

tZERO CEO Saum Noursalehi Provides Update on Company Progress

July 29, 2020

NEW YORK--(BUSINESS WIRE)--Jul. 29, 2020-- [tZERO](#), a leader in financial innovation and liquidity for private companies, released today the following letter to investors from CEO Saum Noursalehi.

Dear Investors,

It has been an exciting few months for tZERO. We have a platform that enables average investors to trade shares of private companies as easily and efficiently as they trade shares of Apple. The value of our ecosystem is becoming increasingly relevant as companies remain private longer, while their investors have limited options for secondary liquidity.

Today, there are half as many public companies as there were in the late nineties (~8,000 vs ~4,000 today) and more of the value creation has shifted to the private stage of a company's lifecycle. Furthermore, the multiples that companies today are achieving post-IPO are often a fraction of what was achieved from Series A through IPO. Unfortunately, average investors generally do not have access to these private assets. Moreover, secondary transfers for these securities, if they happen at all, largely occur through slow, expensive, and opaque private transactions.

The opportunity for an organized and automated marketplace is growing, yet no one has managed to fully capitalize on this opportunity. tZERO ATS is already transacting hundreds of thousands of shares per month and growing rapidly. While this volume may be a fraction of what is transacted in the traditional world, it is a major and positive trend in our growing ecosystem. This platform allows retail investors the ability to invest in these exclusive assets and offers issuers the opportunity to provide valuable liquidity to their existing shareholders. We believe tZERO is the solution to democratize access to private markets.

It is still the early days, but tZERO now accounts for approximately 95% of security token trade volume and 80% of total token dollar value. The OSTKO dividend created a significant increase in our volume, and July will be our strongest month to date.

With the heavy build phase of development behind us, and as part of our preparation for an external capital raise, we have significantly reduced our expenses. Our run-rate on cash burn is down almost 45% year-over-year. In addition to reducing headcount and legal costs, several leaders accepted cash salary reductions and received additional equity compensation. I personally reduced my salary by 60%. Our board members are also now only compensated with equity. This underscores just how much I, and others, believe in our mission.

Recent Accomplishments

I am pleased to report, we continue to execute against our strategic roadmap. Below is a list of some of our recent wins.

1. **July 22:** Signed agreement with Aspen Digital to trade St. Regis Aspen token.
2. **June 30:** Delivered record ATS volume and crypto user growth in the second quarter.
3. **June 29:** Added charts on the iOS app (coming soon to Android).
4. **June 8:** Named 'Best Blockchain Solution of the Year' by *FTF News*.
5. **May 28:** Announced two new broker-dealers are live and trading.
6. **May 19:** Successfully distributed Overstock's digital dividend (OSTKO).
7. **April 21:** GoldenSand Capital completed its tZERO equity investment.
8. **April 16:** SpeedRoute had record monthly trading volume for U.S. equity markets.
9. **April 14:** Added support for Tezos to our digital securities protocol.

Overall, we are encouraged by our momentum and believe that we are well-positioned to execute both our short and long-term growth strategies.

Product Roadmap

While we recently achieved several key milestones, our overarching priorities remain. These include adding more assets, increasing liquidity on the ATS, and improving the investor experience. I have highlighted some of our key objectives across these priorities, below.

1. Assets
 - a. Trade the St. Regis Aspen token.
 - b. Integrate third-party issuance/transfer agent platforms.

- c. Trade new issuers (existing assets, new offerings) on the ATS.
- 2. Liquidity
 - a. Launch tZERO Markets on our website (pending regulatory approval).
 - b. Develop a multi-clearing solution.
 - c. Integrate more broker-dealers.
 - d. Offer 24/7 order entry.
 - 3. Experience
 - a. Streamline tZERO Markets onboarding (pending regulatory approval).
 - b. Provide the user experience to trade all digital assets.

I am confident that we can execute most, if not all, of these initiatives by year-end.

Our foremost priority is to tokenize and trade high-quality securities across a variety of industries, the biggest opportunity being real estate and pre-IPO companies. Initially, we focused on companies and assets that were looking to raise capital and later trade on our platform. While we continue to believe this category of issuers provides a significant opportunity, the time from signing a deal to trading is lengthy, as we are reliant on the successful conclusion of the capital raise before we can trade the asset. Thus, we have shifted our focus to two categories. The first is existing digital securities. There are over 200 companies and/or assets that have been tokenized to-date. Many of these assets do not meet the criteria for our platform, either in size, quality, or both. There are some, however, that tZERO ATS may be interested in trading, and the business development team has had positive engagement with these issuers.

The second category of issuers we are focused on is private companies, particularly those with a large number of investors, and other illiquid assets, such as commercial real estate. This represents the largest category of potential issuers as there are not many liquidity solutions available to these types of assets today. Our competitors in the pre-IPO liquidity space tend to exclusively service unicorn-type companies. Furthermore, they do not offer a live trading platform for their assets. For example, purchasing equity in a company often requires a middleman to facilitate the transaction and a minimum investment of \$100,000, which can take months to close. Effectively, it is like buying/selling a home, which is an inefficient and costly process. Our platform, on the other hand, allows investors to trade shares of private companies in a streamlined experience. There are no minimums and, in most cases, non-accredited investors may also participate in investments. This is where we intend to focus the bulk of our business development efforts. Also, given there is no capital raise associated with this cohort, the variables that can impact success and timing are significantly reduced, and often an asset can be live and trading in a matter of weeks from signing.

I am also pleased to note, we recently hired a key player to help our efforts on the issuance front. Michael Gavisier, a seasoned capital markets veteran, recently joined the tZERO team. He will focus on strategy and business development. Michael spent time in various senior capital markets roles, including Managing Director at Navab Capital Partners, KKR, and AllianceBernstein. I am excited to have Michael join the tZERO team and look forward to him helping advance our company mission.

Lastly, we continue to work with FINRA and the SEC on the approval of our retail broker-dealer, tZERO Markets. This month, we conducted a product demonstration with FINRA, and we believe we are at the tail-end of the process. We anticipate a decision this quarter and are working on completing the development work to launch on our website once we receive approval.

All in all, it has been a productive year thus far. I am encouraged by our recent progress, and I believe we are approaching an inflection point in the business. With the bulk of the development phase behind us and regulatory approvals soon to be behind us, we are focused on commercializing the business. We still have a lot of work ahead, however, I am more confident than ever that we are positioned to succeed, and I look forward to keeping you abreast of our journey.

Respectfully,

Saum Noursalehi
CEO, tZERO

Investor Notice

Investors should note that trading digital 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 digital security could mean lack of diversification and, consequently, higher risk.

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 the 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.

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 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 www.finra.org. Digital securities that trade on tZERO ATS are conventional uncertificated securities. Ownership of such securities is reflected on the traditional books and records of regulated market participants. The terms "digital" and "digital security" 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 SpeedRoute

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

View source version on [businesswire.com](https://www.businesswire.com/news/home/20200729005299/en/): <https://www.businesswire.com/news/home/20200729005299/en/>

Investors:

Michael Mougias, +1-347-293-1248

mmougias@tzero.com

Media:

Alexandra Sotiropoulos, +1-347-293-1416

asotiropoulos@tzero.com

Source: tZERO