FRMO Corp. Q2 2025 Conference Call

Tuesday, January 21, 2025

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. He will review key points related to the fiscal 2025 second 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 today. My colleague, Mr. Bregman, is not with us today, because he returned from vacation and found a burst in his home, and repair — and there's no heat in his home as well, and it's pretty cold out there, and there's a lot of repairs that are needed; to my understanding, very little has been done so far. He has his own headaches, so we can excuse him, and I will be doing the call. I hope you don't mind.

Let's turn our attention, then, to FRMO. I'll start with some highlights of the recently released financial statements that may not be entirely obvious, even though you can find some of this information in the footnotes. To begin, you're probably aware that Horizon Kinetics is now a publicly traded company.

You'll see on our balance sheet, "Investment in Horizon Kinetics Holding Corporation (formerly Horizon Kinetics LLC)," dated November 30th, and that it's carried at $16.2 million. It's important to state that it is done via the equity method, not via the market value method. If you took the market capitalization of Horizon Kinetics and multiplied it by the proportion of our ownership, this would not be the number you would get—you're going to get a bigger number. So I just want to make that clear to everybody, in case it isn't clear. No matter what Horizon Kinetics does in terms of its revenue, we've been keeping this revenue participation at cost. And all I'll say is, there are alternative ways to value it. I just want to point out that we carry it at cost.

Now, some other things. A column I refer to sometimes, "Securities sold, not yet purchased short, and shows proceeds of $10.8 million-plus and a market value of over $1 million. We are selling short path-dependent ETFs. You can tell how much we sold short in the quarter by comparing the

market value of the securities sold short on November 30th to the May 31st number. These path-dependent ETFs are really dysfunctional, and sometimes they go against you. Even when that happens, in the fullness of time, they will gradually and inexorably make their way to zero. You can see the unrealized profit we have, and that has contributed in no small measure to our cash balance. And we're going to keep doing that. It's not a big part of our strategy, but it's very lucrative, and we'll keep doing it.

Right under that, you'll see a deferred tax liability. Little of the deferred tax liability relates to those short positions. A lot of the deferred tax liability relates to the securities we own that we just never sold. And part of the deferred tax liability relates to where FRMO is physically located, our place of domicile. If our place of domicile were different, it's possible that number could be lower, maybe even considerably lower. I can't promise anything, but that's something that we are in the process of studying. As a matter of fact, five minutes before this call took place, I was involved in a conversation relating to that, and expressed my views on that subject, so we'll see what we can do.

Now, there are some other things that don't readily appear on our balance sheet, and they don't give you a lot of information in the footnotes. I'll just mention two of the footnotes. One is Winland Holdings (WELX). As of the quarter end, November 30th, we had 1,946,677 shares of Winland. We purchased more since the end of the quarter, so we own—in round numbers—about 40% of Winland. We buy the stock in the open market. We also make direct equity investments in Winland.

We're doing it with the view to not just increase our ownership—it has an economic purpose. It's worthwhile to explain what the economic purpose is. We are changing considerably the way we mine cryptocurrencies. There are two dimensions to the way we mine. I'm not going to go into the mining technology too much, other than to say that if we ever get above 50% of Winland, it will become a reporting company, and we'll tell you a lot more about what's going on with Winland. In any event, the shares that are used to buy equipment are issued on day one. The equipment takes some number of months to break even. In our specific case of what we're buying, we expect to break even in eight or nine months.

So, the dilution is immediate, because the shares are there. It takes eight or nine months to make up for it, and then we progress, the objective being that the number of coins we have per share should be increasing. That's really, really important, and something that I want to stress. Why should anyone buy a mining company in preference to an ETF? There's only one reason: In an ETF, the number of coins per unit will go down, because of the fees. So, you can mine, and you can get the number of coins per unit—or per share, if you prefer—to go up. That makes the corporate form a better way of accumulating bitcoin than through an ETF. That's the objective of the exercise. That's what we're doing.

The second is that we're doing the exact same thing in Consensus Mining. You'll see in the footnotes that we have a small investment in Consensus Mining. It is hoped that Consensus Mining will be publicly traded, listed, and reporting in about 30 days, I'm told. But don't hold me to this.

Whether that's true or not, time will tell. The manner in which Consensus differs from Winland is, Consensus has not issued any shares for a very long time. So, as we are improving our mining technology, there are no shares issued, the expense of which must be overcome. The full benefit of any changes in technology are realized by the shareholders with an immediacy literally that day, as opposed to what would happen at Winland, where it takes a certain number of months.

That said, this is the only considerable difference. As a matter of fact, it's the only material difference between the mining strategies. What they're doing technologically is the same. We're trying to keep it within reason, proportional to the capitalization of each company, so you don't favor one relative to the other. And they're both doing exceedingly well. As I said before, if we ever get to the point where FRMO owns 50% or more of Winland, we will be consolidating Winland. It will become a reporting company, and you'll be able to see a lot more than you currently see. So, a lot of fun things are happening in the world of cryptocurrency mining that hopefully you'll be learning about shortly.

One other thing I'd like to point out: Our book value and our book value per share are new records. When I say, "book value," I'm referring to the line that's entitled, "Stockholders' Equity Attributable to the Company," $413.6 million. Divided by the number of shares outstanding, we have a book value—and that's a hard book—of $9.39 a share. There are lots things going on at FRMO that you really can't express in a book value figure.

The things we said about cryptocurrency are just one important part of it. And as far as the investments we have, you can observe them; you can see what's going on. You probably have some questions about those. And when I get them, I'll answer them, but that's the overview. So, everything is going reasonably well, and we're going to do our best to make it a lot better.

With that, Thérèse, I hope that's an adequate introduction of what we're doing. Maybe you could read me these questions, and I'll endeavor to answer every one of them.

Questioner 1

Consistent with the thesis on MIAX, has management ever looked at Abaxx Exchange (ABXXF)?

Murray Stahl – Chairman & Chief Executive Officer

I can't say I'm familiar with it. I never really looked at it, so I'll make a note of it. The next time we get together, I'll have an informed opinion. At the moment, I don't have an informed opinion, so we'll see what I learn about it.

Questioner 2

Would you please provide an update or current status of the company's investment in the Miami Futures Exchange, and the possible path to profitability?

Murray Stahl – Chairman & Chief Executive Officer

I can't comment on what profit or lack thereof there is in MIAX, or the Miami Futures Exchange. All I can tell you is that the futures business, in general, is a very profitable business. Exchanges for just about everybody are very profitable. Some firms have more profitability than others, but they're basically very profitable businesses. The reason is because the incremental revenue, which is the growth you get, goes right to the bottom line. Sometimes there are incremental investments you have to make, but they're not really huge incremental investments.

The path to IPO is really a question of when you want to complete it. You'll be aware that until just about now—this only relates tangentially to MIAX—the IPO market has not been very robust. The reason it is not very robust is that the investment world is dominated by indexation. An IPO rarely qualifies for inclusion in an index. It has happened, but it's very, very rare.

In the era when active managers dominated investing, initial public offerings were highly sought after. Now, there are some successful IPOs, but they're more the exception that proves the rule, so you have to pick your moment. You're going to have a window, and you want that window to be such that you get the valuation you think you deserve. That's all I can say about the IPO.

The market has not been all that robust. If you look at MIAX and the press releases, 90% of what you need to know about the company is right there. The greater the volume you have, the better it is for the exchange. And you can see that, even though it doesn't hit record volumes every month, it hits it in a lot of months. So, you can get a pretty good indication that things are going well.

Questioner 3

Currently, we are holders of over 10,000 shares of FRMO. We kindly request that you provide a current book value update as of January 17, 2025 versus November 30, 2024.

Murray Stahl – Chairman & Chief Executive Officer

Well, I gave the November number. I'll tell you why I can't give the January 17th number, although I wouldn't mind giving it to you. It's because of the revenue share I referred to earlier. FRMO is on a May fiscal year, so November is the end of the second quarter. Horizon Kinetics is on a December fiscal year, and sometimes Horizon gets annual performance fees. Horizon has not disclosed its earnings yet, and they have not calculated what, if any, performance fees they have.

Therefore, to give you the book value, I would have to know with some degree of precision what the performance fees are, if indeed there are any. So, I'd have to disclose things about Horizon that Horizon is not yet in a position to disclose, if I gave you that number. Since Horizon is not in a position to disclose it, I can't disclose it, so I can't calculate the book value. As much as I would like to, I just can't give you the January 17th number. It's just the way it is.

If I were to give you that number, I would put you and the FRMO shareholders, who are on this call, at an advantage relative to Horizon shareholders—who may or may not also own FRMO, and who may or may not be on this call. You can understand that would be legally problematic, so I can't do it. That's the legal system we live in, and I have to obey the rules. Whether it's fortunate or not, that's the way it is.

Questioner 4

Please provide color on the most optimal approach to ascertain mark-to-market value on positions in the Horizon Kinetics managed funds and ETFs, which are not included in your direct and indirect public securities and crypto holdings. The strong increase to $18.66 in book value from $11.43 last quarter was clearly linked to increases in asset positions beyond rises in LandBridge Co. (LB), TPL, and the crypto holdings. It would be helpful for some review on how investors should model accordingly.

Murray Stahl – Chairman & Chief Executive Officer

I've got a lot to say about that. The first is, it was a press release that you're reading from, and I don't think that was a press release that should have been published. I'll explain why in just one second. There was an update to that, and I don't think it was correct, either. So, I'm going to write it myself.

In that initial press release, when it referenced the $18-plus in book value on a fully diluted basis, that was not correct. The reason is because it's not, in an accounting sense, correct to take the book value—which is a synonym for shareholders' equity—and divide by the number of shares of roughly 44 million, and come up with that number. The reason is roughly half that figure doesn't belong to the shareholders of Horizon. When somebody makes that statement, it is basically inadvertently giving one the impression that the entirety of the book value belongs to the shareholders.

The amount of shareholders' equity that belongs to the shareholders is $413.6 million. The remaining $407.8 million is allocated to the non-controlling interests, which are the funds that FRMO controls. Under accounting rules, it's required to consolidate, but that doesn't belong to the shareholders. You'll see in all the earnings releases and in these financial statements, that we back it out. We're following the accounting rules. We consolidate for reporting purposes, and then we back it out.

So, if you take the roughly 44 million shares outstanding and divide it into $413.6 million, you come up with $9.39 in book value. That's our book value. That's the number that you should be focusing on. It's not $18-plus, so I just want to make it crystal clear right now. That's the number.

Now, the thrust of your question is, so what are the determining positions? Well, the determining positions are the ones that are released, which are really the top five holdings. There's Texas Pacific, obviously. The two crypto positions—there are now two crypto holdings. There used to

be one, it used to be only the Grayscale Bitcoin Trust (GBTC); they did a spin-off of what they call the Grayscale Bitcoin Mini Trust (BTC). Those are the two positions. There's MIAX, and there's Winland. Those are the big positions. And there's some other crypto, but the interplay of all those, plus the increase or decrease in our cash balance, determines our book value.

There's some fee income we get from Horizon, and that's a determining factor, but those are the variables. There are some other securities holdings that are relatively small, but there aren't any other hidden positions of note. There are many other positions, but they're not substantial. And while they may be rounding errors in book value, that's all they are at the moment, rounding errors. That's what you should be focusing on. I hope I've made that clear.

Questioner 5

Regarding OTC pink sheet designation and quotation transparency: With respect to FRMO's pink sheet status, what is required to uplist to OTCQX, and is management open to moving forward with the same? If not, why not?

If OTC uplisting is not an option, at a minimum, proper quotation is important to investor transparency and desirability. The cost to add Level 2 quotes to pink sheet-listed companies is about $4,500 annually. Is there any valid reason why FRMO cannot add this service without delay to better service the investment community?

Murray Stahl – Chairman & Chief Executive Officer

It's really very simple. There's no good reason not to uplist. We are working on an uplist. When you finally get the notice that we have uplisted, I have no doubt you're going to be very pleased with the actions that we will have taken. We want to, and we're working on it. So then your question would be, what's taking so long? I hope you can see we had to bring Horizon public. We're working with Winland. We're doing cryptocurrency. We're trying get Consensus Mining public. We've got a lot of things going on, and I hate to admit it, but we can only do so many things at one time.

Each individual enterprise has slightly different issues. They're not all that complicated, but they're slightly different issues. And you would be astonished at things that you think are very, very minor in disclosure of items, yet the regulators think they're significant, and we have to get the information. You might think we have every single piece of the information at our fingertips. But sometimes, it actually takes weeks to get the requisite information, and we have to submit it to one authority. That authority must submit it to another authority, and sometimes, months go by before we get an answer as to whether our submission is adequate. If it's not adequate, we need to get some more information, and that's why it takes so long. We're doing this for a variety of companies. We just haven't undertaken the complexity of doing it for the others simultaneously.

I made an allusion to Consensus Mining. I was told—and I'm sure it's accurate—that it'll be trading in 30 days. But I need to also tell you that's not the first time I've been told it's going to

trade in 30 days. So, let's say the flesh is willing, but there are just things we have to do, and we live in a world of regulations. We must comply with them, and it's easier said than done. I hope that's an adequate explanation, other than the fact that we've got a lot of things going on. But we'll get to it, and it will be done.

Questioner 6

Ongoing purchases of various public companies such as TPL continue without regard to valuation, such as the runup into the S&P 500 inclusion. What is the strategy to purchase public company shares more opportunistically at lower valuations? For example, Berkshire's discipline currently on display of only paying a certain premium to intrinsic value when repurchasing shares. Yet, Berkshire continues to purchase Occidental Petroleum (OXY), as it is deemed a fair value. Both are opportunistic and active, versus passive, systemically similar purchases.

Murray Stahl – Chairman & Chief Executive Officer

Okay, I would hate to compare FRMO to Berkshire Hathaway, because we wouldn't compare favorably. In any event, to answer your question directly, when you're outside and you say, "Why don't we purchase more opportunistically in relation to intrinsic value," it's not entirely evident to the outside world what the intrinsic value is.

Because of my position, I can't really tell you all that much about the intrinsic value, but I can tell you this: You see how the world is moving towards artificial intelligence, or what I would term "high-order computation." It's a big difference, and if somebody asks the question, I'll go into what the difference is, but I prefer to say high-order computation.

High-order computation requires enormous amounts of electric power, unbelievable amounts of power. And electric power requires a generation source. Let's just go through some of the choices. I'll tell you how people discuss it conventionally, and I'll give you some insight into how we look at it. That'll let you figure out what the intrinsic value might well be.

In terms of the conventional sources of power, people will say, "Well, we have the choices between coal generation, which is not very environmentally friendly, and of course, we have natural gas-fired generation. We also have nuclear." And people will talk about the differences as if they're different technologies. To the outside world, it really does appear they're different technologies, with their advantages and disadvantages. But that's not true, because the common feature of nuclear, coal, and natural gas is that they're all thermal generation technologies.

What does that mean? In order to produce power, which you do in any of those technologies, you heat water. Water is boiled to create water vapor—steam. The steam flows through a turbine. It turns the blades of a turbine, and the rotational motion of the turbine generates electric power. So, a limiting factor is water.

I'll give you this statistic: a typical one-gigawatt (GW) power plant is going to use much more than 500,000 gallons of water a minute. When I say "use," I don't mean consume; I mean make use of. A lot of that water can be reused, but not all of it can be reused. That's because, in accordance with the laws of thermodynamics, there's no such thing as 100% energy conversion. It doesn't exist in the world, so I'm just giving you a number for illustrative purposes.

If you are making use of 500,000 gallons of water a minute, probably more than 50,000 gallons will evaporate. Let's say it's 50,000 per minute. Now, take that 50,000 and divide it by 42, and you'll get something like 1,190 barrels of water a minute. There are 60 minutes in an hour, so multiply 1,190 by 60 to get barrels per hour. There are 24 hours a day, so take that number and multiply by 24. And then there are 365 days a year, so multiply that, and the result is the amount of water you'll need annually. However, if you stay with that calculation, you're going to be wrong, and the reason goes back to the laws of thermodynamics.

You can't power a 1 GW data center with one GW of thermal generation. The reason is because the generation facility has to go down for scheduled maintenance. Sometimes, it goes down for unscheduled maintenance. You might need twice as much power. So, you're going to need 2 GW.

This is just for illustrative purposes. The actual number is worse. Take the number you've got and multiply it by two. That's how many barrels of water you need. This is a single 1 GW data center, except that's not good enough. And the reason is back to our old friend, the laws of thermodynamics. There's no such thing as 100% energy conversion.

The electric power that's coming through the cable from the power plant is much greater than the rated electric power capacity of all the equipment you have in a data center. The ratio of difference is usually greater than 1.5; that's the amount lost in the form of heat. So, you must take that 2 GW and multiply it by at least 1.5—the actual number is more like 1.54—and you get to a 3.08 multiple. That's how much water you need. And we're not even talking about the water required for cooling the data center, but they haven't built the data centers yet.

A normal resource like oil or gas could be in the ground at a great quantity, but it's finite. Eventually, it's going to run out. Water is forever, so what will happen is, the water that you're providing is going to go on for as long as there are data centers. What's the intrinsic value of that? You can't see it in the TPL financial statement, because the data center hasn't been built. All you know is there's a certain amount of water flowing, which is possible to use for another purpose. It isn't being used for that purpose yet, but it has enormous intrinsic value.

So, how can you leave that out of the calculation? You can't, so that's an important consideration. Looking from the outside, if you're not thinking about things like that, you're going to get a very, very bizarre idea of what the intrinsic value for any of these assets or businesses really is.

I hope I've at least given you a little tutorial about things that are happening in the world of water. Water is an unbelievably valuable resource. Look through the S&P 500 and see how many

companies you can find that have the ability to access enormous quantities of water. I don't think you're going to find many, so I hope that gives you an orientation of where we are.

Questioner 7

Congrats on all your successes, including the very meaningful growth in book value per share. My question is, What additional levers can the FRMO management team pull to accelerate the creation of incremental value for shareholders?

Murray Stahl – Chairman & Chief Executive Officer

Let's just say we're doing some things. Some of it I've described in cryptocurrency. Some I've alluded to in that we might uplist, and when we have the bandwidth to uplist, that'll be something. But there are a lot of interesting possibilities in cryptocurrency, and there are a lot of interesting possibilities just in the world of data centers, and that kind of stuff. That's what we're working on, and we're trying to increase our exposure to that. We have some interesting investments that are small at the moment, but we are increasing them gradually at some measured pace, and one day, they'll be big enough to talk about. So, we're doing stuff.

Questioner 9

The company has expanded the board of directors, adding three directors in October 2021, an additional director in November 2024, and then another in the past week. Can you please discuss what strategic perspectives these new directors have contributed to the direction of the company that are being implemented?

Murray Stahl – Chairman & Chief Executive Officer

I'll speak in general terms. Basically, we would like to uplist FRMO. We think there are lots of great things going on at FRMO. If you're going to uplist, one of the things you must have is, arguably, a fully independent board. It's one of the many requirements. We had the opportunity to do it, and we decided this was the time. We didn't do it all in one day. And these are people who bring different disciplines in terms of other asset classes and endeavors—legal, accounting, that line of country—to make the board as strong as we possibly can in preparation for the day, hopefully not long coming, that we will be able to uplist. All that said, at the end of the day, it's the management that has to do a certain amount of work. We need the bandwidth to do it, so if there's anybody who hasn't done what they're supposed to do, I guess you have to say it's me.

Questioner 10

Given that a strategic goal of the company that has been discussed on past conference calls is to acquire a controlling interest in Winland, have you considered just doing a tender offer to acquire the requisite number of shares that would get the company to its stated goal much quicker? If not, does the company have a higher strategic priority?

Murray Stahl – Chairman & Chief Executive Officer

We're in the process both in Consensus and Winland of greatly improving, I think, the mining protocol. I've covered this in prior calls. When you buy equipment, there are a lot of things that can happen, and not all of them are good. Equipment can become technologically obsolete. We don't want to acquire machines in one fell swoop, because we might be confronted with some equipment that we had inadvertently bought that becomes immediately obsolete. So you want to make relatively small purchases of equipment in exchange for a small number of shares. I know it takes longer to do it that way, but it's for everybody's safety, because these things can happen.

We've been doing this for many years—and, so far, have been able to avoid those pitfalls by doing it this way. I'd hate to accelerate the process with the view of accomplishing our strategic goal and then fall victim to an equipment cycle that we didn't see coming because we were too focused on just getting to the requisite control interest. I apologize for doing it the slow way, but it is the safe way, and I think it's best for all the shareholders. So, that's the way we're doing it.

Questioner 11

What is Investment A in Note 4? Would you comment on its nature as an income-producing asset?

Murray Stahl – Chairman & Chief Executive Officer

It's very simple. We have two big investments that are called Investment A and Investment B. When we do our release of our individual holdings, anybody can see that we only have two really tremendous holdings. They are TPL and GBTC, otherwise known as the Grayscale Bitcoin ETF. That's what it is, so it's no great secret. I don't know why it's presented that way. I guess that's the standard way of writing financial documents. They're a bit obscure, but that's why we have this call—I can tell you what it means.

Questioner 12

Net income realized in Q2 was a significant increase from the prior quarter and the prior year. Might such income be continually realized in the coming quarters, or was such performance idiosyncratic in nature?

Murray Stahl – Chairman & Chief Executive Officer

The performance is attributable largely, but not entirely, to Texas Pacific and Bitcoin. I don't know what the quarter-by-quarter performance is going to be, but as far as I'm concerned, we're going to hold those securities. I should warn you, it's possible that those could decline in value, and if you go back enough quarters, you'll see we've lived through a number of declines. At the moment, the plan is to hold the securities, but so far, we haven't experienced a decline like we had historically. But it could happen. We think it's in the best interest of everyone to hang onto these

securities, so we're hanging onto them. Those are the two securities, and that's largely what contributed to the net income as reported.

Now, I should comment on the word "realized." We didn't realize it in the accounting sense. A realization event would be if we sold them and got cash for them. We still have them. We didn't sell anything. We didn't get any cash for them. They appreciated, so we're marking-to-market, as required by the accounting guidelines. If we had realized that income, we'd have to pay a certain amount of taxes, which we really don't want to do. So, that $78 million deferred tax liability, at the moment, is a theoretical abstraction. We're not paying it, so we are actually earning a return on the $78 million that, technically speaking, belongs to various entities of the government. And we don't have to pay them until we actually have a realization event.

Questioner 13

Would you please explain again the mechanism by which miners decide to buy/sell bitcoin or machines? For example, if a miner believes Bitcoin is going to increase in value, I believe you said they would sell coins to buy machines to get bitcoin at a cheaper price, and vice versa. Or do I have this the wrong way around? I know you've explained this before, but would you mind doing so again in more detail? I'm trying to understand the way that the Bitcoin mining system and other similar cryptos are self-equilibrating systems.

Murray Stahl – Chairman & Chief Executive Officer

Okay, I'll do it, no problem doing it. I'll just say at the outset that what the question refers to is this: I frequently make reference, in presentations, to the self-equilibrating nature of Bitcoin. The reason I make that reference is, sometimes people say, "Well, if a whole series of Bitcoin ETFs are going to be launched, and if they're going to raise a lot of money in all this bitcoin, it's going to be locked into the ETFs. There will be a diminution of supply, and demand is increasing, so it'll force the price of Bitcoin up." That's actually not going to happen.

Before we get to the explanation, a minor reason, which I normally don't touch on, regarding why it doesn't happen, is because bitcoin is not locked up in the ETFs. First of all, the ETF is a publicly traded security that could be sold. If the Bitcoin ETF were sold and nobody wanted to buy it, the ETF would have no alternative but to put bitcoin back on the market. So, the premise that Bitcoin is stuck in the ETF is fallacious, but that's a minor reason.

Now, the major reason. Say Bitcoin were to rise in value, for whatever reason. Let's say Bitcoin doubles in price in the next 10 minutes. If Bitcoin doubles in price, the first thing that would happen is that it becomes much more profitable to mine than it was before. You always have two choices in Bitcoin. You can buy bitcoin in the open market, or you can mine. It's possible that the Bitcoin mining equipment could rise in value, too, but everybody in the world of Bitcoin knows there's a halving coming. At the moment, that halving is 1,100-plus days away, but it's still there. What does that mean? That means the block reward you're going to get from mining Bitcoin, in 1,100-some-odd days, is going to be cut in half. That's why they call it the halving.

So, if Bitcoin were to double, it makes absolutely no sense to pay twice as much for a machine, because it's not going to have the same profitability in 1,100 or so days. The rig—the mining device—might go up in value, but it's not going to go up at the rate that Bitcoin went up, for reasons that you now understand. Instead of buying bitcoin, it would be possible to buy rigs and produce the bitcoin, because the miners must contend with the halving, and the people who buy Bitcoin don't have to think about it, really. And there would be an arbitrage. It would be cheaper to buy rigs and create bitcoin than it is to buy bitcoin. So, some people would inevitably decide to sell their now-doubled bitcoin and buy rigs. If they were to sell bitcoin and buy rigs in sufficient quantities, the price would equilibrate, and that's why it's a self-equilibrating mechanism.

Bitcoin was designed to be self-equilibrating so that you couldn't have these bizarre moves in supply and demand like you do in conventional money because there are shortages of money. There's oversupply of money, which causes inflation, or what happens in commodities with oil or gold or silver. Whoever it was that designed Bitcoin thought this through extremely carefully. If you read the original Satoshi working papers on Bitcoin, you will get the sense that this was thought through very, very carefully over a long period of time, and the equilibration features were inserted deliberately. I hope that's an adequate explanation.

Questioner 14

In the previous call, Mr. Stahl mentioned that, regarding the Bitcoin network and its security, "the last thing we want is scalability." If scalability is not desirable for the Bitcoin protocol, and if Bitcoin is not meant for small transactions, what is management's vision for what Bitcoin should ultimately be used for, say, 10 years from now?

Murray Stahl – Chairman & Chief Executive Officer

Let's divide this in two parts. In my personal view, I don't think Bitcoin should be designed for the following. If you want to go to the supermarket and buy a loaf of bread, that's not what Bitcoin's for. It's not for grocery shopping. It's not for paying your ordinary bills. It's not for going to the movies or for going out to dinner. It's not for any of that. It's designed to be a store of value.

There are other coins that could conceivably be designed for minor transactions. One possibility might be Litecoin. Another might be Bitcoin Cash or possibly Dogecoin. Another possibility might be Solana. Those are all possibilities, and maybe it's going to be all of them. The designers of Bitcoin didn't want large financial firms to dominate Bitcoin mining. They provided for that by limiting the block size. They limited the block size, which put a limit on the number of transactions that could be done in a 10-minute interval.

In principle, in a computer science sense, you could increase the block size tenfold. You could increase the block size 100-fold or 1,000-fold. It's possible to do that. It's not difficult. It's just that whenever presented with the opportunity to increase the block size, like in the Bitcoin forks, such as Bitcoin Cash, Bitcoin Gold, or Bitcoin SV, maybe more than 99% of Bitcoin holders refuse

to take the fork seriously. In the case of Bitcoin Cash, which is the most popular one, it has a market capitalization that's, in round numbers, about one-half of 1% of Bitcoin's mining network. But Bitcoin Cash has a much bigger block size, so, clearly, if people want it, they'll do it. But they obviously don't want it, because they don't want a system that's dominated by a handful of financial firms. We've already had that and it's created all sorts of incentives to make rules around money that do not favor the average person. That's what goes on as far as the block size debate.

I'm one of the 99%-plus who agree the block size should remain small. Just because there are a small number of transactions, it does not follow that it will not be a big market. How can we establish that? Well, look at the art market. How frequently does a Van Gogh painting trade, or a Monet painting, or a Picasso? It's not all that liquid, really. You can go months, sometimes years, without a trade. Yet, the art market is a tremendous market, and it happens to be a store of value. For the people who are in the art market, they seem to be very satisfied that it functions well as a store of value. You don't need a lot of trading activity. For the people who know what the art is worth, they're invited to bid on it when it comes on the market, and it generally gets sold. So, it's sufficiently liquid for the purpose of the people who store value via that modality.

Having said all that, I don't want to leave you with the impression that Bitcoin is illiquid. I write about this all the time. You want to measure liquidity of Bitcoin in U.S. dollars. You don't want to measure it in coins. The reason I do it that way is, I want to compare it to the stock market. I don't want to compare the number of bitcoins that trade to the number of shares of Apple (which is the biggest stock in the S&P) that trade, because they're incommensurable quantities. But you can give them a common denominator with dollars.

Believe it or not, the daily trading volume of Bitcoin, measured in dollars, is considerably greater than the trading volume of Apple, measured in dollars. And Apple is the most liquid and biggest stock in the S&P 500. So, Bitcoin trades at a volume that's considerably larger than Apple. I think that's adequate for the purposes of most people, and you can verify that information this very minute, if you want—you can log onto bitinfocharts.com. And if you scroll down the columns, you will see the volume of Bitcoin in the last 24 hours.

You can do the same for Apple by taking the price of Apple, multiply it by the number of shares traded today and get today's trading volume. There will be two differences. The first difference is that the Bitcoin dollar volume is bigger, considerably bigger. The second difference, Bitcoin trades 24 hours a day, seven days a week. Apple trades only on business days, between the hours of 9:30am and 4pm. So, you tell me which one is more liquid. Bitcoin is very, very liquid. It doesn't need to be used to buy a pack of chewing gum to be liquid, as anybody can clearly see.

By the way, I'll also tell you that the number you're going to see on bitinfocharts.com, which is a big number, is not even the full trading volume of Bitcoin, because that number only refers to the amount of bitcoin that changed hands on the blockchain. There are a lot of bitcoin that change hands off the blockchain. If I have a Bitcoin at Coinbase, and you want to buy my Bitcoin, and you have an account at Coinbase, Coinbase will move my Bitcoin to your account and your cash to my account. It's never going to go on the blockchain, but it counts as trading volume.

So, if you really want to get the real volume, which is the volume you should compare Apple with, you should key in the following database: coinmarketcap.com. Bitcoin has the biggest market cap. You could scroll over to the right, and you'll see the last-24-hours trading volume. You'll see it's an enormous number. It should satisfy the needs of liquidity for anyone. I believe, and please correct me if I'm not right, that it has more trading volume than just about anything in the S&P 500. That's the number I think you should look at.

Questioner 15

Why are we still in the Bitcoin mining business? The price of Bitcoin has gone up by a multiple of more than 100 in the past seven to eight years or so. If Murray believes that Bitcoin will still appreciate by some X-level factor in the future, can he opine on if he still thinks that mining will offer a better return than simply buying bitcoin and holding it for the same period of time?

Murray Stahl – Chairman & Chief Executive Officer

It should be self-evident that mining has already offered a big return, because all you really have to do is see the market value of Winland. We know what the shareholders' equity of Winland is, and it trades at 4x-plus book value. The reason is because there are now fewer than 1.2 million coins that can be mined. The idea of just purchasing coins is eventually going to be problematic, because for the people who want to own the coins, while they might trade them, it's going to be hard to accumulate the tremendous value of Bitcoin. You would do a lot better if you simply have a corporation and increase the number of coins per share of the corporation, as opposed to buying a Bitcoin ETF and having the number of coins per unit decline.

That's what'll happen, because the only asset it has is Bitcoin, and there's going to be a fee. The fee might be very small, but it's still a fee. So, no matter how much money the Bitcoin ETF raises, the number of units per share is going to be in decline in the exact same way as the number of ounces of gold you have in a gold ETF is always in decline. It may not be much, but that's what's happening.

So, if you had a gold business, and you increased the number of ounces of gold you had per share, wouldn't that be better? One day, someone's going to do that. So far, no one has, although some years ago, there was a corporation that tried it. And they were very successful at it, but ended up getting bought out.

Questioner 16

Now that Bitcoin ETFs have been approved, the discount to net asset value has largely gone from GBTC or any other ETF. Without this discount, it would seem like there is little reason for FRMO, who has a long-term view of Bitcoin's value, to not simply hold real or direct bitcoin now, for example, to capture the additional call optionality of any future hard forks. Is there any reason to continue buying bitcoin through ETFs?

Murray Stahl – Chairman & Chief Executive Officer

In point of fact, we really haven't bought much bitcoin through ETFs, even though we have bought, on certain days, a very tiny amount. Most of the bitcoin that we've been accumulating has been through Winland shares and Winland's mining. So, rather than buying it, we prefer to make it.

Questioner 17

With FRMO's stake in Winland nearing ever closer to 51%, how would FRMO manage Winland better or differently than it is being managed now, once FRMO is officially in control? What changes would FRMO make at Winland that would make it better under FRMO ownership than at present? What does FRMO plan to do differently to compete with every other Bitcoin mining operation, and how does management reason about the competitive landscape of Bitcoin miners globally and among other miners strictly within the U.S.?

Murray Stahl – Chairman & Chief Executive Officer

A couple parts to that. Number one, Winland is more or less being run the way we'd like it to be run right now. So, if we own greater than 50%, that's not going to change in any material way. It's going to keep doing what it's doing. It just might do it on a larger scale, but it's going to keep doing what it's doing. That's the first point.

The second point is, what are we doing that's different than the other miners? I can assure you we're doing something that's very, very different than what the other miners are doing. There are, I think, 12 publicly traded mining companies, and what we're doing is considerably different. All I can say is, because Consensus Mining is doing the same thing, Consensus is getting ready to be publicly traded. I just can't say that much about it. But keep your eyes on Consensus, and you'll really see some interesting things. Once it's publicly traded, we'll have the ability to talk more freely, and you'll see what we're doing that's different. And I think you're going to find it to be pretty creative.

Questioner 18

With TPL's earnings multiple now trading near historical all-time highs, can management give some commentary on how they believe the company's growth prospects justify the present earnings per share multiple and how they generally model the business and reason about its valuation?

I'd note that the recent multiple expansion, starting around 2023 up to today, has occurred while quarterly earnings per share has remained rather static. It is understood that TPL has many advantages, and that valuation heuristics do not capture the full picture of the company. But I am curious how management inventories and models TPL's advantages—and ultimately translates

this into expected cash flows to the stock—such that management can be confident in continually averaging into the stock, even at current prices, as can be seen in the recent filings.

Murray Stahl – Chairman & Chief Executive Officer

So, when we say "management," I just want to make it clear we're talking about FRMO management, not TPL management. I don't want in any way to speak for the TPL management. We're just speaking for ourselves.

In one of the earlier questions, I went through the analysis of water. What is technology as a percentage of the S&P 500? It's obviously a very big number. Some of the technology companies in the S&P 500 are not even in the technology sector. They are actually in the communications sector. It's even in the consumer sector, insofar as Amazon Web Services—a part of Amazon—obviously competes with Google, which obviously competes with Microsoft, which is in the information technology sector. Google is in the communications sector, and Meta Technologies, aka Facebook, is also in the communications sector. So, arguably, the technology sector is way over 40% of the S&P 500. And the consensus view is that it's going to grow at double-digit amounts because of this data center movement.

As I answered the question previously, there is a limiting factor in data centers. You need a lot of water, and there aren't too many places to get the water, so that water is going to be used. There's no doubt that the water is going to be used. You can't simply take the P/E ratio of TPL or the other company, LandBridge, that's in the same business, and say it's overvalued. Because if you do that, you're valuing the water at zero. You can't value the water at zero, because if you do, you're making a colossal mistake.

So, you have to come up with some kind of value. The way I did it in this exercise was to assume there is a data center somewhere in the Permian Basin, as detailed earlier in this transcript, which you can read. It doesn't matter what the power source is. It's always going to be a thermal plant. Now, people can say a thermal plant can be coal. A thermal plant can be nuclear, or it could be natural gas-fired. At the end of the day, you've got to boil water. So, what about wind? What about solar? Those can never be a tremendous source, because those technologies are area-dense. You have to cover a lot of area. Nobody wants to live in the middle of a bunch of windmills and it's very expensive to do that.

The same is true of solar. But much more importantly than that, they're variable sources of power. I don't mean they're variable in the sense that when it's dark you don't have the sun, and you can't use solar when data centers require 24-hour power. I mean it's variable in that the intensity of the sunlight, when you have sun, changes at different hours of the day. One reason is that the inclination of the sun with the Earth is at a different angle, and that will reduce or increase the intensity. Secondly, you could have haze. Sometimes, even on a sunny day, you have some intermittent cloud cover. You may say, well, it's only a cloud cover of 15 minutes, what difference does that make? It actually makes a big difference. The reason is because the U.S. electric grid is designed to run at 60 Hz.

If solar is a very big part of the mix, and some clouds appear in the sky for 15 minutes and there's a drop-off in the amount of solar energy you produce, if you don't have the natural gas or fossil fuel-fired generation on continually to immediately take up the slack, the drop in power will cause all the circuit breakers to kick in, and you're going to have a power failure. Why would the circuit breakers kick in? Because of the power drops caused by some temporary cloud cover. When the clouds dissipate, which could be in five minutes, the power's going to surge and damage equipment. The system is designed to make sure that doesn't happen, so all the circuit breakers are going to kick in.

Whenever you have solar, you must have a fossil fuel backup. It has to be immediately available. You can't just push a button and turn on a nuclear power plant. It takes a while to heat up the water. The same is true of coal. Natural gas, because of its properties, you can do it faster, but even then, you can't do it immediately. So, you need to have the power plant on, even though you're not using it. That's called a spinning reserve. So, what is the point of saying, I'm using solar power? Technically, you're right. You're actually powering your data center on solar, but you're running with a parallel spinning reserve of natural gas or coal or nuclear. You're not actually drawing the current, but you're producing the power.

So, what are you actually doing? There are certain physical realities that we must understand exist. If you want to have data centers, you're going to need a lot more power. And if you want to have a lot more power, you need a lot more water. You show me in the S&P, or even out of the S&P, where you can get those quantities of water. I'd be very interested to find that, because I haven't been able to, and I've been looking for many, many years. So, you have something which is extraordinary, but at the moment, it's not applied to data centers.

Another question that someone might ask me: "What if they don't build the data center on your land?" Well, what difference does that make? You still need the water, and there's no landowner that's going to have enough water to service what's needed. In the example I gave earlier in this presentation, which I hate to repeat, because it will take 15 minutes, you can do very well if you never had a data center on your property.

By the way, there must be access to communications into and out of the data center. One item I didn't cover is the right of way—or easement—for the fiber optic cables, which is another source of earnings. The greater the geographical extent of your land, the greater the easement is going to be.

So, just looking at the P/E ratio of TPL, it's like having a piece of land in midtown Manhattan that's just a raw piece of real estate. That happens once in a while. You walk by and there's an empty lot. Sometimes, to get a little bit of revenue, you'll see the owner of that lot will turn it into a parking garage and actually park some cars on it. If you looked at how this property owner would carry the market value, relative to the little revenue they're getting from cars, you would say, "Well, this piece of property is trading at a P/E of 200x earnings—why wouldn't you sell it and go to something cheaper?"

The answer is, because it's not being applied to its best use. One day, there's going to be a structure on that property, and the property is in a key location. You can't ever duplicate that. So, why would you ever sell it to buy a lesser property? I hope I've addressed the question. Sorry for the prolonged answer.

Questioner 19

How much of TPL and LandBridge's strategic value come from their particular physical location along the Texas/New Mexico border—versus, say, intelligent operation, which could theoretically be copied by well-funded competitors? Or from the particular quality of their mineral acreage, of which better deposits could theoretically be discovered elsewhere in the U.S., for example, in California, if the politics there were ever to change?

That is, how critical is the position along the Texas/New Mexico border to the value of TPL and LandBridge? And are there other private or public competitors that can just as easily facilitate competing land use agreements with TPL and LandBridge's potential customers? Is it the scale of contiguous land tracts that makes their assets unique? I'm trying to get an idea of the competitive landscape for TPL and LandBridge's land operations, and who management sees as their most significant public and private comps.

Murray Stahl – Chairman & Chief Executive Officer

Let's do it this way, because there are a lot of parts to that. As far as contiguous versus non-contiguous, there are advantages and disadvantages to each. For contiguous, if you want to do something, you don't have to ask your neighbor. You can just do it, so that's good. On the other hand, if you're not contiguous, and some potential customer needs a lot of water, even if the water isn't being bought from you, it's got to cross your land if you have a huge geographical extent, so you're going to get a piece of that business anyway. So, there's an advantage to being non-contiguous if you have a big enough geographical extent. To be near the Texas/New Mexico border is a pretty good thing. Why? Because the state of New Mexico doesn't allow anyone to dispose of produced water in the ground.

That produced water comes to Texas. What are the two things that are going to happen to it? Either it's going to be disposed of in the ground, so that you're going to get money for putting water in the ground (when your costs are so close to zero, you might as well call them zero, this makes it a great business). Or you're going to get what's called beneficial reuse, which are ways we figured out to recycle the water and use it for another purpose. For example, the water component of a power plant. Either way, it's pretty good.

Now, Texas versus California, there's no comparison. I'm not a big fan of the state of California, but I have to say that not everything they do is entirely illogical. There are considerable oil deposits in southern California. It's heavy oil. There are different kinds of oil. The oil in Venezuela is heavy oil. It's like bitumen, thick like tar. The oil in Canada around Fort McMurray is the same thing.

So, you're not extracting it in the way you might think; you're mining it. You're heating up what they call a big hydrocracker, which is almost like a refinery. As a matter of fact, it is, in a sense, a refinery. That's the sort of thing you'll have to do in California. So if you want to exploit the oil deposits in southern California, it's going to have to look something like the oil deposits in Canada.

If you've ever visited, you don't want California to look like those areas of Canada. There are very few people in California who would like or tolerate California being turned into what those areas of Canada look like. So I don't think it's likely to happen. If the government were to relent, there may be some projects that get approved here and there. It's not likely to happen in the short run, but it could theoretically happen. But it's not going to be a rival to Texas.

Another issue is, just get some geological maps and compare the other oil-bearing regions of the U.S.—like Denver, Julesburg, North Dakota, or even Oklahoma—with the Delaware Basin. Just look at the depth. The Delaware's got 14 benches, or 14 strata. It's not even comparable. For a very long period of time, maybe several centuries, that's going to account for the bulk of the oil production in the U.S. The land sits astride the El Capitan aquifer, water that really comes from the Rocky Mountains, like an underground river. How many of those are you ever going to find?

There is one like it in central California, which you've never heard of. It's called Tulare Lake. There's no such thing as Tulare Lake on the map. It's an underground lake, and it's a prolific source of water, which is why California, believe it or not, is so prolific in agriculture. Could that theoretically be used for another purpose? Sure, it could, if you didn't want to grow all the produce that grows in central California. And if you don't grow it, then, we're going to pay a lot more money for produce and vegetables. Would the country tolerate that level of food inflation? I don't know. I doubt it, but time will tell, so that's another possible source. It's not as good as Texas, but it's a possible source of water that I don't think is likely to get exploited any time soon.

Questioner 20

In the previous shareholder call, management made comments dismissing the idea that ETFs have a limited price impact on stock prices when viewed from a creation/redemption lens. For example, as concluded in Vanguard's "A Drop in the Bucket" study. Instead, management advised to look at the total AUM magnitude and overall trading activity of the ETF shares themselves as a measure of their effect on the underlying stocks.

Could management help walk us through and understand by what mechanism the trading of ETF shares on the second-hand market—of whatever total AUM magnitude—causes price impact on the underlying individual stocks, when the ETF share creations and redemptions are not involved?

Murray Stahl – Chairman & Chief Executive Officer

Let's start with the S&P 500. There are three big S&P 500 ETFs. The SPDR S&P 500 (SPY), the iShares Core S&P 500 (IVV), and the Vanguard 500 (VOO). Add the AUM of those three ETFs together, and in round numbers, you're not far from $2 trillion.

Let's do the trading volume. How many shares did they trade, let's say, of SPY? It's a tremendous number. There has to be a trading impact, because the price of any member of the S&P 500 inside the ETF has to be the same as the price outside the ETF. It must be. Let's say there are no redemption baskets, and no contribution baskets, created for the SPDR S&P 500 for the day, but there are tremendous numbers of shares traded. If you say that has no effect on price, then where does the price come from? Apple is trading, Amazon is trading, and NVIDIA is trading, and that generates the price of those securities. But they're telling me that the trading of the aggregation of those securities in the ETF, which is even bigger, has no impact on the price?

If I want to buy one share of NVIDIA, I will impact the price. Maybe not by a lot, but I'm impacting the price. Maybe it's to the 20th decimal point, but I'm impacting the price. So, all the hundreds of millions of shares that are traded in those ETFs containing NVIDIA, Apple, Microsoft, and all the others, have no impact on the price whatsoever? How can that be? Because if one side has no impact on the price and the other side has all the impacts on the price, then there would be an arbitrage. To avoid the arbitrage, both groups must have the same impact on the price, as you can clearly see when you look at the volume.

By the way, a lot of the ETFs' volume is tracking the volume of the shares. They're trading in step with each other. Apple is, I think, 6.6% of the S&P 500. NVIDIA might be 6.3%, and Microsoft is a similar number. At the end of the day, at four o'clock, the sum of the parts have to equal the whole. So, the unit value of the S&P is struck, and the unit value is struck every second of every day. It has to be the same as the individual securities, not counting the index. It can't be any different, so that's how I would explain it. I hope it's coherent.

Thérèse Byars – Corporate Secretary

Thank you. That was our last question, so would you like to make closing remarks?

Murray Stahl – Chairman & Chief Executive Officer

You've been listening to me for almost two hours. There have been great questions, and I enjoyed answering them. I apologize for the confusion in the press release, but I just want to stress again, our book value is not $18-plus. Our book value right now is $9.39. You must look at the shareholders' equity attributable to the company. That's the key line, and that's $413.6 million. Divide by roughly 44 million shares, that's the number you should look at. We are consolidating, and that's the required accounting, but that's our book value, and we'll make the press release clearer in the future.

So, thanks for listening, everybody. We'll, of course, reprise this in another 90 days or so, and I really look forward to the questions then. Thanks so much.

Thérèse Byars – Corporate Secretary

The conference has ended. You may now disconnect.