cycle, you could buy a lot of equipment in one order, and you could wait for it to depreciate, and you'd be able to plan when you need to buy new equipment—meaning you'd be able to know in advance when your equipment might become obsolete.

The trouble is that there are a number of companies active in the field, and no one knows—sometimes including the companies that produce the equipment—when a new generation of equipment is going to be released. They're all competing with each other, so it's not an established market in the sense of equipment markets in other fields such as trucking, agricultural equipment, or automobiles. It doesn't have a schedule attached to new equipment iterations.

Therefore, we have to be very careful not to put too much money into any one generation of equipment, for two reasons: first, the danger of being obsoleted by new innovations, and second, we'd like to buy a small amount of the new equipment and test it, because some machines are more durable than others. We've had some great experiences where we bought equipment, and we would have thought ourselves very fortunate if we would have gotten a useful economic life of not even three years. And we ended up getting an economically useful life that exceeded four years. Sometimes that happens, and we are very fortunate in that regard.

On the other hand, sometimes other things happen that we either couldn't have predicted, or we should have predicted, but we didn't. For example, this happened a while ago, and we just didn't predict it: We should have more thoroughly checked every delivery of equipment for the presence of viruses. On one delivery, we forgot to do it. It's a remediable situation, but you have to stop what you're doing, unplug all the machines, and search for viruses, and that can be very time-consuming. Then you must remove the viruses from the machines. That can be even more time-consuming. As a matter of fact, we had a certain period of time when we couldn't use the equipment productively, meaning we couldn't mine. It wasn't a great number of devices, but it actually happened. There wasn't a great number of devices, because we never buy a great number of devices in any single shipment, and that's one of the reasons we don't do it. Unfortunately, we forgot to check that shipment because we're human. Sometimes, these things happen.

Here's something that we probably could not have predicted, but it happened to us. We have diversified our equipment into a variety of different hosting sites. In some cases, we control those sites. In other cases, we don't. Believe it or not, some of our equipment was hit by lightning. It wasn't destroyed, but it was rendered basically inoperable. Did we have insurance for those machines? No, we did not. Why did we not have insurance? Should we not have predicted that? We did predict it. We would very much have liked to have had insurance. Unfortunately, at that time, no insurance company was willing to insure small batches of devices. They felt that the

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underwriting results were too unpredictable. In any case, on our balance sheet, we're effectively—not really, but effectively—self-insuring the odd mishap that we can afford, if it actually happens. So, we're well-prepared.

In any event, we're increasing our ownership of Winland and our crypto-mining activities. They're getting much more profitable than they've ever been. If we reach the point of owning over 50% of Winland, we're going to have to consolidate it. At that time, FRMO will be effectively an operating company. So, as I said, we're learning constantly. Our profitability is increasing. It's never been better than it is right now, and if things go as planned, it's going to be better yet in the forthcoming months. We've been looking for many, many years for businesses to get into, to turn this into an operating company. We didn't want FRMO to be yet another asset management company.

I wrote this in the shareholder letter. Of all the potentialities, there are businesses that we didn't know very well. We didn't want to buy those. There are businesses we did know very well and liked, but they were just too expensive. We wouldn't have had a high return on capital. So it became this, and this is something that we thought would be within our ability to comprehend and end up having a good outcome with. And I think you can see from the results, we've had a pretty good outcome thus far. So, that's the plan, and that's a brief résumé of what we've done.

So, without further ado, Thérèse, you probably have some questions that you've compiled. And we'd be delighted to answer those, if you would kindly read them to us.

**Questioner 1**

What FRMO issue keeps you up at night?

**Murray Stahl** – Chairman & Chief Executive Officer

What FRMO issue? To tell you the truth, maybe I shouldn't say this, but I'll say it anyway. I actually sleep very, very soundly, and I'll tell you why. Our equity investments are not entirely, but largely, in hard assets. If you examine the history of wealth, and I think I've written about this in several of my *Compendia*, wealth has been largely in hard assets throughout history. Why? Because unlike intellectual property assets, hard assets—like land, gold, diamonds, or things of that type—exist, more or less, infinitely. Intellectual property can always be surpassed by superior intellectual property.

We live in a unique age, historically. If you look at stock market capitalizations, intellectual property has a lot more equity market capitalization than tangible assets, and I believe that's going to shift, so there's that. And then, we also prepared, through our cryptocurrency investments, for the ongoing currency debasement that's taking place. This is not just with the U.S. dollar, but throughout the world. You'll see the BRICS countries are about to have a meeting, and they're talking about having a BRICS currency that would at least trade alongside the dollar. It's going to be backed by some hard asset like gold or maybe a basket of hard assets.

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And there comes a time that the asset-producing nations of the world will be reluctant to accept fiat currency. Those are the big risks we've prepared for, and I don't stay up at night worrying about it. But I will say, during the daylight hours, we work exceedingly hard to prepare for a variety of contingencies such as those few of our mishaps in cryptocurrency I thus far talked about. So, I hope that's a good answer.

**Questioner 2**

What is MIAX's competitive advantage?

**Murray Stahl** – Chairman & Chief Executive Officer

To begin with, MIAX has, in my humble opinion, the best technology of all the exchanges, and I don't think it's even a close comparison. Measured by latency, the ability to adapt to new products, I think it's the best. But of course, that's just my biased opinion, so you can take it for what it's worth. However, MIAX does have one other interesting attribute that the other exchanges, I think, do not have that's more tangible.

MIAX is a multi-asset-class, multi-geography exchange. Are there multi-asset-class exchanges? Yes. MIAX is multi-asset, because it has a stock exchange, an options exchange, and it also has a futures exchange, which is the old Minneapolis Grain Exchange that's now MIAX Futures. The CBOE has an equity exchange, an options exchange, and a futures exchange. But MIAX also owns Bermuda Stock Exchange, and that puts us in a different geographical jurisdiction. None of the other American exchanges have that. Because the Bermuda Stock Exchange is part of the United Kingdom, Brexit affects it.

On the other hand, it's a separate jurisdiction, so Brexit doesn't entirely affect it. It has what's known as an ESMA (European Securities and Markets Authority), which is the right to trade in Europe under certain conditions. I don't know of any exchange that's yet achieved that diversification of assets. It's pretty neat, and I think MIAX, as you can see from their press releases, are building on that, and we'll see how they do as the months progress.

**Questioner 3**

SpaceX is increasingly launching heavier payloads. Will part of the AI infrastructure move from Earth to outer space to take advantage of lower temperatures and lower latencies?

**Murray Stahl** – Chairman & Chief Executive Officer

Well, I'm out of my depth in answering a question like that. I can just tell you this. About 10 or 12 days ago, the People's Republic of China launched their competitor to SpaceX, which is known as Thousand Sails. SpaceX, I think, is supposed to have 7,000 low-Earth-orbit satellites, and Thousand Sails, when it's finished, is going to be something like 14,000 or maybe 16,000 satellites. I don't recall exactly what it's going to be.

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Will the critical data of the world move out to space? I very much doubt it. It may well be that you get free cooling, because you're outside the Earth's atmosphere, so that's good. The trouble is, you've now got to project the results of inquiries down to base stations on Earth, so all your secure data can be intercepted by anybody with a high-quality antenna. So, I don't think any corporation is going to have really secure data, and I don't think any person is going to want their Social Security number or their credit card numbers or their bank account being beamed off satellites, because any rascal could pick it up. I think the only way to keep it secure is by land line, so I don't think they're moving any of that data center business to space. That said, there may be computations that are very complicated that might be worthwhile doing in space, but nothing that's data proprietary, I shouldn't think.

**Questioner 4**

Management has proposed that index ETFs are becoming the marginal price setter in the market. The 2023 second quarter Horizon Kinetics commentary asserts that indexation had “begun, in direct contravention of its purpose, to directly change clearing prices and the very character of the markets it purported to free-ride upon.” Part of this idea that I'd like to ask about is whether management could recall any data on the proportion of average trading volume in major index stocks that is directly attributable to ETF creation and redemption activity—versus total market volumes—as opposed to secondary market trading of the ETF shares, which does not cause buying or selling of the underlying shares.

One would think this proportion should be quite large in order for index funds to be price makers rather than price takers. My understanding is that share creations and redemptions, and passive index strategies, are responsible for only a small amount of total market trading activity. A 2019 Vanguard study, which management can find titled, *A Drop in the Bucket: Indexing's Share of U.S. Trading Activity*, concluded that only 5% of average trading volume in major index stocks is directly attributable to ETF creation and redemption activities. Though I'd note they only use a single year of 2017 data, what evidence supports management's idea that ETFs set prices given their apparently small contribution to total trading activity?

**Murray Stahl** – Chairman & Chief Executive Officer

It's a good question. There's a lot I can say. Let me start this way. That study is designed to answer its own question in the way it's supposed to be answered. You can't merely look at redemption and creation baskets and then take the ETF trading itself and ignore it. For example, let's take the most widely traded ETF, which I believe is the SPDR S&P 500 ETF (SPY). I don't remember the number of shares traded every day off the top of my head, but I think you could look it up in minutes, and you can see that it wouldn't take very many days before the entire SPY changes over.

So, they are saying that the trading of SPY, or the Vanguard S&P 500 ETF (VOO), or the iShares Core S&P 500 ETF (IVV), has no effect on security prices when it's the major share of New York Stock Exchange trading volume. I'll go into it deeper in a second, but the problem with the whole

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analysis is, basically, they say there is volume of X on the New York Stock Exchange. Then you look at the creation and redemption basket to say it's really only a small proportion of the volume. And you don't consider that the major components of the New York Stock Exchange volume are the trading of ETFs. There's no question about it, and I could give you many, many more ETFs to look at. You could look at the Invesco QQQ Trust (QQQ)—there are many others—and basically take all that ETF trading and put it into the column of the active managers when it's all indexed. To actually do that completely misses the mark, if I may say so. So, that's number one.

To do a proper study, you'd have to add the trading of the ETFs, because those are the stocks. It's not that people create and redeem baskets. It's that they trade the indexes as if they're stocks, and in point of fact, they actually are stocks. So, to say that that index trading does not affect security prices, I mean, how do I say this politely? I don't know how to say it politely; it's an escape from reality. I'm sorry for expressing it that way. I normally don't say things like that, but it really is.

Let's look at it another way, in terms of the assets under management of indexes. For example, the index providers—S&P Global or MSCI or Russell, which is owned by the London Stock Exchange—give you what their assets under management are on their websites. This means the market value of investments that are managed in accordance with their indexes. It's an incredibly big number that I had put in one of the *Compendia*. I don't remember the number off the top of my head, but whatever I said, I'll bet it's bigger today. Anyway, if you take that figure, which is a big figure, and look at the trading volume, how could you come to any other conclusion that the theory that it's a drop in the bucket is ludicrous on its face? So, that's my response.

#### **Questioner 5**

In September 2022, Horizon Kinetics published an article called, *Mining Economics and What Drives the Bitcoin Price: Volatility Versus Information Efficiency*, where they linked the price of Bitcoin as being led by the price of ASIC mining rigs. The piece includes a graph that compares the price index of mining equipment with the price of Bitcoin from data.hashrateindex.com, which seem to show a strong correlation from the start of 2022. However, since January 2023, we've observed a significant divergence in this relationship, with Bitcoin's price rising substantially while ASIC prices have remained relatively depressed and stable. How does management reconcile this apparent breakdown in the correlation that supported the thesis in this article? Has management's view on the relationship between mining economics and Bitcoin's price changed? Furthermore, how might this shift impact FRMO's Bitcoin or rig purchasing strategy moving forward?

#### **Murray Stahl – Chairman & Chief Executive Officer**

First of all, I don't believe I wrote that. I don't know who wrote that. Somebody wrote it, but I don't think it was me. I don't think it requires correction, but it requires some degree of explanation. There are three vectors that really govern the price of Bitcoin. One is the halving. Every four years, the block reward gets cut in half. And if you want to look at it this way, if you want to mine the same number of coins, assuming the equipment doesn't get any better, you have

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to get twice as much equipment. But the thing is, the equipment does get better. So, in order to understand what that's all about, you have to look at how much electric power the equipment actually uses.

The equipment of today uses electric power much more efficiently than past years, but on the other hand, there are more mining rigs. Put all those things together, and that's really what drives the Bitcoin price. The most important vector, I would have to say, is the halving.

The equipment can affect the price. For example, if for some unexplainable reason the equipment prices were to drop tomorrow, Bitcoin would definitely drop. Equipment prices don't shift the way they did historically, and that's probably what you're referring to in that graph. The person who did that graph is probably unaware that, starting around the end of 2022 or the beginning of 2023, Bitcoin device prices established what is effectively a futures curve.

If I put an order in for an S21 today, I'll pay X dollars for it, whatever that number is. But I can, as an alternative, say I don't want to put an order in today for, let's say, December delivery. I want to put an order in for January delivery. It's not a real futures market, but when people talk among each other, they refer to it as the futures curve or the futures market. So, you can buy the machine in the futures market for January delivery. And the difference between the price for delivery ASAP and the price in January is the amount of money you would have made in the interim; the difference in getting delivery ASAP and waiting until January for delivery. And you'll see it's actually pretty efficient.

So, what's happened is the vector of the change in mining prices has now become completely predictable. That's something that somebody who updates that graph has to take into account, but it's not to say that there's no correlation between the price of the equipment and the price of Bitcoin. It's really not the price of the equipment. It's how much equipment you need to get the desired result, to get the desired outcome, and how many coins you wish to mine. So, had the graph been expressed that way, I think you'd look at it differently. But again, I don't believe I wrote that. I don't recall writing it, anyway.

**Questioner 5 (cont'd)**

You said there were three vectors, and you mentioned one, I think, unless I missed the other two.

**Murray Stahl** – Chairman & Chief Executive Officer

No, there is the halving, which occurs every four years. There's the price of machines. And the third one is the hashrate, or better said, the difficulty coefficient. I'm going to define these terms in a minute, but the reason I say the "hashrate" is because the hashrate is the easiest to understand. It is the aggregate computational power of the system. In other words, you take every Bitcoin mining device and add up their computational power. Some are earlier and some are later generations, so they have different computational powers, and some are more powerful than others. Add it all up and that's the hashrate. The hashrate now, or at least when I looked an hour ago, was



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711 exahash. “Exa” means a one followed by 18 zeros. The reason I use the term “hashrate” reluctantly, even though it’s a common industry term is, because when I say “the aggregate computational power of the system,” it’s easier to understand. The difficulty coefficient, which we’ll get to in a minute, is harder to understand.

So, everybody understands that I have all these computers and they have a certain amount of processing power. The trouble is that they don’t really understand that this hashrate number is not that there’s an electric cable connecting every device in the world. That hashrate number is an estimate. It’s a good estimate, but it’s only an estimate, and it can be off sometimes. The estimate is based on how long it takes to solve the block.

If you have two weeks, basically, of block-solving activity before they recalibrate something called the difficulty coefficient—which I’ll get to in a minute—during those two weeks, a block can be solved in 10 minutes. A block can be solved in 11 minutes. A block can be solved in eight minutes. If they’re solved in more than 10 minutes, the difficulty coefficient is going to decline. If they’re solved in less than 10 minutes, the difficulty coefficient will go up. The computer estimates what the difficulty coefficient should be, and at the end of that period, the computer comes up with a number.

So, the hashrate is estimated, and I use it with a little reluctance, because I know people are going to say, “Well, this is what the aggregate computational power of the system is, and so if we add all these devices, all these servers within our control, we can actually measure it precisely.” We *can’t* measure it precisely. If the blocks are being solved in eight minutes instead of 10 minutes, we’re going to assume that the hashrate computational power of the system went up by 20%, when in reality, it might just be due to randomness. Why randomness? Because solving the block amounts to guessing a number. You’re trying to guess a number. That’s all you’re trying to do. There’s no fancy math involved. Now, what is that number? Once you understand what this number is, you’ll understand difficulty coefficient.

Basically, you’re trying to guess a number in what’s called the SHA-256 algorithm. SHA stands for Secure Hashing Algorithm. It means that you have to guess a number that’s 256 digits long, anywhere from 255 zeros and a one, to 256 nines. The total number of values you can get is more than the number of grains of sand on this planet. It’s a really big number. So you would say, “That sounds pretty secure.” Other people would say, “But what if you get more powerful computers? What if you get a quantum computer? Couldn’t you guess it? Couldn’t a computer guess it a lot faster and thereby hack the system?” The answer to that is yes, but it’s not a problem. Why isn’t it a problem? Because of something called the difficulty coefficient.

The difficulty coefficient is just a coefficient number you multiply the SHA-256 number by to increase the number of possibilities. For example, if you want to double the number of possibilities, you could multiply this huge, vast number by two; or by three, or by four, or by ten, and so on and so forth. Right now, the difficulty coefficient exceeds 95 trillion. So, you take this 256-digit number that is a vast number of possibilities, and you multiply it by, I believe, 95.2 trillion, and you create many more possibilities. But you can never get to the end of infinity. You can have

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infinity times infinity, so no matter how powerful the computers that are devised, you can always come up with greater difficulty coefficients. I probably gave you more information than you want on how this whole system works, but I hope I addressed your question, in any event.

**Questioner 6**

I recall that Mr. Stahl once mentioned in the fiscal year 2022 third quarter call that he did not see much value in Bitcoin developers pursuing scalability or medium-of-exchange technologies such as the Lightning Network. If the price of Bitcoin is ultimately linked to the price of mining rigs, as management has published articles about in the past, would greater commercial and practical utility not drive greater transaction volumes and fees? And thus drive greater Bitcoin-dominated net present values for mining rigs that would raise the price of the rigs and Bitcoin alike? Posed another way: What does management see as being the essential factors that drive mining rigs' value, and thus Bitcoin prices?

**Murray Stahl** – Chairman & Chief Executive Officer

To begin with, as I just said, and I just want to reiterate, the Bitcoin price is driven by the difficulty coefficient. The difficulty coefficient is driven by the hashrate, the price of the equipment, and by the halving. Those are the vectors. There are three of them. Those are the important things.

You might say, “Well, wouldn't it be great if you didn't have the block size limitation?” The block size limitation—incidentally, for those who don't know—is when Bitcoin was designed, it was designed to have a four-megabyte block size limitation. That means there's only so many transactions you can fit in a four-megabyte block, and that's it. So, when people say we've got to get to scalability, well, if we're going to have a lot of transactions, those transactions aren't going to fit into the four-megabyte block size. So let's expand the block size; there are many people who propose that.

The Bitcoin miners and the Bitcoin holders, or the Bitcoin community—if you prefer that phrase, and I include myself in that—is 99.99% fanatical about not wanting to even slightly increase the block size; we just don't want to do it. And every effort to create a fork to modify Bitcoin to increase the block size has been met with unbelievable opposition. When I say, “unbelievable opposition,” well over 99% don't like it.

Why don't they like it? Because one of the reasons that you have hacking on the Internet and all these digital payment systems is because, for all intents and purposes, they have unlimited block size. In Bitcoin, one of the things I should have said is, it's a four-megabyte block size, and you only have 10 minutes to solve the block. So, basically, as a hacker, you've got to get there first, and you can't have a computer that keeps trying to guess numbers forever. Because, sooner or later, someone will guess the number and be able to amend the block in a way that you don't want to happen. You want to make it really, really difficult to validate a block, so that the amount of money you spend on electric power will be more than the amount of money you can get if you

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pursue some type of nefarious plan. So far, Bitcoin's never been hacked. That's why everybody is opposed to increasing the block size. And I oppose it, too.

The last thing we want is scalability. The way Bitcoin is evolving thus far—and, as I said, it might change—is into the kind of system where you don't really want to use it for small transactions. I'll refer you to some statistics, and you can see this for yourself in a moment. You want to use it for a relatively big transaction. So, if you want to send \$2 to your friend, or you want to buy a cupcake, Bitcoin is not for that. You could theoretically do it, but it's not designed for that. It's designed to transfer large amounts of money on a secured basis. The dollar volume of Bitcoin is the biggest of all the cryptocurrencies. I believe, if I'm not mistaken, the dollar volume of Bitcoin every 24 hours is comfortably in excess of \$24 billion. To give you an idea of what that number is, it's probably more than the volume of Apple, which is the largest stock in the S&P, expressed in dollars.

Now, I'm not looking at these figures, so I may be a little bit off, but \$24 billion is a big number. If you're interested in doing small transactions, chances are you should go to another cryptocurrency that has the Bitcoin protocol, but is set up for solving the block more frequently. An example might be Litecoin—which, by the way, has a fraction of the market capitalization. Bitcoin has a \$1.3 trillion-plus market capitalization; Litecoin, on a good day, has \$6 billion, if it's even \$6 billion. So, it's a tiny fraction of Bitcoin. However, having said that, Litecoin does about \$4 billion a day in volume. Assuming, in round numbers, that it's a \$6 billion market cap, two thirds of it is trading every day. So, for small transactions, Litecoin has a block time of two and a half minutes.

If you like that sort of thing, then Litecoin is for you. Or, if you prefer, and some people do, you might wish to try Dogecoin. Dogecoin has a more expansive monetary policy than either Bitcoin or Litecoin, but it's not all that expansive. The problem with Dogecoin is, it doesn't have anything remotely close to the transactional volume of Litecoin or Bitcoin. But it does manage to do a couple hundred million dollars a day. I don't know if this has any truth or not, but some people have said—and it seems reasonable—that it's possible that what was once known as Twitter and is now known as X could find a use case for Dogecoin by making it the transactable currency in that social media platform. So, if you want to exchange value, maybe it'll be Dogecoin. Maybe it won't be, but that's a possibility.

Bitcoin was never designed to be all things to all people, and I don't think the holders of Bitcoin are ever going to accept that. There seems to be no evidence of that sentiment. And if they did accept it, if the people were purists—and at the moment, over 99% of them are purists—they're going to go to another cryptocurrency. And you'll never stop the Bitcoin people. If somebody did modify Bitcoin, the purists will just stick to unmodified Bitcoin, because it's all open source code.

So, nobody's stopping the innovators. If the innovators want to have a much bigger block size, they can create a fork, and they've already done it several times. And they can invite people to use it. But every time they've done it—I think, half a dozen times—nobody comes and uses it. I say “nobody.” It's virtually nobody. Some people do want it, but it's a minority. That's what I have to say about that subject.

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**Questioner 7**

Regarding one of FRMO's smaller venture investments: How does Diamond Standard solve the logistical and security issues with a physical coin or other asset that is supposed to be tracked on a one-to-one basis on a digital blockchain? For example, it doesn't seem like anything stops someone from physically tampering with and removing the diamonds from the coin or bar from the resin itself and replacing them with fake diamonds before trading the physical asset, etc. Is it physically impossible to remove any diamonds from the physical asset without such tampering being detected by the onboard technology? What happens in issues of disputed tampering?

**Murray Stahl** – Chairman & Chief Executive Officer

There's an RF code that goes with it, so you can certainly break the resin open, and you could damage the transmitter. I don't know how you can get around that, so that basically makes the coin automatically unauthentic. Anyway, the Gemological Institute of America (GIA) will not honor a gem certificate. You get certified by the GIA, so if you mess with it, I don't think anyone's going to validate that, so I don't think that's a realistic risk. I wouldn't worry much about it.

By the way, it's very hard to counterfeit diamonds. Someone could bring a diamond ring in to be engraved, and they take out the stone and put in a much less valuable stone. It's happened. The average person wouldn't know, but that's what you have appraisers for, so it gets detected pretty fast. Incidentally, and I wrote about this recently, you have forgeries in the world of art. It's actually more common than you believe. You also have forgeries in the world of rare wines. It's also common, but it doesn't stop the wine market. It doesn't stop the art market. And I don't think it's going to stop the diamond market. With modern technology, you can validate all these things.

**Questioner 8**

During the 2023 Shareholders Meeting, a question was brought up regarding FRMO's stake in the RENN Fund and a large holding of the fund in Apyx Medical, as well as some questions about the history of that company's CEO, Charles Goodwin. Management revealed that there was an informal promise not to sell Apyx without the agreement of the prior fund management. My question is: Is that agreement expected to last indefinitely? In other words, is there no corresponding informal expiration on holding that company like, say, if the investment doesn't work out within some period of time? By my accounting, the company has not had positive return on equity or return on invested capital since 2013 and has not improved much while being held in the fund or since Horizon Kinetics has taken over management of RENN. At what point does fund management have an overriding fiduciary duty to deal with the position, based solely on its fundamentals, on behalf of other shareholders?

**Murray Stahl** – Chairman & Chief Executive Officer

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To begin with, Horizon is solely responsible for the success or failure of that position. If we feel like selling it, we're totally at liberty to sell it. We can sell it tomorrow if we feel like it. Or if we want to keep it, we can keep it. So, what happens to that company is, the chairperson that you note resigned on a certain day in May, and a new person took the helm and is developing a very different marketing plan. The problem that the company really had wasn't in the technology. The technology works well. The problem is in the market.

There are these—I don't know what the right word is—I'll call them renewable applicators. I don't think the company would call them applicators, but they're applicators. Basically, it's a skin treatment and you need this applicator. What the applicator does is, it burns away the top layer of wrinkled skin, and this technology actually works very well. If it were used more frequently by people, then you'd sell more applicators, because they can't be reused. Therefore, the return on investment would be a lot higher. So, the marketing challenge is to tell people about this procedure, which has an amazingly high success rate. If people used it more, it'd be just great. This person who took office recently is a marketing specialist who developed a plan to address that issue.

The person came in May. This is October. We've got to give the person a chance, and see if the person's going to be able to succeed or fail. It took a few months to develop the plan. The plan was deployed in late August, early September. The little information I've had so far is, it seems to be working well, so let's give the person a chance. If it doesn't work well, we can always dispose of it. But we're at liberty to dispose of it anytime, including tomorrow, if we are so inclined.

**Questioner 9**

Management has expressed the intent to convert FRMO into a crypto mining business. It eventually plans to list with a higher-visibility exchange and has recently added the company's direct digital asset ownership in its most recent quarterly filing. Given the intended direction of the company, would management consider providing look-through reporting of FRMO's or Winland's broken-down or aggregate mining metrics—such as hash price, hashrate, energy costs from its mining operations, and hashrate capacity factor of rigs? Other public crypto mining operations such as Terawulf report such metrics, and having these metrics reported by FRMO may be useful in analyzing differences in trading multiples between FRMO and other miners. For example, this would allow the derivation and comparison of things like operational costs and Bitcoin revenue versus hashrate, and understanding where various public operators stand along the cost curve in relation to FRMO.

**Murray Stahl** – Chairman & Chief Executive Officer

I have no problem providing any of that information. I'm certainly willing to do it. There is some other information that you're going to get that is none of those figures. It's just additive. We're not going to hide anything. There are some other information that you're going to need to properly evaluate it, and you can get that information, too, so give us a chance. Right now, we're in the process of improving our operations. It's pretty good right now. In 90 days, I suspect it's going to be better. We can't guarantee that, but I think it's going to be better. And we are ready to provide

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any and all information, and when you compare it to other firms, I think you'll be very pleased with the outcome. But I'm delighted to provide any information that people want. There are no secrets here.

**Questioner 10**

Please explain how Horizon Kinetics Holding Corporation being public will impact FRMO's financial statements starting next quarter and what it would mean today, based on the latest HKHC share price offers of about \$24 and last reported financials?

**Murray Stahl** – Chairman & Chief Executive Officer

It doesn't impact the financial statement as such—the numbers you see on the financial statement—because we can continue in Horizon to use the equity accounting method. The only difference is that you can figure out from the financial statements what percent we own of Horizon Kinetics. You know what the market capitalization is. You can take that percentage and multiply it by the market capitalization, and you can see what the market value of the Horizon Kinetics position is, and if it's bigger or smaller than what we carry on the balance sheet.

You can get a different look—it doesn't mean it's a better look—by just reading the financial statement. We didn't bring it public for that reason. The only reason we brought it public is that one of our founding members unfortunately died, and the estate has to be settled, and the estate needs the money. The fairest way to value it for estate purposes is the market. You might like the price, you might not like the price. But that's the fairest way, and that's the story, basically. Horizon Kinetics didn't need any capital. It wasn't looking to raise any capital. It has plenty of capital. So that's actually what happened.

**Questioner 11**

When and what dividends shall be paid by HKHC? For example, quarterly dividends and year-end extra perhaps? It is obvious that HKHC's earnings are dependent on whether performance fees are earned by its hedge funds, which can only be determined at the end of the funds' fiscal year. Are the years fiscal or calendar? What is the total approximate market value of the hedge funds HKHC manages today?

**Murray Stahl** – Chairman & Chief Executive Officer

To begin with, we're on a calendar year, so we'll find out the performance fees on December 31<sup>st</sup> and I guess you'll find out in January. We intend to pay a quarterly dividend. And if we get a performance fee, there'll probably be an extra dividend. We're a publicly traded company. We can't guarantee there's going to be a performance fee, but the board's going to meet to look at the financials, and we'll decide what the dividend is going to be. There'll be a public announcement, whatever it is, and if we're so lucky to have a performance fee, you'll know, and there may be a dividend associated with that as well.

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What is the market value of all the performance fee products together? I don't know it off the top of my head. We could probably get you that number. Just understand, on the performance fee, there are two dimensions to it. We have funds that hold private securities where we accrue a performance fee. We don't realize the performance fee, so if the investment were to be realized, we would probably collect several years of performance fees in one year. That could actually happen, so I'm reluctant to give you the number off the top of my head, because I don't remember it, number one. It's going to be inaccurate, so I don't want to do it, but it's no secret. We can get you that number.

And the second thing is, when you look at that number, you're going to have to divide the performance fee-eligible funds into two categories: those that accrue and collect a performance fee yearly, because they're publicly traded securities, and those that accrue but do not collect a performance fee yearly, because it can only be collected when there is a realizable event. So, you'll need that information, and Horizon Kinetics will provide it, because people are probably going to want it.

**Questioner 11 (cont'd)**

What is the year-to-date performance of these funds?

**Murray Stahl** – Chairman & Chief Executive Officer

The year-to-date performance? Again, I don't want to quote the number, because I don't remember it off the top of my head. I'm not sitting here with a sheet of paper that has a number on it. Let's just say the number is satisfactory, and I'm sorry to be so vague about it, but it's all I can do at the moment. I don't have a number in front of me, but we'll get you that number.

**Questioner 11 (cont'd)**

Do all the funds own Texas Pacific Land Corporation, and if so, how many shares of TPL are in these performance funds?

**Murray Stahl** – Chairman & Chief Executive Officer

Okay, again, I don't have a spreadsheet with all those numbers. I never really needed it myself. We can get you all that information. Horizon is probably going to be asked all those questions, and it'll provide all sorts of information. Not all the funds have TPL. As an example, I alluded earlier that we have some private funds. TPL is a publicly traded security. We have private funds. We own privately traded companies. TPL is not going to be included in that. So, TPL is not in everything, but to give you the actual numbers off the top of my head, I don't have them, but I'm sure Horizon in due course will produce all that information. Remember, those are Horizon statistics, not necessarily FRMO statistics, but I'm sure they'll produce all those numbers.

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**Questioner 12**

How many shares of TPL does FRMO own today?

**Thérèse Byars** – Corporate Secretary

I actually looked it up around 2:30, and it's 24,024 shares at Fidelity.

**Murray Stahl** – Chairman & Chief Executive Officer

I don't think that's the number, Thérèse. Number one, it doesn't include  from nex. And number two, you have to include the proportional shares that we own indirectly through the various funds, which is on that sheet of paper that you normally provide, which I don't have right now. But it's supposed to be on the website. Is it indeed on the website? Why don't you look at the website, and read the numbers and the date they're accounted on, and give everybody the information?

In the meantime, while you're looking for that number, I will tell people this is why I don't keep these numbers in my head, because as you can clearly see, even if you have spreadsheets in front of you, you can read the wrong line. It's not as easy as you might think. There's a lot of numbers to keep current with, and it's easy to confuse one number with another number, so that's why it's best to have a website where a separate human being—or, I think, it's a team of people—calculates these numbers. That's why we have the website, to provide people these numbers.

**Thérèse Byars** – Corporate Secretary

I do have the number from that spreadsheet. I'm getting it from our files, but I'll make sure it's on the website. It's 159,101.

**Murray Stahl** – Chairman & Chief Executive Officer

If that's indeed the right number, where are you getting that number from, and what is the date?

**Thérèse Byars** – Corporate Secretary

From the spreadsheet that we had for this quarter, what the board had looked at, and that's as of August 31, 2024.

**Murray Stahl** – Chairman & Chief Executive Officer

Okay, and does it say our proportional ownership? Because it would have to be our direct ownership and our proportional ownership.



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What you might be looking at is the number that includes all of the shares of HK Hard Assets, and not all of the shares of HK Hard Assets belong to FRMO, because there are other investors in HK Hard Assets, so you might not be looking at the right number.

**Thérèse Byars** – Corporate Secretary

I'm looking at "held indirectly through public and private companies." So, it's proportional, but I was not including what's held directly.

**Murray Stahl** – Chairman & Chief Executive Officer

Okay, why don't you just give the indirectly and directly held numbers? We have both numbers, and people can add them up.

**Thérèse Byars** – Corporate Secretary

The direct number is 29,514, and the held indirectly—this is proportionally calculated—is 159,101.

**Murray Stahl** – Chairman & Chief Executive Officer

Okay, so our total ownership is obviously the sum of those numbers.

**Questioner 13**

Same question regarding LandBridge, and with respect to that, did any of the above or any of the HKHC entities purchase shares at the \$17 offering price with respect to shares of FRMO, the hedge fund HKHC, of which we own almost 5% of the shares? Is that correct? And purchased LandBridge shares at what cost today?

**Murray Stahl** – Chairman & Chief Executive Officer

Yes, we obviously purchased shares on the initial public offering. We also purchased shares subsequently. We have a certain number of shares, and there's some spreadsheet somewhere that will tell you exactly how many shares we have. And Thérèse, if you have that, you can read it. If you don't, that's fine.

It didn't come up on a spreadsheet because now someone's asking, and I guess it's another number you'll have to put on your spreadsheet. So, you can go back to the team; let them calculate those numbers. If you don't have the number of shares, obviously, the other answers to the question you couldn't have as well, so you'll have to gather that information.

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**Questioner 14**

HKHC appears to have allocated the \$80 million worth of LandBridge acquired at \$17 to all its investment advisory clients. Is that correct? What is the average fee HKHC earns, net, on the investment advisory accounts? It is obvious that LandBridge shares have tripled in price and value, and so will be a very meaningful source of HKHC revenues and profits, and hence book value, each of which we own almost 5%.

At the same time, if HKHC is going to pay a dividend, and particularly a special dividend at year end, will it be next year in the first quarter? FRMO should actually receive a meaningful amount of cash from dividend payments. The bottom line I am trying to get at is, it's clear that the assets HKHC manages should have meaningful positive revenue and earnings results the way things are going in the markets. And, therefore, FRMO investments' revenue and net worth in HKHC should be significantly benefitting us.

**Murray Stahl** – Chairman & Chief Executive Officer

Let me start by saying, when we purchased \$80 million of LandBridge, it wasn't all our money. A lot of it was on behalf of the clients. So, as to how much was given to the clients and how much we have in HKHC and FRMO, etc., I don't have that number at hand, as you heard. But I will make every endeavor to get you that information.

In terms of direction, I said something similar at the annual meeting regarding the earnings of Horizon Kinetics. From 2007 to maybe the end of 2023—a period of, let's say, 16 years—as a value investor, we made money. But as a value investor relative to other investments one could have had, let's say mega-capitalization technology investments, we underperformed. We didn't underperform each and every year, but viewed cumulatively over 16 years, we did. So, that affected our asset gathering, and it also affected the market value of the assets upon which we can charge. That changed. It depends on what month you want to look at it, but it was at some month in 2024. What month was it? Reasonable minds may differ, but it's gotten a lot better.

Why has it gotten better? That's one question you might have, which I'll address momentarily. And why didn't we do something sooner to address that? I'll address it right after.

First, why has it gotten better? The amount of assets that had to be gathered to build data centers, it's in the trillions of dollars, just in the U.S. But that doesn't measure it, because data centers are a worldwide phenomenon. It's some incredible amount of money that's going to be spent over the next five or six years. And beyond that, no one can see, except that the spending will definitely not end five or six years from now. So, that's going to put a severe strain on all kinds of hard assets. That's why we're positioned in hard assets, because that was our forecast. It finally came true, and that explains at least the 2024 performance.

You might ask: Why didn't you buy other things in the interim and sell them at the opportune moment? In other words, swap them for the hard assets, perhaps not entirely, but largely, since the

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mega-capitalization technology stocks are extremely liquid. Why didn't you do that? A couple of answers to that. First answer is, we didn't even get it right. We thought the mega-capitalization technology trend was going to end in 2019 or 2020, and we might have been right were it not for the fact that the coronavirus happened, which led to the work-at-home movement, education enrollment, and all sorts of things that nobody could have predicted. That gave the technology companies an extra three- or four-years' lease on life that prolonged our period of less-than-desirable performance.

The second thing was that, even if we had executed perfectly, it wouldn't have helped us at all. You might find that to be an astonishing statement, so I'll try to defend it. In order to outperform the S&P 500 with technology, you must have more technology than the S&P 500. That's pretty obvious. If you looked at the S&P tear sheet today, in round numbers—I'm going to ignore decimal points—the way S&P calculates it, 32% is weighted in technology. However, I don't calculate it that way. I calculate that the number is 42%, in round numbers. How dare I argue with such an obvious calculation? Because Facebook, now known as Meta Platforms, and Google, now known as Alphabet, and Amazon are not included in the technology group, even though everyone knows perfectly well they are the largest factors in the data center movement.

Amazon is in the consumer discretionary sector. Meta Platforms and Alphabet are in the communications sector. So, technically speaking, in the manner in which it's calculated, it's not technology. But it *is* technology. So, now you're at 42%. You might say: Why didn't we put 50% in technology and beat it? We would have beaten it, but it would have helped us not at all. Why? Because no one would have compared us to the S&P 500 if we had 50% technology. Rightly so, we would have been compared to technology funds that are 100% technology, and we would have underperformed anyway. So, it would all have been for naught. We knew that in the beginning, so it was a very difficult period. Sometimes, you just have to accept that.

It's not that we didn't make money for our clients. It's just that we weren't going to alter ourselves that way, and the largest part of our money is high net worth individuals who are all taxable. And then, at some point, we would have had to make this transition. We would have paid a huge tax bill, to what end? If you look at the funds, and the mutual funds are at least publicly traded, you can look at our record relative to the S&P. I think that the record speaks for itself. You can look at the return up to September 30<sup>th</sup>. That's the most recent numbers that are there. It's on the website. You can look at it. I think the returns on the Paradigm Fund or the Small Capitalization Fund, as examples, speak for themselves.

And you can be the judge whether what we did was smart or not. But we weren't going to help anybody by doing a lot of trading and making everybody pay a lot of taxes, and we probably wouldn't have had the returns we even had. That's the best way I could answer it. Anyway, they're the returns. They're no secret. They are what they are. And I think they're pretty good, if I do say so myself.

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**Questioner 14 (cont'd)**

Isn't it also because of the difference between our fiscal year and the calendar year of HKHC and the time lag in FRMO reporting the full results from whatever its good fortune was? FRMO is not likely to see any of it until our fiscal fourth quarter-end annual reporting in May. Please elaborate.

**Murray Stahl** – Chairman & Chief Executive Officer

That's not true. We're on accrual accounting, so in the event we collect a performance fee and there's a dividend, we own shares, which is extraordinary. If we own shares of FRMO, if we own shares in Horizon Kinetics, which we do, we're going to get that dividend. It'll be received at the exact same time everybody else receives their dividend, and it'll be booked quite appropriately.

Don't forget, in the case of FRMO, it's not just a Horizon Kinetics dividend. There's also the revenue share, so it's a big performance fee. There'll be a very big revenue share, and now you can judge why we never wanted to change the revenue share or sell it, because one day there might be a big performance fee, and it would collect a lot of money. I can't guarantee you there's going to be a big performance fee. If there is one, we'll get it when we're entitled to get it. Before we get it, we're going to be required to accrue it, so you'll see it in the financials.

**Questioner 15**

Is it likely or unlikely to see data center construction in the Permian Basin of the multi-million square foot variety? Most observers and many high-tech firms seem to be saying there will be a need for 10 times more data centers than presently exist in our country. Larry Ellison, in his last conference call, actually said he needs 10 times more. Do you have any idea of whether that means 100,000 or 200,000 or 300,000 square foot data centers, or 2 million to 7 million square foot data centers? Facebook already has a 7-plus-million square foot data center in Oregon, I believe. Won't the size of the center determine how many will be needed?

**Murray Stahl** – Chairman & Chief Executive Officer

Not necessarily. All I can tell you is, the data centers that are primarily going to be built are of the hyperscale variety. Hyperscale data centers are in the millions of square feet, and if you think that's a lot, think again, because the next generation is going to be exascale data centers, which are much bigger than that. It's hard to even visualize what they're going to look like.

The amount of data that's going to be needed to provide the services that people seem to want will be enormous. By the way, I'll interrupt myself by saying that I—personally speaking, for myself, not for FRMO, not for Horizon, just for myself as a human being—have no interest in having any of those services. Everyone else seems to want it.

Let me tell you why. No matter how many data centers are built, it's not going to be enough. The data center model that we're working with is derived from the Internet model that we currently

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have. The Internet model is clearly an advertising model. You google something, and that may or may not result in a purchase, but it's a financial transaction in the sense that people are paid just to direct traffic to different websites. That's why you have a term called "traffic acquisition costs." It might be the biggest business there is: online commerce.

Tremendous amounts of money are being expended to attract people to choices between hundreds of millions of websites or web locations. So, let's do a hypothetical, just so you understand how much data is needed. You decide for your anniversary that you and your wife are going to attend a Broadway show. You're going to go to the Wednesday matinee, because it's not that crowded. You walk out of the Wednesday matinee at about 4:30, and you really enjoyed the show. Now, you want to have dinner. There are all these dining choices in the city of New York, and it's not unusual to suppose that you and your wife might look at your smartphone to see what the available dining choices are.

Well, the available dining choices want to market to you. In order to market to you, they have to know where you are. You must have had this experience. You're looking at something on the Internet or you're texting someone, or you're emailing someone, and all of a sudden, you get some type of notification that something you're very interested in is available nearby. Right now, you have 336 million people in America, and during the bulk of the day, they're using some type of handheld device, and their locations are being tracked. Their dining choices are being tracked. Their purchases are being tracked, not for any nefarious purposes, just to sell more goods and services—or, if you prefer this phraseology, to make the advertising dollars more effective.

Think of how much data is required. It's never going to end, because your preferences are always changing. They are always learning more about you, and your location is always changing. That, in itself, is virtually limitless. Think of all the transactions on the New York Stock Exchange, all the information you can get from that. Think of all the financial information the Internal Revenue Service needs. Think of the Federal Aviation Administration that not just wants to track every aircraft that's in the air, but wouldn't it be great if they could track all the birds that are in the air? Because every now and then, a bird gets into an engine and causes a plane crash. So, if the FAA could track all the birds through radar, we could have safer airline travel. More accurate predicting of weather requires more data. You could go on and on and on like this.

The amount of data that's required is limitless. Here's a statistic I gave someone the other day. You can now self-publish your own book on Amazon. You don't need a publisher. How many books are published yearly in the English language? A typical book is 350 to 400 pages. The answer is somewhere between 4 million and 5 million. And they're all online. Can you imagine how much data that is? That's so much data that nobody can ever read them all. Even the entirety of the population couldn't read them all. So what can you do? You have to read them through devices, and the devices need to summarize them. That's ChatGPT.

How many scholarly articles are written? How many tweets are written? How much social media, Instagram, chats, text, emails, videos people take, photographs, security cameras, etc.? What establishment, whether it's entertainment or dining or shopping or education or airports, doesn't

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have a multiplicity of security cameras? And the video is data rich. You never know when it's going to be needed, but it's constant; it's cumulative. It's constantly being added to the system, so it's mindboggling how much data there is that's being added.

Let me just quantify it for you. The numbers I'm going to give you, they strain the human imagination. Right now, according to the people who claim to know this subject, we have in the world today stored—and it's increasing—100 of what they call zettabytes. What's a zettabyte? One zettabyte is a trillion gigabytes. And the people who claim to know this subject project that six months from today, we're going to have 200 zettabytes. That's in six months. It's an astonishing amount of data. Where is it stored? On servers, obviously. Where are these servers? They're just big electromagnets. That's basically what they are. And they must be constantly on, because you never know when someone's going to want data.

Even if you could turn it off for a while, the energy cost of turning it back on and powering up that system is more than the energy cost of leaving it on, so it's on perpetually. And the energy requirements to run the system like that globally is mindboggling. So, it's going to have its impact on commodity prices, particularly the price of natural gas, which is going to end up being the fuel of choice. That gets back to our other question of why we're positioned the way we're positioned. It's because the river was flowing in a certain direction. It's now coming to us, so all we had to do was wait. We didn't have to do anything, really, and we didn't. It's called intelligent inactivity. It's incredible what's happening in the world.

Having said that, I started this answer speaking for myself as a human being. I don't require those kinds of services. I'm personally delighted to go to the New York Public Library, sit at a desk, and read the hard copy. If I really want to see a movie, I'm happy to go to the movies on Saturday night and watch what comes on the screen. I don't need to have Netflix at 3 a.m., but I'm one person. That's not what the world wants, so you might call it progress, and maybe it is. That's the direction the world's going, and it's going to go there whether I object to it or not.

I don't personally object to it. I just don't participate in it. That doesn't mean the rest of the world isn't going to do it, so it's incredible what's happening. It has a good side, and it has a bad side. One of the bad sides is going to be an insufficiency of resources—not just for natural gas, but more importantly, an insufficiency of water for cooling these data centers. We'll see how far it goes.

**Questioner 16**

Given that HKHC has a very significant investment in LandBridge, it is of course very clear you expect good things from that company. The chairman made very clear his intention to have the company be home to data centers. Moreover, the majority of LandBridge land only has surface rights, so the conclusion is obvious. In the case of TPL, that which should be obvious is by no means obvious. All the requirements for data centers would appear to be plentiful at TPL—not just cheap land on which they can build, not just plenty of water for air conditioning and gas to power turbines to generate electricity, but also on which to place windmills and solar collectors.

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Does TPL have marketers seeking customers for data centers, or is their phone ringing off the hook? And if not, why, given all the companies that need 10 times more data centers, as mentioned above? Since Larry Ellison, in particular, just told the world what he needs, why wouldn't TPL have already been courting him and others? Why hasn't TPL made a peep with respect to data centers?

**Murray Stahl** – Chairman & Chief Executive Officer

First of all, I don't wish to be, and I really shouldn't be, a spokesperson for TPL on data centers or anything else. Let's just say demand is going to be extraordinary, and I don't think there's going to be any problems in having a great outcome at TPL, in my humble opinion. I'm going to leave it at that. Those questions, which are really great questions, are best addressed by the company, but I think it's going to have a great outcome. You know how much stock we own. I obviously believe that. I mean it sincerely. We'll see what happens.

**Questioner 17**

I know you're not the complaint department for TPL, but I'd like to mention to you as an accessible insider today that, when TPL holds its conference calls, they only last a little less or a little more than a half hour, versus every other company in the world that schedules an hour. FRMO always allots time for all the listeners to ask all the questions they want to ask, even if it means reprising a conference call, which of course, you have done. TPL takes questions from two, and sometimes three, so-called analysts only, who appear to be from institutions that frankly appear to be bottom-ranked ones. The CFO and CEO who speak never allow any other questioners, and despite the passage of only 30 minutes, they don't even say, "We'll see you again in three months," like every other company does. As a matter of fact, everything they say seems like they're reading from a script.

As I said, you are not the complaint department. Would you do something to change the way these calls work and see to it that they allow more questioners and more questions to be tolerated, please? The two top executives do act like they care not a lick whether they make friends or positively influence people. Is the board aware of this? You don't have to answer, but you might share this question with them. Ask them what the purpose of a conference call is when the two executives make it clear they have a strong distaste for taking questions quarterly from shareholder representatives, or heaven forbid, shareholders.

**Murray Stahl** – Chairman & Chief Executive Officer

To begin with, I don't think anybody at the company has a strong distaste for taking questions. I think everybody is interested in getting questions. I think everybody in the company appreciates interest in the company. I know that to be true, and I don't think their conference call format is radically different than the conference calls that I see at the biggest capitalization companies. I'm on a lot of them, and they don't materially last any amount of time differently than what you have just described. The best thing to do is pick up the phone and call someone in management. And I

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have extreme confidence that they will engage with you, and they'll get you an answer to your questions, speaking for myself and what I do.

I think this is true, I believe it's true: In the world of quarterly conference calls, I think FRMO holds the record for the amount of time we're willing to spend with investors and answer all manner of questions. I'm prepared to stay here as long as I have to, and I'll answer any question anybody poses to me until you run out of questions. That's my practice. But, you know, I'm not faulting anyone else. I don't think that's the standard practice of the typical corporation, but again, I'm not faulting anybody. As far as TPL goes, I have every confidence they'll address any question they receive. Just pick up the phone and engage, and I think you'll get a good response. That's my personal opinion.

**Questioner 18**

When will HKHC be reporting its September quarterly results, and will you be holding a conference call, and when might that be?

**Murray Stahl** – Chairman & Chief Executive Officer

We are definitely going to have a conference call. I don't know if the date has been scheduled yet, because I'm not the person who schedules them. But whenever they schedule a conference call, take my word for it, I will be there. I'll handle that in the exact same format. I will answer every single question. This is the first time the company is going through this exercise. The board reviews the financial results. The audit committee approves the financials. We approve the financials for release. There's going to be a press release, and then there'll be a quarterly conference call for investors. You'll ask all sorts of questions, and even though I try to do my best to address everything, as I had today, I may not necessarily have the statistical answer to every question at my fingertips, but we'll get you an answer.

Eventually, the way to deal with it is, if they're important statistics, we'll do what we do at FRMO. We'll have a series of tables. It'll be on the website, and you don't have to ask. It'll just be there. And if we miss something, or you think of something that wasn't asked before, we'll put it up there, because there aren't any secrets. You have every right to know, and I'm proud of it. I'd like to give you the statistics. I have nothing to hide, but I don't know what shareholders always want. I'm happy to provide everything that is within my power. Just understand that I don't memorize every number, so I'm reluctant to give you a number I haven't committed to memory. With that qualification, I'll release everything and everything that legally is permissible to be released.

**Murray Stahl** – Chairman & Chief Executive Officer

So, any further questions, Thérèse?



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**Thérèse Byars** – Corporate Secretary

That was the last question. His last comment was, "Thank you for taking my questions, Mr. Stahl. We appreciate you and how you personally operate."

**Murray Stahl** – Chairman & Chief Executive Officer

Well, thank you very much for that compliment, high praise indeed. I think maybe I've exhausted everyone's patience, but if you think of a question that occurs to you in the aftermath of this meeting, don't hesitate to get in touch with us. We'll get you an answer. Of course, we're going to reprise this in about 90 days, and we're going to do a Horizon Kinetics conference call as well. We look forward to taking questions, so thanks for being a great audience. Lots of very intriguing and great questions, and I look forward to doing it again soon. Thanks very much. I'm signing off now.

**Thérèse Byars** – Corporate Secretary

Thank you, Murray. The conference call has ended and you may now disconnect.