

tZERO CEO Saum Noursalehi Issues Statement on Company Milestones & Planned Roadmap for 2019

July 11, 2019

NEW YORK--(BUSINESS WIRE)--Jul. 11, 2019-- Dear tZERO Token Holder,

I am quite pleased with the progress our team is making. I have been communicating with you, our token holders, through the [Overstock.com, Inc.](https://www.overstock.com) (NASDAQ:OSTK) quarterly earnings calls, SEC disclosure, and periodic event-driven press releases. I realize I can do more to keep you apprised of the status and prospects of the business. This letter is a first step in that direction. We have also hired a Head of Investor Relations to help.

This letter addresses: why I believe tZERO is such a significant business opportunity, the milestones we have already hit this year, and the planned roadmap for the remainder of the year.

Why Security Tokens?

We firmly believe that security tokens are the next generation of how the world will trade value. In the near future, blockchain and smart contract technology will allow most assets to be tokenized into digital form. This tokenization would make virtually every asset class more easily divisible and tradeable, with the added security provided by an immutable blockchain. Tokenization can extend beyond equities, to assets such as real estate, funds, art, film, and even sports teams. It will democratize access to these traditionally exclusive assets. It will also create more liquidity, reduce friction costs (through token technology that follows regulatory laws), improve regulatory compliance, and make settlement near instant (curtailing a significant source of the potential for market manipulation today).

At this time, security tokens and security token trading ecosystems are analogous to the first cellular network towers and the first Motorola mobile phones (aka “brick phones”). Those early products – rudimentary as they seem today – were not at their full potential; however, they showed the promise and capacity for cell phones to become far more superior to what was traditionally available. While tZERO nominally builds phones (tokens), our focus and key to success lies in building a next-generation global network (just as it was in the early years of cellular technology, what matters is who owns the towers). This is where tZERO not only has a substantial lead, but also has a patent protecting how the network is built. While the cellular phone industry is not a perfect proxy for the trade of security tokens, and there is room for conjecture on the impact of phone makers versus network providers, the point stands that our future is not determined by picking winners and losers of particular tokens, but rather in creating the foundation for the industry.

Unlike the decades and billions of dollars it took to build the physical backbone of cellular networks, a significant portion of tZERO's infrastructure is already in place. As our network is software-based, we can iterate improvements at a radically faster rate for a fraction of the cost, and thus more easily scale our business. These reasons form the basis for my confidence in our success and in the enormous impact tZERO's technology can have on the world.

Where are we today?

Below is a list of our key accomplishments this year.

1. **January 1:** Obtained a patent from the United States Patent and Trademark Office for a system that can take orders to trade “digital transactional items” and integrate with legacy Wall Street systems.
2. **January 10:** Partner broker-dealer Dinosaur Financial Group (“Dino”) launched onboarding investors. Note: the relevant Dino technology is powered by tZERO as the technology provider.
3. **January 24:** PRO Securities ATS, operated by a PRO Securities, a broker-dealer and a subsidiary of tZERO, launched resales of tZERO's preferred security tokens among accredited investors, with Dino introducing broker-dealer.
4. **April 15:** Launched tokenization technology as a service. This technology service supports token offerings (i.e., issuance), and for tokenization of existing cap tables/securities.
5. **May 3:** Announced a letter of intent to tokenize commercial real-estate with the \$10B real-estate development firm Emaar.
6. **May 27:** Finalized agreement with third-party token issuance platform Securitize. This will allow PRO Securities ATS to trade tokens being issued through Securitize.
7. **May 30:** BOX joint venture, Boston Security Token Exchange (BSTX) filed rulebook with SEC for the first regulated security token exchange.
8. **June 14:** Filed New Member Application (NMA) for our own retail broker-dealer subsidiary, which is currently under regulatory review.
9. **June 26:** Formalized agreement with ETC Brokerage Services, as the second digital subscriber. This will enable its clients to trade security tokens on the PRO Securities ATS.
10. **June 27:** Launched Crypto App on iOS.
11. **June 27:** Added a second token, OSTKO, for trading on the PRO Securities ATS, which is tradable on introducing broker-dealer Dino. This is a digital preferred share of Overstock's public security.
12. **July 9:** Announced a letter of intent to do the first tokenization of a major motion picture (appropriately enough, a movie about Atari and its founder, Nolan Bushnell). This film is being produced by Leonardo DiCaprio's production

company Appian Way and Vision Tree.

What's next?

The tZERO Crypto App provides numerous interesting and unique features, the most important of which is to serve as a foundation for the eventual trading of all digital assets, as well as many non-digital assets (e.g., common stocks). When we get a tZERO subsidiary approved as a broker-dealer that can handle retail clients and provide other services, we will work to add functionality to trade both security tokens and traditional equities through the web, iOS, and Android.

Below are our primary goals for the next six to nine months.

1. Launch Crypto trading app on Android. I expect this will be live in the next few weeks.
2. Trade more security tokens. PRO Securities hopes to have 5 to 10 quality digital assets trading on the PRO Securities ATS. There is a pipeline of deals under the review. The team is being selective on what it permits to trade.
3. Enhance liquidity on PRO Securities ATS. PRO Securities plans to add additional broker-dealers as subscribers to the ATS, and explore partnering with more clearing firms. The aim is to have three to five broker-dealers as subscribers to the PRO Securities ATS, trading security tokens by the end of the year.
4. The tZERO tokens issued in August 2018 in a private placement are anticipated to become freely tradable by non-accredited investors in August 2019.
5. Digital Locate Receipts (DLR) 2.0. We are developing products to bring transparency and simplicity to the securities lending market, a ~\$10B global market. The next phase is completing our market data feed to aggregate inventory from different sources. I expect this to be live in August. Following this phase, we plan to update our Order Management System (OMS) to help inventory providers manage and monetize their long inventory.

This platform will provide securities borrowers with a seamless user interface to interact with inventory providers globally. These two developments will increase efficiency and reduce failures to deliver for global securities.

6. Commence operations of our new broker-dealer subsidiary including handling retail investors and engaging in other activities, subject to receiving all applicable regulatory approvals. Website and mobile apps will be updated to permit the trading of security tokens, cryptocurrencies, and traditional equities through appropriate subsidiaries.
7. The Boston Security Token Exchange (BSTX) is working with the SEC to launch the first regulated national security token exchange. BSTX will launch shortly after regulatory approval is granted.

Our joint venture with the BSTX will provide key infrastructure to scale the issuance, listing, and secondary trading of security tokens in the US. The BSTX will be powered by tZERO technology.

Our Team

Our leadership team is stronger than it has ever been. They are a well-rounded group with a wide variety of disciplines, and provide us with a mix of high-grade technology, regulatory, and capital markets expertise.

We recently had an offer accepted to fill the last gap in our management team, the Head of Issuance. Look for a press release in the coming weeks announcing this new hire. The Head of Issuance will help us find companies that are interested in doing token offerings to raise capital and companies interested in tokenizing their cap tables. This person and her team will also look for strategic partnerships to help us quickly scale adoption for our technology.

To work with our management team, we have also appointed a new Board of Directors that brings the right backgrounds and expertise to help us get through our upcoming capital markets and regulatory initiatives.

We are a growth stage company and are currently operating at a loss as we continue to build, invest and grow. This has a couple of consequences.

While the tZERO security tokens provide our investors with direct exposure to our revenue growth through the 10% adjusted gross revenue dividend model, we cannot declare and pay dividends so long as we operate at a loss (and subject to other criteria, including the availability of surplus under applicable corporate law). I know there has been some concern about the performance of our token price. I ask our token holders to remember that this is still only the beginning of building out the new infrastructure for the next generation of capital markets. It has only been a few months since Dino started on-boarding the first investors and since accredited investors first started reselling their tZERO tokens on the PRO Securities ATS.

As a member of our Board of Directors, I am confident our board intends to approve dividends as soon as it makes sense from a business and legal perspective.

I am very pleased with our momentum, evident by the milestones we have achieved, the technology we have deployed, and the products we have delivered this year. I thank you for your continued support.

Respectfully,

Saum Noursalehi
CEO, tZERO

Investor Notice

Investors should note that trading security tokens could involve substantial risks, including no guarantee of returns, costs associated with selling and purchasing, no assurance of liquidity which could impact the price and ability to sell, and possible loss of principal invested. Further, an investment in single security token could mean lack of diversification and, consequently, higher risk.

Accredited investors trade the tZERO security tokens, and investors that trade OSTKO, on the PRO Securities ATS only through a brokerage account established with Dino, a subscriber to the ATS, with clearing and custody provided by Electronic Transaction Clearing, a registered broker-dealer, and Computershare as transfer agent.

No Offer, Solicitation, Investment Advice or Recommendations

This release is for informational purposes only and does not constitute an offer to sell, a solicitation to buy, or a recommendation for any security or token, nor does it constitute an offer to provide investment advisory or other services by the tZERO or any of its affiliates, subsidiaries, officers, directors or employees. No reference to any specific security or token constitutes a recommendation to buy, sell or hold that security or token or any other security or token. Nothing in this release shall be considered a solicitation or offer to buy or sell any security, token, future, option or other financial instrument or to offer or provide any investment advice or service to any person in any jurisdiction. Nothing contained in this release constitutes investment advice or offers any opinion with respect to the suitability of any security or token, and the views expressed in this release should not be taken as advice to buy, sell or hold any security or token. In preparing the information contained in this release, we have not taken into account the investment needs, objectives and financial circumstances of any particular investor. This information has no regard to the specific investment objectives, financial situation and particular needs of any specific recipient of this information and investments discussed may not be suitable for all investors. Any views expressed in this release by us were prepared based upon the information available to us at the time such views were written. Changed or additional information could cause such views to change. All information is subject to possible correction. Information may quickly become unreliable for various reasons, including changes in market conditions or economic circumstances.

About tZERO

[tZERO Group, Inc.](#) ("tZERO") is a majority owned subsidiary of Overstock.com, focusing on the development and commercialization of financial technology (FinTech) based on cryptographically-secured, decentralized ledgers – more commonly known as blockchain technologies. Since its inception, tZERO has pioneered the effort to bring greater efficiency and transparency to capital markets through the integration of blockchain technology. For more information on tZERO, please visit: <https://www.tzero.com/>.

tZERO is not a registered broker-dealer, funding portal, underwriter, investment bank, investment adviser or investment manager, and is not providing brokerage, investment banking or underwriting services, recommendations or investment advice to any person, and does not provide any brokerage services. tZERO takes no part in the negotiation or execution of secondary market transactions for the purchase or sale of securities and at no time has possession of investor funds or securities in connection with such transactions.

About PRO Securities, LLC

PRO Securities, LLC is a broker-dealer registered with the SEC and a member of FINRA and SIPC. More information about PRO Securities may be found at www.finra.org.

About Overstock.com

[Overstock.com, Inc](#) Common Shares (NASDAQ:OSTK) / Digital Voting Series A-1 Preferred Stock (Medici Ventures' tZERO platform:OSTKO) / Series B Preferred (OTCQX:OSTBP) is an online retailer and technology company based in Salt Lake City, Utah. Its leading e-commerce website sells a broad range of new products at low prices, including furniture, décor, rugs, bedding, home improvement, and more. The online shopping site, which is visited by nearly 40 million customers a month, also features a marketplace providing customers access to millions of products from third-party sellers. Overstock was the first major retailer to accept cryptocurrency in 2014, and in the same year founded Medici Ventures, its wholly-owned subsidiary developing and accelerating blockchain technologies to democratize capital, eliminate middlemen, and re-humanize commerce. Overstock regularly posts information about the company and other related matters on the [Newsroom](#) and [Investor Relations](#) pages on its website, Overstock.com.

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