Operator

Good day and welcome to the FRMO Quarterly Conference Call. As a reminder, today's call is being recorded. At this time, I would like to turn the conference over to Ms. Thérèse Byars. Ma'am, please go ahead.

Thérèse Byars – Corporate Secretary

Thank you, Chelsea.

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.

The statements made on this call apply only as of today. The information on this call should not be construed to be a recommendation to purchase or sell any particular security or investment fund. The opinions referenced on this call today are not intended to be a forecast of future events, or a guarantee of future results. It should not be assumed that any of the security transactions referenced today have been, or will prove to be, profitable, or that future investment decisions will be profitable or will equal or exceed the past performance of the investments. For additional information, you may visit the FRMO Corp. website at www.frmocorp.com.

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 2022 first quarter earnings.

A summary transcript of this call will be posted on the FRMO website in the coming weeks.

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

Murray Stahl – Chairman & Chief Executive Officer

Okay, thanks, Thérèse. Thanks, everybody, for joining us today. We actually have a fairly large number of things going on in FRMO. Normally, I go through the balance sheet, and I'm going to do that in a cursory fashion to leave time because there's interesting stuff going on, as you can see from the balance sheet. Just to start, we're trying to keep the cash at around $35 million or so. We're not really spending a lot of cash. You can see what happened in the quarter. Basically, our two largest holdings, Texas Pacific Land Corp. (TPL) went down, and bitcoin went up. The consequence of that, arithmetically is actually very intriguing because if you look at the income statement, you see all these net losses, and that has to do with the investment portfolio. Some of those losses refer to Horizon Kinetics Hard Assets ("HKHA"); the bitcoin is somewhere else.

When you do all this accounting, it ends up being a $960,000 profit, and we end up having record shareholders' equity of a little bit more than $179 million. So, I think it's fair to say we've come a very long way in a very short period of time. And that might seem uninteresting, but there's a lot going on that *is* interesting, so I'll just cover it in some reasonable fashion.

One of the things that's been happening, year-to-date, that you really can't see from the financial statements is in Horizon Kinetics itself. Horizon actually had an investment management success. On January 12th of this year, we started the Horizon Kinetics Inflation Beneficiaries ETF and, as of a day or so ago, it had assets under management of well over $800 million. That's a big success. The fund also has, in my humble opinion, pretty good performance. The idea of the fund obviously is to protect people against the ravages of inflation as that accelerates, which I personally think is going to happen.

Another success that you really can't see from the financial statements is what's going on with our investment in the Miami International Securities Exchange ("MIAX"). Basically, we're carrying our investment in MIAX at the valuation that was established by the shares we received exchanging our ownership in the Minneapolis Grain Exchange ("MGEX") for MIAX. The Minneapolis Grain Exchange is now a wholly-owned subsidiary of MIAX. I can't say enough wonderful things about MIAX. If you are interested, go on the Minneapolis Grain Exchange website and look at the volume; I think you'll be astonished at how well everything is going.

Putting together great technology and great licenses, which is what MIAX and MGEX had, is, I think, a perfect combination. You might recall from previous conference calls that our ownership in the Bermuda Stock Exchange was traded for MIAX shares. That's why we have a fairly large position in MIAX. And the same there: a combination of great licenses and excellent regulatory environment, and it's all coming together. MIAX is still a private company, but you'll see just marvelous developments now. You can tell a lot about the profitability of the exchange by how much the volume is going up. Basically, what happens with securities exchanges is that the marginal cost of handling additional increments of volume is very small. So, the marginal revenue, for the most part, goes to the bottom line. That's why it's such an extraordinarily profitable business.

I might say the same for our investment in what we call the Canadian Security Exchange, which on the financial statements in the appropriate section is called CNSX. The idea behind the CNSX was to set up a small-cap market for raising capital for Canadian natural resource companies. This would be small gold companies, small oil and gas companies, because obviously natural resources are so important to Canada. And that happened a number of years ago. We invested in it, and then came a number of years of just a horrendous bear market in commodities. I personally think that's turning around right now, but CNSX actually sailed through it.

Not the least of the many interesting things happening now is, in my opinion, the renaissance of commodities markets in general. We've lived in the world of commodities probably 12 years with, in my view, a deficiency of investment capital. That's got to be remedied and there's no way it can be remedied without taking years to do it. And it might not be remedied anyway, the reason being that a lot of big institutional firms are divesting commodities, particularly energy—but not just energy—on the theory that it's a passé industry and it emits various forms of greenhouse gases.

That might be true, but it doesn't mean we still don't need the commodities. These are unbelievably capital-intensive industries. Probably the most capital-intensive industries you're going to see out of everything that's listed. So, it's a sector that requires an investment that's continual and that's massive. If those investments are not being made, then sooner or later you get shortages, and then you know what follows.

Another thing we're doing that I think is interesting—which you'll see in, I think, Note 4 of our financial statements—is our investments in the various cryptocurrency mining companies. I'm pleased to report that we're bringing those investments public. We're consolidating those LLCs and there's going to be a direct listing for what we will call Consensus Mining, which is going to be a publicly traded mining company and it's going to own a fair amount of cryptocurrency, largely but not exclusively Bitcoin. Incidentally, we'll get to our specific cryptocurrency holdings in a little while. I haven't forgotten that we want the data, but I just want to cover these points first.

We're taking advantage of the direct listing to actually raise some capital. So, when Consensus Mining comes public, it's going to be a fairly well-capitalized company, I dare say, and a lot is possible in terms of expanding the mining business. Another thing that you shouldn't forget about, and I'm trying to make sure you don't forget about it, is our investment in the Digital Currency Group, which we carry at a value of $76,000. As some people have remarked, it's probably worth more—all you need to do is look at the assets under management there. We own 353 shares out of a total of roughly 700-odd-thousand. So, now you know what percent of the company we have, and I leave it to your shrewd analysis to figure out what Digital Currency Group is worth, and then you can figure out if this value of $76,000 is appropriate or not.

With regard to Winland Holdings Corp. (WELX), we're now up to a 29% ownership during the most recent time period. We bought some WELX shares in the open market, and we also did another deal with Winland for mining equipment. What that means is we bought some mining equipment and turned it over to Winland in exchange for shares of Winland, thereby expanding Winland's mining group. When we come to it, I'll give you the ownership figures of what we have in crypto in Winland. It's been only about, I guess, 14 months or so since we did the first mining deal, and Winland has accumulated a reasonable amount of crypto.

I'll also call your attention to our 7.1% ownership investment in HM Tech. HM Tech is in the process—I can't be sure it's going to be completed—of raising some equity capital, and the valuation chosen for the company (this is its valuation for the purposes of doing a deal) is $6 million. So, we own 7.1% of that. Can't guarantee it'll close, but pretty confident it's going to. And that business is flourishing as well. In addition to the hosting business, it also repairs equipment. That, strategically, is very important to us.

Number one, we host equipment there. One of the ideas in our cryptocurrency mining ventures was that you always want to be in a position to go elsewhere for your hosting if needed. And then, secondarily, you're buying these servers and sometimes they have electronic problems that require repair. We needed a place to go to and we also wanted to learn about the machinery itself, how it gets repaired, how valuable it really is and how to build it. We wanted to learn everything we possibly could, and there was no way to do it other than just doing it. We did that. It wasn't without its learning curve, it wasn't without its difficulties, but it worked out reasonably well.

So, I'll cover two more things—I think these are exciting, too—and then I'll give you some numbers, and then we'll go to questions and answers.

One: we made an investment—it's so small they didn't even put it on the financial statements—but we made an investment that I want to call your attention to. A company called Diamond Standard. What they're doing is standardizing diamonds. Diamonds are a heterogeneous investment. Every diamond is unique, so it's not a commodity like gold, or silver, or platinum. But what can be done and what is being done in Diamond Standard is to take groupings of diamonds and, based on the aggregate characteristics of that grouping—meaning, the aggregate clarity, the number of carats, the color and so forth—create packets of diamonds that have equivalent valuations. That is, statistically they are all the same in terms of valuation, even though geologically, or from a crystallographic point of view, these are actually different structures.

The company wanted to take these packets of diamonds and make coins out of them. Coins to be listed on various cryptocurrency exchanges, which brings them into a broader realm of financial exchange. The first offering occurred in late January-early February. The idea was to do a $25 million offering. It exceeded that by a lot. It was very successful, and the company is interested in doing other offerings. We ourselves are interested in creating a trust to hold diamonds. Now that you know it can be held as homogeneous packets, not heterogeneous individual instances of diamonds, this would be a grant or a trust, not that different from the Bitcoin Investment Trust (GBTC), with the salient difference it holds diamonds—an actual hard asset—and not Bitcoin. I personally think there's a lot of demand for it and we hope to be partnering with them and moving forward with that project.

And last, but not least, we're in the process of doing a rights offering for the RENN Fund (ticker RCG). I should also tell you that, if you look, you'll see that the RENN Fund owns an investment in Diamond Standard. It's one of the reasons that we went into the RENN

Fund—because it's a closed-end fund. Occasionally we encounter something very interesting but which, like Diamond Standard, you can't put into an ETF, obviously, it's a private investment. You couldn't put it into an open-end mutual fund, either. But you can put it into a closed-end fund. So, purchased at a very low valuation, these things can really grow into enormous investments.

In any event, we're doing a rights offering for RENN Fund. It's a $3 million rights offering, and it's a bit unusual in that you are permitted, under the terms, to contribute securities instead of cash, if you have a mind to. Of course, you're welcome to contribute cash as well. We'd like to get more ownership of this fund. Our various entities are backstopping the offering and we're not small owners, so we're obviously going to participate in the rights, and it's all very exciting. The SEC gave us clearance to move forward, which is what we're going to do.

Now, for the numbers, which is becoming a tradition in every conference call, so I apologize for the length of this exposition, but we own a lot of different things. I'll read these in the order they were given to me.

To start with, the first category I'm going to read is the cryptocurrency investments that are owned via our investment funds—our pro rata ownership, in other words. We have 576,388 shares in direct ownership of the Bitcoin Investment Trust and 5,847 shares of the Bitcoin Tracker. We have 93 Bitcoin SV, the actual coins. We have 4,119 of the Grayscale Ethereum Classic Trust (ETCG). We have some restricted shares in the Grayscale Bitcoin Cash Trust (BCHG) that equal 24,761 shares. Then we have some unrestricted shares in the Bitcoin Cash Trust. It equals 1,375 shares. We own some restricted shares in the Grayscale Litecoin Trust (LTCN): 5,744 shares. And some equally restricted shares in the Grayscale Zcash Trust (ZCSH): 590 shares, to be exact. Then we own 220 coins of Bitcoin Gold. You can look those up and you can get the market value.

Winland Holdings owns 35 bitcoins as of June 30, 2021.

And here's what we own directly, without being in the funds. We own 110.4 bitcoin. It comes from our mining ownership, basically. We're always mining, so we're always increasing that amount. We own 7,644 Grayscale Bitcoin Trust shares. We own 18 Grayscale Ethereum Classic shares. We have mined and we continue to hold 1,060 Litecoin. We have mined and continue to hold 35 Ethereum. And we have mined and continue to hold 661.7 Ethereum Classic and 58.9 Zcash.

And we also own, directly and indirectly—I'll give you the figures—Texas Pacific Land Corp., largely through our investment in HK Hard Assets. But anyway, directly, we own 7,307 TPL shares. Indirectly—this is implied through our share ownership of various funds—we own 49,893 shares. Obviously, you have to add those numbers together.

So, those are our holdings. There's a lot going on. I know there are questions. Normally, it's Thérèse who reads the questions and I don't even look at the them in advance, but there was one I anticipated. So, without reading it, I'm just going to tell you what I thought the question was going to be, and I know someone's interested in this. If you turn, in our financial statements, to Note 1, you'll see where it talks about Horizon Kinetics Hard Assets, LLC. At the end of the time period, we held a 21.98% interest in it; and at the beginning of the time period, we held a 22.02% interest. I knew someone was going to wonder why it went down a bit. Did we actually redeem or sell in HK Hard Assets? The answer is no, we didn't. During the quarter, we actually bought more HK Hard Assets. It's just that the proportionate ownership drops if someone, a contributor of money to HK Hard Assets, bought actually more of it than FRMO did.

Who is that contributor? Who is that investor? That is yours truly, the speaker at the moment. I just happened to buy proportionately more of HK Hard Assets than FRMO bought and therefore my ownership rose proportionately over FRMO's ownership, and that's why FRMO ownership dropped: because the sum of the parts must equal the whole. That's how that works. So, I hope that's a good answer. And for the rest of the questions, Thérèse, if you would be so kind as to read them, I will endeavor to answer every one of them.

Questioner 1

On Monday, October 18th, bitcoin closed up about 3% to $61,350. At the same time, GBTC closed down over 3%. Can you explain the discrepancy or what you feel happened to the pricing of GBTC on that day?

Thérèse Byars – Corporate Secretary

There are several parts to it. I'll read the remainder, too.

Questioner 1 (continued)

It is a mystery why the performance of GBTC has drastically underperformed the price of bitcoin in the past number of years. It appears that in approximately two years, GBTC quadrupled, and bitcoin is up almost 8 times. We realize that GBTC as a trust sells at either a premium or discount to net asset value, but that doesn't account for the large difference. Can you explain, please?

And the last part is, what do you see happening with the price of GBTC in the event it gets approved to become an ETF? Will the discount close up and will there be any tax issues?

Murray Stahl – Chairman & Chief Executive Officer

To begin with, on that given day, the discount widened—meaning it's a bigger discount to NAV than it was the day before. There's nothing in GBTC other than bitcoin. It's the Bitcoin Investment Trust. Totally transparent. So, there can be no other explanation than just what the discount is or the premium. Now, at the start of the time period related to in the question, GBTC was at a considerable premium to net asset value and it went to a discount for the simple reason that even though we don't yet have a Bitcoin ETF, we're moving towards a Bitcoin ETF. So, we're moving towards a Bitcoin ETF that's going to trade at net asset value. An ETF is going to be able to take money and redeem money during the day. So, that's basically competition for the Bitcoin Investment Trust.

GBTC has a big implied gain in it. So, if it actually ends up converting—as many people believe it will—to an ETF, well, what's going to end up happening is it's probably going to incur some taxable event. There's always the danger, depending on how one configures the Bitcoin Investment Trust, that in an ETF incarnation some tax liability can be passed out. We don't know what form it would take. No one knows what form that would take, or if it even actually will ultimately happen. No one even knows, to be perfectly frank, that the SEC will eventually license a Bitcoin ETF, although most people think it's bound to happen. But, in any event, there's always the danger of a tax liability coming out in one form or another and that's the reason for the discount. And that's the reason for the performance differential.

Going forward, GBTC is actually an interesting security because the discount, more or less, accounts for whatever tax liability you're going to incur anyway. So, if it were to convert to an ETF, it's going to trade at exactly NAV. Why will it trade at exactly NAV? Because every ETF has a market-maker that arbitrages it minute by minute. And if you look at the 2,000 or so ETFs that exist you'll see that they always trade very, very close to net asset value. And it could be that if the Bitcoin Investment Trust were to be an ETF, I totally suspect that's going to happen as well.

Steven Bregman – President & Chief Financial Officer

Murray, if I may just add something?

Murray Stahl – Chairman & Chief Executive Officer

Of course.

Steven Bregman – President & Chief Financial Officer

I had occasion to answer a similar question recently and I just decided to take the premium to NAV at which GBTC sold on June 30th of each of the last four or five years, just to see what it was. If we go back to June 30, 2017, when GBTC was about \$4 a share—FRMO bought it earlier than that, FRMO might've paid \$1 a share for it—but at that time, the premium was 69%. And the next year in June of 2018, it was 45%; and the next year, June of 2019, it was 36%. Then June 2020, it was 9%. But by that point, you had other Bitcoin funds of various sorts becoming available and with lower fees. And then on October 19th, a 17% discount. But the price during those periods went up from $4.40 to $48 or $49 now, so it's up 1,000%, just about exactly.

So, yes, in a strange sense you lost 86% in your investment through the premium. On the other hand, you made 10 or 11 times your money. But originally, we used to get lots and lots of questions: why would you pay a 50% premium, a 60% premium for a known NAV? Well, you were paying for the access, for the ease of access, for the custody, for the trading liquidity, and, importantly, for the time—that you could buy it then. Anyhow, we actually did buy it.

Murray Stahl – Chairman & Chief Executive Officer

I was going to comment on your comment. You might recall this—about five or six years ago, in our very offices, the first day that I personally decided I was going to buy GBTC. This was before we even figured out how to even custody Bitcoin. I just wanted to buy it. So, I wanted to buy the Bitcoin Investment Trust. On that day, more than half a decade ago, the Bitcoin Investment Trust traded at a 36% premium to net asset value. Someone asked me the same question but phrased it differently: "Why would you ever buy a fund that trades at a 36% premium to net asset value? You know, you should wait until it's a discount." Well, I just thought it was an extraordinary opportunity. Obviously, arithmetically, had I waited until it was a discount, I would've gotten a discount, but would've missed a lot of performance.

But that's neither here nor there. The basic idea at the time was, whatever I was putting into it, I was risking 100% of the capital investment because of the possibility—and it might still happen—that Bitcoin might be worthless. If it's going to be worthless, at the end of the day, what difference does it make if I pay a premium or a discount? I'm undertaking the risk of complete evisceration of the capital I put into it because I expect a very high rate of return. And that high rate of return would—the theory was, and it turned out it was right—overwhelm whatever negative consequences would be of going from a premium to a discount in net asset value. That was a theory that proved to be correct. So, I just thought the fact that it traded at a discount at the time was simply not pertinent to what I was interested in accomplishing. So, that's the way I handled it at that time.

Steven Bregman – President & Chief Financial Officer

It's interesting. You can tell somebody that we're not accustomed, in our ordinary lives, to thinking in terms of the scale of proportionality of returns of something that could be an entirely new asset class but is not yet. It could be an orders of magnitude level of return. So, in that context, you could say that it's a large premium, 69%, but you can also say it was actually de minimis, because we invested what was a de minimis amount. In which case you're going to lose 69% of a de minimis amount, or in your case, 36%.

Murray Stahl – Chairman & Chief Executive Officer

Right. That was really, frankly, the start of the whole inflation thesis. Because we weren't the first people to see it. We just observed the rate of money creation in our fiat currencies. And when I say our fiat currencies, I don't mean only the U.S. dollar. The U.S. dollar is one of many. I mean that our fiat currencies globally, all of them, are in the process of being debased. And there just wasn't a good alternative to fiat currency. There was nothing available in the world of bonds, there was nothing in the world of currencies that was going to be much better than the U.S. dollar. They were all, more or less, the same because the central banks were all following, more or less, the same policy.

Bitcoin was the only thing that believed, if it can be put this way, in fixed issuance. So, that had to be the investment. The theory at the time was, if that proves to be viable operationally, and it gets some network effect, and if the original protocol—the monetary policy—is adhered to, it's going to be some extraordinarily large investment. It can't be—if accepted as money—worth a lower amount of money than the sum of all the money that's out there in the world, which is a very big number. That number, the totality of fiat money is increasing enormously by the day. And I think the rate of money creation is even going to accelerate, but that's neither here nor there, it's just an opinion. Anyway, that may be more answer than you wanted, but that's the answer.

Questioner 2

Could you comment about the recently approved Bitcoin ETF and any implications? Do you have any insights on a spot Bitcoin ETF?

Murray Stahl – Chairman & Chief Executive Officer

I'll just tell you this. If I were the SEC, I would've done something very similar to what they did. They didn't approve a Bitcoin ETF; they approved a Bitcoin futures ETF. Why did they do that? Because for ETF purposes, there really is no regulated market that trades Bitcoin per se. When cryptocurrency brokers call themselves exchanges, they might use that word because they're outside of the United States jurisdiction, but within SEC parlance, securities exchange has a certain precise meaning. It means self-regulatory organization. It's an organization that has a certain amount of enforcement and regulatory power that these various crypto exchanges clearly do not have.

Even in jurisdictions with a number of securities exchanges, they operate under uniformity of regulation, which clearly doesn't exist in the Bitcoin exchanges. So, for activities like spoofing, like not standing behind bids and offers, or wash sales where two people just trade the same instrument back and forth to establish a price—that's called painting the tape—

there's no organized mechanism to, A, detect it and, B, punish those who are doing it. So, you can see the reluctance from the SEC point of view as to a bitcoin ETF.

But in the world of futures, there will be a cash settled future like you have on the Chicago Mercantile Exchange, which is a regulated environment. The ETF that actually got approval was the ProShares Bitcoin Strategy ETF (BITO), that I believe is up to a billion dollars in assets under management right now.

That's a lot of money to raise in, I think, a couple days in operation. That gives you an idea that this is the beginning to institutionalizing bitcoin. Once there are enough futures trading and a regulated, observable reference price, you're probably going to get Bitcoin ETFs as well. But until the regulators are satisfied that they have that, a certain amount of time, in my view, is going to elapse.

Questioner 3

What revenue account contains the dividends received from Texas Pacific Land Corp. stock?

Murray Stahl – Chairman & Chief Executive Officer

We have a revenue account called Dividends, and that's where it is.

Questioner 4

RENN Fund has an upcoming rights offering. Will FRMO purchase its allotment and any additional shares?

Murray Stahl – Chairman & Chief Executive Officer

The answer is simply yes, FRMO will purchase its allotment. If there are additional shares—and I'm subscribed—all of us together, this includes myself personally, we're going to take up the unexercised rights.

Questioner 6

In previous calls, you mentioned at some point Winland could pay dividends. What needs to happen before they would think about that? And what about the recent Winland equipment purchase from FRMO, different from the previous types of equipment? Curious if the FRMO team has a view on mining equipment. Is there any reason why the RENN Fund can't acquire Winland shares?

Murray Stahl – Chairman & Chief Executive Officer

Those are a lot of questions. You'll have to remind me if I miss any.

Let's do the last part first because it's easier. If RENN were to acquire Winland shares, many people would say there's an inherent conflict of interest there, so I don't think we're going to be buying any Winland shares in RENN. I think a lot of people would find that abhorrent, so, that's out.

With regard to the mining equipment, two points there to make. Number one, we buy equipment opportunistically. There are two dimensions to opportunistic. One is just sometimes there's some equipment that somebody needs to sell for liquidity reasons and there's just a great price. If we're buying that equipment, that may not have been the equipment that we would've bought had it been brand new. In some cases, we're actually buying slightly used equipment.

Another thing to understand is that sometimes we'll have a deal where the equipment is at a hosting facility. In a case like that, we might know that hosting facility, in that they're people we know. Or the equipment might be at our own facility. Therefore, we can get operating statistics on that equipment, and know how that equipment is performing.

In a situation like this, we'll buy it not because the price is good, but because the equipment is on site. It doesn't have to be shipped, so there's no shipping cost, there's no relocation cost, and there's no downtime for unplugging it, sending it across the country to another facility, reinstalling it. There's a lot to be said for that. Those are some of the factors when we go ahead and buy equipment.

In some cases, the equipment that was leased, from either a manufacturer or a financier, and the people leasing it, whatever their reason, no longer wanted to pay the lease rate or maybe they couldn't. And the recourse is that the manufacturer or the lessor takes back the equipment. But, they don't want the equipment. They actually just want to lease it. For our part, we really had no interest in leasing it, but we would buy it. And the price was good and, opportunistically, we had all the operating statistics and we knew we were buying good equipment.

Sometimes—and I think I've said this in prior calls—we'll buy brand new equipment and we have issues with it, despite that it's brand new, right out of the box. Sometimes we'll buy used equipment, but we have all the operating metrics for several months and we know it's operating very well. Sometimes, when you buy new equipment—now, this is my personal theory, so take it as such; it's what I believe to be true, but I cannot demonstrate it to be true—I believe it's not new. It only looks new, and the manufacturer's been using it for a certain period of time. And, because of that, it sometimes comeswith imperfections.

In the fullness of time, we have, frankly, gotten better deals when we bought used equipment, and that's why you'll see these kind of equipment deals happening with Winland. If it's good—and we'll know very quickly if it's good or not—we'll make a deal with Winland. There are dozens of instances where we made a deal with Winland because we were interested in increasing our ownership. So, I hope that takes care of all the elements. Did I miss anything, Thérèse?

Thérèse Byars – Corporate Secretary

I think you covered it all.

Questioner 7

With coal being an ostracized commodity asset due to climate change and ESG concerns, does FRMO see investment opportunities similar to other royalty-type investments or securities?

Murray Stahl – Chairman & Chief Executive Officer

I think the question is: Are there investment opportunities in the world of coal? Well, coal is so ostracized that there's almost nothing left that's publicly traded in coal. There's really not a lot to choose from. In my personal view, I don't think coal's going away. What went away, what went bankrupt, are coal companies that had legacy liabilities. Black lung disease, pension liabilities, post-retirement healthcare liabilities, that sort of thing. Those companies went away. But the demand for coal globally, as you can probably tell, is exceedingly robust. And there are a lot of profitable coal companies. It's just that they're not publicly traded and it's not easy to find ways to invest in coal, but we are looking.

Questioner 8

Would you clarify the relationship between inflation and interest rates, both short-term and long-term rates? FRMO has long predicted a rise in inflation, which is now prevalent, and the market expects interest rates to rise. However, Murray has quantified that the economy cannot withstand a 1% - 2% interest rate rise. It appears that the market expects interest rates and inflation to rise hand-in-hand. Does this correlation break down due to the overall debt load, and is it possible that long-term rates increase and the Fed maintains the short-term rates at current levels?

Murray Stahl – Chairman & Chief Executive Officer

My own view is, I don't think rates are going up by anything other than maybe a nominal amount. And I think the central banks will do literally everything in their power to prevent rates from rising. If they rise by anything other than really nominal rounding error amounts, it would be calamitous to the global economy, given the degree of leverage, which, by the way, increases literally every single day. I just can't see it happening.

If you go back six years or so, you might recall when the Fed talked about tapering the liquidity programs, which still go on to this very day, and there was much ado about that for a month or so. I didn't take it seriously because I just didn't think it was possible to really disengage from those programs, other than for several weeks. So, I think the central bankers around the world have satisfied themselves that there really is no possibility of raising rates.

Historically, we had credit cycles because the Federal Reserve would lower rates and then the Federal Reserve would raise rates. The same is true of central banks around the world. And this time, which really means this last quarter century, they really haven't done it. The last time that was tried, as a global community, was prior to the 2008 calamity. I don't think anybody wants to repeat that, and I just don't think it's going to happen.

So, we might have a world where, when the rates don't go up, the inflation is manifest for everybody to see, and the central banks are going to have to buy a lot of bonds to suppress interest rates. If the central banks buy a lot of bonds, that's putting a lot of money into the marketplace and it's going to create even worse inflation, which is why I think the inflation that's coming is going to be the worst we've seen as a global society in maybe 200 years. Now, that's an extreme statement to make, but I keep making it and I don't see any reason to walk away from it.

I'll tell you, furthermore, I really hope I'm wrong. I really do, because it's not going to be pleasant if I'm right. It'd be a lot better for the planet if I'm very, very wrong. With every passing day, I reevaluate it, and I don't think I'm wrong, but we'll see what happens.

Questioner 9

Does FRMO generate any revenue from the ETF INFL management fees, and are there any updates on new ETF products following the success of INFL?

Murray Stahl – Chairman & Chief Executive Officer

The revenue we get from INFL comes through the revenue share that you'll see on the balance sheet. So, we get a bit less than 5% of Horizon's revenue. We also own a little less than 5% of Horizon itself. But, anyway, the revenue, we get that. And to the extent there's a lot of revenue in INFL, then we get 5% of it. But we get 5% of everything.

In terms of new products, I mentioned, obviously, the inflation ETF and I mentioned the Diamond Trust we want to do. I've got an idea that I think is pretty good in the world of crypto, but I don't want to discuss it in public, because you've got to get SEC approval and people might copy it, so I don't want to spell out what it is other than to say I think I've got a pretty good idea of something to do in crypto. And we have one or two other ideas in the works, so if everything goes well, there will be follow-on ETFs.

I wish I could give you the exact specifications, but then there aren't that many great ideas in the world of ETFs, and there are companies with much greater resources than we have. If

I announce it, we could have someone beat us to the regulatory table before we get there. So, I'm going to stop it there, if it's okay with everybody.

Questioner 10

In the 2012 annual meeting, Mr. Stahl stated, "For me, the ultimate destiny of FRMO is that I don't intend to sell my stock. I intend to build up the market value and place either all my shares or close to my demise—hopefully, I won't do it on the day of my demise—hopefully, I'll prepare for my demise a little bit. I want to set up a family foundation and I want my kids to basically run the family foundation and give money to charity. Because I want them to think that their home and their world is not a place that you can just eat and sleep in. That you do things with it."

That's a very thoughtful comment and I'm pleased to be a shareholder. You have been extremely successful in creating value. Stockholder equity on the 2021 annual report was just under $300 million, and five years ago it was just under $100 million.

You have added three directors to help grow the company. My question is that FRMO currently has a market cap of around $400 million, making it among the most valuable U.S. companies traded on the pink sheets. The stock is not very liquid, with around 6,000 shares trading daily out of 44 million shares, which is roughly $60,000 daily trading volume. Last year, the stock traded around $6 per share at this time and no significant share repurchases were made, likely in part because repurchase would just further reduce the liquidity.

In prior conference calls, you have been asked about uplisting, but that won't solve the liquidity constraints. So, wouldn't this be a difficult stock for institutional buyers and ETFs to purchase with such a small float?

The question for Mr. Stahl and Mr. Bregman is: Do you feel that uplisting would remove an impediment to further growing the FRMO market cap or would having the small float remain a significant impediment? Other than a potential uplisting and continuing to grow the company without uplisting, what are the potential strategies for increasing the market cap?

Murray Stahl – Chairman & Chief Executive Officer

There are a lot of questions here, so let me just tell you this. When the window is open, yours truly buys small numbers of shares. I actually bought FRMO today. It's not a lot, because it's not very liquid and I don't want to be accused of moving the price, but I actually bought some. And so, I guess you can say, to the extent I bought some, I made it even less liquid.

I don't think the liquidity is going to be a problem ultimately, and I think uplisting is going to do a lot of good for FRMO when we get around to it. We would've done it already, it's just that we've got so much going on. So, if you want to blame somebody, you really should blame me because there are only so many hours in a day and we just didn't get to it. So, mea culpa. That's all I can say. And we'll try to get to it and try to get that done for everybody.

If you look at the Russell 2000 ETF, if you go to the bottom of those couple of thousand companies, let's say, the smallest 10 or 20, you'll be amazed at how illiquid they are, how small the companies are. Much smaller than FRMO. Go to the Microcap ETF—believe it or not, there's a Microcap ETF—and you'll be amazed at how much AUM it has. There are a lot of microcap, illiquid companies in the Microcap ETF.

The way the ETF world is evolving, companies with micro-capitalizations or micro-liquidity, are becoming part of the stock market. The original idea of indexation— I always write about this, so forgive me for repeating it—got perverted along the way. The original idea was there was going to be one index—let's call it the S&P 500—and that's what everybody's going to buy. It wasn't market capitalization-weighted *and* float-adjusted, it was just market capitalization-weighted. There were some companies that were just not liquid, so that was part of the risk you would take if you were to buy or sell them. That was the idea.

But because indexation became a business, not merely an index, it got weighted towards the most liquid names. But now that that's done, there's a whole series of not-very-liquid names that I would say trade—and I'm sure people would agree with this—in a very idiosyncratic matter. A mathematician would phrase it differently: low correlation and therefore covariance. There's a movement to bring the less liquid companies into the institutional indexation family; I believe that's how it's going to go and that's why I think uplisting is going to help. You're going to have to blame somebody, so I would suggest you just blame me. I'll get to it eventually but forgive me for being busy with other things.

Thérèse Byars – Corporate Secretary

What about increasing the float? Is there any way to do that without diluting existing shareholders?

Murray Stahl – Chairman & Chief Executive Officer

Yes, there is a way to do it. There are certain foundational holders of FRMO, meaning, they were present at the creation, so to speak, and from time to time they have some liquidity needs. For them, every now and then, they sell some stock in the open market and eventually you'll see more of it. There are owners of FRMO who are going to give their money to charity, and the charity's going to need the money, and they're going to sell some shares. So I think, in the fullness of time, you'll see more liquidity in FRMO. It's going to happen inevitably. As to what day it's going to happen, I don't ask people what their plans are. I don't know if it's proper. I don't inquire. But, in general terms, I'm aware that they're going to need some liquidity for their planning purposes. You'll see shares come out, but I don't think you're going to see any shares sold by yours truly. I think you're going to see the opposite for yours truly. But we'll see how that goes.

Questioner 11

FRMO has so many activities going on and so much hidden value. It's appreciated that FRMO is run on a shoestring budget. Isn't it time to start spending more on promoting its value by hiring PR or investor relations companies or personnel to make investors aware of FRMO's activities and value which, in turn, will show results in its shares' value increase benefitting the shareholders?

Murray Stahl – Chairman & Chief Executive Officer

Well, I obviously haven't done that yet. I'm personally kind of disinclined to do that. It's not the money. We have plenty of money, that's not the issue. In my personal experience, when you hire people to promote the shares, they get a little carried away and take things to extremes. Basically, you're hiring people to say good things about you. There's also the issue of modesty. We're just not that kind of people. But in a more substantive sense, promoters come up with all sorts of reasons why people should buy your shares and they say all sorts of good things. It's very hard, once people start doing that, to control it. I wouldn't want FRMO to trade at some huge premium to its net asset value and have a circumstance where investors wouldn't realize that. So, promoting shares can put extra burdens on the management, burdens it might be better we didn't have. That's the best answer I can give you at the moment.

Thérèse Byars – Corporate Secretary

In that question, I think there might also be some concern—not articulated—that you are so busy that there hasn't been time to deeply consider uplisting and other such activities. Why can't we relieve some of that burden for you, why wouldn't you relieve some of that by hiring people?

Murray Stahl – Chairman & Chief Executive Officer

That's a good question. So, we've just put three people on the board and I can assure you that's one of the issues we're going to be discussing. Believe me, I wouldn't mind a little time off. I've got other interests. I'm sorry to say, I really do. And if there are people who can and will help me, I welcome it.

Steven Bregman – President & Chief Financial Officer

I would just add—although I can hardly imagine that the people on this call haven't done so—that if you actually read the curricula vitae of the three people who joined the board, they're really pretty impressive. They've got a lot of experience and a lot of skills. So, I have no doubt they will be of great assistance.

Thérèse Byars – Corporate Secretary

Those are all the questions that we have.

Murray Stahl – Chairman & Chief Executive Officer

Okay, excellent.

Thérèse Byars – Corporate Secretary

Is there anything you'd like to add?

Murray Stahl – Chairman & Chief Executive Officer

No, I think – I hope, anyway, we gave you a thorough overview of everything we're doing. We try to be as transparent as possible. And thanks for the questions. They were really great questions. If there is anything we didn't address and you want it addressed, don't hesitate to send us a message and we'll get some information. If there are things that you want to suggest in future conference calls or conduct this meeting in different ways, we're open to that. So, thank you for attending today's call and we will reprise this, of course, in 90 days, approximately. Thanks so much for your support. We're going to sign off now, and we'll join you again shortly. Thanks, everybody.

Operator

Thank you, ladies and gentlemen. This concludes today's teleconference.

The caller has disconnected the line. Goodbye.

Please enjoy the rest of your afternoon.

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