

FRMO Corp. Q2 2022 Conference Call
Thursday, January 18, 2022

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 Thérèse Byars. Please go ahead, ma'am.

Thérèse Byars – Corporate Secretary

Thank you, Jenny. 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 second quarter earnings. A replay of this call will be available for one month beginning at 7:15 this evening.

To listen to the replay, the toll-free domestic number is 888-203-1112. The international toll number is 1-719-457-0820. When prompted, key in the passcode 6605367. These dial-in numbers are noted in the FRMO press release dated January 13, 2022, which may be found on the FRMO website by clicking the link called Information Statements and Announcements. The press release can also be viewed on the OTC Markets website by typing in the ticker symbol FRMO and clicking on the News link.

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

Murray Stahl – Chairman & Chief Executive Officer

Okay, thanks, Thérèse. And thanks, everybody, for joining us. I thought I'd commence by saying two things: Number one, I have a bit of a cough from too much talking. I'll try to drink a lot of water and hopefully you won't hear anything from me other than factual analysis.

Number two, I'm going to start with an interesting fact about FRMO. It comes from the financial statements. If you'll refer to our November 2021 financials, and if you look at the line (Loss) Income from Operations before Provision of Taxes, you'll see something interesting. It's about a \$2.2 million loss. That's largely because the Texas Pacific Land Corp. share price declined by roughly 150 points from its prior quarter end number. But that's okay, because a lot of that TPL is

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in HK Hard Assets, and HK Hard Assets, of which FRMO only owns a piece, not the entirety, is responsible for a lot of that figure.

But what's really interesting is, if you look at Shareholders' Equity Attributable to the Company, that figure is \$178 million. I mean, you really don't see a decline in shareholder value, at least as it's computed formalistically speaking in GAAP accounting. And you'll note, if you go back to the Income Statement, the actual recorded loss is only \$350,000. There is so much else going on that it kind of balances it out. When you look at things that way, it's a way of introducing that FRMO has come, in my humble opinion, a very, very long way. There's a lot going on. I hope I'll have occasion to touch on some of the more salient activities, and then I'm sure the questions and answers will cover more of it. I'm sure there'll be questions about Texas Pacific, so we'll leave it aside for the time being and I'll go to cryptocurrency.

For us, cryptocurrency is a real business. It can develop in a lot of different ways. We're still figuring out how many ways. I'll read the holdings numbers to you in a moment—we do have a fair amount of cryptocurrency holdings. However, we don't want to be merely a cryptocurrency holding company. We want to be a cryptocurrency *operating* company. There are a variety of ways to go toward that goal, and we'll touch on each one of them. In preparation, let me read some numbers to you, because we do this every quarter.

The first set of numbers are cryptocurrencies, in one form or another, held through our interests in the private investment funds. These are the implied share quantities of each of those.

- Bitcoin Investment Trust, GBTC: 579,695 shares
- Bitcoin Cash SV: 94 units. (Bitcoin Cash SV is a fork of Bitcoin Cash.)
- Grayscale Ethereum Classic Trust: 4,148 shares
- Grayscale Bitcoin Cash Trust (Restricted shares that we subscribe to. They're restricted for one year after purchase.): 9,897
- Grayscale Bitcoin Cash Trust (Unrestricted; we could sell those tomorrow. We're not going to, but we could.): 16,439
- Grayscale Litecoin Trust (Restricted): 1, 155.
- Grayscale Litecoin Trust (Unrestricted): 4,645
- Grayscale Zcash Trust: 596.
- Bitcoin Gold (actual units): 222.

For actual coins held directly, most are units that we mined over the years, and we keep mining.

- Bitcoin (the largest quantity): 116.3 coins.
- Grayscale Bitcoin Trust shares (we've bought some shares over the years): 7,644 shares (unrestricted).
- Grayscale Ethereum Classic Trust: 18 shares
- Grayscale Bitcoin Cash Trust: 12 shares
- Grayscale Litecoin Trust: 6 shares
- Litecoin (These are coins that we mined. I'll have more remarks about Litecoin in just a minute.): 1,194.5
- Ethereum (mined): 35.
- Ethereum Classic (mined): 661.7

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- Zcash, 59.9.

One of the largest non-crypto holdings is Texas Pacific Land Corporation (TPL). We have:

- Shares owned directly, not through any of the funds: 7,340 shares
- Implied shares owned indirectly through various funds, not the least of which is HK Hard Assets: 50,184.

You can add the two figures and that's our ownership in TPL. [57,524]

Another investment that's important to understand is Winland. We used to call it Winland Electronics, now it's called Winland Holdings. We own 29% of Winland, and every quarter we buy a bit more. We currently own 1,337,847 shares. It's important to note that Winland has mined 45.3 bitcoin. For FRMO's implied holding, all you have to do is multiply that number by 0.29 for, which is 13.1. And Winland purchased or acquired 7.4 more bitcoin, 2.1 of which is FRMO's implied ownership of that lot.

Winland has purchased or acquired 14.9 Litecoin, 53.5 Zcash; 1.0 Bitcoin Cash; 8.7 Bitcoin Gold; and 9.4 Ethereum Classic. Those are Winland's holdings. Again, to calculate FRMO's indirect ownership, just multiply these numbers by 0.29.

You'll note that, as we embarked upon our cryptocurrency activities, we stayed within the framework of those currencies that are following the bitcoin protocol. That applies to Bitcoin Cash, Litecoin, Zcash, etc.—other than Ethereum, which is an exception. So, my theory—incidentally, I believe I'm a minority of one. here—is that, ultimately, the coins that follow the bitcoin protocol will ultimately have a value similar to that of bitcoin. Why? Because they have the same monetary policy.

A seeming exception, as an example, is Litecoin, which has a higher issuance or inflation rate at the moment. But that is only because it has mined proportionately fewer of the total of coins that are available to be mined. But ultimately—meaning some years from now—all of these values will converge, and you won't see a lot of trading of bitcoins or Litecoins or anything other of the fixed-issuance cryptocurrencies. Instead, they'll be kept as a store of value. Why will they be kept a store of value? Because everybody will know what the monetary policy is.

Many ask—and with some justification, I just don't agree with it—'how is bitcoin going to be a store of value? Look how volatile it is.' Well, the reason the cryptocurrencies are volatile—and we've described this many times, but it's worthwhile repeating—is because the mining economics are constantly changing. The prices of rigs used to mine, the number of rigs that are running and how many system-wide rigs you have to compete with to mine a coin make up the difficulty rating. Those are actual economic factors. In the case of bitcoin, that difficulty rating changes every ten days, on average, and it's generally going up.

When the difficulty rating rises, it becomes harder to mine bitcoin, just as when it becomes harder to mine gold, or if it is more expensive to produce wheat or soybeans, the price of that commodity rises. Just to illustrate the point, if it becomes twice as expensive to grow soybeans, the price of

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soybeans would reflect that. It's interesting that no one ever questions that. Yet, it's the same economic reality with bitcoin. The only difference is the cost structure of wheat, soybeans, or gold is well-understood. You won't have a major technological change in the manner in which those commodities are produced. That's not true of crypto. Crypto experiences frequent major changes in the manner in which coins are produced. And those changes, either positive or negative, are reflected in the price – the price of production.

Eventually, people will get that right. Eventually, there will be agreement upon a certain set of semiconductors, a certain protocol, a certain technology, and there'll be a vast number of rigs, or machines if you prefer, mining, and those costs will become relatively stable. It's just that, at the moment, it changes frequently and markedly.

Now, let me make a point about Ethereum. I haven't seen the questions yet, but it wouldn't be surprising if some of them ask why I am focusing on bitcoin and not Ethereum. And I'll add to the anticipated question, which might be posed as follows: 'Ethereum has the smart contracts, Ethereum has a lot better technology (which is true, by the way), so, won't the dominant technologies ultimately triumph?' As preparation for the answer, let's acknowledge that a lot of people think that cryptocurrencies are a battle between technologies. They're not a battle between technologies. It's just that bitcoin as crypto and Ethereum as crypto are doing very, very different things; they have different objectives. So, in doing different things they're going to have entirely different cost structures.

If you're going to mine Ethereum, the state-of-the-art mining rig is the A10 miner. That rig draws 960 watts of power. It runs, meaning, its computational power, at 500 megahash. Mega stands for million. So, 500 megahash means this A10 miner does 500 million calculations in a second. A lot of calculations. The state-of-the-art bitcoin miner is the S19, also known as the S19 Pro. The S19 Pro draws 3,250 watts and runs at 110 terahash. Tera is shorthand for a trillion. So that means that it's generating or it's producing, if you like, 110 trillion transactions a second.

Now, you have to compare the two. One is rated in trillions of transactions, the other in millions. To put them both on a common scale, let's use megahash, meaning, how much power does each rig draw per million calculations a second? If you do the division, the Ethereum A10 draws 1.92 watts per megahash: 960 watts divided by 500 calculations/second.

Now, bitcoin draws, as we said before, 29.54 watts per terahash. To convert terahash to megahash, you have to divide by a million, because a trillion is a million millions or a million squared. In other words, bitcoin draws 0.00002954 watts per megahash: 3,250 watts divided by 110 million calculations/second. You can clearly see bitcoin is infinitely more power efficient than Ethereum.

The reason that's important is if these two cryptocurrencies were to scale up, you can understand why, Ethereum is going to use a lot more power than bitcoin, especially if Ethereum will be used to process all these smart contracts. The more smart contracts that are used, the more power will be used. If you thought about this prospect from the point of view of an Ethereum user who is anticipating that it will eventually be scaled up enormously you can understand why Ethereum has to move away from the proof-of-work system like bitcoin has, and to a proof-of-stake system. In the proof-of-stake approach, a relatively few potential validators of the blockchain transactions are

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going to put up some Ethereum as collateral. So, you're not going to have massive redundancy of thousands of potential validators who make up the bitcoin blockchain. Why are you going to give up the security of that redundancy? Because you want to save the power.

But there are trade-offs. As a chosen validator, what if you made a mistake or someone hacked you? You are the guarantor. By definition, those most able to guarantee the transactions, meaning, the people who have the most coins, will be the validators. That system will end up with a concentration of power and in my opinion—and feel free to disagree with it since virtually everybody disagrees with it—you'll end up with, in essence, a recapitulation of the central banking system, in the sense that a handful of people are making the critical decisions. For instance, if the validator in our working question was hacked, now some committee or some group is going to have to decide who is responsible? So not just the validation process is centralized, but problem resolution or adjudication will also require a centralized decision-making body.

Here's another way of addressing the same question about the relative merits of bitcoin and Ethereum. It's a question—or, really, a presumption—that comes up in newspaper articles. I hope I'm not being redundant, but it's important to help you understand how we're developing as a firm and the directions we're heading: 'Doesn't bitcoin use a lot of power?'

Well, the bitcoin blockchain is approximately 447 gigabytes of data. It's a big chain. If you watch a Netflix movie in High Definition, you're going to use 3 gigabytes an hour. So, 150 people watching Netflix in High Definition are going to use the bandwidth and therefore the power of the bitcoin blockchain. It gives you an idea of how power-efficient bitcoin is. That's why I'm involved in it. The coins that are using the same structure are equally power-efficient.

Another feature of importance: if you look at the bitcoin blockchain, you'll see 80-some-odd percent of the coins run by 20-some-odd thousand addresses. That's not 20-something-thousand people; that's 20-something-thousand *addresses*. FRMO has multiple addresses and we're large owners of bitcoin. The ownership is concentrated. Ultimately, if you believe in Gresham's law, that bad money draws out good, bitcoin won't trade a lot. The technology will be more or less standardized, it will be set, it won't be volatile, it'll be a store of value. What happens then is that the next most liquid coin with the same monetary policy will become the cryptocurrency people concentrate on, and so on. By the by, if you examine the blockchains of Bitcoin Cash or Litecoin, for instance, you'll see, perhaps surprisingly, that they're more concentrated than Bitcoin.

So, one of our lines of effort in the cryptocurrency realm is mining. But it's not limited to our mining company. At the end of November, we created another company called Consensus Mining as a somewhat different strategy. Those shares are quasi-publicly traded right now, and will be publicly traded in about 10 months. We actually bought more Consensus Mining stock on the deal. Sorry I neglected to tell you how many shares we own of that, but it's a holding.

And then there's our 7.1% holding in HashMaster. HashMaster is a hosting company and it's also a cryptocurrency mining equipment repair business. I think it's fair to say that business is flourishing right now. There are many ways we can go. It would be better if we could find a way to consolidate these various activities and make them one operating company. Eventually we'll figure it out. Right now, we're examining different possibilities.

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As to money our management activities, we started our first ETF. It's called Horizon Kinetics Inflation Beneficiaries ETF, and it has about \$850 billion in assets under management. One of the problems that Horizon as a firm has had – as did many asset managers – is that we believed that you can't do active management in ETFs, that ETFs were exclusively passive instruments. So, for many years we were at a disadvantage, because ETFs are just cheaper, much more operationally efficient than the conventional mutual fund. But, about a year ago, January 11th, 2020, to be precise, we started the Inflation ETF. It's been a very successful product.

We're also in the process of converting one of our mutual funds to an ETF. If that's successful, we intend to go further along that route. We're changing the charter to be a little bit more expansive. So, we're well into a major change for us, and it's led to a considerable increase in assets under management. I hope we'll be able to report more interesting developments along those lines in due course.

So, that's kind of about it for prepared remarks. Now for the questions. Thérèse, if you wouldn't mind reading them, I'll do my best to answer them.

THÉRÈSE BYARS: That'll be my pleasure. The first one says, “Are there any updates to potentially becoming an operational business rather than just an owner of assets? Are there any updates that can be discussed with shareholders?”

MURRAY STAHL: I alluded to it but I didn't elaborate. The easiest path is to acquire 51% of one of our publicly traded subsidiaries. The company we have the biggest stake in right now is Winland, at about 29%. In the most recent quarter, we bought some more. So, if we end up going in that direction with one of our businesses, we'd acquire 51%, if we could, and conduct our operations via that entity. And as to cryptocurrency, it's just an incredible field, it's only just starting. That's one of the reasons we picked it—because we knew very little about it, but we knew at least as much as everybody else, who also knew nothing about it. That was the starting point. I have big expectations for crypto. Not least, in respect of those expectations, is that inflation, generalized inflation, is just getting started. I think crypto's going to flourish in that environment.

THÉRÈSE BYARS: “Would Horizon Kinetics ever consider closing their mutual funds to new capital if the assets under management ever reached a certain limit, and what would that limit be?”

MURRAY STAHL: I don't know the answer to that question at the moment. The reason I don't know, and it's worthwhile stating, is that over the past 12 years—it might be even 13 or 14—Horizon (and other firms of this type) we were operating under two powerful constraints. For many years it appeared that there wasn't a good way out, or at least a good solution. I already alluded to one constraint: we had mutual funds, but we needed ETFs, yet no one had ever done anything of scale in actively managing ETFs. It wasn't clear we could ever get into that business unless we wanted to be an index, but we didn't really want to be in the index business, at least not in large scale.

The second impediment was our posture vis-à-vis the mega-technology companies. You know which they are, basically the eight largest companies in the S&P 500. There's no need to mention

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their names. The problem that I saw—maybe it was a mistake on my part, so feel free to critique me—was the limitation posed by their market capitalizations. They were, and remain, valued on the premise they're going to grow at 15 or 20% or whatever such rates. But the proposition that a multi-trillion-dollar company could actually persistently expand at that rate is something I simply didn't agree with.

I believed that ultimately there was going to be some major market reversal. Maybe we're in it right now. Who knows? But that's, to me, the salient problem. The fact that it continued for so many years and the market capitalizations went up into the trillions, simply illustrates what I write about all the time, the top heaviness problem of indexation. Sooner or later, for every index that ever existed in the history of indexation, something constituent will end up being the best performing stock; another member of the index is going to be the second best performing, stock; another will be the third best performing stock. Leave a passively managed index alone long enough, and it becomes top-heavy, concentrated. Those companies also become enormous relative to the economy. And the economy starts responding to the size, and scale, and political influence of those enterprises.

A good example in the 20th century was Germany vis-a-vis Deutsche Bank and Alliance. The economy loses, I would argue, a great deal of its suppleness when so much is dependent upon the continual success of one or a handful of companies that might have completely exploited their niche. Sometimes those companies are challenged by new competition, sometimes they just product saturate. A variety of risks can befall them that couldn't when they were smaller. Sometimes the government comes to view them as a source of tax revenue, and the risk comes from that direction, and they get excessively regulated. There are a lot of ways that phenomenon comes to an end, but it has a life cycle. So, everything was premised on that happening. So far it hasn't actually happened.

STEVE BREGMAN: I would add a comment, Murray, on something you observed some time ago. Not only hasn't this dynamic gone away, it's gotten worse, and it potentially could become spectacular, depending how events play out. It's been a couple of years now since the proportion of the U.S. stock market shares held by indexes crossed the 50% threshold. And this year in 2021, the amount of money that flowed into ETFs was \$900 billion. Ten years ago, exactly, it was \$100 billion. It's 50% higher than it was last year, which itself was a record. And in the final month of last year, in December, ETFs collected just under \$100 billion; basically, the entire annual inflows of ten years ago.

If I did the math right, I think that the amount of money net that flowed into ETFs last year was well over 10% of the total amount of money in indexes in the ETFs in United States.

MURRAY STAHL: True, true. That's right. And that's just ETFs. There are lots of other indexes.

STEVE BREGMAN: Yes. So, what can happen—you can think about this, as a mental experiment, without a pencil and paper—is that as the proportion of available shares not locked up in the indexes keeps shrinking as a result of continued inflows, the proportion of liquidity available for subsequent purchases shrinks. Then more inflows, and even less liquidity, and it can result in a kind of short squeeze, not a short squeeze but a float squeeze. So, the market should get more and

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more volatile, and who knows that kind of extreme price behavior there could be, not just down but even up before things go too far? People could be swayed by upward price movements that end up being the final phase before a collapse.

MURRAY STAHL: Excellent point. Let me elaborate on that, if I may. Obviously, we're adherents of the inflation view. So, let's just say there really is a lot of inflation and people make up their minds that they want to buy ExxonMobil. Why do we even cite Exxon? It's the biggest one of the energy group. It's got a \$200 billion market cap. The trouble is that a very large proportion of that market capitalization is held by the indexes. So, whether they go up, or down, or sideways, the indexes, unless they experience net money outflows, are not going to sell. And maybe more money will come in. So, if people decided no, what I really want is I want to buy Exxon, the index-held shares actually wouldn't be for sale, that source of trading liquidity wouldn't exist.

So, there are all these features in markets that never existed before. They might even become stenotic. Market capitalizations could be a lot greater, especially in an inflationary environment. I don't know what's going to happen in the world of mutual funds. Maybe we'll just have ETFs, maybe we'll convert them all and we won't have any mutual funds in the conventional sense of the word. And maybe the capacity of ETFs, actively managed as they would be, would be somewhat different. Maybe we'd find some other structure for it.

You see why it's so hard to know what the future market structure is going to be. This whole adventure in indexation, we're a lot closer to the end of it than we are to the beginning of it. And some really amazing things, in my humble opinion, are about to happen. That's why we're reluctant to put arbitrary numbers or a on how much we can manage in the mutual funds, if that's an acceptable answer.

THERÈSE BYARS: The next part is "What was going on with FRMO's investments and stock price in 2006-2009, which was a big rise and fall? Looking at the 2011 shareholder letter, the self-reported total book value did not drop a similar amount in those years. It was apparently growing all the while. It appears that FRMO was trading at some big price to total book value valuation in those times but I can't find any info on this or whatever else was actually going on here, as FRMO did not publish official financials during those times per the 2005 annual letter. What I'm also interested in is whether Mr. Stahl and Mr. Bregman have ever reflected on their investment choices/style/process that led to that rise and fall in market cap that did not recover until around just this year and changed anything, etc. Googling around, I couldn't find anything where they looked back and talked about that." That's the end of that part of the question.

MURRAY STAHL: That's a good question, easy to answer. You'll observe the high point in FRMO occurred, at least in that era, in about 2007, let's call it late 2007, as I don't have a chart in front of me. What happened late 2007? First, for a brief period of time, Horizon Kinetics had, believe it or not, \$40-some-odd billion in assets under management. FRMO was valued as if that would continue, because FRMO gets about 5% of the HK revenues. At that point Horizon Kinetics were separate companies but the math was still the same. So, we were going to get all that revenue, didn't have any expenses, and it was presumed that the AUM was going to keep growing. But, obviously, we didn't keep \$40-some-odd billion in assets under management.

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And then came 2008, the beginning of 2009. We didn't change the strategy. It was never our strategy to be running hundreds of billions of dollars of AUM. It just happened. It was our strategy to make investments that we felt like making. That's it. We grew to that level. The AUM, in terms of cash inflows, is not going to grow to that level in the future. It might get very big. If inflation happens, it might even be a bigger number. But it won't be because we're relying upon cash inflow. We're relying on appreciation of our investments. If that scenario happens, which is the inflation scenario, I think we'll have a lot of operational flexibility.

As I said, something happened that was really very extraordinary. We didn't anticipate it, it just happened. And then came 2008, and it ceased happening. So, there was nothing to change, because it was neither a positive development nor a negative development, it was just a development. That's the story in brief.

THERÈSE BYARS: "What Horizon Kinetics mutual funds are the Horizon Kinetics high exposure limited partnerships? For example, Polestar and Multi-Strategy Fund, held by FRMO. What are they most similar to, so I can get a better proxy understanding of how FRMO is investing, since only the concentrated TPL and GBTC positions are recorded in FRMO's financials?"

The question goes on, but that's the first portion.

MURRAY STAHL: Basically, you're right with respect to Polestar, and it's true of the other funds. The big exposures are TPL and bitcoin. But we're making other investments. We're buying three others: Mesabi Trust, PrairieSky, which is similar to Texas Pacific Land Corp., and a company called Labrador Iron Ore Royalty.

All three companies share a similar characteristic. I'm going to use Mesabi Trust as the example. Little by little, we used the cash flow of the funds to establish a position in Mesabi Trust. Ultimately, even though it's nowhere near the position size of TPL, the position became sufficiently large so that the dividend flow of Mesabi can pay for more Mesabi. That means it's become a self-replicating position, growing organically. And that's the goal, to find several positions like that. Ultimately, a position like Mesabi will continue to grow, compound, really, creating more and more dividend flow. Eventually it would become sufficiently large that the share purchase requirements from the dividend flow would exceed our ability to buy more shares, in which case we'll find something else to buy.

What's the common feature among those three positions? They're all royalty businesses. What's so great about a royalty business? If done right, that business model has limited expenses, and it's just a passive recipient of the royalties that come from the mining extraction by some operator or operators, whatever the production volumes and price is of the commodity might be. For Mesabi Trust, some entity leases the property, in this case it's Cleveland-Cliffs. They mine whatever iron ore they're going to mine, the price is the price, we get a check. We have inflation, their revenue's going up, the expenses stay the same. Those are the businesses we're looking at. Labrador Iron Ore Royalty has a somewhat different structure, but the principle is the same.

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As I said, if we could find ten investments like that, we would replicate that strategy with all of them. In coming months FRMO is going to invest in an HK Hard Assets Two that's going to have yet another investment I haven't mentioned. You'll probably get to see it in another quarter or so. We haven't even done it yet, and the fund is too small. So, you see what we're doing. We stick a little money in there, we get a little dividend flow, the thing becomes self-replicating, and after a while, even without inflation, it becomes meaningful. It's going to happen inside Polestar and you'll see this entity, HK Hard Assets Two, but since we're still buying, I'm not disclosing what's in HK Hard Assets Two. Indeed, FRMO has not even invested in it yet.

THÉRÈSE BYARS: The next question from the same shareholder: "Given FRMO's large oil exposure and the supply shortage thesis talked about by both Mr. Stahl and Mr. Bregman in various Horizon Kinetics and FRMO commentaries, has FRMO ever looked into the potential supply impact of oil that apparently that is currently locked up as collateral in London's re-hypothecation trade by large commodity traders like Glencore, Vitol, etc., which would potentially be unwound to back out of increased margin cost if interest rates were to rise? Basically, what do you think the fundamental impact would be to FRMO's oil investments and total book value if interest rates were to rapidly rise by, say, 1-3 points, just to let the extremes inform the mean of this example? Clarification about the re-hypothecation question – basically, what role do Mr. Stahl and Mr. Bregman think re-hypothecation plays in the current price of oil, and how would a rapid rise in interest rates affect that in FRMO's oil and other inflation investments in general?"

MURRAY STAHL: Well, re-hypothecation would be a problem. But before you even get to that problem—and it is a problem, I don't want to understate it—you've got bigger problems. If I use the extreme figure from the question, 3%, if the world's central banks raise the interest rate by 3%, there are two immediate consequences, long before you start re-hypothecating oil. The first thing that's going to happen is that the value of all sorts of assets are going to plummet.

Take mortgage-backed securities, for example, of which there are about \$10 trillion. Whenever the value of the collateral rises, the orchestrator of a mortgage-backed issue refinances the entire thing and buys more mortgages. So, basically, the lower-quality B tranches and C tranches are properly collateralized, but there's not a lot of excess collateral. If they turn out to not be properly collateralized, there are all sorts of cutoffs that effect, and you can't pay interest in principal on the lower tranches. It would be Armageddon for the banking system just on that sector alone. It wouldn't be good for oil either, to be sure, but that would be the least of everyone's problems. Basically, that scenario would be 2008 on steroids, raised to the third power. That's how bad it would be.

I personally don't believe—and maybe I'm wrong and we'll find out if I'm right or not—that scenario is going to happen. I think another scenario is going to unfold, and that is the inflation scenario. You're going to see, in my humble opinion, endless money creation without stop. I don't believe the political echelon is going to be able to do much about it.

And in point of fact, just to give you one data point among many, in the last five weeks, the United States government has borrowed way in excess of \$700 billion. In five weeks. And it continues to; that wasn't a special circumstance. And it's not just America. It's basically every country in the

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world, with slight stylistic differences between nations, if you're really interested in the subtleties. There are contributing reasons for this circumstance, but there's one that I find the most important.

In prior inflations, a government, not just the American government, would use the power of the central bank to fund some debt for some public purpose. Would it be for a noble public purpose? It could be for a war, it could be for public housing. The necessity of those expenditures could be debated. And it would be debated.

What's happening today, though, is largely is not that. It's not merely that you have the hypothecation of the oil market, you have the hypothecation of everything. Look at private equity as an example. What is private equity? It's just leveraged equity. In the U.S. alone, there must be \$5 or \$6 trillion of debt. Trillion with a T. Just companies that are leveraged. And real estate, such as home mortgages. With a few exceptions, what piece of commercial real estate isn't leveraged many-fold? There are some exceptions but, generally speaking, it's highly leveraged. And farmland. The question mentioned oil hypothecated, but could have said gold. There are lots of other commodities, too.

As a matter of fact, before you even get to hypothecation, just think about the notion of a commodity future—look at the margin requirements and leverage on any commodity future. You name the commodity. Let's put it this way: on the use of leverage, we long, long, long ago, as societies exceeded, exceed historical societal limits. We are in unbelievably uncharted territory. There is absolutely no historical precedent for what's going on.

There's a number I like to use, which is \$86 trillion. That's the total amount of debt in the United States. Let's just use a 2% interest rate hike, because it's the midpoint of the range that figured in the question. Now, remember, the debt is going up constantly, so \$86 trillion only a momentary figure, and this example will understate the outcome. If interest rates go up by 2%, that's another \$1.72 trillion of debt service obligation right there. Ignoring the fact that the nation's debt rises every minute of every day, total GDP, in round numbers, is \$23 trillion. Public spending—this is the spending of the federal, state and local governments—is already over \$10 trillion. So, that's almost half of the whole GDP. That's why there's so much borrowing.

If the government spends \$10 trillion out of a \$13 trillion GDP, there's \$3 trillion left. Out of that \$3 trillion, you've got to find at least \$1.72 trillion to cover the extra debt service, if interest rates go up 2%. That's 57% of what remains of GDP. We're not talking about additional funding needs for population growth, which might require some social spending, we're not talking about the needs of Medicare or Medicaid or healthcare in general, or infrastructure that people say is deficient. We're not talking about any of that, just about pure additional interest expense that has to come out of GDP. So, if the policy makers try that—I don't think they will but if they do—it clearly would be calamitous. And that's why I'm an inflation proponent. Not in the sense that I advocate inflation, like I think it's a wonderful thing, but in the sense that I believe it's going to happen, and that's one of the examples to illustrate why I think that.

THÉRÈSE BYARS: “Can FRMO post on its website a list of shares of all stocks, as other assets such as cryptocurrency that are directly owned by the company, on a periodic basis in a manner similar to what is usually done with closed-end funds?”

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MURRAY STAHL: We certainly could do that, but presently I would rather not. Normally, as I hope you can appreciate, I can err on the side of disclosure, but there are small positions, especially one in particular that we hope to build to a big one, that we're buying right now. We're buying it every day. At the moment, it's small so it's not a big deal, but I really don't want to tell the world what we're in the process of buying. When we get to a meaningful position where it could, in success or failure mode, impact the shareholder interest, I'd be more than delighted to disclose it to everybody. I'm open to comment, but I hope everyone would agree that it's not such a great idea to reveal everything we're doing while we're in the process of establishing it. So, I hope you'll understand.

THÉRÈSE BYARS: Okay, next question. "With NFTs, non-fungible tokens, and digital art going mainstream, is this an area that FRMO will consider entering by buying a Bored Ape, for instance? With China moving to allow NFTs, the coming coin-based NFT marketplace and real-world utility of smart contracts, is there an expectation that Ethereum price will increase substantially up to and potentially flipping bitcoin?"

MURRAY STAHL: Look, the price of Ethereum can increase a lot. I commented on Ethereum because I anticipated a question like that. The bullish case for Ethereum is the one just stated: non-fungible tokens, smart contracts, etc., etc., and all the myriad uses for it. In other words, the Ethereum *blockchain* is really what we mean – the Ethereum blockchain is going to be used for all these different purposes and applications.

The problem is if you do that, in light of the power consumption numbers I gave earlier, especially if you use smart contracts, that's going to require an astounding amount of electric power. So, in the current mining environment, I just don't see how Ethereum can scale that way. Given the figures I quoted, it doesn't seem feasible. But it's a debate. I will say this: I am in the minority by a heck of a lot. Maybe a couple of people agree with me but they can't be very many. It's fair to say the overwhelming majority supports the Ethereum as the dominant cryptocurrency thesis. Let's just leave it at that. But I stated my reasons; I don't agree with it.

THÉRÈSE BYARS: "With the next bitcoin halving taking place in about two years, mining cost reductions are imperative. Is there an opportunity to mine using flared gas in the Permian Basin?"

MURRAY STAHL: Yes. No question. There are opportunities to mine using flared gas. And it's already being done. The more interesting question to me, in this regard, is are there further efficiencies to be had in mining using ASIC chips? Can the technology be made better? If you were to review the last five years with respect to how efficient, in power consumption terms, the ASIC chip has become, at least in physics terms, I don't think we've reached the limitations. That's one of the reasons I'm reluctant to load up on a lot of mining equipment, because I'm not sure that we can't make further improvements in the energy consumption of the ASIC chips. I don't want to buy equipment that could be obsolete in short order after purchase. Anyway, I hope that's an interesting way of talking about the subject.

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THÉRÈSE BYARS: Okay. “Was FRMO’s ownership stake in the cryptocurrency mining business exchanged for shares in Consensus Mining & Seigniorage Corporation? Or is that business stake in the computer repair/service company in North Carolina still owned by FRMO?”

MURRAY STAHL: That’s really two questions, because they’re separate operations. FRMO exchanged the entirety of its stakes in the mining business and the Horizon Kinetics cryptocurrency mining LLCs for Consensus Mining shares. A minor point to be added, that I think you’ll find interesting, is that we made it a practice that if we’re going to buy mining equipment, Horizon itself, not FRMO, would buy the mining equipment on behalf of the crypto funds, then use it for a month or so, taking on the risk that sometimes you don’t get such great equipment. After a month we’re satisfied that it’s good, and we would transfer it to the mining LLCs, and then they would pay us because we laid out the money.

Along the way, we forgot, at Horizon, that we had laid out money for the crypto mining LLCs, and the LLCs never paid us. It was while doing the audit for the conversion to Consensus Mining that we realized there was a sizable sum of money that was owed to Horizon Kinetics. We could have taken that money. We did not. We just said, we don’t want the money, we’ll just convert our cash interest which we’re owed, meaning our receivable, into more shares.

The HashMaster interest is a separate company. So, why is it separate? The HK Cryptocurrency Mining was profitable from the start. When we bought the interest in HashMaster, it was not profitable from the start. We encountered a variety of problems. Some of them were anticipated, some of them were not. If you have about 48 hours, I can give you a rundown on every problem we had. There were a lot of problems, some more serious than others.

We were confident we could solve them and actually we did. But this was a case where every time we solved a problem, another one that we generally did not anticipate, although some we did, would arise. So, for at least the first 22 months of the HashMaster experience, it just wasn’t profitable. But we did bring it to profitability.

There is one problem left, and there’s nothing we can do about this one. There’s a contract that was signed with another entity, a contract the company should never have signed. The only good news there is that it’s going to expire in either eight or nine months. When it expires, we’re not going to renew it and with that expiration, HashMaster is going to be meaningfully more profitable, even though it’s actually flourishing right now. So, we don’t have to do anything about it, we’re just going to wait it out.

That’s why those two crypto businesses were kept separately. Different businesses have different business issues, and we felt that it just wasn’t morally right to burden one group of shareholders who were investing in a particular area of cryptocurrency with the problems of another area of cryptocurrency that they really didn’t bargain for when they made the initial investment. Of course, as in all these cases when we ask people to risk their capital, Horizon itself took the first level risk on the theory that the leader goes first.

After all, what did we know about buying mining rigs, at the get-go? A bit, yes, but not a heck of a lot. So, if you think about it back in the day, getting into mining was bold, it was daring, it was

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dangerous. So, what right do we have to commit people's money to something that bold and that dangerous? We have to protect them. Now, if it had been a \$5 or a \$10 transaction, maybe no one would have cared, and we wouldn't have taken the first level of risk. But we were buying \$250,000-500,000 of equipment at a shot. By the way, some mining operators buy tens of millions of dollars of equipment at a time. Excuse the digression, but you should know that if you buy \$10 million of equipment at a moment in time and you bought wrong—at the wrong moment—you've got a serious problem on your hands. That's happened to a lot miners. We didn't want that experience, so our intention as to buy in small lots. That way, if a purchase was problematic, and there have been such instances, it wouldn't rise to the level of affecting the overall business profitability. Generally speaking, we bought well.

In one case, as I recall, someone stole a couple of machines in a shipment, right off the truck. They really did. So, we had to bring in an insurance carrier and document what happened. Ultimately, we were paid, it just took a while. That's one kind of risk. Another kind of risk: a shipment of equipment we bought contained a virus. That's something one should checked upon delivery, and we did check, but we missed that. The virus was placed there intentionally. The purpose of the virus was to steal, if I recall, 15%-20% of the cryptocurrency you mined daily. It was a small enough number that you might not notice it if you didn't pay close attention. We noticed it on the fourth day. We shut the machines, but we still had to eliminate the virus, and that's easier said than done. It took us six weeks to figure out how to do that.

I tell you all that, so you can understand the kinds of challenges we faced along the way, and why we did certain things in certain ways, what our rationale was. In a sentence or two, no one knew in the beginning what was what in cryptocurrency mining as a business; it was replete with unknown risks. You could make the assertion that it was (and is) a new field for everybody. But, as a moral question, just to repeat, if it was \$5 investment, it wouldn't be a big deal. But it wasn't \$5. We felt we had to take some of the risk with our personal money before anybody else took that risk. We felt that was the right thing to do and we did it.

Ultimately, it shows how seriously we took it; we even put our own up for Consensus Mining with an HK Cryptocurrency Mining LLC, and we even forgot to pay ourselves for equipment we actually delivered. Anyway, I'm not saying this to praise us, just to clarify why some of these bizarre-seeming compartmentalizations that you see in FRMO exist – as between each of the two (three, actually) crypto mining partnership or between the partnerships and the hosting and repair business. There were reasons for each of them, and this is one set of reasons. If we had to do it over again, we'd do the exact same thing. And I can say on behalf of Horizon, no one hesitated, no one complained, everyone thought it was the right thing to do and that was it. I hope that addresses this set of questions.

THÉRÈSE BYARS: We have several more questions and it's almost 5:40, so I would say we probably would have about 40 more minutes.

MURRAY STAHL: Let's do it. Let's see how much we can get through.

THÉRÈSE BYARS: Okay. "I'd like to hear any thoughts or comments you may have on hash rate/equipment prices. I can't help but sense a sort of convexity effect, much like, say, interest

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rates approaching the zero-bound, when I see ASIC prices and consider the efficiency current models have achieved, and the availability of the power at attractive rates. This is notwithstanding the underlying belief that we all have in crypto, of course. How do conditions look from your perspective? Is dynamically scaling the operation up or down something you'd think about from a risk perspective?"

MURRAY STAHL: Let's start with the prices themselves. If you wanted to buy the state of the art rig, the S19 Pro, you'd pay about \$10,780. You'd actually have to pay more than that, for shipping, and insurance and whatnot, but let's leave that aside. At the current hash rate, you would break even in about 680-690 days. We're about 838 days away from the halving. So, if you lay out money today for this rig, and assume delivery tomorrow – which you're not getting by a long shot – then you've only got about 150 days after the break-even mark in which to earn a profit before the halving.

Realistically, though, you have to assess how many days it's really going to take to get delivery. Take whatever number *that* is and subtract it from 838, then subtract the 680-odd days of breakeven time, and you can see that if you pay the current price, you'll break even with a little bit of profit before the halving. That won't provide a satisfactory return on invested capital. That's why we haven't bought a lot of equipment. As a matter of fact, lately we haven't bought any.

However, we shouldn't ignore good side to the current rig price. The good side is that on a run-rate operating basis – forget about the breakeven issue – that S19 Pro is providing a 60-some-odd percent profit margin. The profit margin is wide enough so after the halving, assuming all factors stay the same, you'd actually keep making money. For me, I like the Litecoin numbers better. We're about, 560 days away, something like that, from the halving. Breakeven time on a Litecoin L7, if you can get it, is about 370 days. But the profitability is so extraordinarily high, you'd make a decent profit even before the halving, plus you'd still be making money after the halving.

What this really says is that the market has already more or less discounted the Litecoin equipment to the halving. But for bitcoin equipment, the market yet to much discount the profit impact of the halving. It's happening but it's happening slower. In the next, say six months, I predict the market will, one way or another, discount to halving. It can do it one of two ways: The bitcoin price can go up, or the price of the rigs can go down. Or it can be a combination of the two. We won't know until it happens.

Another factor, just to highlight the variety of operating and economic factors at work in the profitability of mining and the price of bitcoin—which you couldn't know from outside, without being involved in mining—is the paucity of mining rack space. This applies to the United States and other parts of the world. It's very hard to find rack space. That's one of the reasons we have HashMaster, that in a pinch we have our own rack space.

There is a lot of capacity being built. There is also a lot of equipment that had been ordered, but which hasn't been delivered because there's no place to put it. Once that rack space is built, I think the aggregate hash rate's going to go way, way higher. That's going to push the bitcoin prices way, way higher. I believe that's going to happen in the next half a year or so. If it happens, that resolves the mining equipment issue. Just understand the caveat: the number of days to delivery before that

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688 or 690 days to breakeven can begin; that doesn't leave very many days left from the aggregate 838 days to the halving. Every day that goes by you're losing a decent percentage of that potential profit-generating period.

So, it's important, from a bitcoin price perspective, to get the hash rate up. It would be more expensive, then, to make a bitcoin, and that would drive the bitcoin price higher. But the hash rate can increase meaningfully until the mining rack space opens up, which, as I suggested, should occur over the course of the next six months.

THÉRÈSE BYARS: This question is in three parts, but I think some of it you've touched on. "To maximize bitcoin mining profitability requires low cost per acquired hash rate and cheap and reliable electricity. Just curious as to what your upfront cost per terahash per machines, and what your electricity cost per kilowatt hour, are in your operations. Do you plan to diversify your mining across the country in the future? At the current stage of operations? How many bitcoins are you mining annually, and would you ever consider a bitcoin dividend for shareholders?"

MURRAY STAHL: Let's just start with the cost. So, the best way to express it is electricity cost. The highest price we pay is about 5 cents a kilowatt. The lowest price we pay is about 1 cent. It varies by where you are. You might ask, why not locate all your equipment at the 1-cent kilowatt level? Well, there are a lot of issues. First, there might not be rack space there. Secondly, you're going to pay 3.5 cents – that's another rate we have – because if we move equipment elsewhere, we'd have to buy peak power. We get the 1-cent rate because we arranged to buy off-peak power.

Then there's the quality of the space itself, and that includes the climate in the space. That's another class of mistake we made some many years ago. We bought some equipment, and the equipment was good, we just put it in the wrong place. This location was not far from the seashore. What's the problem with that? The salt air; not good for the machines. We didn't know that. It took about a month to figure that out. Another example of the various mistakes—albeit learning mistakes—we made, and which we didn't want to expose our client base to.

So, you don't necessarily want to make your equipment location decisions simply on the basis of the lowest-cost locale for electricity or hosting space. It's not a question of merely the lowest cost. We found low-cost power in Canada, for instance, so what's wrong with that? Nothing, other than that the province of Quebec would charge us a sales tax on the power that we buy. So, we then petitioned the provincial government. There's a treaty between the United States and Canada, and we're Americans; you can't charge us a sales tax. That was our position, and they said, okay, well, the way the Quebec law works is we will charge you a sales tax, but we'll just rebate you the money. So, they charge it and then they refund it. Effectively, they get an interest-rate free loan from you. Okay, but how long is it going to take until we get our money rebated? You have to assess that.

I'm relating all these various issues because one point of the question, as I understand it, is that a mining operation should be diversified. There are any variety of deals you can come across, and sometimes it actually pays to have the high-cost power. Here's another reason to pay 5 cents a kilowatt when we can pay 1 cent. Because sometimes in a really big rack space facility, the operator is also buying machines for itself and they might buy in very large volume because it's

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such an enormous space. In an instance like that, we can tie in with their purchase, because any orders we add gets them a bigger discount. For our part, even though we're buying in small quantities, we get to buy equipment at the volume rate. Our discount on the equipment, when you factor it in, is more important than the fact that we have to pay 5 cents a kilowatt. Strategically, it served us better to pay the higher electric rate and partner on the equipment deals at a scale and discount we couldn't possibly achieve otherwise. You might be wondering, what kind of discount can be worth more than the difference between 1¢ and 5¢ on electric power. I'm thinking of one deal in particular in which, I would dare say, we probably bought equipment at one-sixth, if you can believe it, of the price we otherwise would have had to pay. Literally, one-sixth.

That's probably the best-case example. But that's why our mining fleet is diversified. We're in a number of different facilities, and we're looking to expand our own facility. For the latter, we just ordered a transformer, I think a 2.5 megawatt transformer. When they build out, in a couple of months, we're going to have a lot more rack space. For our facility at HashMaster, we actually own the building. That's another risk. If you don't own the real estate and the owner wants to use it for an alternative purpose, you might not be able to renew your lease. It's important to own the building. So, you'll see that property on FRMO's balance sheet.

If we desired to use that building for an alternative purpose, I believe we could probably get at least 2.5 times what we paid for it. That's another example of the factors – the risks and considerations – in determining how to diversify the mining operating assets.

STEVE BREGMAN: I have a proposal. Just for consideration. Questions about mining and cryptocurrency are endlessly interesting and edifying. And apparently questions about Texas Pacific Land Corp are likewise endlessly interesting and fascinating. I suspect many of the people listening feel a sense of urgency about getting to some of the final questions, which have to do with an article today in the *Wall Street Journal*, that I'm sure if you hadn't read it, somebody made sure to tell you about it.

MURRAY STAHL: Well, I haven't read the article in the *Wall Street Journal*. I have no idea what the article is.

STEVE BREGMAN: There is an article we've been questioned about which talks about an increase in small earthquakes in various parts of Texas where fracking is going on. That the Texas Railroad Commission is restricting the use of certain wells that had been perhaps overused in terms of injecting produced water into depleted wells for disposal, and many companies are quoted in the article bemoaning that they can't make a profit if they have to truck water out at \$2 a barrel and things like this.

So, therefore, for the many people who have read this and ask the natural questions – 'my goodness, what does this mean for Texas Pacific Land Corp?' That's the gist of it.

MURRAY STAHL: Well, not a heck of a lot, to be perfectly honest with you. All you need to do – I'm not telling you any secrets – is look at the income statement, and you'll see the bulk of the revenue comes from oil being produced from existing leases. They're going to last a very long time. That's the bulk of it right there. Then you'll have some easements. Some of the easements

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are just about some operating entities that have to cross the property for whatever purpose. Other easements are for sourced water. The sourced water is the water drawn the ground, from surface area and water rights that TPL owns, and that is used to frack. Then there's produced water. For every barrel of water put into the ground to frack for oil, you might get ten barrels of water out; it's produced along with the oil and gas. So, you've got to put that produced water somewhere. Where you put it is a big deal.

First, it's got to be cleaned. The reason, is that there are valuable minerals in the water. Bear in mind, none of this is potable water; it contains chemicals, there's oil residue, what have you. So, the water is processed, but it's still brackish. The question is where do you put it? Every landowner wants to put it somewhere else. So, they say, 'hey, if you put it in County X, you're going to cause an earthquake. We don't want it in County X.' Well, it might go to County Y. So it's not going to cause an earthquake if you put it in County Y? It's only going to cause an earthquake if you put it in County X? There's a lot of politics that go into these situations.

On the other hand, what if you own land, the land itself, a lot of land, but it's just not productive? Nothing happens there. So, there will be some political battles around this, but depending on where they ultimately put this water, land that has virtually no value can suddenly become incredibly valuable. It's like anything else; there will political battles, and it will resolve in one fashion or another.

Have a look at Crane County and see the water flooding that's going on there. And it's not an issue, because there's a large contiguous space of land owned by one party that's uniquely valuable. I'll say no more about it. It's not TPL land. And you'll see, there isn't a geological issue. It's a political issue. Let me explain why there isn't a geological issue. The natural refresh rate of underground water varies by year. If you had heavy snowfall in the Rockies in a given winter, which happens from time to time, that water is going to make its way to Texas. Do you know how much snow falls in the Rockies in a good winter? A lot. So, if there were problems with earthquakes because of water, this would have been happening from time immemorial, and it would have been measured. No one can manage the process.

If you're managing the process, you know how much the land can take. It's well under control, it's well-understood geologically. I'm not a believer in the earthquake hypothesis. If you want my 2 cents on the matter, and maybe that's what it's worth, 2 cents, I wouldn't pay a lot of attention to it. I can show you contiguous properties that are being water flooded for natural reasons, and no one's saying anything about those properties.

STEVE BREGMAN: I would observe that in certain areas where maybe small earthquakes aren't considered all that much of a concern, perhaps it's because there are low populations there. I note that there are some counties in the Delaware portion of the Permian Basin, such as Loving County, where I'm not even sure if there are 200 residents.

MURRAY STAHL: Well, there aren't. Anyway, I don't even regard it as a geological issue. But just understand that ultimately the decision of where to put the produced water is in the hands of the regulators. Depending on where the produced water goes, some party can actually make a fortune.

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THÉRÈSE BYARS: Steve, are there any of the other questions that you think might be important to cover, since we're running out of time? We have about ten minutes.

STEVEN BREGMAN: No, I just wanted to make sure this one got in.

MURRAY STAHL: Let me just say this, even though I'm going to waste one of the ten minutes. The normal practice for us is that if we don't get to all the questions, we can just reprise it. There could well be people on the call who are hearing answers to questions and that sparks ideas, as in 'I should have asked A, or B, or C.' So, we'll do what we can and if we run out of time, because these calls are timed out, let's just set a date to continue and we'll deal with any questions that we did not cover. And if people have thoughts about other questions that just weren't posed, add them in, we will address each and every one. I hope that's fair.

THÉRÈSE BYARS: There are some questions about Diamond Standard. I'll just read all of those. "Is there any update on the company's activity? When do you expect to open your Diamond Trust? How much institutional retail interest is there so far? What do you expect their AUM to be? And what management percentage do you plan to charge on AUM?"

MURRAY STAHL: Okay, a lot of questions there. To begin with when is this all getting off the ground, which I guess that's the most important of the question posed, I'm told by the various attorneys 6 to 8 weeks.

Have we increased our ownership of Diamond Standard? The answer is yes, though I don't have a breakdown. Sometimes we make these investments via the funds, also, which we did in this case. Anyway, we did increase our ownership, so obviously I'm very enthusiastic about what's going on.

The demand? The proof is going to be in the pudding. I believe the demand is going to be very high, based on the conversations I have with people who are quite enthusiastic.

As to the fee, I know exactly what the number is; it's just that I don't remember it at the moment, and I don't want to give you an incorrect figure. I should have written it down, but I didn't. It's not a huge fee. It's reasonable for what the product is – because we're just holding the diamonds. But in a few weeks, the documentation is going to be out and you'll see the number.

Really, if I understand the gist of the questions, you want to know the potential AUM and the fee and how much goes to the bottom line, because the expenses are not going to be huge although there are some expenses. It's going to be a very profitable undertaking, no question about it. In fact, I think investors will be surprised at how profitable it is. I'm very, very excited about it.

THÉRÈSE BYARS: I believe this will be the last question that we have time for. There are others that you have already touched on. "Digital Currency Group has sold \$700 million worth of shares, yet, the value of FRMO's holdings are still held at a cost of \$76,261. Is there a reason the valuation has not been adjusted, given the recent transactions and the sale of Digital Currency Group stock? The Consensus Mining & Seigniorage Corporation is mentioned on Page 6 in the consolidated statement in an evaluation reflecting recent share transactions."

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MURRAY STAHL: Yes, there is a reason. As far as the valuation itself, what happens is that, quarterly, we get a report from Digital Currency Group in which they place a valuation on the shares. Secondly, when they had that transaction, they had to value it, of course. I specifically know what that valuation was, because when they did their transaction, I personally – now we're talking about yours truly – and certain existing shareholders had the right to buy some more. I didn't buy millions of dollars' worth, but I did personally buy some more. So, obviously, I know what the price is. If you understand my approach to investing, you'll appreciate that if I thought that was the right price, I probably wouldn't have bought it. I think it was undervalued, though of course that's just my opinion.

The trouble is all that information is that it says on the documents for the transaction that it's confidential; it's for those of us who participated in the offering, and we're not supposed to leak it to the public. So, if I took the price off that document or I took the price from the transaction, and used that information to increase the valuation of shares in the FRMO financial statements, it would be form of violating the undertaking we made to keep that information confidential. That's why we didn't adjust it.

So, if you're going to blame anybody, let's blame me for 99% of it, and maybe blame the company, Digital Currency Group for 1% of it because they wanted to keep everything private. Here's some public information, though: Google bought shares, and SoftBank bought shares. Google has more money than me but I bought shares too. Anyway, it says in the documentation that we're not to reveal the valuation to the public. I hope that's an acceptable explanation, but it is the explanation.

THÉRÈSE BYARS: Thank you. I think that wraps it up.

MURRAY STAHL: Okay. So, it remains for me to say thanks a lot, everybody, for an engaging list of questions. I must tell you I very much enjoyed answering them. I like the give and take. Thanks for the support, and if you think of anything in the interim, we'll try to get you an answer. And it goes without saying, we're going to reprise this in 90 days and you'll see how we're doing, and we look forward to giving you information at that time. So, thanks again and we'll see you shortly.