

tZERO CEO Saum Noursalehi Issues Update on Company Progress

September 6, 2019

NEW YORK--(BUSINESS WIRE)--Sep. 6, 2019-- [tZERO](#), the global leader in blockchain innovation for capital markets, released today the following letter to investors from CEO Saum Noursalehi:

Dear tZERO Investor,

As I mentioned in my [previous letter](#), we are taking proactive steps to enhance the dialogue with our investors, and we hope you find these letters valuable.

I would like to begin by addressing Patrick Byrne's resignation as the CEO of Overstock. While we are sad to see him go, I can assure you that Patrick's departure will have no impact on tZERO's day-to-day operations or the execution of our roadmap. Jonathan Johnson, who continues to be the Chairman of tZERO's board and oversees our parent company, Medici Ventures, also assumed the role of Interim CEO of Overstock. Jonathan is a great leader and a champion for blockchain and its potential as a disruptor in a number of ecosystems, particularly its application to the capital markets through tZERO. Jonathan and the Overstock/Medici boards are committed to tZERO and our long-term success, including, if needed, financially.

Some have speculated that our interactions with the SEC may have something to do with Patrick's departure. That could not be further from the truth. Patrick left the company for the reasons he stated.

On the topic of regulation, it is important to note that tZERO owns two broker-dealers. As part of these businesses, we interact with a range of regulators, including FINRA and the SEC. These interactions include two distinct strands. The first are regular, proactive discussions aimed at providing the SEC with transparency into, and prompt responses regarding inquires, about our activities and progress as we develop new technologies and apply them to the existing capital markets' infrastructure. We believe these recurring, often weekly, cooperative discussions are mutually beneficial and intend to continue them.

The second set of interactions pertains to an SEC request for additional information related to the tZERO security token offering, which we received in February of 2018. This inquiry came at a time when many issuers of token offerings were also contacted. We provided all of the requested information to the SEC earlier this year and have not received any formal follow-up requests from them since December of 2018.

Progress Made

I am pleased to report that we continue to execute against our strategic roadmap. Below is a list of our accomplishments since my last letter, two months ago.

- 1. July 25:** Successfully launched the tZERO Crypto app on Android.

Since its launch, our app has received thousands of organic downloads and trading volumes have been increasing steadily. In fact, transaction volumes in August were up over 100%, compared to July. We plan to start ramping up marketing of the app in the coming months.

It is also worth highlighting that while customers across several key regions, including New York, Canada and the United Kingdom, are not permitted to use the app yet. As we obtain additional regional licenses, we expect the geographical availability of the app to increase – and with that, trading volumes.

- 2. July 30:** Announced the OSTKO digital preferred dividend that will trade exclusively on the PRO Securities ATS, operated by a wholly-owned subsidiary of tZERO.

This dividend, which has a record date of September 23, has the potential to introduce tens of thousands of new investors to the PRO Securities ATS. Given the digital preferred shares trade exclusively on the PRO Securities ATS, broker-dealers representing Overstock common shareholders will need to subscribe to the PRO Securities ATS in order to allow their clients to transact the dividend directly. As I mentioned on the recent Overstock earnings call, introducing more investors to the platform is a key priority and this announcement should serve as a catalyst for enhancing liquidity.

- 3. August 6:** Obtained an additional technology patent enabling traditional trading systems to be anchored into public blockchains. This is yet another strong defensive patent for the ecosystem we are developing and synergistic with the patent we were awarded earlier in the year.

- 4. August 12:** Permitted non-accredited investors to begin trading tZERO security tokens through the PRO Securities ATS.

All investors that create an account at Dinosaur Financial are now permitted to trade the tZERO security token. Since this announcement, we have seen a notable increase in volume of investors onboarding to trade on the PRO Securities ATS through Dinosaur Financial, and we anticipate that trend to continue, particularly as we introduce additional broker-dealers.

- 5. August 20:** Added Ravencoin as our third cryptocurrency on the tZERO Crypto app.

- 6. August 29:** Launched technology that allows for Dinosaur Financial customers to fund their brokerage accounts through ACH, expanding from just wire deposits.

This should improve practicality for investors using the platform, resulting in an increase in investor deposits, and ultimately liquidity on the PRO Securities ATS.

- 7. July - August:** Filed for eight additional technology patents.

We believe our growing portfolio of intellectual property helps to differentiate tZERO and remains a key component to our long-term strategy of owning the security token ecosystem. As I look forward through the end of 2019 and into 2020, I expect our R&D to produce several more patent filings.

Overall, we are encouraged by our recent momentum and believe that we are well positioned to capitalize on some exciting opportunities ahead.

Our Current Priorities

Over the past twelve months we have made significant progress building out our end-to-end ecosystem. As a result of this progress, our primary focus has shifted from build, to growth and adoption.

To accomplish this, we are currently focused on four key areas.

1. Onboarding Quality Issuers

The foremost priority is to bring high-quality security tokens to the PRO Securities ATS. Brooke Navarro, who was recently appointed as Head of Business Development, is spearheading this effort and has laid out a robust pipeline of potential issuers. Expect the announcement of new assets in the coming months.

We believe onboarding new issuers will result in increased investor interest and liquidity, which is our second priority.

2. Improving Liquidity on the PRO Securities ATS

In addition to onboarding more security tokens, another strategy for increasing liquidity is to subscribe additional broker-dealers to the PRO Securities ATS. We are leveraging our relationships with approximately 140 broker-dealers through our Speedroute subsidiary.

Given the broad ownership of Overstock common shares, we anticipate increased adoption of our platform from broker-dealers interested in allowing their clients to participate in the trading of the OSTKO digital preferred shares.

In addition to onboarding third-party broker dealers, one of our wholly-owned subsidiaries has also filed the new member application to operate as a retail broker-dealer. This subsidiary recently submitted responses to FINRA's questions regarding its application and is awaiting the next steps.

3. Enhancing & Scaling Our Security Lending Solution

By leveraging our blockchain technology, our digital locator receipt (DLR) product provides clear and accurate insights into pricing and inventory, which reduces costs associated with the opaque systems that exist today. We recently completed the market data feed portion of this product, which aggregates supply of hard-to-borrow inventory from multiple sources. The next phase is for us to integrate this technology into our order management system, which allows short sellers on the demand side to introduce bids and receive locates on hard to borrow. We anticipate that this new product will launch next month.

4. Launching the First Regulated National Security Token Exchange with BOX Digital Markets

Lastly, we continue to work with our partners at BOX Digital Markets on launching the first regulated national security token exchange through our joint venture, the Boston Security Token Exchange (BSTX). We will continue to update you as this progresses. We are currently aiming for an early 2020 launch.

While it has been a busy summer, I am encouraged by the consistent progress we have made deploying our technology, forming new partnerships and expanding our patent portfolio. We are excited about the opportunity ahead and will continue to keep you informed as we execute our vision of revolutionizing capital markets.

Thank you for your continued support.

Respectfully,

Saum Noursalehi
CEO, tZERO

P.S. For the latest updates on tZERO follow my Twitter account, [@Noursalehi](#), as well as the tZERO Twitter account, [@tzeroblockchain](#).

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.

As of the date of this press release, tZERO has not authorized peer to peer transfers of the tZERO security tokens. tZERO security token holders may resell their tZERO security tokens on the PRO Securities' SEC Registered 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. In order to comply with and manage our obligations under applicable laws and regulations and ensure the security and functionality of the tZERO security tokens, tZERO may, at any time, prohibit tZERO security token holders from transferring tZERO security tokens from Dino brokerage accounts to personal wallets. When such a prohibition is in effect, tZERO may permit such transfers only in extraordinary circumstances and subject to any and all conditions that tZERO may determine.

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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,

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[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/>.

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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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