

Confidential Private Placement Offering Memorandum
Initially Dated December 18, 2017,
as Amended, Supplemented and Restated as of March 1, 2018

**THIS DOCUMENT INCLUDES IMPORTANT INFORMATION THAT REPLACES,
AND IS IN ADDITION TO, THE INFORMATION PREVIOUSLY AVAILABLE TO
YOU – YOU SHOULD READ THIS DOCUMENT CAREFULLY**

**THE OFFERING PERIOD OF THE PRIVATE PLACEMENT WILL EXPIRE ON THE EARLIER TO
OCCUR OF: (I) THE DATE ON WHICH THE MAXIMUM PLACEMENT AMOUNT HAS BEEN
SUBSCRIBED FOR AND ACCEPTED BY THE COMPANY AND A FINAL CLOSING WITH RESPECT TO
SUCH APPLICABLE SAFEs HAS BEEN CONSUMMATED OR (II) MAY 14, 2018, UNLESS EXTENDED OR
EARLIER TERMINATED, IN EACH CASE, IN THE SOLE DISCRETION OF THE COMPANY (SUCH
DATE, AS THE SAME MAY BE EXTENDED OR EARLIER TERMINATED, THE “EXPIRATION DATE”).
ALL TERMS NOT DEFINED IN THIS PARAGRAPH HAVE THE MEANING GIVEN TO THEM BELOW.**

**WITHDRAWAL RIGHTS: INVESTORS THAT HAVE EXECUTED A SAFE ON OR PRIOR TO THE
DATE OF THIS OFFERING MEMORANDUM (MARCH 1, 2018) MAY RESCIND THEIR SAFE AND
RECEIVE A REFUND OF THEIR INVESTMENT. SEE “WITHDRAWAL RIGHTS” FOR FURTHER
DETAILS.**

t0.COM, INC.



**USD \$250,000,000
tZERO Preferred Equity Tokens
to be acquired pursuant to
Simple Agreements for Future Equity**

t0.com, Inc. (the “**Company**” or “**tZERO**”) previously prepared a Confidential Private Placement Offering Memorandum, initially dated December 18, 2017 (the “**Initial OM**”), which was supplemented on January 27, 2018 (the “**First Supplement**” and, together with the Initial OM, the “**Initial Offering Materials**”). This Amended, Supplemented and Restated Confidential Private Placement Offering Memorandum (as it may be amended or supplemented from time to time, this “**Memorandum**”) has been prepared by tZERO to supersede and replace the Initial Offering Materials in their entirety. To the extent there is any inconsistency between (a) any statement in the Initial Offering Materials and (b) any statement in this Memorandum, the statements in this Memorandum will prevail. You should rely only on this Memorandum and not on the Initial Offering Materials.

This Memorandum has been prepared by tZERO for use by certain qualified potential purchasers to whom the Company is offering (the “**Offering**”) the opportunity to purchase the right to acquire, if issued by the Company in the future, tZERO Preferred Equity Tokens, par value USD \$0.01 (the “**Tokens**”), that the Company will use its commercially reasonable efforts to develop and issue. The foregoing right to acquire Tokens, if issued by the Company in the future, will be embodied in, and documented by, a Simple Agreement for Future Equity with respect to the Tokens (as may be amended, restated and/or otherwise modified from time to time, a “**SAFE**” and, together with the Tokens, the “**Securities**”) to be entered into between the Company and qualified purchasers purchasing such Securities in the Offering. The Company expects to enter into SAFEs on an ongoing basis until on or about May 14, 2018 (as the same may be extended or earlier terminated, the “**Expiration Date**”). If the Tokens are initially issued by the Company in the future, the date of such issuance, if any, is referred to as the “**Token Issuance Date**.” The Company may issue up to \$250 million of Tokens, subject to increase as described in this Memorandum. As of the ~~close of business on February 27, 2018 (the most recent practicable date for which information is available)~~ date of this Memorandum, the Company has entered into executed SAFEs with approximately [1,075] purchases for approximately \$[410.4]112.5 million of Tokens, of which \$[95.6]99.2 million has been funded by the respective purchasers.

There can be no assurance that tZERO will ever issue the Tokens. If Tokens are not issued, purchasers in the Offering will not receive any refund or return of their investment. If Tokens are issued, investors may never receive any

t0.COM, INC.
SIMPLE AGREEMENT FOR FUTURE EQUITY
tZERO PREFERRED EQUITY TOKENS

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IMPORTANT INFORMATION FOR POTENTIAL PURCHASERS

This Memorandum is directed only to qualified potential purchasers to whom it is made available or delivered by, or on behalf of, the Company, and it has been prepared solely for use by prospective purchasers of the Securities. Any reproduction or distribution of this Memorandum, in whole or in part, or the disclosure of its contents, without the prior written consent of the Company, is prohibited. By accepting this Memorandum you agree to use this Memorandum and its contents solely in connection with your evaluation of a potential investment in the Securities. Any other use of this Memorandum is prohibited.

To purchase Securities, each participating qualified purchaser is required to execute their own SAFE. This Memorandum contains a summary of the material terms of the Securities. However, the summary of the Securities in this Memorandum does not purport to be complete and is subject to and qualified in its entirety by reference (i) in the case of the SAFE, to the actual text of the SAFE to be executed by each qualified purchaser, substantially in the form attached as Annex A hereto, and (ii) in the case of the Tokens, to the terms of a Certificate of Designation that will be filed with the Delaware Secretary of State as part of the Company's Certificate of Incorporation (the "***Certificate of Designation***"), the material terms and conditions of which are summarized in Annex B attached hereto (the "***Token Terms and Conditions***"). The Certificate of Designation and the Token Terms and Conditions will be posted on the Company's website and available upon request from the Company at no cost. If any of the provisions of the Securities are inconsistent with or contrary to the descriptions or terms in this Memorandum, the terms of the SAFE or the Certificate of Designation (as summarized in the Token Terms and Conditions), as applicable, will control. Furthermore, certain material rights described in the Token Terms and Conditions, such as the dividends which may be declared with respect to the Tokens, are subject to the sole discretion of tZERO's board of directors (the "***Board***"), in each case without the consent of holders of the Tokens.

The Company reserves the right in its sole discretion to reject any commitment in whole or in part by not executing a SAFE. In the event that the Offering is terminated or withdrawn, all funds received in connection with the Offering will be promptly returned to the respective potential purchasers according to the payment procedures contained in Annex C attached hereto. Prior to the Expiration Date, the Company reserves the right to modify the terms of the Offering and the Securities described in this Memorandum in its sole discretion. If the Company amends the terms of the Offering in any material respect, it will provide potential purchasers that have previously funded their commitment at least 3 business days to withdraw from the Offering. Upon any such withdrawal by a purchaser, such withdrawing purchaser's SAFE will terminate and all funds received in connection with the Offering from such purchaser will be promptly returned to such purchaser without interest. Such refund will be paid in the same currency and in the same amount, without interest, as paid by such Purchaser in accordance with the procedures contained in Annex C attached hereto. For example, an investor who funded 100 Bitcoin will be refunded 100 Bitcoin.

The issuance of the Tokens, if any, will be exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(9) of the Securities Act or another available exemption. Upon consummation of such exchange, each applicable SAFE will immediately terminate in accordance with its terms.

The Company will not be registered as an investment company under the United States Investment Company Act of 1940, as amended (the "***Investment Company Act***"). Consequently, purchasers are advised that they will not be afforded any of the protections of the Investment Company Act. See "Risk Factors—The Company is subject to the risk of possibly becoming an investment company under the Investment Company Act."

THIS OFFERING IS LIMITED SOLELY TO ACCREDITED INVESTORS (AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT) AND IN OFFSHORE TRANSACTIONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) TO NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) WHO ARE NOT PURCHASING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON. ONLY PERSONS OF ADEQUATE FINANCIAL MEANS WHO HAVE NO NEED FOR LIQUIDITY WITH RESPECT TO THIS INVESTMENT SHOULD CONSIDER PURCHASING THE TOKENS OFFERED HEREBY PURSUANT TO A SAFE BECAUSE: (I) AN INVESTMENT IN THE SECURITIES INVOLVES A NUMBER OF SIGNIFICANT RISKS (SEE “RISK FACTORS”); (II) THE TOKENS MAY NEVER BE ISSUED AND (III) NO MARKET FOR THE TOKENS EXISTS, AND A MARKET FOR THE TOKENS MAY NEVER DEVELOP.

COMPANY OVERVIEW

Overview of t0.com, Inc.

The Company is a financial technology company focused on the development and commercialization of financial applications of cryptographically-secured, decentralized ledgers—often referred to as distributed ledger or blockchain technologies.

On December 1, 2014, Medici Inc. (“*Medici*”) was incorporated in the State of Utah, as a wholly owned subsidiary of Overstock.com (“*Overstock*”), to focus on the development of the commercial application of blockchain and financial technology. Pursuant to an agreement dated November 21, 2014, on July 16, 2015, Overstock transferred 24.9% of its shares of Medici to a third-party. On August 26, 2015, the third-party transferred 5.9% of the shares back to Overstock and redistributed some of its shares to 27 individual or entity shareholders. On October 21, 2016, Medici formally changed its name to t0.com, Inc. On February 3, 2017, Overstock transferred its 81.0% ownership of t0.com, Inc. to its wholly owned subsidiary, Medici Ventures, Inc. ([“*Medici Ventures*”](#)). In January 2018, tZERO issued approximately 200 restricted stock units, which vested immediately, to certain employees and officers of the Company.

As of the date of this Memorandum, Overstock indirectly owns 80.1% of t0.com, Inc. and the remaining 19.9% of t0.com, Inc. is held by 31 other individual or entity shareholders many of whom are employees or former employees of the Company.

Non-Blockchain Services

The Company owns two registered broker dealers, SpeedRoute, LLC (“*SpeedRoute*”) and PRO Securities, L.L.C. (“*PRO Securities*”), which the Company acquired in the first fiscal quarter of 2016 in connection with its acquisition of certain assets of Cirrus Technologies, LLC (“*Cirrus Technologies*”) during the third fiscal quarter of 2015.

SpeedRoute is an electronic, agency-only Financial Industry Regulatory Authority, Inc. (“*FINRA*”)-registered broker dealer that provides connectivity for its customers to U.S. equity exchanges as well as off-exchange sources of liquidity such as dark pools. All of SpeedRoute’s customers are registered broker dealers. SpeedRoute does not hold, own or sell securities.

PRO Securities is a FINRA-registered broker dealer that owns and operates the PRO Securities alternative trading system (the “*PRO Securities ATS*”), which has filed a Form ATS with the Securities and Exchange Commission (“*SEC*”) notifying the SEC of its activities as an alternative trading system, or ATS. An ATS is exempted from the definition of an “exchange” under Section 3(a)(1) of the Securities

Exchange Act of 1934, as amended (the “*Exchange Act*”), if it complies with Regulation ATS, which includes, among other things, the requirement to register as a broker-dealer and file a Form ATS with the SEC to provide notice of the ATS’s operations. Although Section 3(a)(1) provides the definition of an exchange, Exchange Act Rule 3b-16(a) provides a functional test to assess whether a trading system meets this definition—an entity or organization that (1) brings together the orders for securities of multiple buyers and sellers; and (2) uses established, non-discretionary methods (whether by providing a trading facility or by setting rules) under which such orders interact with each other, and the buyers and sellers entering such orders agree to the terms of the trade. A system that meets the criteria of Rule 3b-16(a), and is not excluded under Rule 3b-16(b), must register as a national securities exchange pursuant to Sections 5 and 6 of the Exchange Act or operate pursuant to an appropriate exemption. A frequently used exemption, which is relied upon by the PRO Securities ATS, is the exemption in Rule 3a1-1(a)(2) that exempts an ATS that complies with Regulation ATS. As a result, provided that it complies with the requirements of Regulation ATS, the PRO Securities ATS is not subject to the registration requirement of Section 5 of the Exchange Act. The PRO Securities ATS is a closed system available only to its broker dealer subscribers. PRO Securities does not accept orders from non-broker dealers, nor does it hold, own or sell securities.

tZERO recently purchased 65.8% of the membership units of ES Capital Advisors, LLC (“*ES Capital*”), a registered investment advisor under the Investment Advisers Act of 1940, as amended. See “— Recent Developments – ES Capital Investment.” tZERO operates the ES Capital business under the name tZERO Advisors and offers automated investment advisory services through the Overstock.com website’s FinanceHub.

Blockchain Services

In connection with Overstock’s 2016 SEC-registered offering of Blockchain Voting Series A Preferred Stock (the “*Overstock Digital Securities*”), the Company developed a suite of software and technologies referred to as the tZERO Issuance and Trading Platform (the “*Existing tZERO Software Platform*”). The Overstock Digital Securities trade exclusively on the PRO Securities ATS, which utilizes the Existing tZERO Software Platform. While the offering of the Overstock Digital Securities served as a milestone for the issuance and trading of digital securities in a manner that utilized blockchain technology, the application of the Existing tZERO Software Platform to trading of Overstock Digital Securities is subject to limitations—for example, (i) only U.S. investors are permitted to transact on the PRO Securities ATS and (ii) all holders of Overstock Digital Securities are required to open an account with, and access the PRO Securities ATS through, a single U.S. broker-dealer.

tZERO anticipates that its first commercially available blockchain-based product will be “digital locate receipt” software (the “*DLR Software*”). The DLR Software is currently in customer production testing, which is being conducted by ~~a third party broker-dealer~~StockCross (as defined below, under “Siebert Financial Transactions”), and tZERO has not yet entered into any commercial licenses with any licensees. The DLR Software is intended to help broker-dealer licensees with stock inventory to both load and manage their inventory in order to assist short sellers of public securities in establishing that they have located available shares in the U.S. public securities market prior to effecting short sales. The DLR Software is intended to enable licensees to create a blockchain-based record of the shares that the licensee has made available for “locates” using customizable DLR Software functionality and of the daily purchases of the right to “locate” specifically identified shares for purposes of compliance with regulatory requirements. The Company may not successfully develop, launch, market or sell its DLR Software. See “Risk Factors—The Company may not successfully develop, launch, market or sell its digital locate receipt software.”

To date, tZERO has focused on developing its non-blockchain and blockchain businesses and exploring opportunities for novel applications of blockchain technology. As a result of its early stage of development, tZERO has not yet generated revenue from any commercially available blockchain-based applications. Nevertheless, the Company has been at the forefront of the effort to bring greater efficiency and transparency to capital markets through the integration of blockchain technology.

Recent Developments

White Paper

On January 27, 2018, the Company issued a White Paper (the “*White Paper*”) describing its history, business goals and certain aspects of the Tokens. The White Paper, which is available through the link provided in Annex E of this Memorandum, is incorporated by reference into, and made a part of, this Memorandum.

Engagement of Placement Agents, Consultants and Other Entities

In connection with the Offering, the Company has engaged several entities to facilitate the placement of the Securities and/or to provide consulting and advisory services, including:

- Americas Executions, LLC (“*AmerX*”), which is a registered broker-dealer, is acting as a placement agent and performing other services for the Company in connection with the Offering and will be paid customary fees based upon the aggregate size of the Offering in connection with such engagement;
- Fusion Analytics Securities, LLC (“*Fusion*”), which is a registered broker-dealer, is acting as a placement agent in the Offering on a best efforts basis and will be paid customary fees in connection with any consummated transactions pursuant to such engagement. Peter Getz, an employee of Fusion, is also the CEO of PLG Consulting, LLC (“*PLG Consulting*”), which provided advice to ES Capital in connection with tZERO’s investment in ES Capital and participated in such transaction;
- Chardan Capital Markets, LLC (“*Chardan*”), which is a registered broker-dealer, is acting as a placement agent in connection with the Tokens and will be paid customary fees in connection with any consummated transactions pursuant to such engagement. The Company and Chardan have amended and restated Chardan’s engagement letter to clarify that Chardan’s role is limited to acting as placement agent, as described in the immediately preceding sentence, and to eliminate any references to Special Purpose Acquisition Vehicle transactions; and
- Each of Alchemist Group LLC d/b/a Alchemist (“*Alchemist*”), Liquid Digital Holdings LLC (f/k/a Hyperion Holdings VII, LLC) (“*Liquid Digital*”), Distributed Network Advisors LLC (“*DNA*”), Delta Strategy Group (“*Delta*”), SAFTLaunch, LLC (“*SAFTLaunch*”) and StartEngine Crowdfunding, Inc. (“*StartEngine*”) are acting as advisors and/or service providers to tZERO in connection with multiple aspects of the Offering. In addition, the Company has engaged various marketing and other service providers in connection with the Offering. These parties will receive customary fees in connection with the provision of their respective services. In connection with Alchemist’s services, Steven Nerayoff and Jeff Pulver are serving as members of the tZERO Advisory Board and, in connection with DNA’s services, Brock Pierce is serving as a member of the tZERO Advisory Board. See “—Appointment of Advisory Board.”

- In the aggregate, tZERO expects that approximately **XXX2.3** million Tokens (“**Compensatory Tokens**”) will be issued as compensation for advisory and other services, including as compensation to certain of the consultants and advisors identified above, to members of the tZERO Advisory Board, and as consideration for marketing, entertainment and/or other fees and expenses incurred in connection with the Offering. The Company will not generate more than 59 million Tokens in the aggregate, inclusive of tokens issued to investors pursuant to SAFEs funded by such investors with cash and/or cryptocurrency in accordance with the terms of this Memorandum (“**Purchased Tokens**”), Compensatory Tokens and additional Tokens in an amount equal to 30% of Purchased Tokens to be authorized and unissued as of the Token Issuance Date (“**Reserve Tokens**”).

Siebert Financial Transactions

On January 31, 2018, the Company entered into a Common Stock Purchase Agreement by and among the Company, certain holders of common stock of Siebert Financial Corp. (“**Siebert**”) and StockCross Financial Services, Inc. (“**StockCross**”), an affiliate of Siebert, pursuant to which the Company received 1,476,600 shares of StockCross common stock, or 24% of the total outstanding shares, and 1,217,295 shares of Siebert common stock, or 4.5% of the total outstanding shares, for an aggregate purchase price of \$12,000,000. On the same day, the Company entered into a Securities Purchase Agreement with Kennedy Cabot Acquisition (“**Kennedy**”), the majority shareholder of Siebert, pursuant to which the Company received 100 member units of Kennedy, or 1% of the total outstanding member units, and 70,000 shares of Siebert common stock, or 0.3% of the total outstanding shares, for an aggregate purchase price of \$1,000,000. Siebert is a public holding company that, among other things, conducts a retail discount brokerage business through its wholly-owned subsidiary, Muriel Siebert & Co., Inc. (“**Muriel Siebert & Co.**”).

On February 16, 2018, Siebert distributed an additional 90,000 shares to tZERO. Following this distribution, tZERO holds approximately 5.1 % of the total outstanding shares of Siebert common stock.

In conjunction with the above agreements, the Company also signed a Financial Services Advertising Agreement by and among the Company, SpeedRoute and Muriel Siebert & Co. to offer discounted online trading of U.S. equities to customers accessing Muriel Siebert & Co. through the Overstock.com website’s FinanceHub.

ES Capital Investment

Pursuant to a purchase agreement dated as of December 20, 2017, the Company purchased 51% of the membership units of ES Capital Advisors, LLC, (“**ES Capital**”), a registered investment advisor under the Investment Advisers Act of 1940, for an aggregate purchase price of \$180,000. The Company is also obligated to satisfy certain payment obligations of ES Capital totaling \$50,000, which will be paid in monthly installments through March 1, 2018.

PLG Consulting provided financial advice to ES Capital in connection with tZERO’s initial investment in ES Capital. Peter L. Getz, the founder and CEO of PLG Consulting, LLC, is also an employee of Fusion and has provided advisory services to tZERO in connection with the Offering. Mr. Getz will also serve as a director on the board of directors of ES Capital.

On January 31, 2018, tZERO entered into a stock purchase agreement by and among the Company, David J. Morton (“**Morton**”) and PLG Consulting pursuant to which the Company purchased 2,250 membership units of ES Capital from each of PLG Consulting and Morton, who serves as the manager of ES Capital, for an aggregate purchase price of approximately \$3.0 million (the “**Additional**

Purchase"). Following the Additional Purchase, tZERO beneficially owns approximately 65.8% of the membership units of ES Capital.

In connection with the Additional Purchase, ES Capital adopted the Second Amended and Restated Operating Agreement of ES Capital (the "**Operating Agreement**"). Pursuant to the Operating Agreement, ES Capital is managed and controlled by a manager, provided that certain key actions ("**Fundamental Actions**") require the written consent of at least a majority of the aggregate outstanding membership units of ES Capital. Fundamental Actions include amendments to certain provisions of the Operating Agreement, certain actions that would result in the liquidation or dissolution of ES Capital, the making of material changes to the nature of ES Capital's business, the conversion to a corporation and capital expenditures in excess of \$250,000. The manager of ES Capital may be removed, and a new manager elected, in each case by a vote of at least a majority of the aggregate membership units of ES Capital. The initial manager of ES Capital is Morton. tZERO's membership interests in ES Capital are subject to drag-along rights in connection with certain strategic transactions approved by the manager.

tZERO operates the ES Capital business under the name tZERO Advisors and offers automated investment advisory services through the Overstock.com website's FinanceHub.

Verify Investor Investment

Pursuant to a purchase agreement by and among the Company, Verify Investor, LLC and Jor L. Law, as representative of the several sellers of membership interests in Verify Investor, LLC, dated February 12, 2018, the Company purchased 81.0% of Verify Investor, LLC, an accredited investor verification company, for \$12.0 million in cash.

WPS Prime Letter of Intent

On ~~January 29~~February 6, 2018, the Company entered into a Letter of Intent (the "**WPS LOI**") with Weeden Prime Services, LLC ("**WPS**"), a U.S. registered broker-dealer. The WPS LOI contemplates that the Company will acquire 51% of the outstanding membership interests of WPS for \$11.0 million in cash with a subsequent purchase, prior to the first anniversary of the initial purchase, of an additional 30% of the aggregate membership interests of WPS for an additional \$7.0 million in cash. Following the subsequent purchase, the Company will own 81% of the then-outstanding membership units of WPS. The WPS LOI contemplates that the existing members of WPS shall retain certain minority investor rights, including with respect to representation on the board of managers of WPS (proportionate to ownership) and customary drag-along and tag-along rights and anti-dilution protections. The WPS LOI also contemplates that at any time following the first anniversary of the second closing, the Company may, with 60-days' written notice, acquire all (but not less than all) of the outstanding membership units of WPS not then owned by the Company at fair market value. The Company expects the transaction to close during third quarter of 2018, subject to the execution of definitive documentation, any applicable regulatory approvals and customary closing conditions.

Other Potential Investments

The Company continues to identify, evaluate and pursue various opportunities for strategic investments or acquisitions to add to the services and expertise it offers its customers. Any such transaction that, due to its size (*i.e.*, in excess of \$10.0 million), importance to tZERO's business, operations or financial condition, or increasing impendency, is or becomes material in nature will be disclosed to investors by a press release, a further supplement to this Memorandum or by other available means of notifying purchasers in accordance with applicable law. tZERO's management exercises substantial discretion in identifying appropriate strategic transactions and negotiating the terms of such

transaction. Management's determinations are based on numerous financial, strategic and operational assumptions, and there can be no assurance that such assumptions will prove to be true. Moreover, such strategic transactions may fail to produce the benefits expected at the time of tZERO's investment.

The transactions described under the caption "Siebert Financial Transactions," "ES Capital Investment," "Verify Investor Investment," "WPS Prime Letter of Intent" and "Other Potential Investments," are referred to collectively as the "**Equity Investments**".

Conversion to Delaware Corporation

The Company expects to convert to a Delaware corporation prior to the Token Issuance Date, if any. Upon such a conversion, if any, the terms the "Company" and "tZERO" will refer, post conversion, to the Delaware corporation to which the Company converted. There can be no assurance that the conversion will occur, as anticipated. In the event that the conversion does not occur prior to the Token Issuance Date, all references to Delaware law in this Memorandum should be understood, instead, to refer to corresponding provisions under Utah law.

Appointment of Advisory Board⁴

tZERO has announced the appointment to its Advisory Board of several key advisors:

tZERO ADVISORY BOARD⁽¹⁾⁽²⁾		
<ul style="list-style-type: none">• Brock Pierce⁽³⁾• Lauren Selig⁽⁵⁾• Matt Roszak⁽⁵⁾• Matt Spoke⁽⁵⁾• <u>James Newsome⁽⁷⁾</u>	<ul style="list-style-type: none">• Anthony Di Iorio⁽⁴⁾• Steven Nerayoff⁽⁶⁾• Chance Barnett⁽⁵⁾• Jeff Pulver⁽⁶⁾	<ul style="list-style-type: none">• Peter Diamandis⁽⁵⁾• Gil Penchina⁽⁵⁾• Brian Kelly⁽⁵⁾• Moe Levin⁽⁵⁾

(1) Consideration paid to tZERO Advisory Board members will be included as "Compensatory Tokens." Members of the Advisory Board will hold Tokens on the same terms and conditions, and subject to the same limitations and restrictions, as other purchasers of Tokens. In connection with the provision of the advisory services for which compensation is being provided, members of the Advisory Board may engage in promotional activities with respect to the tZERO Tokens. Members of the Advisory Board are responsible for conducting such promotional activities in accordance with all applicable securities and other laws. In addition, certain members of the tZERO Advisory Board may from time to time be involved in projects or have investments in projects that compete with tZERO and/or the tZERO Token Trading System. In the aggregate, tZERO expects that approximately ~~XXX~~^{2.3} million Compensatory Tokens will be issued, including to members of the tZERO Advisory Board.

(2) John Burbank, who had previously been announced as a member of the tZERO Advisory Board, subsequently withdrew his agreement to participate on the tZERO Advisory Board as a result of a potential conflict of interest with another of Mr. Burbank's business ventures.

(3) Mr. Pierce is an officer of DNA and is serving as a member of the Advisory Board in connection with tZERO's engagement of DNA as an advisor in connection with the Offering. A portion of DNA's fees will be paid in the form of Tokens on the Token Issuance Date.

⁴NTD: Confirm Agreements in place with all advisors. If any advisors have not yet signed an agreement, to add: Although [NAME] has preliminarily indicated that [he][she] intends to join the tZERO Advisory Board, we have not yet entered into a binding agreement with [NAME] for this purpose.

(4) As consideration for participation on the tZERO Advisory Board, Mr. Di Iorio will receive 50,000 Tokens on the Token Issuance Date. Although Mr. Di Iorio has preliminarily indicated that he intends to join the tZERO Advisory Board, we have not yet entered into a binding agreement with Mr. Di Iorio for this purpose and can provide no assurance that he will be a part of the Advisory Board

(5) As consideration for participation on the tZERO Advisory Board, Ms. Selig will receive 24,000 Tokens on the Token Issuance Date, and each of Messrs. Diamandis, Penchina, Roszak, Barnett, Kelly, Spoke and Levin will receive 10,000 Tokens on the Token Issuance Date. Although Messrs. Roszak, Barnett and Levin have preliminarily indicated that they intends to join the tZERO Advisory Board, we have not yet entered into a binding agreement with these individuals for this purpose and can provide no assurance that they will be a part of the Advisory Board.

(6) Messrs. Nerayoff and Pulver are officers of Alchemist and are serving as members of the Advisory Board in connection with tZERO's engagement of Alchemist as an advisor in connection with the Offering. A portion of Alchemist's fees will be paid in the form of Tokens on the Token Issuance Date.

(7) Mr. Newsome is an officer of Delta and is serving as a member of the Advisory Board in connection with tZERO's engagement of Delta as an advisor in connection with the Offering. A portion of Delta's fees will be paid in the form of Tokens on the Token Issuance Date.

Potential Acquisition of Tokens by Overstock

tZERO's parent company, Overstock, has stated publicly that it intends to purchase up to \$30.0 million of Tokens in the Offering. However, to date, Overstock has not yet executed a SAFE or otherwise committed to tZERO that it will purchase Tokens in the Offering or, if so, in what amount. If Overstock participates in the Offering, it will purchase Tokens at the \$10 per Token offering price and will be entitled to the same rights pursuant to its Tokens as third party holders. There can be no assurance that Overstock will purchase Tokens in the Offering or, if so, in what amount.

In addition, Overstock has also indicated that it may seek an arrangement with tZERO in which Overstock elects to receive Tokens in exchange for the cancellation of all or a portion of the Company's outstanding notes and accumulated interest owed to Overstock. For more information on the Company's outstanding obligations to Overstock, see Note 13 to the Company's unaudited consolidated financial statements contained in the Offering Memorandum. As of the date of this Memorandum, tZERO has approximately \$50.0 million of outstanding indebtedness owed to Overstock. If Overstock and tZERO agree to an issuance in exchange for the cancellation of debt, the Tokens issued in such an exchange would be issued at the \$10 per Token offering price, and Overstock will be entitled to the same rights pursuant to its Tokens as third party holders.

In the event that Overstock participates in the Offering, whether directly, through the cancellation of indebtedness or through a combination of direct investment and cancellation of indebtedness, the Tokens received by Overstock would be included as Purchased Tokens, which would reduce the amount of Tokens available for sale to third-party investors in the Offering.

ATS Joint Venture and WENN Digital Engagement

On September 27, 2017, tZERO announced a joint venture (JV) with RenGen LLC ("RenGen") and the Argon Group ("Argon") to launch an alternative trading system for the trading of tokens issued in ICOs. Subsequent to this announcement, the parties determined to no longer pursue the development of an alternative trading system. Although the parties are no longer pursuing the development of an alternative trading system, tZERO and RenGen are in the process of re-evaluating a potential JV project, including with respect to consultancy services that the Company and RenGen may decide to provide by means of the JV project. tZERO expects that the re-envisioned JV project, if implemented, will be implemented by the Company and RenGen.

On January 16, 2018, the Company announced its intent to provide advisory services to WENN Digital (“**WENN**”) in connection with its previously announced KodakCoin Security Token (the “**KodakCoin**”) offering which was initially expected to launch in the first quarter of 2018. To date, tZERO has not provided advisory services to WENN with respect to KodakCoin. tZERO expects that the advisory services contemplated in its agreement with WENN will focus on post-ICO matters. Consequently, tZERO has not contributed to, nor reviewed, the contents of the KodakCoin Offering Memorandum or White Paper. As previously announced, the Company’s letter of intent with WENN contemplated KodakCoin being the first third-party security token to launch on the Company’s Token Trading System, when it becomes operational. tZERO can provide no assurances regarding KodakCoin or the KodakCoin ICO.

The Planned Token Trading System

The Company currently intends to leverage its experience and expertise from developing and maintaining the Existing tZERO Software Platform to develop a trading platform that is capable of trading the Tokens and other tokens or coins that are determined to be securities for purposes of U.S. securities laws (the “**Token Trading System**”). The Company currently does not anticipate that the Existing tZERO Software Platform will be deployed in connection with the Tokens in the same manner as it is currently deployed by the PRO Securities ATS. As of the date of this Memorandum, the Company has not commenced the remains in the preliminary stages of development of such a securities Token Trading System. The Token Trading System may be developed as an additional functionality of the PRO Securities ATS, as a functionality of another U.S. alternative trading system or a U.S. exchange that tZERO operates or designates, as a functionality of a non-U.S. trading system or a non-U.S. exchange that tZERO operates or designates, or any other format wherever situated. The Token Trading System may never be developed and, even if it is developed, may, for a variety of technological, legal and regulatory reasons, never become operational. See “Risk Factors—Risks Related to the Development of the Token Trading System.”

Until the Token Trading System is available, or the Company in the future explicitly designates a digital token exchange on which holders of Tokens may transfer or resell their Tokens (such a designated exchange or the Token Trading System, referred to as a “**Designated Exchange**”), the Tokens will not be transferrable on any trading platform even if there are no legal restrictions on transfer. In addition, peer-to-peer transfers will not be permitted unless and until Token holders are notified otherwise by the Company and informed of the requirements and conditions to do so. See “Notice to Purchasers.”

There can be no assurance that any Designated Exchange will be chosen or created or that all Token holders will have access to a Designated Exchange or that peer-to-peer transfers will ever be permitted.

Initial Launch of the Securities

The Company has entered into SAFEs and expects to enter into additional SAFEs on an ongoing basis until on or about the Expiration Date. The Company is targeting a Token Issuance Date on the 90th day following the Expiration Date. However, there can be no assurance that the Tokens will be issued as of such date or at all.

The Token Trading System is not expected to have been developed by the Token Issuance Date and there can be no assurance that any peer-to-peer transfers will be available on the Token Issuance Date.

Potential Future Competitive Landscape

Initial coin offerings have, by some accounts, recently surpassed traditional early stage venture capital funding, and, as a result, have drawn a substantial amount of attention, including from U.S. regulators intensely focused on the securities law compliance of such offerings. There is a deep market need for legitimate venues to support security token offerings. While tZERO seeks to be a leader in this space and believes it is well-positioned to develop a Token Trading System, the size of the market opportunity will continue to attract potential competitors seeking to provide trading services for securities tokens. As the Company pursues the development of its proposed Token Trading System, the Company expects to face significant competition from both emerging financial technology companies and established market participants.

Prior SAFE and Token Sales

Prior to the Offering, the Company had not previously conducted an offering of SAFEs or Tokens.

Legal Proceedings

From time to time, the Company may be involved in legal proceedings. The results of such legal proceedings and claims cannot be predicted with certainty, and regardless of the outcome, legal proceedings could have an adverse impact on the Company's business or the development and production of the Tokens because of defense and settlement costs, diversion of resources and other factors.

SEC ~~Matters~~ Matter

In February 2018, the Division of Enforcement of the SEC informed the Company that it is conducting an investigation in the matter Re: Overstock.com, Inc. (NY-9777) and requested that the Company voluntarily provide certain documents related to the Offering and the Tokens in connection with its investigation. The Company is in the process of responding to this document request and will cooperate with the SEC in connection with its investigation.

While the SEC is trying to determine whether there have been any violations of the federal securities laws, the investigation does not mean that the SEC has concluded that anyone has violated the law. Also, the investigation does not mean that the SEC has a negative opinion of any person, entity, or security.

Broker-Dealer Matters

The Company's broker-dealer subsidiaries are, and any broker-dealer subsidiaries that it acquires or forms in the future will be, subject to extensive regulatory requirements under federal and state laws and regulations and self-regulatory organization ("SRO") rules. Each of SpeedRoute and PRO Securities is registered with the SEC as a broker-dealer under the Exchange Act and in the states in which it conducts securities business and is a member of FINRA ~~and other SROs~~. In addition, PRO Securities owns and operates the PRO Securities ATS, which has filed a Form ATS with the SEC notifying the SEC of its activities as an alternative trading system.

Each of SpeedRoute and PRO Securities is subject to regulation, examination and disciplinary action by the SEC, FINRA and state securities regulators, as well as other governmental authorities ~~and SROs~~ with which it is registered or licensed or of which it is a member. On February 22, 2018, the SEC's

New York Regional Office notified PRO Securities that it is conducting an examination of PRO Securities.

In the event that the Company is able to develop the Token Trading System, any failure by the broker-dealer subsidiary, if any, that operates the Token Trading System to comply with all applicable rules and regulations could have a material adverse effect on the Company and the Tokens.

The Company's subsidiaries have been, and remain involved in, ongoing discussions with regulatory authorities. While certain of the discussions have been relatively informal, the Company's broker-dealer subsidiaries have also received and responded to multiple inquiries from regulators, including FINRA and the SEC. Any failure by the Company's broker-dealer subsidiaries to satisfy their regulatory authorities that they are in compliance with all applicable rules and regulations could have a material adverse effect on the Company and the Tokens.

SpeedRoute continues to have discussions with FINRA about several matters, including a matter related to potential violations of FINRA rules relating to Order Audit Trail System reporting and trading practice matters and has received document requests from FINRA in connection with certain ongoing matters. SpeedRoute has received and responded to inquiries from FINRA and the SEC. In addition, in December 2017, SpeedRoute received a letter from FINRA stating that the Department of Enforcement at FINRA has received a referral from the staff of FINRA's Department of Market Regulation relating to rules applicable to supervision and required supervisory procedures for review of certain potential trading activity, such as pre-arranged trades or wash trades.

In an unrelated matter, each of SpeedRoute and PRO Securities have been named in a FINRA investigatory matter in which FINRA has conducted on the record interviews of two senior officers of ~~SpeedRoute and PRO Securities~~tZERO.

At this time, the Company is not aware of any proceedings against it which are expected to have a material adverse effect on its financial position, operations or ability to consummate the development and production of the Tokens.

Intellectual Property Matters

From time to time, the Company may be the target of patent infringement suits, typically brought by so-called non-practicing entities (commonly known as patent trolls). Although these suits must be taken seriously, and the Company intends to defend itself vigorously, suits involving non-practicing entities often involve non-material monetary settlements.

At this time, the Company is not aware of any patent infringement suits against it, or contemplated to be brought against it, which could have significant effects on its financial position.

Overview of Transfer Restrictions Included in this Memorandum

This Memorandum describes the legal and contractual transfer restrictions applicable to the Securities. Investors should carefully review this Memorandum, including the transfer restrictions described under "Notice to Purchasers" and "Annex B: Terms and Conditions of the tZERO Preferred Equity Token," which contain important information regarding the Securities. Investors should consult with their own legal and financial advisors regarding the transfer restrictions to which they will be bound. The below summary is intended to provide a summary overview of applicable transfer restrictions and are

company. The Company does not expect Rule 144 to ever be available for resales of the Tokens by Affiliates of the Company. As a result, Affiliates of the Company that acquire Tokens should expect to hold the Tokens indefinitely.

Form of Payment for SAFE

The purchase price of the SAFE will be designated in U.S. dollars. Payment will be accepted in U.S. dollars, Bitcoin or Ether. Payments in Bitcoin or Ether will be valued in U.S. dollars according to the payment procedures contained in Annex C attached hereto.

Sale Periods

During the period which commenced on December 18, 2017 and is expected to run through, and including, February 2728, 2018 (the “**Pre-Sale Period**”), the Company entered into SAFEs with select strategic purchasers identified by the Company.

During the period which is expected to commence on March 1, 2018 and to run through, and including, May 14, 2018 (the “**Subsequent Sale Period**”), the Company will enter into SAFEs with select purchasers identified by the Company.

The Subsequent Sale Period may be extended or shortened in the Company’s sole discretion. Any extension or shortening of the Subsequent Sale Period will be announced by press release, a supplement to this Memorandum or other available means of notifying purchasers.

No assurance can be given that each investor that wishes to participate in the Offering will be able to do so, or to do so at the level at which such investor desires. The Company reserves the right to reject any proposed investment in part or in its entirety in its sole discretion.

Consideration

Outside of the Pre-Sale Period, rights to acquire Tokens will be sold pursuant to a SAFE at a price of USD \$10.00 per Token to be acquired, subject to discounts which may be offered in the Company’s sole discretion.

During the Pre-Sale Period, purchasers entered into SAFEs providing rights to acquire Tokens at prices of \$5.00 per Token, \$6.67 per Token and \$8.00 per Token. Although the Company exercised discretion in extending discounts for certain strategic and selected investors, the following illustrative prices were applied:

- with respect to the first USD \$9,999,999 raised, rights to acquire Tokens were generally sold pursuant to SAFEs at a fixed price of USD \$5.00 per Token, subject to a per purchaser maximum investment of USD \$250,000 but no minimum investment;

- after the Company raised USD \$9,999,999 and with respect to additional amounts raised up to USD \$49,999,999, rights to acquire Tokens were generally sold pursuant to SAFEs at a price of USD \$6.67 per Token, subject to a per purchaser minimum investment of USD \$50,000 but no maximum investment; and
- after the Company raised \$49,999,999 and with respect to additional amounts raised up to USD \$99,999,999, rights to acquire Tokens were generally sold pursuant to SAFEs at a price of USD \$8.00 per Token, with no minimum or maximum investment.

With respect to additional amounts to be raised beyond USD \$99,999,999, rights to acquire Tokens will generally be sold pursuant to SAFEs at a price of USD \$10.00 per Token, subject to discounts which may be offered in the Company's sole discretion, and with a minimum investment of USD \$2,000, [which may be lowered in the Company's sole discretion](#), but no maximum investment.

The Company reserves the right to grant additional discounts or extend the discounts beyond any specified parameters. As a result of these discretionary pricing features, the prices and dollar amount ranges should be viewed as illustrative only. Investors should not rely on these prices and ranges to calculate the aggregate amount of Tokens that will be issued by the Company. Nevertheless, the Company will not generate more than 59 million Tokens in the aggregate, inclusive of Purchased Tokens, Compensatory Tokens and Reserve Tokens (30% of Purchased Tokens).

In addition, all of the first \$9,999,999 raised at \$5.00 per Token, and a substantial portion of the next \$9,999,999 to \$49,999,999 raised at a price of \$6.67 per Token, have been sold to certain strategic investors, which include certain advisors to the Company in this Offering, and not made available to other investors. Accordingly, non-strategic investors will only be offered the ability to purchase Tokens in the \$8 and \$10 price ranges. Discounts may be provided to purchasers during the Subsequent Sale Period in the Company's sole discretion.

Payment Instructions

See Annex C for a description of payment procedures to be followed upon execution of a SAFE.

The Token Issuance

Although the Company will use its commercially reasonable efforts to issue the Tokens, it is not required to issue the Tokens, and SAFE purchasers will not receive any refund or return of investment in the event that the Tokens are not issued.

Upon consummation of the Token issuance, each applicable

The Company shall not be required to give effect to (i) defective withdrawal notices not delivered in accordance with these instructions or (ii) withdrawal notices received by tZERO after 5:00 p.m., New York City time on March 8, 2018.

Amendments

The Company reserves the right to amend the terms of the Securities at any time during the Offering prior to the Expiration Date.

Documentation

To invest, each purchaser will be required to complete such documentation as may be requested by or on behalf of the Company, which may include, without limitation: (1) the execution and delivery of a SAFE, (2) completion of investor qualification requirements and (3) for accredited investors, provision of documents sufficient to enable the verification of such investor's status.

Governing Law

The SAFEs will be governed by the law of the State of Delaware. The Tokens will be governed by the law of the State of Delaware.

Use of Proceeds

At present, the net proceeds of the Offering are expected to be used for (i) the repayment of amounts payable to Overstock, (ii) the Equity Investments; (iii) the future development of the Tokens and the Token Trading System, (iv) the development of functional utility features that tZERO may offer to holders of the Tokens, (v) general corporate purposes, which may include capital expenditures, acquisitions, debt repayments, cybersecurity upgrades, augmenting technology, infrastructure and personnel, development of products and services, and short term investments, among other things, (vi) lobbying law makers and regulatory authorities for the purpose of bringing about changes to laws and regulations related to blockchain technologies, particularly in regards to securities tokens, and (vii) offering, legal and accounting expenses. The failure by the Company's management to apply these funds effectively could have a material adverse effect on the Company and the value of the Securities.

RISK FACTORS

An investment in the Securities involves a high degree of risk. You should consider carefully the risks described below, together with all of the other information contained in this Memorandum, the SAFE and the Token Terms and Conditions, before making an investment decision. The following risks entail circumstances under which the Company's business, financial condition, results of operations and prospects could suffer.

Risks Related to an Investment in the Securities

There can be no assurance that the Tokens will ever be issued and, if the Company fails to issue Tokens, investors have no right to a refund of any portion of their investment.

While the Company intends to develop Tokens to be issued to holders of SAFEs, there can be no assurance that it will do so. Should the Company fail to issue the Tokens, investors will be left with only the SAFE, pursuant to which they will not be entitled to any of the rights set forth in the Token Terms and Conditions, including with respect to Dividends. SAFE holders will have no legal or equitable rights, interests or claims to any specific property or assets of the Company. The remaining SAFE would not be expected to possess economic value. Moreover, in the event of the Company's failure to issue the Tokens, investors have no right to receive a refund or any return of any portion of their investment. As a result, investors should only invest in a SAFE if they are prepared to lose their entire investment.

If Tokens are issued, the Company does not expect to pay any Dividends for some time into the future and, at issuance, Token ownership will not result in access to any Discretionary Benefits.

If the Company issues Tokens pursuant to the SAFEs, the terms of such Tokens will be set forth in the Certificate of Designation, as summarized in the Token Terms and Conditions set forth in Annex B. The Tokens provide that Dividends payable in-kind, in U.S. Dollars, Bitcoin or Ether, in the Company's sole discretion, will be paid only out of funds lawfully available for such payment when consolidated GAAP net income exceeds the Dividend Amount, and only if declared by the Board. The Board has no obligation to declare Dividends. Currently, the Company does not expect to be in a position to pay Dividends for some time into the future and can provide no assurances as to when Dividends might first be paid, if ever.

Token holders shall not be entitled to any Discretionary Benefits as part of the Token and will not have access to any Discretionary Benefits at issuance. Nevertheless, the Company expects to endeavor to create Discretionary Benefits for holders of the Tokens in the future. These will not be a part of the terms and conditions of the Tokens, but rather benefits voluntarily provided by the Company to Token holders. These Discretionary Benefits may be withdrawn or changed at any time by the Board. There can be no assurance that the Company will ever offer any Discretionary Benefits.

At issuance, there will be no trading market for the Tokens, and a trading market may never develop.

If the Tokens are issued, there will be no trading market available for the Tokens, no Designated Exchange and peer-to-peer transfers will not be permitted unless and until Token holders are notified otherwise by the Company and informed of the requirements to and conditions do so. As a result of recent regulatory developments, conventional crypto exchanges are currently unwilling to list securities tokens, such as the Company's Tokens. As a result, when the Tokens ~~currently~~become transferable, they may only be traded on a~~very limited range of venues, including~~ U.S. registered ~~exchange or a~~exchanges or regulated alternative trading ~~system~~systems for which a Form ATS has been properly submitted to the SEC. Currently, the Company is unaware of any operational ATS or exchange capable of supporting

secondary trading in the Tokens. Moreover, even if legally permitted, by purchasing Tokens, Token holders agree to additional transfer restrictions and shall not be able to effect transfers until such time as the Company informs holders that a Designated Exchange is available or that peer-to-peer transfer processes have been established. As a result, holders of Tokens should be prepared to hold their Tokens indefinitely. See “Notice to Purchasers” for more information. Moreover, even if the Tokens become transferable, we ~~will~~may rely on technology, including smart contracts, to implement certain restrictions on transferability in accordance with the federal securities laws. There can be no assurance that such technology will function properly, which could result in technological limitations on transferability and expose the Company to legal and regulatory issues.

The Company currently does not anticipate that the Existing tZERO Software Platform will be deployed in connection with the Tokens in the same manner as it is currently deployed by the PRO Securities ATS, but intends to leverage its experience and expertise in developing and maintaining the Existing tZERO Software Platform in order to develop the Token Trading System—a trading platform that is capable of trading the Tokens and other tokens / coins that are determined to be securities for purposes of U.S. securities laws. As of the date of this Memorandum, the Company ~~has not commenced the remains in the preliminary stages of~~ development of such Token Trading System. The Token Trading System may be developed as an additional functionality of the PRO Securities ATS, as a functionality of another U.S. alternative trading system or U.S. exchange that tZERO operates or designates, as a functionality of a non-U.S. trading system or non-U.S. exchange, or any other format wherever situated. The development of the Token Trading System implicates complex technological considerations and raises numerous legal and regulatory issues that will need to be addressed—likely, in consultation with the Company’s broker-dealer subsidiaries’ regulators. As a result of these technological, legal and regulatory considerations, the Token Trading System may never be developed and, if developed, may, for a variety of technological, legal and regulatory reasons, never become operational. Furthermore, there can be no assurance that any security token exchange will be created by a third party that will allow the Tokens to trade in a manner permitted by the Company or at all.

In the event that the Tokens remain ~~un-tradable~~untradeable for a significant period of time or indefinitely, the value of the Tokens would be materially adversely affected.

Regulatory authorities may never permit the Token Trading System to become operational.

Assuming that tZERO is able to develop a Token Trading System, numerous regulatory authorities, including FINRA and the SEC, would need to permit the Token Trading System to become operational. If FINRA, the SEC or any other regulatory authority objected to the Token Trading System or to aspects of the Token Trading System, such regulatory authorities could prevent the Token Trading System from ever becoming operational. The regulatory landscape that we expect to navigate in order to achieve an operational Token Trading System is complex, and tZERO may never be able to do so successfully. Any such regulatory issues would have a material adverse impact on our business.

Due to the unavailability of Rule 144 for resales of Tokens by affiliates of the Company, Company affiliates may elect not to acquire the Tokens.

Assuming that a Designated Exchange ever becomes available for trading of the Tokens, the Company does not expect Rule 144 ever to be available for any resales of Tokens by affiliates of the Company. As a result, affiliates of the Company may be unable to resell the Tokens unless the Company registers their sales. To make it easier for affiliates of the Company to publicly resell Tokens, the Company may in the future consider registering such resales; however, such registration statement may not become or remain effective and the Company has no obligation to register such Tokens. Furthermore, a seller under a registration statement may have liabilities that a seller under Rule 144 does not have. Any

or all of these matters may cause affiliates of the Company to elect not to acquire the Tokens, which could depress the value of Tokens.

The tax treatment of the Securities is uncertain and there may be adverse tax consequences for purchasers upon certain future events.

The tax characterization of the Securities is uncertain, and each purchaser must seek its own tax advice in connection with an investment in the Securities. An investment in the Securities may result in adverse tax consequences to purchasers, including withholding taxes, income taxes and tax reporting requirements. See “Certain United States Federal Income Tax Considerations,” herein. Each purchaser should consult with and must rely upon the advice of its own professional tax advisors with respect to the United States and non-U.S. tax treatment of an investment in the Securities.

The tax characterization of the Securities also affects the Company’s tax liability in connection with the Offering. In addition, the accounting consequences are uncertain, and there is a possibility that the proceeds of the Offering might be treated as a liability rather than equity for accounting purposes, which would reduce tZERO’s net book value compared to equity treatment, which would prevent tZERO from making dividend payments until such time, if ever, that tZERO’s net book value increases to a positive amount at least greater than the aggregate amount of any proposed dividend.

The potential application of U.S. laws regarding investment securities to the Securities is unclear.

The Securities are novel and the application of U.S. federal and state securities laws is unclear in many respects. Because of the differences between the Securities and traditional investment securities, there is a risk that issues that might easily be resolved by existing law if traditional securities were involved may not be easily resolved for the Securities. In addition, because of the novel risks posed by the Securities, it is possible that securities regulators may interpret laws in a manner that adversely affects the value of the Securities. For example, if applicable securities laws restrict the ability for the Tokens to be transferred, this would have a material adverse effect on the value of the Securities. The occurrence of any such legal or regulatory issues or disputes, or uncertainty about the legal and regulatory framework applicable to the Securities, could have a material adverse effect on the holders of Securities.

If the Tokens ever become transferable, Token transactions may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable.

In the event that the Token Trading System is developed and becomes operational, or the Tokens become ~~tradable~~tradeable on another Designated Exchange or pursuant to permitted peer-to-peer transfers, transactions in the Tokens may be irreversible, and, accordingly, a purchaser of the Tokens may lose all of his or her investment in a variety of circumstances, including in connection with fraudulent or accidental transactions, technology failures or cyber-security breaches. If applicable, real-time settlement would further increase the risk that correction of trading errors may be impossible and losses due to fraudulent or accidental transactions may not be recoverable.

The nature of the Tokens means that any technological difficulties experienced by the Token Trading System, if developed, or any other Designated Exchange may prevent the access or use of a purchaser’s Tokens.

Any Designated Exchange, including the Token Trading System, if developed, will be subject to the risk of technological difficulties that may impact trading of the Tokens, which include, without limitation, failures of any blockchain on which the Tokens or the Designated Exchange relies or the failure of smart contracts to function properly. Trading in the Tokens will depend on the operation and

functionality of the applicable Designated Exchange and if such system were to fail for any reason, trading in the Tokens could be impossible until such failure was corrected and full functionality were restored and tested. Any such technological difficulties may prevent the access or use of the Tokens. This could have a material impact on the applicable Designated Exchange's ability to execute or settle trades of the Tokens, to maintain accurate records of the ownership of the Tokens and to comply with obligations relating to records of the ownership of the Tokens and could have a material adverse effect on the holders of the Tokens.

There is no assurance that purchasers of the Securities will receive a return on their investment.

The Securities are highly speculative and any return on an investment in the Securities is contingent upon numerous circumstances, many of which (including legal and regulatory conditions) are beyond the Company's control. There is no assurance that purchasers will realize any return on their investments or that their entire investments will not be lost. For this reason, each purchaser should carefully read this Memorandum and should consult with their own attorney, financial and tax advisors prior to making any investment decision with respect to the Securities. Investors should only make an investment in the Securities if they are prepared to lose the entirety of such investment.

The Company's management will have broad discretion over the use of the net proceeds from this Offering.

At present, the net proceeds of the Offering are expected to be used for (i) the repayment of amounts payable to Overstock, (ii) the Equity Investments; (iii) the future development of the Tokens and the Token Trading System, (iv) the development of functional utility features that tZERO may offer to holders of the Tokens, (v) general corporate purposes, which may include capital expenditures, acquisitions, debt repayments, cybersecurity upgrades, augmenting technology, infrastructure and personnel, development of products and services, and short term investments, among other things, and (vi) lobbying law makers and regulatory authorities for the purpose of bringing about changes to laws and regulations related to blockchain technologies, particularly in regards to securities tokens, and (vii) offering, legal and accounting expenses. The failure by the Company's management to apply these funds effectively could have a material adverse effect on the Company and the value of the Securities. Since the commencement of the Offering through the date of this Memorandum, the Company has utilized approximately \$[28.2] million, excluding amounts that may become due in connection with the transaction contemplated by the WPS LOI or any transactions described under "Recent Developments—Other Potential Investments," toward the purchase price of the Equity Investments.

Holders of the Securities will generally not have voting rights and will generally have no ability to influence the decisions of the Company.

Holders of the Securities have no voting rights, except, with respect to the Tokens, those required by Delaware law. As a result, except with respect to matters required to be submitted to Token holders under Delaware law, all matters submitted to stockholders will be decided by the vote of holders of the Company's capital stock entitled to vote thereon, which shall not include the Securities. As a result, holders of the Securities will have no ability to elect directors or, except with respect to matters required to be submitted to Token holders under Delaware law, to determine the outcome of any other matters submitted to a vote of the Company's stockholders. The interests of holders entitled to vote on such matters may differ from, or conflict with, the interests of Token holders.

The Tokens may have lower priority to certain rights and preferences than future tokens or preferred stock of the Company.

The Tokens may have lower priority to certain rights and preferences than other tokens and/or preferred stock that the Company issues in the future, which by its terms is expressly higher priority than the Tokens. The terms of any future tokens and/or preferred stock that are higher priority than the Tokens may restrict Dividend payments on the Tokens. In this case, unless full dividends for all such outstanding tokens and preferred stock with higher priority than the Tokens have been declared and paid or set aside for payment, no dividends will be declared or paid and no distribution will be made on any Tokens, and no Tokens will be permitted to be repurchased, redeemed or otherwise acquired by the Company, directly or indirectly, for consideration. This could result in dividends on the Tokens not being paid to you or Tokens not being redeemed.

Risks Related to the Development of the Token Trading System

The Company may not successfully develop, market and launch any Token Trading System.

The Company views the development of the Token Trading System as a key commercial milestone. The Company remains in the preliminary stages of development of the Token Trading System ~~has not yet commenced~~, and the Token Trading System may never be developed.

In addition, the development of the Token Trading System would require significant capital funding, expertise of the Company's management and time and effort in order to be successful. The Company may have to make changes to the specifications of the Token Trading System for any number of reasons or the Company may be unable to develop the Token Trading System in a way that realizes those specifications or any form of a functioning network. It is possible that the Tokens and the Token Trading System may not ever be released and there may never be an operational Token or the launch of the Token Trading System may never occur. The Token Trading System, if successfully developed and maintained, may not meet investor expectations at the time of purchase of Tokens—for example, there can be no assurance that the Token Trading System will provide less expensive or more efficient trading than is possible on currently available trading platforms for traditional securities. Furthermore, despite good faith efforts to develop and complete the launch of the Token Trading System and subsequently to maintain the Token Trading System, it is still possible that the Token Trading System will experience malfunctions or otherwise fail to be adequately developed or maintained, which may negatively impact the Token Trading System and Tokens.

The Company may, but is not obligated to, use the proceeds of this Offering (subject to the Company's other obligations described under "Use of Proceeds") to make significant investments to develop and launch a viable Token Trading System and subsequently to build a fulsome network upon which users can realize utility and value. The Company may not have or may not be able to obtain the technical skills, expertise or regulatory approvals needed to successfully develop the Token Trading System and progress it to a successful launch. While the Company has sought to retain and continue to competitively recruit experts, there may, from time to time, be a general scarcity of management, technical, scientific, research and marketing personnel with appropriate training to develop and maintain the Token Trading System. In addition, there are significant legal and regulatory considerations that will need to be addressed in order to develop and maintain the Token Trading System, and addressing such considerations will require significant time and resources. There can be no assurance that the Company will be able to develop a Token Trading System that achieves the Company's goals and satisfies the complex regulatory requirements applicable to SEC-registered exchanges and/or permitted alternative trading systems. If the Company is not successful in its efforts to develop a Token Trading System that is compliant with all regulatory and legal requirements and to demonstrate to users the utility and value of

the Token Trading System, it may be impermissible to launch the Token Trading System or there may not be sufficient demand for the Tokens for the launch of the Token Trading System to be commercially viable. As a result, or if the launch does not occur, purchasers of the Securities may lose all of their investment.

The Token Trading System may not be widely adopted and may have limited users.

It is possible that the Token Trading System, if developed, will not be used by a large number of issuers, broker-dealers or holders of security tokens or that there will be limited public interest in the creation and development of the Token Trading System. In addition, legal and regulatory developments could render the Token Trading System obsolete or impermissible. Such a lack of use or interest could negatively impact the development of the Token Trading System, the value of the Tokens and the financial position of the Company.

Alternative networks may be established that compete with or are more widely used than the Token Trading System.

It is possible that alternative networks could be established that utilize the same or similar protocols as those that will underlie the Token Trading System or that facilitate services that are materially similar to the Token Trading System's services. The Token Trading System may compete with these alternative networks, which could negatively impact the Token Trading System and the Tokens.

The Token Trading System, the Tokens and any ~~blockchain~~blockchain on which the Company's products and/or securities may rely may be the target of malicious cyberattacks or may contain exploitable flaws in its underlying code, which may result in security breaches and the loss or theft of Tokens or other tokens that may trade on the Token Trading System. If such attacks occur or security is compromised, this could expose us to liability and reputational harm and could seriously curtail the utilization of the Tokens and cause a decline in the market price of the Tokens.

If the Tokens are issued, and if the Token Trading System is developed, their structural foundation, the software applications and other interfaces or applications upon which they rely or that will be built upon the Token Trading System are unproven, and there can be no assurances that the Token Trading System and the creating, transfer or storage of the Tokens will be uninterrupted or fully secure, which may result in impermissible transfers, a complete loss of users' Tokens or an unwillingness of users to access, adopt and utilize tZERO's Tokens and/or the Token Trading System. Further, the Tokens and the Token Trading System (and any technology, including blockchain technology, on which they rely) may also be the target of malicious attacks seeking to identify and exploit weaknesses in the software, the Tokens or the Token Trading System which may result in the loss or theft of Tokens. For example, if the Company and the Tokens and/or Token Trading System are subject to unknown and known security attacks (such as double-spend attacks, 51% attacks, or other malicious attacks), this may materially and adversely affect the Token Trading System.

Some market participants may oppose the development of distributed ledger or blockchain-based systems like those central to the Company's commercial mission.

Many participants in the system currently used for trading securities in the United States may oppose the development of capital markets systems and processes that utilize distributed ledger and blockchain-based systems. The market participants who may oppose such a system may include market participants with significantly greater resources, including financial resources and political influence, than the Company has. The ability of the Company to operate and achieve its commercial goals could be adversely affected by any actions of any such market participants that result in additional regulatory

- regulatory measures, if any, that affect the use of digital assets and security tokens such as the Tokens;
- global or regional political, economic or financial events and situations; and
- expectations among digital assets participants that the value of security tokens or other digital assets will soon change.

A decrease in the price of a single digital asset may cause volatility in the entire digital asset and security token industry and may affect other digital assets including the Tokens. For example, a security breach that affects purchaser or user confidence in Bitcoin or Ether may affect the industry as a whole and may also cause the price of the Tokens and other digital assets to fluctuate. Such volatility in the price of the Tokens may result in significant loss over a short period of time.

The terms of the Tokens may also lead to additional price volatility. The value of the Tokens will be tied to the payment of Dividends by the Company. See “Terms of the Securities.” Consequently, unlike other digital assets, the operations and financial position of the Company will directly impact the price of the Tokens which may create additional volatility based on the Company’s future performance.

Risks Related to the Company’s Business

The Company has limited operating history, which makes it hard to evaluate its ability to generate revenue through operations.

The Company was formed in 2014 to develop blockchain and financial technology as part of Overstock’s Medici initiative. The Company’s limited operating history may make it difficult to evaluate its current business and future prospects. The Company has encountered, and will continue to encounter, risks and difficulties frequently experienced by growing companies in rapidly developing and changing industries, including challenges in forecasting accuracy, determining appropriate investments of its limited resources, gaining market acceptance, managing a complex regulatory landscape and developing new products. The Company’s current operating model may require changes in order for it to scale its operations efficiently. Purchasers should consider the Company’s business and prospects in light of the risks and difficulties it faces as an early-stage company focused on developing products, both organically and through strategic acquisitions, in the field of financial technology. To date, tZERO has focused on developing its business and exploring opportunities for novel applications of blockchain technology. As a result of its early stage of development, tZERO has not yet generated revenue from any commercially available blockchain-based applications. Moreover, although tZERO was included in an independent third-party valuation of Medici [Ventures](#) in July 2017, there has been no subsequent independent third-party valuation of tZERO’s business, and tZERO makes no assertions or representations as to the fair market value of tZERO or any of our securities

The Company has, to date, relied upon funding from Overstock and if such funding were not provided, it would have an adverse impact on the Company’s operations and financial conditions.

The Company is a majority-owned subsidiary of Overstock. The Company does not have any legally binding commitment from any person, including Overstock, to contribute additional capital or to make any loan to it. If Overstock were to be unable or unwilling to fund the Company’s operations in the future, or if Overstock were to become the subject of a bankruptcy or other insolvency proceeding, the Company’s operations and financial conditions would be materially adversely impacted.

Recently, Patrick Byrne, Overstock’s Chief Executive Officer, has stated, and it has been widely reported in the media, that Mr. Byrne is exploring strategic transactions, which include options to sell Overstock, or substantial portions of its business, to a third party. In the event that Mr. Byrne pursues

such a transaction, there can be no assurance that the acquirer will continue to contribute additional capital to fund our operations or that following such a transaction sufficient resources will be available to fund the Company's operations. In this case, our operations and financial condition would be materially adversely impacted and we may be unable to continue as a going concern. In addition, we currently intend to seek to develop certain Discretionary Benefits that may be tied to products and/or services of Overstock.com, such as membership in Overstock's rewards program, Club O, where available. In the event that Mr. Byrne pursues a sale of Overstock's e-commerce business, we do not expect that Discretionary Benefits, if any, would continue to be tied to products and services associated with such business. Although holders of Tokens are not entitled to such benefits, to the extent that the market ascribes any value to Discretionary Benefits, the risk that there may be fewer Discretionary Benefits available to holders of Tokens may adversely impact the value of the Tokens.

There is no assurance that the Company will be able to continue as a going concern.

The Company has generated limited revenue and has accumulated losses since inception. As such, the Company's continuation as a going concern is currently dependent upon the continued financial support from Overstock, which it has provided but is under no obligation to continue to do so. Although the Company anticipates the proceeds from the Offering will provide sufficient liquidity to meet its operating commitments for the next twelve months, there is no guarantee the Company will be successful in achieving this objective. Since the commencement of the Offering through the date of this Memorandum, the Company has utilized approximately \$[28.2] million, excluding amounts that may become due in connection with the transaction contemplated by the WPS LOI or any transactions described under "Recent Developments—Other Potential Investments," toward the purchase price of the Equity Investments.

Technology relied upon by the Company for its operations, including the Existing tZERO Software Platform, may not function properly.

The technology relied upon by the Company, including the Existing tZERO Software Platform, may not function properly, which would have a material impact on the Company's operations and financial conditions.

Although the Existing tZERO Software Platform has worked for the Overstock Digital Securities, trading in the Overstock Digital Securities has been extremely limited, with only 10 trades having taken place from December 15, 2016 to date, and consequently the Existing tZERO Software Platform has not been tested with significant trading volume. Although the Company remains in the preliminary stages of development of the Token Trading System ~~has not yet begun~~, tZERO intends to utilize certain aspects of the technology employed by the Existing tZERO Software Platform. There may be no alternatives available if such technology does not work as anticipated or if technology that works for the Existing tZERO Software Platform does not work for the Token Trading System. In particular, the importance of the Existing tZERO Software Platform to the Company's operations means that any problems in its functionality would have a direct materially adverse effect on the Company's plans and expectations for revenues from blockchain applications. This technology may malfunction because of internal problems or as a result of cyberattacks or external security breaches. Any such technological problems would have a material adverse impact on the Company's revenue, its ability to make Dividend payments and its prospects.

Our management participates Certain of our officers and directors participate in other business ventures and, as a result, may have limited time to devote to our business or may compete with the Company.

Certain of our officers and directors participate in other business ventures. As a result of such participation, management anticipates devoting ~~only~~ a portion of their time per month to ~~the~~such other business ~~of~~ZERO ventures. Moreover, such outside business ventures may at times compete directly with the Company or result in conflicts of interest in the future.

The Company's business is subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, technology, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to the Company's business practices, increased cost of operations or otherwise harm the Company's business.

The Company is subject to a variety of laws and regulations in the United States and abroad that involve matters central to its business, including user privacy, blockchain technology, broker dealer, data protection and intellectual property, among others. Foreign data protection, privacy, broker dealer and other laws and regulations are often more restrictive than those in the United States. These U.S. federal and state and foreign laws and regulations are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which the Company operates.

[The Company has adopted policies and procedures designed to comply with these laws.] The growth of its business and its expansion outside of the United States may increase the potential of violating these laws or its internal policies and procedures. The risk of the Company's being found in violation of these or other laws and regulations is further increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and are open to a variety of interpretations. Any action brought against the Company for violation of these or other laws or regulations, even if the Company successfully defends against it, could cause the Company to incur significant legal expenses and divert its management's attention from the operation of its business. If the Company's operations are found to be in violation of any of these laws and regulations, the Company may be subject to any applicable penalty associated with the violation, including civil and criminal penalties, damages and fines, the Company could be required to refund payments received by it, and it could be required to curtail or cease its operations. Any of the foregoing consequences could seriously harm its business and its financial results. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase its operating costs, require significant management time and attention, and subject the Company to claims or other remedies, including fines or demands that the Company modifies or ceases existing business practices.

PRO Securities and SpeedRoute, two subsidiaries of the Company, are registered broker-dealers and are subject to extensive regulation.

Broker-dealers are subject to extensive regulatory requirements under federal and state laws and regulations and self-regulatory organization SRO rules. PRO Securities and SpeedRoute are registered with the SEC as broker-dealers under the Exchange Act and in the states in which they conduct securities business and are members of FINRA ~~and other SROs~~. PRO Securities and SpeedRoute are subject to regulation, examination and disciplinary action by the SEC, FINRA and state securities regulators, as well as other governmental authorities ~~and SROs~~ with which they are registered or licensed or of which they are a member. On February 22, 2018, the SEC's New York Regional Office notified PRO Securities that it is conducting an examination of PRO Securities. Any failure of PRO Securities or SpeedRoute to

comply with all applicable rules and regulations could have a material adverse effect on the Company's operations and financial conditions.

PRO Securities is involved in an ongoing ~~dialog~~dialogue with regulatory authorities.

PRO Securities has been and remains involved in ongoing discussions with regulatory authorities about the operation of the PRO Securities ATS utilizing the Existing tZERO Software Platform and various matters relating to the regulated entities involved. While many of the discussions have been relatively informal, PRO Securities has also received and responded to multiple inquiries from regulators, including FINRA and the SEC. In an unrelated matter, PRO Securities (in addition to SpeedRoute) has been named in a FINRA investigatory matter in which FINRA has conducted on the record interviews of two senior officers of ~~PRO Securities (and also SpeedRoute)~~tZERO. Any failure of PRO Securities to satisfy FINRA, the SEC or any other regulatory authority that PRO Securities is in compliance with all applicable rules and regulations could have a material adverse effect on the Company's operations and financial conditions. See “—SpeedRoute is involved in an ongoing ~~dialog~~dialogue with regulatory authorities” for additional information about SpeedRoute.

SpeedRoute is involved in an ongoing ~~dialog~~dialogue with regulatory authorities.

SpeedRoute has been, and remains involved, in ongoing discussions with regulatory authorities similar to those described in the preceding risk factor. In addition, in December 2017, SpeedRoute received a letter from FINRA stating that the Department of Enforcement at FINRA has received a referral from the staff of FINRA's Department of Market Regulation relating to rules applicable to supervision and required supervisory procedures for review of certain potential trading activity, such as pre-arranged trades or wash trades. SpeedRoute continues to have discussions with FINRA about other matters, including a matter related to potential violations of FINRA rules relating to Order Audit Trail System reporting and trading practice matters and has received document requests from FINRA in connection with certain ongoing matters. Further, in an unrelated matter, SpeedRoute (in addition to PRO Securities) is also named in a FINRA investigatory matter in which FINRA has conducted on the record interviews of two senior officers of ~~SpeedRoute (as well as PRO Securities)~~tZERO. Any failure of SpeedRoute to satisfy FINRA, the SEC or any other regulatory authority that SpeedRoute is in compliance with all applicable rules and regulations could have a material adverse effect on tZERO's operations and financial condition and a material adverse effect on us. See “—PRO Securities is involved in an ongoing ~~dialog~~dialogue with regulatory authorities” for additional information about PRO Securities.

The Company's advisory services subject it to additional risks.

On January 31, 2018, the Company purchased 65.8% of the membership units of ES Capital Advisors, LLC, a registered investment advisor under the Investment Advisers Act of 1940. Through ES Capital, tZERO provides automated investment advisory services—sometimes referred to as robo-advisory services—through the Overstock.com website's FinanceHub. The risks associated with these investment advisory activities include those arising from possible conflicts of interest, unsuitable investment recommendations, inadequate due diligence, inadequate disclosure and fraud. Realization of these risks could lead to liability for client losses, regulatory fines, civil penalties and harm to our reputation and business.

Strategic investments and acquisitions may detract from the capital that the Company could otherwise deploy to improve its business or to develop the Token Trading System

We are pursuing several strategic investments and acquisitions that we believe will promote the long-term growth objectives of the Company. Nevertheless, any capital used to finance such strategic investments and acquisitions detracts from the capital available for the Company to deploy in operating its existing businesses and developing the Token Trading System. Since the commencement of the Offering through the date of this Memorandum, the Company has utilized approximately \$[28.2] million, excluding amounts that may become due in connection with the transaction contemplated by the WPS LOI or any transactions described under “Recent Developments—Other Potential Investments,” toward the purchase price of the Equity Investments. In addition, the successful completion of these transactions and, in some cases, integration of acquired businesses with tZERO will require substantial attention of management, which may detract from the time and attention of management that is devoted to tZERO’s existing projects, including the Token Trading System.

The Company is subject to the risk of possibly becoming an investment company under the Investment Company Act.

The Investment Company Act regulates certain companies that invest in, hold or trade securities. As a result of a portion of the Company’s assets consisting of minority investment positions, it runs the risk of inadvertently becoming an investment company, which would require the Company to register under the Investment Company Act. Registered investment companies are subject to extensive, restrictive and potentially adverse regulations relating to, among other things, operating methods, leverage, management, capital structure, dividends and transactions with affiliates. Registered investment companies are not permitted to operate their business in the manner in which the Company operates its business, nor are registered investment companies permitted to have many of the relationships that the Company has with its affiliated companies.

To avoid becoming and registering as an investment company under the Investment Company Act, the Company intends to monitor the value of its investments and structure transactions accordingly. As a result, the Company may structure transactions in a less advantageous manner than if it was not subject to such Investment Company Act risks, or the Company may avoid otherwise economically desirable transactions due to this risk. In addition, events beyond the Company’s control, including significant appreciation or depreciation in the market value of certain of its publicly traded holdings or adverse developments with respect to its ownership of certain of its subsidiaries, could result in the Company inadvertently becoming an investment company. If it were established that the Company were an investment company, there would be a risk, among other material adverse consequences, that it could become subject to monetary penalties or injunctive relief, or both, in an action brought by the SEC, that the Company would be unable to enforce contracts with third parties or that third parties could seek to obtain rescission of transactions with the Company undertaken during the period it was established that the Company was an unregistered investment company. If it were established that the Company were an investment company, this would have a material adverse effect on its business and financial operations and its ability to continue as a going concern.

The Company may not successfully develop, launch, market or sell its digital locate receipt software.

tZERO anticipates that its first commercially available blockchain-based product will be “digital locate receipt” software (the “**DLR Software**”). The DLR Software is currently in customer production testing, which is being conducted by ~~a third party broker dealer~~[StockCross](#), and tZERO has not yet entered into any commercial licenses with any licensees. The DLR Software is intended to help broker-dealer licensees with stock inventory to both load and manage their inventory in order to assist short

sellers of public securities in establishing that they have located available shares in the U.S. public securities market prior to effecting short sales. The DLR Software is intended to enable licensees to create a blockchain-based record of the shares that the licensee has made available for “locates” using customizable DLR Software functionality and of the daily purchases of the right to “locate” specifically identified shares for purposes of compliance with regulatory requirements. Although the Company believes that the DLR Software provides broker-dealers with a better solution than the system currently in use for identifying “locates,” the existing system is firmly entrenched and is controlled by firms with substantially greater resources than the Company. [The Company may not successfully develop, launch, market or sell its DLR Software.](#)

The commercial viability of the DLR Software is dependent on the ability of broker-dealer licensees to offer the DLR Software as an effective means of satisfying the regulatory obligations of those effecting short sales. Regulation SHO under the Exchange Act (“**Regulation SHO**”), as interpreted and implemented by the SEC, is the principal regulation governing short sales. In preliminary discussions with regulators regarding the application of DLR Software, certain members of the SEC Staff (the “**Staff**”) have expressed concerns regarding whether locates issued utilizing the DLR Software would provide customers of broker-dealer licensees with a valid locate for purposes of Regulation SHO unless certain conditions were satisfied by the issuing broker-dealers. The broker-dealer licensees of DLR Software, as the parties issuing locates for purposes of Regulation SHO, will be responsible for ensuring that locates issued using the DLR Software comply with all applicable regulations and satisfy the requirements of Regulation SHO. In the event that compliance with regulatory obligations in utilizing DLR Software proves too burdensome to broker-dealer licensees, the DLR Software may not gain market acceptance among broker-dealers.

In addition, the SEC and other regulatory and self-regulatory authorities may in the future adopt additional rules and regulations, adopt new or modified interpretations of existing regulations, or take other actions, that may impact those engaging in short selling activity or adversely affect the ability of short-selling customers of broker-dealer licensees to rely on locates generated by the DLR Software in effect at the time. Any governmental or regulatory action that restricts the ability of investors to effect short sales, or to do so in reliance on locates generated by the Company’s DLR Software, could adversely affect the commercial viability of the DLR Software.

Moreover, the Company will need to devote significant resources to license sales and marketing efforts in order to convince broker-dealers that licensing the DLR Software will increase their revenues from their stock lending operations and to persuade large pension funds and other entities that hold large amounts of publicly traded securities that providing inventory supply to broker-dealers utilizing the DLR Software will provide access to additional revenue opportunities. The Company will need to build a sales and marketing function and staff to effectively market the DLR Software. The Company may be unable to do so, and any sales and marketing function and staff it builds may be unable to successfully market the DLR Software. Further, the Company may have ~~overestimated~~misestimated the size of the [pension crisis](#) and the potential market for the DLR Software, the potential demand for the DLR Software, and the possibility that it will be able to market the DLR Software to potential licensees.

Once the DLR Software is released for commercial licensing, the Company may need to make changes to the specifications of the DLR Software for any number of reasons. In the event that the Company is unable to develop the DLR Software in a way that realizes those specifications, it is possible that the DLR Software may never generate significant revenue or become profitable for the Company. Furthermore, despite good faith efforts to develop and complete the launch of the DLR Software and subsequently to maintain it, it is still possible that the DLR Software will experience malfunctions or otherwise fail to be adequately developed or maintained, which may negatively impact sales and

USE OF PROCEEDS

The Company's management will have broad discretion in the application of the net proceeds of this Offering and investors will have to rely upon their judgment.

At present, the net proceeds of the Offering are expected to be used for (i) the repayment of amounts payable to Overstock, (ii) the Equity Investments; (iii) the future development of the Tokens and the Token Trading System, (iv) the development of functional utility features that tZERO may offer to holders of the Tokens, (v) general corporate purposes, which may include capital expenditures, acquisitions, debt repayments, cybersecurity upgrades, augmenting technology, infrastructure and personnel, development of products and services, and short term investments, among other things and (vi) lobbying law makers and regulatory authorities for the purpose of bringing about changes to laws and regulations related to blockchain technologies, particularly in regards to securities tokens, and (vii) offering, legal and accounting expenses. The failure by the Company's management to apply these funds effectively could have a material adverse effect on the Company and the value of the Securities.

Since the commencement of the Offering through the date of this Memorandum, the Company has utilized approximately \$[28.2] million, excluding amounts that may become due in connection with the transaction contemplated by the WPS LOI or any transactions described under "Recent Developments—Other Potential Investments," toward the purchase price of the Equity Investments. As of the date of this Memorandum, tZERO has approximately \$50.0 million of outstanding indebtedness owed to Overstock.

The Company's offering expenses for this Offering, assuming it is fully subscribed, are expected to be approximately [15% of the proceeds of the Offering]¹², none of which will be paid to our broker-dealer subsidiaries. Certain of the Company's advisors may receive compensation in the form of the Tokens.

For additional information regarding the amounts payable to Overstock, see Note 13 to the Company's unaudited interim consolidated financial statements included elsewhere in this Memorandum.

¹² ~~NTD: Confirm that this reflects all amounts, including placement agents, Advisory Board, other service/marketing payments.~~

DIRECTORS AND MANAGEMENT

Patrick Byrne, Chief Executive Officer and Director

In 1999, Dr. Byrne launched Overstock. In 2016, Overstock had revenues of \$1.8 billion. In 2013, Dr. Byrne challenged Overstock to become the first online retailer to accept bitcoin for payments, which was completed in January 2014. In 2015, Dr. Byrne became the first person to purchase a digital bond entirely on the blockchain, and, in 2016, Overstock was the first public company to issue publicly-traded securities traded exclusively on an alternative trading system and tracked on a distributed ledger. He is currently the Chief Executive Officer and a director of Overstock.

Joseph Cammarata, President and Director

Mr. Cammarata began his career at Datek Online Holdings Corp. (“**Datek**”) where he pioneered NASDAQ market orders. While at Datek, he developed an internal cross that would eventually become the Island ECN. He then orchestrated the growth of Datek, which was sold to Ameritrade Holding Corp., for just under \$1.4 billion. Mr. Cammarata then co-founded Sonic Trading, LLC and led the company as Chief Executive Officer to a successful acquisition in 2004 by The Bank of New York Company, Inc. (“**The Bank of New York**”). He is currently the Chief Executive Officer of SpeedRoute, the President and CEO of PRO Securities and the President of tZERO.

John Gilchrist, Chief Information Officer

~~Mr. Gilchrist joined Herzog Heine Geduld, Inc. (“**Herzog**”) in 1987 and was responsible for all trading and clearing technology/systems as well as all operating systems. After Herzog was acquired by Merrill Lynch & Co. (“**Merrill Lynch**”), Mr. Gilchrist was responsible for Merrill Lynch’s NASDAQ market making and DMA offerings. Mr. Gilchrist has been with SpeedRoute since its inception in 2010 and is the Chief Information Officer of tZERO.~~

Ralph A. Daiuto, Jr., Chief Operating Officer and General Counsel

Mr. Daiuto is an accomplished attorney and business leader with over two decades of experience in the securities industry, establishing and managing several broker-dealers and innovative technology companies and overseeing their daily operation, including legal, compliance, and regulatory matters. Mr. Daiuto is currently the Chief Operating Officer and General Counsel of tZERO and the General Counsel of SpeedRoute and PRO Securities. Mr. Daiuto obtained his Juris Doctorate degree from the Fordham University School of Law and his Bachelor of Science degree, awarded cum laude, from the State University of New York at Albany, where he majored in Business Administration with a concentration in Finance. Mr. Daiuto holds various securities licenses, including the Series 7, Series 24, Series 57, Series 63, and Series 99. He is admitted to practice law in the states of New York and New Jersey, as well as the U.S. District Courts in the Southern and Eastern Districts of New York and the District of New Jersey.

John Gilchrist, Chief Information Officer

~~Mr. Gilchrist joined Herzog Heine Geduld, Inc. (“**Herzog**”) in 1987 and was responsible for all trading and clearing technology/systems as well as all operating systems. After Herzog was acquired by Merrill Lynch & Co. (“**Merrill Lynch**”), Mr. Gilchrist was responsible for Merrill Lynch’s NASDAQ market making and DMA offerings. Mr. Gilchrist has been with SpeedRoute since its inception in 2010 and is the Chief Information Officer of tZERO.~~

- (i) you represent that the amounts invested by you in this Offering were not and are not directly or indirectly derived from any activities that contravene Federal, state or international laws and regulations, including anti-money laundering laws and regulations. Federal regulations and Executive Orders administered by the OFAC prohibit, among other things, the engagement in transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. The lists of the OFAC-prohibited countries, territories, individuals and entities can be found on the OFAC website at <http://www.treas.gov/ofac>. In addition, the programs administered by the OFAC (the “**OFAC Programs**”) prohibit dealing with individuals³¹ or entities in certain countries, regardless of whether such individuals or entities appear on any OFAC list;
- (ii) you represent and warrant that none of: (1) you; (2) any person controlling or controlled by you; (3) if you are a privately-held entity, any person having a beneficial interest in you; or (4) any person for whom you are acting as agent or nominee in connection with this investment is a country, territory, entity or individual named on an OFAC list, or a person or entity prohibited under the OFAC Programs. Please be advised that the Company may not accept any subscription amounts from a prospective purchaser if such purchasers cannot make the representation set forth in the preceding sentence. You agree to promptly notify the Company should you become aware of any change in the information set forth in any of these representations. You are advised that, by law, the Company may be obligated to “freeze the account” of any purchaser, either by prohibiting additional subscriptions from it, declining any redemption requests and/or segregating the assets in the account in compliance with governmental regulations, and that the Company may also be required to report such action and to disclose such purchaser’s identity to the OFAC;
- (iii) you represent and warrant that none of: (1) you; (2) any person controlling or controlled by you; (3) if you are a privately-held entity, any person having a beneficial interest in you; or (4) any person for whom you are acting as agent or nominee in connection with this investment is a senior foreign political figure⁴², or any immediate family⁵³-member or close associate⁶⁴ of a senior foreign political figure, as such terms are defined in the footnotes below; and
- (iv) if you are affiliated with a non-U.S. banking institution (a “**Foreign Bank**”), or if you receive deposits from, make payments on behalf of, or handle other financial transactions related to a Foreign Bank, you represent and warrant to the Company that: (1) the Foreign Bank has a fixed address, and not solely an electronic address, in a country in which the Foreign Bank is

³¹ These individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs.

⁴² A “senior foreign political figure” is defined as a senior official in the executive, legislative, administrative, military or judicial branch of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a “senior foreign political figure” includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure.

⁵³ “Immediate family” of a senior foreign political figure typically includes such figure’s parents, siblings, spouse, children and in-laws.

⁶⁴ A “close associate” of a senior foreign political figure is a person who is widely and publicly known to maintain an unusually close relationship with such senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of such senior foreign political figure.

DISCLOSURE REQUIRED BY RULE 506(E) OF REGULATION D

As a result of NASD Regulation, Inc., Complaint No. C10960146, dated February 3, 1997, Mr. John Tabacco, who from time to time has provided consulting services to the Company, was determined to have violated FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade) and was indefinitely barred from association in any capacity with any FINRA member firm. Mr. John Tabacco no longer has any employment or other affiliation with tZERO or its affiliates. Mr. John Tabacco is not related to Mr. Joseph Tabacco, Jr., a member of Overstock's board of directors.

estimated, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued.

SpeedRoute has been, and remains involved, in ongoing discussions with regulatory authorities, including related to rules applicable to supervision and required supervisory procedures for review of certain potential trading activity, such as pre-arranged trades or wash trades and to Order Audit Trail System (OATS) reporting and trading practice matters. SpeedRoute has received and responded to inquiries from FINRA and the SEC.

At December 31, 2017, we have accrued \$75,000 in light of probable and estimable liabilities which is offset by a receivable for an ~~indemnification agreement~~ ⁷that we have entered into with Mr. Cammarata. It is reasonably possible that the actual losses may exceed our accrued liabilities.

9. STOCKHOLDERS' EQUITY

Common Stock

Each share of common stock has the right to one vote. The holders of common stock are also entitled to receive dividends declared by the board of directors out of funds legally available. No dividends have been declared or paid on our common stock since inception through December 31, 2017.

10. OTHER INCOME (EXPENSE), NET

Other income (expense), net consists of the following (in thousands):

	Years ended December 31,		
	2017	2016	2015
Commission income from Overstock	\$ 3,000	\$ -	\$ -
Other	2	(1)	1
Total other income (expense), net	<u>\$ 3,002</u>	<u>\$ (1)</u>	<u>\$ 1</u>

See Note 14 – Related Party and Affiliated Transactions for more information about the commission earned from Overstock.

11. INCOME TAXES

The provision (benefit) for income taxes consists of the following (in thousands):

	Year ended December 31,		
	2017	2016	2015
Current	\$ 14	\$ 16	\$ 7
Deferred	-	-	-
Total provision (benefit) for income taxes	<u>\$ 14</u>	<u>\$ 16</u>	<u>\$ 7</u>

The provision (benefit) for income taxes for periods shown differ from the amounts computed by applying the U.S. federal income tax rate of 35% to income (loss) before income taxes primarily due to the effect of a valuation allowance on the company's deferred tax assets net of deferred tax liabilities. We recorded current tax expense in each period for certain state and foreign taxes. There are no tax-related balances due to or from affiliates as of any balance sheet date presented.

Each quarter we assess the recoverability of our deferred tax assets under ASC 740. We are required to establish a valuation allowance for any portion of the assets that we conclude is not more likely than not realizable. Our assessment considers, among other things, carryforward periods, our utilization experience with operating loss and tax credit carryforwards, forecasts of consolidated taxable

⁷~~NTD: What is the nature of this agreement? Who is providing indemnification?~~

In conjunction with the above agreements, the Company also signed a Financial Services Advertising Agreement by and among the Company, SpeedRoute and Muriel Siebert & Co. to offer discounted online trading of U.S. equities to customers accessing Muriel Siebert & Co. through the Overstock.com website's FinanceHub.

ES Capital Investment

Pursuant to a purchase agreement dated as of December 20, 2017, the Company purchased 51% of the membership units of ES Capital Advisors, LLC, ("ES Capital"), a registered investment advisor under the Investment Advisers Act of 1940, for a purchase price of \$180,000. The Company is also obligated to satisfy certain payment obligations of ES Capital totaling \$50,000, which will be paid in monthly installments through March 1, 2018. The Company intends to operate the business under the name tZERO Advisors.

PLG Consulting, LLC ("PLG Consulting") provided financial advice to ES Capital in connection with tZERO's initial investment in ES Capital. Peter L. Getz, the founder and CEO of PLG Consulting, LLC, is also an employee of Fusion and has provided advisory services to tZERO in connection with the Offering. Mr. Getz will also serve as a director on the board of directors of ES Capital.

On January 31, 2018, the Company entered into a stock purchase agreement by and among the Company, David J. Morton ("Morton") and PLG Consulting pursuant to which the Company purchased 2,250 membership units of ES Capital from each of PLG Consulting and Morton, who serves as the manager of ES Capital, for an aggregate purchase price of approximately \$3.0 million (the "Additional Purchase"). Following the Additional Purchase, the Company beneficially owns approximately 65.8% of the membership units of ES Capital.

In connection with the Additional Purchase, ES Capital adopted the Second Amended and Restated Operating Agreement of ES Capital (the "Operating Agreement"). Pursuant to the Operating Agreement, ES Capital is managed and controlled by a manager, provided that certain key actions ("Fundamental Actions") require the written consent of at least a majority of the aggregate outstanding membership units of ES Capital. Fundamental Actions include amendments to certain provisions of the Operating Agreement, certain actions that would result in the liquidation or dissolution of ES Capital, the making of material changes to the nature of ES Capital's business, the conversion to a corporation and capital expenditures in excess of \$250,000. The manager of ES Capital may be removed, and a new manager elected, in each case by a vote of at least a majority of the aggregate membership units of ES Capital. The initial manager of ES Capital is Morton. The Company's membership interests in ES Capital are subject to drag-along rights in connection with certain strategic transactions approved by the manager.

Verify Investors, LLC

Pursuant to a purchase agreement by and among the Company, Verify Investor, LLC and Jor L. Law, as representative of the several sellers of membership interests in Verify Investor, LLC, dated February 12, 2018, the Company purchased 81.0% of Verify Investor, LLC, an accredited investor verification company, for \$12.0 million in cash.

WPS Prime Letter of Intent

On ~~January 29~~February 6, 2018, the Company entered into a Letter of Intent (the "WPS LOI") with Weeden Prime Services, LLC ("WPS"), a U.S. registered broker-dealer. The WPS LOI contemplates that the Company will acquire a 51% of the outstanding membership interests of WPS for \$11.0 million in cash with a subsequent purchase, prior to the first anniversary of the initial purchase, of an additional 30% of the aggregate membership interests of WPS for an additional \$7.0 million in cash. Following the

D. *Payment Dates.* If, as and when a Dividend is declared, the Dividend Amount shall be paid within five calendar days of the Dividend Declaration Date, *pro rata* to the Token holders.

If any Dividend payment date is not a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close (a “**Business Day**”), the applicable payment shall be due on the next succeeding Business Day.

E. *Currency and PIK Payments.* Each Dividend will be paid in U.S. dollars, Bitcoin, Ether or additional Tokens (a “**PIK Dividend**”) to the extent that the Company possesses sufficient Tokens to make the PIK Dividend, with such payment method selected by the Company in its sole discretion. The Company will be permitted to pay each Dividend in one or any combination of the foregoing methods. Any Tokens to be distributed in a PIK Dividend will be issued from the Company’s available Tokens or by utilizing Tokens that have been repurchased by the Company, and shall be treated for all purposes as part of the same class and series of preferred stock as previously outstanding Tokens.

If the Company chooses to pay a Dividend in Bitcoin or Ether, the amount of Bitcoin or Ether to be distributed will be determined according to the payment procedures contained in Annex C attached hereto.

If the Company chooses to make a PIK Dividend, the number of Tokens to be distributed will be determined by dividing the size of the Dividend by (i) the fair market value (if any) of a Token, as determined in good faith by the Company’s board of directors, or, (ii) if no market value is determinable at such time, USD \$10.00.

F. *Fractional Tokens.* The Company will not issue any fractional Tokens and, where they would otherwise be required to do so, the Company will make a cash payment in lieu thereof in an amount equal to its fair market value (if any) as determined in good faith by the Company’s board of directors (which, to the extent permitted by law, and solely if no market value is determinable at such time, shall be deemed equal to the fraction multiplied by USD \$10.00).

G. *Required Lock-Up.* Dividends will be paid only on Tokens that have been rendered non-transferable by their respective holders from the first day of the fiscal quarter for which a Dividend Amount is calculated to the last day of that quarter.

H. *Mechanics.* If, as and when declared, Dividends will be paid on a pro rata basis to Token holders eligible to participate in the applicable Dividend and the holders of any class or series of preferred stock ranking *pari passu* with the Tokens as to the payment of Dividends. The method to be used for delivery of each Dividend will be determined at the time the Dividend is made.

4. Transfer. Token holders that initially receive the Tokens pursuant to Rule 506(c) of Regulation D will be subject to a 12-month lock-up period (the “**Lock-Up**”), during which the Tokens will be entirely non-transferrable or re-sellable, except in connection with a Compliant Regulation S Sale (as defined in the legend on the Tokens). Non-U.S. Persons, as defined in Regulation S (“**Regulation S**”) promulgated pursuant to the Securities Act of 1933 (the “**Securities Act**”) that initially receive the Tokens pursuant to Regulation S (the “**Non-U.S. Tokens**”) may, subject to the next paragraph, immediately transfer or resell their Tokens pursuant to a Compliant

Regulation S Sale (as defined in the legend on the Tokens). [Affiliates of the Company are subject to additional restrictions under applicable U.S. securities laws.](#) The transfer restrictions applicable to the Tokens, including the Non-U.S. Tokens, are set forth on the legends applicable to such Tokens.

In any case, Tokens holders will not be able to transfer their Tokens until the Company designates or creates a Designated Exchange (as defined below) or explicitly authorizes peer-to-peer transfers. Peer-to-peer transfers will not be permitted unless Token holders are notified otherwise by the Company and informed of the requirements and conditions to do so.

All potential purchasers of the Tokens will need to verify their status and complete requisite know-your-customer and anti-money laundering checks on a Designated Exchange (as defined below) before they are permitted to acquire Tokens.

5. Redemption.

A. *Optional Redemption.* The Company shall have the right to redeem the Tokens, in whole or in part, at any time, by giving notice of such redemption by either mailing notice to the Token holders or by press release or other public announcement. If notice is given by public announcement, by press release or otherwise, such notice shall be effective as of the date of such announcement, regardless of whether notice is also mailed or otherwise given to Token holders. The redemption price for a Token shall be either (i) its fair market value (if any) as determined in good faith by the Company's board of directors (but, in no event, less than \$10.00) or (ii) if no market value is determinable at such time, USD \$10.00 per Token (the "**Redemption Price**"). The Redemption Price may be paid in U.S. dollars, Bitcoin or Ether. Payments in Bitcoin or Ether will be valued in U.S. dollars according to the payment procedures contained in Annex C attached hereto. If fewer than all of the outstanding Tokens are to be redeemed at any time, the Company may choose to redeem the Tokens proportionally from all Token holders, or may choose the Tokens to be redeemed by lot or by any other equitable method.

B. *Effectiveness of Redemption.* From and after the redemption date specified in the notice of redemption (the "**Redemption Date**"), if funds necessary for the redemption are lawfully available therefor and have been irrevocably deposited or set aside, such Tokens will no longer be deemed to be outstanding and all rights of the Token holder thereof as a holder of Tokens (except the right to receive from the Company the Redemption Price without interest) shall cease and terminate with respect to such Tokens, provided that if a Token is not redeemed on the Redemption Date for any reason (including without limitation, because the Company is unable to lawfully pay the Redemption Price), such Token will remain outstanding and will be entitled to, without interruption, all of the rights, preferences and powers as provided herein.

6. Repurchases. The Company shall have the right from time to time to repurchase Tokens pursuant to purchases effected through any Designated Exchange (as defined below) or on a private basis at a purchase price equal to or less than the Redemption Price.

7. Liquidation Preference.

A. *Liquidation.* In the event of any liquidation, dissolution or winding up of the Company (a "**Liquidation Event**"), Token holders shall be entitled to receive, prior and in preference to any distribution of any assets or funds of the Company to other holders of the

ANNEX C

PAYMENT PROCEDURES

For purposes of this Annex C, (1) SAFTLaunch means www.saftlaunch.com and (2) StartEngine means www.startengine.com

If at any time in the future any of the reference digital exchanges or reporting venues (e.g., Bloomberg XBT, GDAX, Gemini, Bitstamp) are no longer operational, the Company shall select in a replacement that, in the good faith judgment of management, is recognized in the market at such time as a reputable venue for such reporting purposes

(i) Payment of Purchase Price (U.S. Dollars / Bitcoin / Ether)

SAFE provided to potential purchasers shall specify a U.S. dollar (USD) per TZRO Token offering price.

Purchaser is required to:

- elect a payment currency from among U.S. dollars (“USD”), Bitcoin (“BTC”) or Ether (“ETH”); and
- enter the aggregate amount of the elected currency that will be delivered (“Purchaser Commitment Amount”).

Following execution and delivery of SAFE by the purchaser, the Company will review the SAFE and, if acceptable to the Company, deliver to purchaser either (i) a fully executed SAFE or (ii) notification that the SAFE has been fully executed electronically (each of clause (i) or (ii), the “Execution Notification”). At this time, instructions for payment of the applicable Purchaser Commitment Amount in the selected payment currency will be made available to purchaser via electronic transmission or on SAFTLaunch.com’s [the](#) investor dashboard [of SAFTLaunch or StartEngine](#).

The applicable USD price per TZRO Token for a purchaser shall be determined based upon the applicable offering price in effect upon the Company’s execution of the SAFE. In the event that the offering price changes following receipt of an executed SAFE by purchaser, but prior to execution by the Company, Company may either (i) execute the SAFE based on the per TZRO Token offering price reflected on the SAFE or (ii) request that purchaser execute a new SAFE reflecting the then-current per TZRO Token offering price.

Upon execution of a SAFE by the Company, purchasers will be provided with one business day ([or longer in the Company’s sole discretion](#)) from the Execution Notification to deliver the Purchaser Commitment Amount.

If purchaser fails to deliver the Purchaser Commitment Amount within one business day of the Execution Notification, the Company may (but shall not be obligated to) re-allocate any TZRO Tokens reserved for purchaser to an alternative purchaser at the applicable per TZRO Token offering price.

If a Purchaser Commitment Amount is received more than one business day following the Execution Notification, the applicable USD per TZRO Token offering price for such purchaser shall be re-determined as described above, as if the SAFE had been executed and delivered by the Company to purchaser on the date on which such Purchaser Commitment Amount is actually received by the

Company (the “Actual Receipt Date”) and purchaser agrees, by delivery of such Purchaser Commitment Amount, that the USD per TZRO Token offering price reflected on purchaser’s SAFE shall be deemed to be the amount that would be set forth on a SAFE executed by the Company on such Actual Receipt Date.

U.S. Dollar Wire

- Wire instructions for the Company’s receipt of the Purchaser Commitment Amount will be provided to the purchaser by electronic communication or through SAFTLaunch or StartEngine. Wire transfers must comply with these wire instructions to be accepted.
- A unique alphanumeric reference number will be provided for each purchaser to include in the “reference” field for the wire. This reference number must be provided for receipt of purchaser’s Purchaser Commitment Amount to be credited and attributed to purchaser.

BTC Delivery

- Each user will have a unique address for sending BTC to the Company, which will be provided to the purchaser by electronic communication or through SAFTLaunch or StartEngine.
- This unique address will be utilized to identify purchaser and to attribute a received Purchaser Commitment Amount to the applicable purchaser.

ETH Delivery

- Users will send ETH to a single Ethereum multi signature wallet controlled by the Company, the address of which will be provided to the purchaser by electronic communication or through SAFTLaunch or StartEngine.
- Purchasers will be identified by the unique ETH address from which the purchaser sends their Purchaser Commitment Amount and such amount will be attributed to the applicable purchaser.

(ii) Determination of Tokens Issuable for Purchase Price

The number of Tokens to which a purchaser will be entitled under the SAFE (the “Token Amount”) will be determined as follows:

Token Amounts for U.S. Dollar Payments

- The Token Amounts for U.S. dollar payments will be definitively established (based upon the applicable per TZRO Token USD price) upon receipt by the Company of the Purchaser Commitment Amount.
- The Token Amount shall be calculated by dividing the Purchaser Commitment Amount by the applicable per TZRO Token USD price, rounded up to the nearest number of whole TZRO Tokens.

Token Amounts for BTC and ETH Payments

- The Token Amounts for BTC and ETH payments will be determined based on the Daily BTC Exchange Rate and Daily ETH Exchange Rate, as applicable, for the Receipt Day on which the Company receives the Purchaser Commitment Amount.

- In the case of ETH, the “Receipt Day” shall be the period from, and including, 2:00:00 p.m. (EST)¹ on a calendar day (the “Receipt Day Start Time”) and 1:59:59 p.m. (EST)¹ on the succeeding calendar day (the “ETH Receipt Day End Time”) for ETH payments
- In the case of BTC, the “Receipt Day” shall be the period from, and including, 3:00:00 p.m. (EST)¹ on a calendar day (the “Receipt Day Start Time”) and 2:59:59 p.m. (EST)¹ on the succeeding business day (the “BTC Receipt Day End Time”) for BTC payments~~for BTC payments~~.

BTC Payment

- The Token Amounts for BTC payments will be determined based upon the applicable per TZRO Token USD price and the USD equivalent of the Purchaser Commitment Amount received by the Company based upon the Daily BTC Exchange Rate.
- The Purchaser Commitment Amount received by the Company shall be converted into USD based upon the Daily BTC Exchange Rate to provide the USD equivalent Purchaser Commitment Amount. The Token Amount shall be calculated by dividing this USD equivalent Purchaser Commitment Amount by the applicable per TZRO Token USD price, rounded up to the nearest number of whole TZRO Tokens.
- The Daily BTC Exchange Rate shall be the Last Traded Price for a BTC to USD exchange transaction, as reflected on ~~the [Bloomberg XBTUSD] [www.gdax.com (GDAX)]~~ closest to 5:00:00, meaning the last trade closest to and including 5:00:00 p.m. (EST)¹ (but not after 5:00:00) on the date on which the BTC Receipt Day End Time occurs (the “Base BTC Rate”).
- ~~If the Base BTC Rate exceeds the average of the Daily BTC Exchange Rates for the immediately preceding 5 business days by greater than 10%, then the Daily BTC Exchange Rate shall instead be the median of the last reported BTC/USD rates reported on each of GDAX, Gemini and Bitstamp at 4:00:00 p.m. (EST) on the date on which the BTC Receipt Day End Time occurs.~~

ETH Payment

- The Token Amounts for ETH payments will be determined based upon the applicable per TZRO Token USD price and the USD equivalent of the Purchaser Commitment Amount received by the Company based upon the Daily ETH Exchange Rate.
- The Purchaser Commitment Amount received by the Company shall be converted into USD based upon the Daily ETH Exchange Rate to provide the USD equivalent Purchaser Commitment Amount. The Token Amount shall be calculated by dividing this USD equivalent Purchaser Commitment Amount by the applicable per TZRO Token USD price, rounded up to the nearest number of whole TZRO Tokens.
- The Daily ETH Exchange Rate shall be the last price quoted for an ETH to USD exchange transaction, as reflected on ~~the [Bloomberg XETUSD] [www.gdax.com (GDAX)]~~ at 4:00:00 p.m. (EST)¹, regardless of when such last transaction was executed, on the date on which the ETH Receipt Day End Time occurs (the “Base ETH Rate”).
- ~~If the Base ETH Rate exceeds the average of the Daily ETH Exchange Rates for the immediately preceding 5 business days by greater than 10%, then the Daily ETH~~

¹~~NTD: Confirm language that will work across SAFTLaunch and StartEngine platforms.~~

~~Exchange Rate shall instead be the median of the last reported ETH/USD rates reported on each of GDAX, Gemini and Bitstamp at 4:00:00 p.m. (EST) on the date on which the ETH Receipt Day End Time occurs.~~

Once the Token Amounts for BTC and ETH are determined, the purchaser will receive an email confirmation within 24 hours.

(iii) Refunded Purchase Amount in Connection with Termination of the Offering or Withdrawal From the Offering Following a Material Change to the Offering Terms

If a purchaser has funded a Purchase Price and the offering is (i) subsequently terminated such that the purchaser's Purchase Price must be refunded or (ii) subsequently materially modified and purchaser elects to withdraw from its participation in the Offering such that the purchaser's Purchase Price shall be refunded, such purchaser's Purchase Price refund shall be repaid in the same currency and in the same amount, without interest, paid to the Company as a Purchaser Commitment Amount. For example, a Purchaser who paid a Purchaser Commitment Amount of 100 Bitcoin, will receive a refund of 100 Bitcoin.

(iv) Redemption Price Determination

In the event that a Redemption Price shall be paid in BTC or ETH, such Redemption Price shall be converted based on following exchange rates:

- BTC: the arithmetical average of the last reported USD/BTC exchange transaction, as of 4:00:00 p.m. (~~EST~~ET) on the date on which the notice of redemption is delivered to Token Holders, on each of Bloomberg XBT, GDAX, Gemini and Bitstamp;
- ETH: the arithmetical average of the last reported USD/ETH exchange transaction, as of 4:00:00 p.m. (~~EST~~ET) on the date on which the notice of redemption is delivered to Token Holders, on each of Bloomberg ETH, GDAX, Gemini and Bitstamp.

(v) Payments of Dividends in BTC, ETH or PIK

In the event that a Dividend shall be paid in BTC or ETH, such Dividend shall be converted based on following exchange rates:

- BTC: the arithmetical average of the last reported USD/BTC exchange transaction, as of 4:00:00 p.m. (~~EST~~ET) on the date on which the dividend is declared, on each of Bloomberg XBT, GDAX, Gemini and Bitstamp;
- ETH: the arithmetical average of the last reported USD/ETH exchange transaction, as of 4:00:00 p.m. (~~EST~~ET) on the date on which the dividend is declared, on each of Bloomberg ETH, GDAX, Gemini and Bitstamp.