

tZERO CEO Saum Noursalehi Recaps 2020 & Previews the Year Ahead

January 28, 2021

NEW YORK--(BUSINESS WIRE)--Jan. 28, 2021-- [tZERO](#), a leader in blockchain innovation and liquidity for digital assets, released today the following letter to investors from CEO Saum Noursalehi.

Dear Investors,

With a new year upon us, I wanted to reflect on the progress we made last year and update you on our goals and roadmap for 2021, a year that I believe will be a pivotal one for the company.

2020

We entered 2020 with three key objectives: add additional assets, increase liquidity, and improve the investor experience. While the pandemic brought with it unforeseen challenges, I am encouraged by the progress we made. The list below highlights our top ten accomplishments.

1. We increased the dollar value traded in digital securities on the tZERO ATS by 10x over the prior year (\$53M vs. \$5M in 2019). While this is small in comparison to traditional exchanges, it is promising as it currently represents nearly all the digital security volume traded today. This was and remains our primary Key Performance Indicator.
2. We grew the dollar value traded on the tZERO Crypto app 318% over the prior year for the last six months. Additionally, user growth was up approximately 180% year-over-year. Also, December was our strongest month by far from a revenue standpoint.
3. We onboarded and commenced trading of Overstock's digital preferred dividend (OSTKO) on the tZERO ATS.
4. We onboarded and commenced trading of the St. Regis Aspen digital security (ASPD) on the tZERO ATS.
5. We signed a tokenization agreement with Tynton Capital, a technology-focused investment fund that is expected to trade on the tZERO ATS upon the successful completion of its primary offering in 2021 (subject to applicable approvals).
6. We launched our retail broker-dealer, tZERO Markets, allowing us to participate across a broader segment of the securities lifecycle and offer a better user experience.
7. We signed five new broker-dealers that are integrated with the tZERO ATS.
8. We signed a partnership agreement with Prime Trust and filed for the tZERO ATS to self-clear. This initiative will eliminate tZERO's reliance on third-party clearing firms, improve margins, speed up asset onboarding, and enable us to significantly increase buy limits for the tZERO Crypto app.
9. We streamlined the digital securities onboarding experience, making it more user-friendly and boosting new account approval.
10. We updated the tZERO Crypto app experience to include charts, an Apple Watch app, and iOS widgets. Additionally, we recently doubled buy limits for qualified users of the tZERO Crypto app and added Litecoin as our fourth cryptocurrency.

Overall, 2020 was a critical year for the company. We achieved several key milestones, which have set the stage for our success in 2021. The industry has taken notice. Our achievements were recognized by Security Token Show [Podcast](#), the largest security token podcast in the industry, which recognized tZERO as 'Company of the Year 2020'.

2021

This week, Overstock announced that it would transition oversight of the Medici Ventures' portfolio of blockchain companies, including tZERO, to Pelion Venture Partners. After the transaction closes, we expect this initiative will provide tZERO with more strategic day-to-day attention, help us continue to scale, and further monetize the growth initiatives we have embarked on over the past year. Through this arrangement, Pelion will supervise tZERO alongside other Medici Ventures investments and hold, through a fund where Overstock is a limited partner, a significant minority stake in tZERO. Overstock will also retain a direct significant minority equity interest in tZERO. We look forward to working with Pelion to continue to execute our mission of democratizing access to private capital markets.

Overstock has been a great incubator for tZERO, but it is now time for us to seek outside, strategic capital to accelerate growth and adoption. To that end, we recently engaged a major global investment bank to run a process for tZERO with the goal of not only raising growth capital but finding partners that can expedite bringing assets to our unique secondary market platform for digital securities. We believe that forming a partnership with an entity with deep private company relationships will meaningfully increase the volume of high-quality, new issuers engaging with us. We are already in discussions with several companies that fit this profile. Once we raise this capital, we plan to leverage it in multiple ways, including further growing sales and business

development efforts, and aggressively ramping up digital marketing to both acquire more customers and attract potential issuers.

While security token adoption has been slower than many in the market hoped, it has been progressing both in terms of the quality and size of assets being tokenized. Generally, I believe recognition of digital securities infrastructure as a superior means for issuing, storing, transmitting, and settling value has reached an inflection point. These next-generation technology rails will power private and public financial markets in a faster, more efficient, secure, and inclusive manner. Key regulators, including the SEC and OCC, have recently taken milestone steps to recognize and support this reality. Likewise, cryptocurrencies are becoming an accepted part of asset allocation, payments, and settlement flows. The moment we have been advocating for is here! However, I believe scaling, particularly in the securities industry, will continue to be incremental, although at a faster pace.

In terms of our deal flow, recent examples of progress include the signed agreements with Tynton Capital and a very large international real-estate fund (yet to be announced). To trade more digital securities, we are augmenting our business development efforts. First, we are hiring additional business development professionals to source, screen, and onboard new issuers with deep capital tables that are ripe for secondary liquidity. Second, we are focusing our business development efforts on serial project sponsors and issuers that can bring several assets to our platform, many of which are real estate firms with multiple properties that they wish to tokenize and trade as individual stock tickers on the tZERO ATS. Third, we are supplementing our organic outreach with a focus on strategic partnerships. Several are expected to be announced this quarter.

In parallel with our digital securities efforts, we plan to accelerate the growth of investors (demand) on our platform. In addition to adding new assets, we have found that tZERO Markets has been the best way to acquire new customers and enhance liquidity for digital securities. Our focus and marketing dollars will be on growing our own customer base while our ecosystem evolves. We believe new assets and customers will lead to increased broker-dealer interest in our platform. We recently launched our first marketing campaign, and we are encouraged by the early results.

In addition to creating liquidity for private securities, we are building a one-of-a-kind consumer-facing product to trade all assets. This trading interface will include digital private securities, the most actively traded cryptocurrencies, and publicly traded stocks. No other offering has the breadth of investment opportunities that this unified experience will provide. Merging these asset types into one user experience will allow us to quickly scale our business's demand-side (investors). This new app will enable our marketing dollars to go much further in acquiring customers by making them more sticky, boosting liquidity on our trading platform. As I mentioned, we plan to allocate a meaningful portion of the new capital raised towards this effort after we launch the merged experience following regulatory consultations.

Product Roadmap

The roadmap ahead is outlined below, along with our estimates for completion. Please note that while this is our current course, these items are subject to change.

1. Complete user migration from Dinosaur Financial Group to our retail broker-dealer, tZERO Markets. Domestic, individual accounts have already been transferred. We are currently working on migrating international, entity, and other corporate accounts. – **Early Q2 2021**
2. Migrate tZERO Crypto app (iOS and Android) to a custodial solution in partnership with Prime Trust (subject to regulatory approvals). This will allow investors to trade many more cryptocurrencies, have higher buying limits, and shorten settlement times. – **Q2 2021**
3. Migrate digital securities to an investor self-custody model in partnership with Prime Trust. This new model removes reliance on third-party clearing firms, enables faster onboarding of new digital securities, improves the account funding process, and enhances the settlement process (subject to regulatory approvals). – **Q2/Q3 2021**
4. Merge crypto and digital assets trading experience on tZERO Markets' website and apps. This will combine the user bases of both platforms into one and allow the trading of both cryptocurrencies and digital assets in one experience (subject to regulatory consultation). – **Q2/Q3 2021**
5. Integrate third-party issuance platforms (yet to be announced) to allow onboarding of additional digital securities. – **Ongoing, Q2 to Q4 2021**
6. Establish self-clearing operations for tZERO ATS, which will allow tZERO Markets to offer trading in public (NMS) stocks without relying on third-party clearing firms. This is dependent on getting approval for self-clearing from FINRA, which we already applied for. – **Q4 2021**

Following the SEC's decision to disapprove BSTX's proposed rulebook on December 18, 2020, BSTX is working to determine the next steps, including resubmission. We expect any resubmitted proposal to present a digital infrastructure ecosystem that fully leverages the benefits of blockchain rails for next-generation capital markets.

Overall, we made meaningful progress over the past 12 months. We added two new digital securities (OSTKO, ASPD), increased our trade volumes by almost 900%, signed up and went live with five new broker-dealers, and launched our retail broker-dealer, tZERO Markets. While we still have a lot of work ahead, we further widened the gap between tZERO and the competition. We are

the only company with a live, fully-regulated platform capable of trading shares of high-quality private securities as quickly and efficiently as inventors can buy shares in the public market. More importantly, we expect this gap to increase further over the next few months as we drive synergies between our digital security and cryptocurrency experiences and bring on a strategic partner through our capital raise efforts.

I am more optimistic today about tZERO's prospects than I have ever been. I appreciate your support as investors and look forward to keeping you all abreast of our progress against these initiatives in the year ahead.

Respectfully,

Saum Noursalehi
CEO, tZERO

tZERO is a technology firm with the goal of democratizing access to private capital markets. tZERO is a subsidiary of [Medici Ventures](#), the blockchain-focused, wholly owned subsidiary of [Overstock.com, Inc.](#) (NASDAQ:OSTK).

Investor Notice

Investors should note that trading securities 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 could mean lack of diversification and, consequently, higher risk. Potential investors are urged to consult a professional adviser regarding any economic, tax, legal or other consequences of trading any securities as described herein.

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, nor does it constitute an offer to provide investment advisory or other services by tZERO or any of its affiliates, subsidiaries, officers, directors or employees. No reference to any specific security constitutes a recommendation to buy, sell, or hold that security or any other security. Nothing in this release shall be considered a solicitation or offer to buy or sell any security, 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, and the views expressed in this release should not be taken as advice to buy, sell or hold any security. 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 corrections. Information may quickly become unreliable for various reasons, including changes in market conditions or economic circumstances.

Forward-Looking Statements

This release contains forward-looking statements. In addition, from time to time, tZERO, its subsidiaries, or its representatives may make forward-looking statements orally or in writing. These forward-looking statements are based on expectations and projections about future events, which is derived from currently available information. Such forward-looking statements relate to future events or future performance, including financial performance and projections; growth in revenue and earnings; and business prospects and opportunities. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as "may," "should," "expects," "anticipates," "contemplates," "estimates," "believes," "plans," "projected," "predicts," "potential," or "hopes" or the negative of these or similar terms. In evaluating these forward-looking statements, you should consider various factors, including, without limitation: the ability of tZERO and its subsidiaries to change the direction; tZERO's ability to keep pace with new technology and changing market needs; and competition. These and other factors may cause actual results to differ materially from any forward-looking statement. Forward-looking statements are only predictions. The forward-looking events discussed in this release and other statements made from time to time by tZERO, its subsidiaries or their respective representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions. tZERO, its subsidiaries, and its representatives are not obligated to publicly update or revise any forward-looking statement, whether as a result of uncertainties and assumptions, the forward-looking events discussed in this release and other statements made from time to time by tZERO, its subsidiaries or its representatives might not occur.

About tZERO

[tZERO Group, Inc.](#) and its broker-dealer subsidiaries (tZERO) provide an innovative liquidity platform for private companies and assets. We offer institutional-grade solutions for issuers looking to digitize their capital table through blockchain technology, and

trade on a regulated alternative trading system. tZERO democratizes access to private assets by providing a simple, automated, and efficient trading venue to broker-dealers, institutions, and investors. 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 tZERO ATS

[tZERO ATS, LLC](#) is a broker-dealer registered with the SEC and a member of FINRA and SIPC. More information about tZERO ATS may be found at <https://brokercheck.finra.org/>. Digital securities that trade on tZERO ATS are conventional uncertificated securities. At this time, ownership of such securities is reflected on the traditional books and records of regulated market participants. In this document, the term "digital" is used with respect to securities that currently trade on tZERO ATS to refer to the blockchain technology elements of a security that are intended to enhance investor experience through added transparency but have no controlling or legal effect.

About tZERO Markets

tZERO Markets, LLC is a broker-dealer registered with the SEC and a member of FINRA and SIPC. More information about tZERO Markets may be found at <https://brokercheck.finra.org/>.

About tZERO Crypto

tZERO Crypto, Inc. is a wholly-owned subsidiary of and powered by the technology of tZERO Group, Inc. tZERO Crypto, Inc. and tZERO Group, Inc. are not a registered broker-dealers, underwriters, investment banks, or investment advisers, and are not providing brokerage, investment banking or underwriting services, recommendations or investment advice to the users of the tZERO Crypto app. No broker-dealer affiliate of tZERO Group, Inc. is involved in the transactions and services offered by the tZERO Crypto app. tZERO Crypto, Inc. is licensed as an authorized money transmitter in every jurisdiction in which it does business that requires such authorization. See the legal disclosures and list of tZERO Crypto, Inc.'s licensing authorities on <https://www.tzero.com/crypto-app/licenses.pdf> for more information.

View source version on [businesswire.com](https://www.businesswire.com/news/home/20210128005384/en/): <https://www.businesswire.com/news/home/20210128005384/en/>

tZERO

Media Contact

Alexandra Sotiropoulos, +1-347-293-1416

asotiropoulos@tzero.com

Investor Contact

Michael Mougias, +1-347-293-1248

mmougias@tzero.com

Source: tZERO