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# EDITED TRANSCRIPT

OSTK - Q2 2018 Overstock.com Inc Earnings Call

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**Patrick M. Byrne** *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

**Saum Noursalehi** *t0 Technologies, LLC - CEO & Director*

**Seth A. Moore** *Overstock.com, Inc. - Senior VP of Strategy*

## PRESENTATION

### Operator

Good day, ladies and gentlemen, and welcome to the Second Quarter 2018 Overstock.com, Inc. Earnings Conference Call. (Operator Instructions)  
As a reminder, this call is being recorded.

I would now like to turn the conference over to Greg Iverson, Chief Financial Officer. You may begin.

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### Gregory J. Iverson - *Overstock.com, Inc. - CFO*

Thank you, operator. Good afternoon, and welcome to our Second Quarter 2018 Earnings Conference Call. Joining me today are: Dr. Patrick Byrne, Founder, CEO and President of Retail; Saum Noursalehi, CEO of tZERO; Jonathan Johnson, President of Medici Ventures; Seth Moore, Senior Vice President, Strategy; and JP Knab, Senior Vice President, Marketing.

Let me remind you that the following discussion and our responses to your questions reflect management's view as of today, August 9, 2018, and may include forward-looking statements. Actual results may differ materially. Additional information about factors that could potentially impact our financial results is included in the Form 10-K filed for the year ended December 31, 2017, and in the press release and Form 10-Q filed today. Please review the safe harbor statement on Slide 2 of today's presentation.

During this call, we may discuss certain non-GAAP financial measures. The slides accompanying this webcast and our filings with the SEC, each posted on our Investor Relations website, contain additional disclosures regarding these non-GAAP measures, including reconciliations of these measures to the most comparable GAAP measures.

With that, I'll turn the call over to Patrick.

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### Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Thank you, Greg. Patrick here. I'm excited to be speaking with you today. We have an exciting agenda, shareholders, and I'm telling you, you might as well be sitting in our board meeting for how clear we are going to make it, what's going on within our company. So you be prepared, we'll be talking about tZERO, which obviously has some interesting news today, it's received a letter of intent to invest from a wonderful group of Asian investors, and there's some others behind, along with the ones mentioned in the headlines that we think will be tremendous investors at \$1.5 billion post-money valuation.

Talking about other Medici Ventures, the retail business and doing Q&A. Go ahead.

Okay. As far as the capitalization of tZERO, we have closed the Security Token Offering. Saum, do you want to go take this? Or Seth, go ahead.



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**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Yes.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

So we closed our Security Token Offering. We had executed SAFEs of \$174 million, and the STO raised \$134 million in aggregate consideration. That includes a repurchase agreement for GSR to buy the tokens that Overstock received as repayment for our intercompany debt with tZERO.

We had previously disclosed that we had an LOI from GSR to participate in our Security Token Offering. And as we work with GSR, they've become interested in ownership across all levels of our enterprise. We reached terms for them to invest across all of these levels, up to \$270 million in tZERO equity at \$1.5 billion post-money valuation, \$104 million in OSTK based on a 5% discount the closing price on August 1 and a repurchase agreement to buy the tokens Overstock is receiving in return for intercompany debt repayment.

Based on all of our conversations with them, we share a common vision for creating a new truly global blockchain-based capital market. We intend to partner with them and other strategic partners to ensure strong adoption of the tZERO platform in Asia and other major capital markets; and with this infusion of capital, we can scale both our domestic and international efforts in parallel.

I should also note, to update our shelf, we're making the required filings and have also hired Jones Trading to act as our placement agency in the company's transactions in the future. You can read more about all of these agreements in our 10-Q.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Thank you, Seth. Let me mention something because I was working on the capitalization for these last many months. I went over to Asia, and I think everybody wants to know what happened on the Security Token Offering. So I will tell you.

The truth is the first morning it opened, we really did have over 100 million dollars of people that called in and said, "I'll take money. I mean, I'll take \$3 million. I'll take \$5 million. I'll take \$1 million. I'll take \$0.25 million." It turned out to be the world's first Security Token Offering unless you consider Brock's Blockchain Capital.

We know that this was good. We did the very best we could, and there's a whole ecosystem of suppliers and such that we worked with. It was very crucial to get money. And eventually, I went to Asia. In Asia, it was, in a sense, quite different. The first 3 people I met in Asia all said they'd take \$60 million. In 2 weeks or 3 weeks over there or 5 weeks, I was probably pledged \$800 million.

However, it turned out to be extraordinarily difficult to get money out of Asia for this for a number of reasons, and that is what made things somewhat slower. However, that's what slowed things down so much in that it turned out working with Korean men, who we spent millions, and working with law firms and Korean Ministry of Finance on the -- and so on and so forth. This is the world's first Security Token, and that added a lot of complexity. By switching to this equity model, there are some real advantages. Asian firms can come in under this model. And so it's just going to take -- well, Seth, you want to comment at all on that?

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Yes. So one thing we found as we spoke with investors in Asia, in many of these countries, because they have never seen a registered or exempted security offered as a token, their accounting departments all wanted to treat it as a cryptocurrency rather than as a security. And so there was a lot of work just getting through the concept where this is completely new ground to plow there over ownership of tokenized securities versus cryptocurrencies. And we made some inroads there, but there is a question of time before we're able to fully plow that ground. That said, there's



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incredible interest there, and we have a great deal of confidence that we will be able to get through those hurdles because of the interest level that's there and the effort we saw from various Asian institutions in order to make this happen.

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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

So at the end of the day, coming up with another model, which let some select people come in, in equity, directly into the equity of tZERO, evolve, we think that GSR is going to be a tremendous partner. We're going to know them very well, and they're thinking really big. They're thinking really big. And we were worried about finding the partner who really wants to think as big as we do. We have them. We found the one partner who really, we arrived at pretty much the same game plan, and we really feel good about these folks as partners. Go ahead. Go ahead, Saum.

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**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

It's a big market opportunity -- We're expecting exponential growth as ICOs shift into regulated Security Token Offerings. This whole market continues to shift, as this is a more efficient way to raise capital, we expect this to continue to grow nicely.

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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Yes. Note that this includes security tokens and things that should have been Security Tokens, which are called -- ICOs that should have been Security Tokens, which I won't tell you what my estimate of what the percentage of ICOs should have been Security Tokens is, but I can mention that a few months ago, the Chairman of the SEC said, "The truth is I've never seen an ICO that shouldn't have been a security." So we think that's 100%.

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**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

And we can note that in 2018, there has been an increasing number of ICOs that have been registered or registered as exempt or filed as exempt with the SEC, and so we are starting to see that trend of people making those offerings as acknowledged securities.

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**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

Right. Everyone was expecting a slowdown in ICOs when the SEC started cracking down on them. But despite that, the first half of this year has been growing exponentially. I think it was around \$12 billion raised in ICOs.

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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

And that all means, now that's a security -- anything that's a security needs to trade on a venue that has some SEC holy water sprinkled on it. And so it's a race to develop that. Go ahead.

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**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

So this just shows the market opportunity with IPOs, private offerings, bonds, loans. We're really focused on the IPOs and private offerings, which are both massive opportunities. Primarily, our issuance is focused on private offerings, particularly the blue-chip companies that there isn't as much liquidity for.



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**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Yes. Frequently, the point is missed that IPOs are a very small percentage of annual issuances. The largest market, by far, in terms of equities is private offerings. And so we think there's considerable inroads to be made there in digitizing on the blockchain those offerings and simplifying the compliance and all the fees that go into that process.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Although what I'm really after is the U.S. Treasuries business. The day that we issue the first instrument for the U.S. government on the blockchain is the day I can retire a happy man. Go ahead.

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

Okay. Our goal at tZERO is to leverage our regulatory and technological first-mover advantage, to be the leading global platform for tokenized assets.

The next few slides will talk about some of the advantages of tZERO, starting with regulatory. Competitors are just starting to buy ATSs, which you can see on the chart below, we did in 2015. After that, we got an S-3 approved for trading digital securities. That went live in trading for OSTKP, which we launched December of 2016. We then launched our STO to raise capital as a Security Token Offering, followed by buying into a retail broker-dealer called StockCross. And the last step there, we've just did a deal with -- or did a joint venture with the BOX exchange, which is a national exchange, which we'll talk more about the benefits of that in the coming slides.

Next slide. The next step from a regulatory standpoint is to leverage our JV with BOX to present to the SEC a rulebook for this new asset class of Security Tokens, and we're meeting on a regular basis with the SEC to make that happen.

Next slide. Some of our acquisitions and partnerships that give us an advantage. We mentioned buying an ATS. We also bought agency broker-dealer, which gave us great technology for high-speed trading that we're leveraging in the tZERO platform. We partnered and have ownership in StockCross, which is a retail BD, which I'll talk more about later. And lastly, we did the joint venture with a national exchange, BOX.

Next slide. tZERO-BOX Digital. I want to spend some time talking about this. Really, there were 2 options here. We could either spend 2 years and \$25 million to \$75 million, and even with that, not be guaranteed an exchange license, or actually buy into an exchange or partner with one. And just to lay out some facts. There are 22 licenses out there for exchanges, 18 of them owned by NASDAQ, NYSE or Cboe. So that really means there's really 4 players out there that own exchanges, one of those being BOX Digital, which we partnered with. We chose BOX and did a JV primarily for their credibility, regulatory expertise and most importantly, the speed that would allow us to get to market.

And some of the advantages of an exchange versus just an ATS are they allow you to set listing standards, which the SEC looks at and has to look at. It lets us draw in premium issuers, it lets us bring in institutional investors, and lastly, publish market data.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Can I comment? I just want to say I'm really excited about the BOX exchange. As a New Englander, and the BOX exchange is a great group of people. Frankly, it's owned by -- I think, it's 50% or something, Canadians, and they're the kind of people I would like to be in business with. And more importantly, I believe them. I understand them to be very well regarded with the regulators and just very fine people. And that -- so any way, we're going to be just perfect partners for tZERO. Seth?



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**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Yes. And Saum made a particularly important point there. With an ATS, an Alternative Trading System works through a broker-dealer. That's useful for certain enterprises for quickly standing things up, for testing products, bringing new things to market. The challenge with it is it means there's always a broker-dealer middleman in your investment. And so premium issuers don't want to list through an ATS, and the very best institutional investors often don't want to trade through an ATS intermediary because they would rather have a direct relationship without another broker-dealer as a middleman. We think this gives us access to the very premium market in the coming Security Token issuances and will allow us to track the best institutional investors as well as the highest-quality issuers into our ecosystem.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Well said. And as long as we're on this, let me mention, we were trying very hard to acquire an exchange. They've been very -- there are a few in the U.S. and small. It's really turned into an oligopoly. There's I think 13 exchanges but 3 people owned, I guess, 12 of them now, we've been working hard on this all year, and this, we consider a real blue bird.

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

Next is our technological advantage. One thing we have that's unique on the retail side is our mobile app, which has won many awards year-after-year for best retail mobile app. And we're bringing some of that talent into tZERO. And so our expertise in mobile and user experience in general will bring us the unique experience for broker-dealers and investors as well as in our issuer platform. I've also been lucky to be able to form the dream team out of some talent we've hired, been able to take from our Medici Ventures group, as well as some enterprise talent from the retail side, which is skilled at building scalable systems.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

I'm glad to hear you say that. I think that we have incredible talent here, and it's a huge advantage. Not to take anything away from Saum's huge talent that he's going to demonstrate and bring tZERO to life, but it is such an advantage that he can pick a team from out of the teams within Overstock and Medici. Medici has been acquiring tremendous blockchain talent for 4 years.

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

Yes. And these engineers are experts in lean software development practices, basically, the latest Silicon Valley approaches to high-throughput software development. And then we've had this resource pool, as I've mentioned, both from Medici and OSTK, that can jump in and help us as-needed.

We are touching on human capital. Since I started in May officially, we've doubled the team size. We've grown the team dramatically to accelerate the roadmap we have, and we've combined that talent that's both blockchain and enterprise engineers.

So this is the layout of the platform we're building. We're creating a 2-sided network that really brings the issuers and investors together in a market that's frictionless, transparent, and liquid. The 4 platforms are really issuance, which lets companies raise capital more efficiently; and then two, the broker-dealer experience, applying our knowledge of mobile and web and building a great experience for consumers to trade; and then three and four being the exchange side of it, so where these assets actually trade.

And this is our product roadmap. So we're publishing this to the world. It shows that we'll be issuing our own tokens later in Q4 and have those tradable on an exchange for international or non-U. S. Reg S traders in mid to late Q4.



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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Let me put a footnote on that, if I may. So first, who out there publishes a product roadmap? We're telling you our product roadmap and we're committing that we will keep this updated as we go. And this serves as the 4 main products in the system Saum described when they'll be introduced. So I want the image of that.

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

Yes. And shortly after we launch those 2 things, we'll be onboarding new issuers and investors. Some of those bars are just ongoing activities as we grow and scale this business. That's it on tZERO. Medici?

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Medici. Okay, let's go to Jonathan. You're on the phone?

**Jonathan E. Johnson** - *Overstock.com, Inc. - President of Medici Ventures & Director*

Okay, I'm on the phone. Thank you, Patrick. Medici Ventures is focused on advancing blockchain technology...

(technical difficulty)

In addition to tZERO, we have 13 other companies in the portfolio that are doing stuff in capital markets, money and banking, property registry, voting and identity. We're going to focus on 2 today on the conference call. The first is Bitsy.

Medici increased its ownership interest in July in Bitsy to 1/3, up from about 11%. Bitsy is creating a wallet that, we think, will compete and be better than the Coinbase wallet. It's going to have a great user interface. The way that it's designed will help people manage their private keys better and get better access to key recovery should that be necessary. We're excited about it. It has a beta launch in late September.

Patrick, do you want to say anything more about Bitsy?

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

I would, actually...

(technical difficulty)

just letting people pay with Bitcoin. We wanted to get people a way to buy with Bitcoin. We looked at what we felt was efficient about the current market process and -- or products, wallets that are in the field. And the truth is the big problem with them is at most case, you really don't own your money. It's not a wallet. Not like having a wallet at all, it's like having a bank account. Someone else has your money. What we can -- that means to say when you open up a crypto wallet with the folks that are best known in the field, you're opening a bank account, you don't have the keys to the crypto that you're buying. You really have contractual obligation from the company. You don't own those -- you don't own that stuff. It's not in your wallet, it's a bank account. What we have created is a true wallet. And what's remarkable -- Jonathan, could you mute for just a second, please?

**Jonathan E. Johnson** - *Overstock.com, Inc. - President of Medici Ventures & Director*

Yes.



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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Jonathan's on vacation. You have a true wallet which means that money, those keys are yours. You hold the keys to your currency. The general problem with that is when you hold the keys to your currency, you could end up in a situation where grandma doesn't remember the 12-word question that's the password or cryptocurrency and stuff. So for it to really be consumer-friendly, there's got to be some way for both the people to have keys to their actual currency but there to be recoverability. We have developed a method that we think could even serve the whole industry, a unique key recovery method that allows it to be both true, so you can have your money in your wallet, you can carry it around with you, but if you drop the wallet in the lake -- I mean -- but speaking metaphorically, this is your crypto money, but if you drop your wallet in the lake, so to speak, if you lose your wallet, it can still be recovered. So it's the best of both worlds. It's a really groundbreaking product. And this is going to be in the market in September, and we'll be jamming it. Well, we'll be in beta, but we intend to increase over the year the marketing power we give this within Overstock. Okay, Jonathan, next slide? Actually, next slide, Medici...

**Jonathan E. Johnson** - *Overstock.com, Inc. - President of Medici Ventures & Director*

Next slide deals with Medici Land Governance. Patrick, I think you're probably best positioned to talk about this one.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Okay, thank you. There is a way to use these technologies, mobile app, blockchain, social media and AI, in a way that's going to let us bring Land Governance to the entire world. I think it's a historical, maybe biblical event in that if the whole world successfully gets land title, it will release hundreds of trillions of dollars of wealth to the people who live on that land. It's really this remarkable possibility. People have put together that this technology can be used to do this. We've gone into partnership with the World Bank, now I'll be addressing that in a moment. We went into partnership with the World Bank. We're charging ahead with them. They are taking us all over the world. We're all over Africa. We've signed the deal that has been announced but we are pursuing projects in other places. We think there's other announcements coming. We think we're in really good position. And the doors, the truth is I had a call from a major African institution a couple -- a few months ago. And then after talking for an hour, the head of it says, "Look, we've got 54 countries and 1.2 billion people waiting for you to fly to such and such capital." I mean, Africa is so hungry for this. The possibility of doing good in the world with this is unbelievable. There happens to be a way to unlock trillions of dollars of capital, too, and I suspect there's a way to make a shekel or 2 in the process. But of course, that's not this is worth. Now as far as Hernando. Hernando's a great fellow. We signed an MOU with him at the beginning of the year. We were not able to turn the MOU over the course of 2 quarters into a contract that was on the terms of that MOU or anything else that was acceptable. However, we parted ways. However, hope started to turn and actually, I'm pleased to say that there is after -- it is not out of the question if you will see us reengage that -- Hernando will come back and be part of this project. But we've gone on, and that's why you see this now as Medici Land Governance. We've just formed a new company and we've gone on with Medici Land Governance, but it may well be the case that he comes back on the scene, and I hope that's the case. Jonathan?

**Jonathan E. Johnson** - *Overstock.com, Inc. - President of Medici Ventures & Director*

Patrick, if I could just make one comment on Medici Land Governance. I think we've got a super team that we've built with people that some of our investors will know led by Ali El Hussein, who's been running the Overstock international business; and Rob Hughes...

(technical difficulty)

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Yes. Rob Hughes has been our CFO for years. He's been an impeccable CFO. He's actually become the President of Medici Land Governance.



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**Jonathan E. Johnson** - *Overstock.com, Inc. - President of Medici Ventures & Director*

Okay, and getting these partnerships in place with the World Bank shows that. So very bullish on Medici Land Governance.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Thank you very much, Jonathan. Next? Okay. So now let's turn to Retail.

I'm not going to bury the message, I'm going to put it right upfront and I'm really treating you like you're on the Board of Directors. People are going to do all the financial analysis they want. It's really simply to see what's happened.

Next slide. We'll be talking about SEO. We are making a major course correction in our strategy, I wish to inform you. We have made it and have already made great progress on it. We'll be talking about this in a second. The Supreme Court decision and strategic alternatives, in case anyone's interested in that. Go ahead.

Okay. This is what's happened in the business in a nutshell, setting aside all the financial statements. What has happened is our SEO collapsed, this goes back the beginning of last year, Google organic visits, you see what happened; it caught us by surprise.

Next slide. If you take the course we were on of nice market growth and then what actually happened, the difference, that gray area has been our missing pound of flesh in our business. And I'll just tell you, it's been remarkably painful. That traffic is generally very special traffic in that it's very lucrative for us. And it acts just like a precursor molecule to the other forms of traffic feeds. Once people come to you through Google and get the impact, e-mails, you can start e-mail marketing through them, retargeting them, giving them coupons, et cetera, et cetera. But the first step of it all -- so it isn't even just arithmetically the missing piece, the effect of that missing piece is even bigger than you would think. And I'm sorry about this. It's been extraordinary.

Next -- we've never seen. JP, go ahead. Tell them what you told me.

**John Paul Knab** - *Overstock.com, Inc. - SVP of Marketing*

No, I would start by saying that this is not a truncated chart. When you see that slide, that is the true slide. That is unprecedented. But any who follow the e-commerce industry closely, that's unprecedented in this industry, especially for a company who we follow the Google best practices very closely. A slide like this, when you follow the best practices closely, usually does not maintain long, because that delta is very abnormal, that steepness is very abnormal. We look at -- it's highly impactful, but we also look at that as something that is unlikely to maintain, either the slide or the level of the -- of the dip it has achieved, too.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

But the effect of that, so -- is, of course, enormous. And it is unprecedented. Even for us, we once had a little thing 10 years ago where we told the people at universities, they wrote a review, we gave them \$10 or something. We rolled in like that. But that's not -- we had that little punishment 10 or 12 years ago. But nothing since then. It has always been fantastic. And by the way, we're not at all saying anything is wrong about Google or saying they've done anything wrong or anything like that, we're just giving you data of what was going on and what developed in our business and how that has emerged.

Go ahead, next slide. You want to see the underlying -- this is where our keywords show up in the top 100 results. That's an important thing to understand because that's at the Google universe. That's what -- it's based on the top 10 pages, of course. And you see starting -- again, you really see the beginning of the inflection last May and then -- well, a picture's worth a thousand words, and a thousand words are actionable. So anything I say here, I probably shouldn't have. That's the picture of what happened.



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Next slide. Okay, more detail. What's happened this year is that we think we have arrested that slide now. We think we have arrested that slide. On the one hand, having some of my most seasoned colleagues move into tZERO and get that going has been a great cost. It's been a huge benefit to tZERO. On the one hand, you would think that we would worry about that in Retail. On the other hand, they have some wonderful harder ones trained, some wonderful staff they have recruited from superb companies across the country and the field as well as homegrown internally. I'm getting to work with a whole new generation of younger folks, and they brought some interesting thoughts to this. We actually think in that last little bit, that last 10 days you're seeing there, they turn out to be meaningful. And we've not just arrested the slide, we found a way to really improve the user experience over the last few months and rolled it. Saum?

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**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

Yes. I was just going to say, as one of those guys who wrestled with this problem, it needed some fresh eyes. So I think we found some good talent to tackle this.

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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Yes. And let me mention, the folks I'm talking about are the most superb, best of the best people. Talk about Saum and the people who've moved on into tZERO, some of them are the very best folks I've ever worked with. And yet, even they made some moves that they thought new eyes would do some good here. And over 2 or 3 months, the teams that they had built and recruited have really been wonderful to work with, and we think we've got -- I think we have this problem [left], right? But time will tell. And again, we'll show you ultimate -- show you the next 2 quarters -- of course, this is data off a wonderful company called seoClarity whose tools, if you're not using -- and if I were running money and betting on e-commerce companies, it'd be amazing what we can figure out from the seoClarity tool. JP?

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**John Paul Knab** - *Overstock.com, Inc. - SVP of Marketing*

I wanted to emphasize a couple of points you made early on about the impact this has. It's not just the direct impact of free traffic and how lucrative that is. It's also the impact it has on all of our marketing channels. We find that we are targeting channels like e-mail, which is downstream of our leads from group slide, the organic team, or our display ads, which are we targeting -- many of them we're targeting the traffic. We find that this slide has impacted not just its own traffic, but obviously, it's very lucrative, free and often times, high returning traffic in each of our marketing channels and does have an efficiency impact in there. I think we'll talk about that further though, results of what we're going to do because of that, but we have seen that while we can create growth, it impacts the efficiency of that growth in the meantime while we work on this problem.

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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Yes. It's been an extraordinary -- and the fact the team -- this is a haymaker of a punch that you can't appreciate unless you're in the business. And for this -- for JP's team to manage them, to roll with this punch and come back as they had and arrest this slide -- and what's really going on, and I want to make this point, is that our marketing technology and what happened is we either been in several revolutions in digital marketing from the sort of arbitrage marketing that, I think, we invented as far as I knew back in '99, 2000 to SEO to affiliate. But we don't always catch the very front wave of the revolution. The [FD], artificial intelligence, machine learning revolution, coming into e-commerce, we had been at the very front of and have some really fine systems built up and they're working now, and it's like we dreamed of 15 years ago. We have this SEO problem, and the truth is you can't appreciate it unless you're in digital marketing to understand how well those other channels are doing. They're doing extraordinarily well to offset this, and I just want to make that point. It'll come up later. Go ahead. So Seth?

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**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Great. So in terms of the rest of the retail business, as you can see, growth has accelerated roughly 25% over the last 2 quarters. We're confident that with continued investment, we could continue to accelerate it at a pace of 10% per quarter, as we laid out on our Q4 call. However, that said, the traditional growth-driven e-commerce strategy virtually always entails a significant amount of shareholder dilution. And given the clearly



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significant value in our non-retail assets, would also be dilutive. We believe shareholder value is better maximized by a more cash-conservative strategy with a more moderate growth rate.

As we discussed in our Q4 and Q1 earnings calls, we made considerable investments in testing and pricing, campaigns, audiences and experiences, and we accelerated the pace of these tests in the second quarter. This testing is extremely expensive and often structurally unprofitable, meaning the test itself is incapable of making money because of the way the tests are designed. That said, starting in the second half of July, we began to cut the unprofitable advertising and reinvested in the more profitable segments. The winning campaigns that we built, like those Sheryl Sandberg noted in Facebook's earnings call, have allowed us to carve out millions in cuts in paid marketing in July with relatively little effect on growth, and we continue to optimize spend and cut marketing dollars, we expect to see significant reduction in losses, and for that, continued improvement in cash flow in Q4 as well.

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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

May I put a footnote on that? I want to mention because Sheryl Sandberg called us out. And I might as well -- genie's out of the bottle. I mentioned, I guess, about 9 months ago that we had found a new way to market that we thought was exceptional. That, again, I couldn't say in the conference call because the world hadn't figured it out. What that was, was social media, getting very, very serious about social media marketing. What we've realized is people go to Google 8 days before they buy, but they'll go to start searching, they'll go on social media 1 month before they buy. And that relatively, it was possible to go there and get very deeply integrated. Facebook has been a tremendous partner, one of the greatest -- Google and Facebook have both been tremendous partners over the years. But Facebook, the amount of cooperation that work at JP's now, getting -- anyway, I said 9 quarters ago that we had found a niche that we thought we could exploit for a while. And now that it's out, and Sheryl Sandberg's talking about our cooperation. On the other hand, we have this -- JP, would you mention something? You mentioned something to me about having been at a Google conference a week or 2 ago. Can you tell them what that...

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**John Paul Knab** - *Overstock.com, Inc. - SVP of Marketing*

Yes. We -- Overstock, amongst the spend increases, one of our goals was to deeply integrate with the biggest players in the space, understand how to work collaboratively to create things that could create arbitrages. I believe we have been able to do that. And in many recent conferences, Overstock has had a significant amount of call allocable from Facebook, Google and Pinterest as far as some of the expertise we've created, especially on lift measurement, incremental lift measurement and aiding these companies and doing that in the retail space as well as campaign structure, like you saw on the Facebook earnings call. This is all things we can leverage to have more efficient growth going forward, and we've done this last quarter.

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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Yes, I heard that Google had a conference where they mentioned us a dozen times. And Ms. Sandberg with Facebook is calling us out. Anyway, I've mentioned for several quarters that we have this fantastic relationships in Silicon Valley among our engineers and tech. Okay. Go ahead.

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**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

All right. One of our key learnings in our testing cycles in the second quarter was improvement in targeting the home shopper during significant buying cycles. As a result, we saw nice acceleration in the rate of growth of our AOS in Q2. Our recently announced real estate programs are also designed to help us serve these customers during their highest value buying cycles and we believe can help us accelerate this trend.

We have had a number of shareholders also ask us about the impact of the recently decided Supreme Court case on sales tax. After the decision was announced, we turned on sales tax collection in all the jurisdictions we had not previously done so. We also re-enabled affiliate marketing relationships in those states. We did see an initial drag in the days immediately following, but conversion in sales returned to normal levels within the week. We believe that's partly due to the additional affiliate coverage and partly also to do with the rest of the competitive landscape turning



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on sales tax collection as well. We don't see sign of significant adverse effect on our sales in our data at this time. And we're pleased that with this change, we are now free to pursue programs that we have previously tabled in order to avoid sales tax in excess. Over the coming months, we intend to aggressively pursue installation services, refer friend programs and third-party partnerships in geographies we'd avoided in the past. These have all been serious staples of other players in terms of their offerings that we were unable to adopt without connecting to sales tax nexus. And we think it will unlock valuable portions of the business now that we can embrace them.

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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Nicely said.

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**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

All right. So since our last call, we spoke about strategic alternatives, talked about capitalizing up for Medici. We've already discussed that, and we're very excited about our new capital partners as well as capitalizing with the large partner who's willing to think big. We think we're going to have a lot of success as a result of these partnerships, not just in terms of capital, but also in terms of business value and the future of our plans. I can also say since our last call we've had deeper discussions about a retail sale in terms of both price and structure with the parties involved in the diligence process. Among those who've progressed the furthest, they find our technology supply chain and team to be our most valuable assets. To that end, they would prefer to purchase a more modest growth company with less cash maintenance costs. As a result, we believe the course correction we've laid out on this call will also help us sell the retail business in a more timely fashion, and we continue to work with those parties as well as to prepare the business for that event.

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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Well said. Before we move on, may I hit just to then emphasize a point from my letter that what you're going to see as a strategy is this first cash burn minimization strategy. We can back into what that's going to mean in terms of growth as such, but -- and then we're working on a quick SEO recovery. I want to mention we're doing wonderful work on customer lifetime value with the help of a global consulting firm, who has been a tremendous partner, another really productive partner for us. As we introduce some of this crypto stuff, there may be crypto retail synergies may emerge, but ultimately, retail sale, I want to emphasize, there's -- in the course of doing the analysis, we've seen what the gods of economics must have been seen for years. And it's going to happen within 2 or 3 years. Somebody is going to put together brick and click on furniture and home goods and they've got a \$300 million charity waiting to be seized there. It's just that -- just waiting. And it's very clearly I know, in 2 or 3 years, someone's going to have it. I know I don't want to be the guy to do it. I know I don't want to be the guy to do it. And I know I don't want to be the guy to do it. So I either want to see -- I mean, you can expect either a sale to a large brick-and-mortar or it's possible, a private equity company who wants to put us together with that kind of company owns our stores. On the other hand, it's also quite interesting, and the reason I went into that about our marketing technology earlier was to mention there are other interesting kinds of people out there who have a lot of traffic, who have not developed exactly the right tools to monetize the traffic. The tools that they need to monetize the traffic is exactly what that other marketing tech is that -- I was describing that its success and getting it right is what has offset the SEO, so that's another perfect marriage in heaven. The perfect marriage of the kind of tech company with that kind of traffic but still waiting to develop that marketing and us to put together the synergies that are just unbelievable synergies for a couple of different classes of acquirers. But in the meantime, if anything, we were running it like we're owning it, which means we're minimizing the cash burn, bringing the crypto, and I have good hopes about this SEO and the graph that we see next quarter.

Okay. Lastly, I mentioned the securities lawsuit was a nothing burger. I have to hand it to the plaintiff's class action firm; whoever it was showed up in court the other day and said, "We've looked into this enough," and, well, they've dropped the whole thing. And no, there was no settlement. Somebody asked me today, "Was there a settlement of this?" No. This is complete nonsense. So thank you. And I have to commend whatever that law firm was that whoever asked they did the research, and so they dropped it. Go ahead.

Okay, that gives us 45 minutes in and gives us 15 minutes for questions. Who's reading it?



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## QUESTIONS AND ANSWERS

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Okay. I've got it. First, we had a series of questions from Tom Forte. Several of them were about our growth strategy. I can lump those together and answer them as, like we said earlier, our growth was accelerating nicely. It is very expensive to accelerate the growth. And we also understand that if we're going to dilute the shareholders to pursue this strategy, that, that has some serious cost on what we believe are incredibly valuable assets in the nonretail part of our business. And so in order to prevent shareholder dilution on those assets, we're pulling back from the growth strategy, taking a more modest growth position with a much more cash-conservative outlook, and that's going to be our go-forward strategy. Additionally, he asked how investors should think about the level of spending undertaken since embracing that model and the efforts to learn to spend more efficiently like the launch of Houserie and Facebook's callout in our earnings efforts and their earnings call. We found a number of places where we have excellent return on ad spend in all the campaigns that we've tested. There are clearly also a lot of others that don't have excellent return on ad spend. That's not to say we're throwing away all of the new advertising that we've tried. It's a process of pruning out those that have undesirable returns and then maintaining those that do. As a result, we think the...

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Would you say, if I were to estimate the part that you throw out as being 50% to 80%, would that be a fair estimate?

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

I think that number becomes clearer as we start pulling back on the tests and see where the efficiency frontiers are. But yes, it is very significant cuts we're able to make and some of which we've already made in the month of July. Additionally, the mention of Houserie and real estate, we think those assets that we purchased, one, were very affordable when we purchased them. They draw in a lot of organic traffic, and we think there's actually a lot of value to be unlocked there because new movers are the most valuable home customers in the market. And so getting access to that market, upstream of when they start shopping for furniture when they're still actually looking for homes, means we have a better understanding of our customer and where they are in the buying cycle than anyone else in the market can.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

If you take movers, plus or minus, their move date plus or minus 3 months, that set of people is a significant size of our business and the other people in our industry. Go ahead.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

No. 6, "How are international sales progressing? What are the operating profits and losses for your international efforts?" International sales are progressing very nicely. We have strong triple-digit growth, actually, a multiple of triple-digit growth in Canada right now. That's where all of our efforts are focused. We're making great improvements there. It is worth calling out, that is also a place where we're investing a lot in terms of G&A. And so it does add millions, a couple of million in losses to the bottom line. But we think that's a very good long-term investment, considering how the platform is ramping up and how we're seeing adoption.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Yes. Okay. Go ahead.



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**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

"Are you still moving forward with your plans to add distribution centers to increase your 2-day shipping footprint?" Yes, we are. We're adding distribution facilities in the middle of the country. We've actually found systems whereby we can add the distribution of facilities that we wanted to add but very little square footage at a time and grow into it rather than doing a big bang and buying millions of square feet and racking it up and then having to spend a fortune trying to get it filled, and so that's making it very low-capital commitment in order to continue expanding that operation.

Another question about the Supreme Court and online sales tax. I think we covered that fairly well. Another one. "Anecdotally, we've seen a lot of Overstock ads on TV. What's the strategy? And how happy are you with the returns it's generated?" JP, do you want to speak to that?

**John Paul Knab** - *Overstock.com, Inc. - SVP of Marketing*

Yes, the strategy is awareness around, specifically, the type of home products Overstock carries and making sure the market has that clarity. These commercials have been the most responsive in our history since we started measuring about 10 years ago, a certain responsive measurement. It also has led to our historic high on share of awareness amongst our competitors and is quickly leading towards a historic high on share of choice in the industry. We are very pleased with these. We're looking for further expansion of those moving forward and have some strategic relationship with the home players in the linear TV space that we think will accelerate that further going into next year.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Thank you.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

We are also getting, let's see. Sorry. "Earlier this year, Google began changing its algorithms to emphasize mobile, a long-standing strength of yours. To what extent, if at all, is that helping or hurting your SEO efforts?"

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Do I hit that? They've introduced something called AMP, which is a technology for mobile that makes it much, much faster. You may have noticed in recent months, suddenly your phone has got a lot faster, mobile browsing. That's AMP. We were -- I think, from when they gave us a call, it was the first major e-tailer, I think, to introduce it. And also, on July 1, they switched, so your mobile -- they're bringing your -- how good your mobile site comes into account whereas they make their decision on how higher rank. So JP, (inaudible)?

**John Paul Knab** - *Overstock.com, Inc. - SVP of Marketing*

Well, of course. Absolutely correct, and there's 2 factors that Google on their own tools have. There's the speed measurement and a mobile-friendly measurement. Overstock, in those 2 Google tools, ranks as one of the best in the industry. I think, on friendliness, we're either 99 or 100 out of 100 each time we look. And on mobile speed, we rank as good with the indication we've seen back from one of the few retailers in the industry who ranks good for performance or speed of mobile. So I do think we're in a strong position as it continues to move towards mobile first ranking purposes. And in this U.S. update that Patrick referred to, we have a team of people who are just looking at additional content update, we think, are very consumer-friendly from the content side that will take that one step further as this continues to fit towards mobile.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Well said, what he said. Go ahead, Seth.

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**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

All right. And then, finally, somebody asked, "Can you provide some color on a comparison between Overstock and Wayfair on logistics? Do you use the same third-party partners?" I would say we have some overlap in terms of partners. We also use some different ones in terms of freight. I think the biggest difference between our logistics network and their logistics network is that ours is designed to be fewer nodes with faster transit times on denser lanes. Theirs is a spread across more nodes. We like the lower node model because it requires less inventory commitment in order to participate. The more nodes you have, the more you have to fragment inventory and the more safety stock you have to carry.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

The more you fragment it, it goes up the square root of the number of ways you fragment it. By having this one -- a third warehouse coming. Have we announced yet where it's going to be, the third warehouse?

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

We haven't formally announced it yet. It's a location in the middle of the country.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

It's in the Midwest. Central Midwest.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Yes.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

And what it means is we can reach the entire -- we will be able to reach the entire country or something like 99% of the country within 2 days. So we'll have our 2-day footprint. We'll be able to ship sofas, and everybody will be within 2 days, not next day. But next question, Seth? Was that a finally, finally?

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

That was a finally on retail. So on tZERO. "First off, congrats on completing the STO. When considering the growing list of challenges faced now that, that's behind you, how should investors think about the notion of you selling a minority interest in tZERO?"

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

So I would say we're focused on strategic investors like GSR, which just got announced, that will really help us scale and expand this business globally.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

"Additionally, you placed Saum in charge of tZERO. What, if any, changes has he implemented at tZERO? And how, if at all, will that change its future direction, including product focus?"



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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Saum has supercharged tZERO. I mentioned in my letter that he has supercharged it. If you go back 4 years ago when we announced we're getting into Wall Street business, part of the investment thesis was it wasn't just bringing blockchain technology. It was bringing Silicon Valley, Agile and other approaches into technology in the financial sector. And that's what we've gotten in spades with Saum. Take it from there, Saum.

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

All right. Well, I don't really want to talk about myself, but I think we've got a solid org structure, a solid tech team, now supplementing the team that really understood capital markets well. We launched the joint venture with BOX, and we've enhanced the product roadmap and are moving quickly on it.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Yes, we have product teams, product roadmaps. And yes, well, you've seen our product roadmap. You know how much we'll be delivering this year. This year, you'll be seeing products coming into the consumers' hands.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

"With the STO complete, where do you stand on providing that as a service to other companies in terms of helping them with their own STOs?"

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

So as we issue -- and if you look at the product roadmap, it covers it. As we issue our own tokens and make them tradable, we're going to start onboarding our backlog of issuers. So you can expect that late this year and early next year. We will continue to scale that.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

I can say thousands of companies contacted us in the pipeline. We have vetted and are talking to -- there's at least 60 companies that are unambiguously interesting companies that might be right for this, and they're closely aligned.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Great. Let's see. Last, "How should investors think about the potential for ICOs and STOs for your other Medici Ventures holdings?"

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

Well, I think there are several of them that have actually reached out to tZERO to do their issuances and raise capital. So those will be part of that list that Patrick mentioned. We'll onboard those at the end of this year.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

De Soto looks -- oh, we already answered that. "Have you made progress in terms of the business model for De Soto?"





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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Yes, absolutely.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

And the follow-up is, "What are you working on with the World Bank?"

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Well, yes, on the businesses model. I don't want to sound too grubby and mercenary about it because in my heart, this business, Medici Land Governance, it's about, I think, we can change the world for 5 billion poor people. But there happens to be some money in doing that, both from hundreds of millions of dollars given by donor countries and such to poor nations for them to build, for them to implement Land Governance. On top of that, there's over \$100 trillion of known wealth in the world that's buried and living -- that's buried, and there are people living on top of it who don't have any title to anything. They are nomads living in the desert or they're -- so you can unlock that value and transfer it to those poor people. And also, we can create tools, peer-to-peer lending tools and things like this, digital money, that are going to let those 5 billion poor people not only access the trillion dollars of capital but start saving and sharing with each other. And they don't even need to copy us by building the banking institution as we had built them. As we've been telling them for 70 years, they need to catch up and build themselves. That's all going to be able to be done now through mobile apps and blockchain and such. So a real business model has emerged, including -- I'm very excited about a revenue model that's buried in here, but for competitive reasons, I don't want to mention it, it's very -- this whole new approach is -- actually, when I think, why not give them credit, why don't we give them the credit. We're building a bunch of technology in OIT. An OIT is an open source technology that lets sort of an alternative to patents, lets you create technology, and as people use it, generates revenue for the person who created it. And it's a technology -- technologists know what I'm talking about. And at the library, we're building some of those now. So anything else? Seth, go ahead. Let's take another if there's more questions.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Okay. "Additionally, can you provide an update on some of the plans," let's see, "for tZERO's other smaller acquisitions like tZERO advisers?"

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

Yes. Well, we have already made that partnership and taken a nice stake in that. We actually plan to use their Robo advising technology, not only on traditional equities and stocks, but implement it for this new world of security token. So big plans in the works with them, and there are several others strategic potential acquisitions we're working on, but I don't think we want to disclose that.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

And additionally, we have a couple of coming in, in real time.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Seth is getting texts as well as reading. Let's give it 5 extra minutes. This is an unusual earnings call or amount of information. So Seth's reading text as well as e-mail.



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**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

So somebody asked us what our filings that are going on right now are about in terms of the prospectus. That prospectus is a filing to set Jones Trading up to be our placement agent for the company on any future placements we do.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Next?

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

We also were asked, "Can you mention any specifics about tZERO and how you plan to tokenize securities? For example, would you be using Ravencoin's protocol?" Saum, do you want to comment on our token and what we think it does for issuers?

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

So at this time, we're building off Ethereum smart contracts, and specifically, ERC-20. That's kind of the standard we're building the tech around. We're looking at Raven actually for some other applications, but...

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

I actually want to mention -- I think Raven -- you might -- I'm a fan of Raven. We have incidentally -- probably should disclose 85 million Ravencoin that are only a couple cents apiece. So it's probably buried in our footnotes somewhere. Ravencoin is an exceptional coin that may well be -- if Ethereum was bitcoin 2.0, I think this could be bitcoin 3.0. It's an open-source project that we have committed a lot of resources to. It could be any coin under, as Saum alluded to, several of our investments including -- I really like the idea of being under the Medici Land Governance. But people, if they want to understand value, should dig into what's going on Ravencoin. I think it's the fastest-spreading coin measured by nodes in history.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

"Will tZERO become like a program that can be used in countries like Canada and others for building exchanges similar to tZERO?"

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

Yes. We're building the exchange technology, and we're looking to bring it to the, basically, international world. We can do that through JVs or partnerships or just power the tech for other exchanges.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Yes. Something I learned this quarter, the tZERO brand is global already. It's already one of the great brands in this field, and we haven't even brought the product to market yet. But the tZERO brand, I found this out from Europe to Asia. tZERO brand is already a global brand in this field. And so there is -- I can't tell you how many countries are knocking on our door for us to set up an exchange -- a copy of our SEC exchange here over there.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Let's see. Any last comments?



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**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Actually, while Seth looks at that, I will tell you, it's 20 last I heard. It's 20 countries that are asking us for us to put in copies of -- build exchanges for them, last I heard. Seth, have you found the next question?

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Just filtering through the ones that have already been asked and answered. I think as the last question, there are several asking about the potential of a retail sale and asking what our progress is there. What I said earlier, we've made some progress and spoken to some new players in the space.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Those players approached us in the last month.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Yes. And in addition, some that have been working for a while have progressed further along, and are in deeper conversations about structure and price and so forth. Again, we can't make any guarantees about timing. Progress continues to happen, and we continue to work on that. We also have somebody asking -- so somebody asked about TD Ameritrade and overnight trading and if we have a relationship with them in tZERO.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

The answer is yes. The answer is yes. We power that.

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

Yes, we have a partnership that powers that 24/5 trading.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

So when you see Lionel Richie singing All Night Long in that ad, that's our technology powering it. And they've also been a terrific partner, tZERO, TD Ameritrade.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Another one, "How do you plan to use the relationships with your customers in SpeedRoute in order to enhance the tZERO platform?"

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

Yes. SpeedRoute is not a retail broker-dealer. It's what's called an agency broker-dealer, meaning its clients are actually other broker-dealers. What's nice about that is as we build this new world, we'll be able to quickly get adoption and have these new Security Tokens be tradable on a lot of existing broker-dealers. And they have -- I think it's around 100 to 150 broker-dealers that we have relationships with. So as we build this world, we can call them up and have their investors have access to these Security Tokens.



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**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

And we think that's really valuable that we want to build it so that via those relationships with SpeedRoute and that connection into the plumbing in Wall Street, you can sit down on your Bloomberg terminal and trade securities on the Boston's option or digital securities watching securities on the Boston's option exchange and it's seamless from everything else you do on a day-to-day basis.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

From your lips to God's ear.

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

Somebody else asked, do we have any further relationships with tZERO in the pipeline that we can announce. I think with that, there are several people that are later in the stages of preparing (inaudible) that we worked through and are short of prequalifying. We can't announce their names yet, but there are a couple that are very close.

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

As well as some non-U. S. partnerships, but we are not ready to announce those yet.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Seth is checking e-mail and telephone at the same time. All kinds of messages are coming in. Are we good?

**Seth A. Moore** - *Overstock.com, Inc. - Senior VP of Strategy*

I think we're good.

**Patrick M. Byrne** - *Overstock.com, Inc. - Founder, CEO, President of Retail & Director*

Nice job. Nicely managed. Okay. So shareholders, you might as well have had a seat in our board meeting in terms of understanding what's going on in all these different parts of the company. You figure out what it's worth. I look forward to seeing what you say. It's been an interesting year, but I hope that I'm -- well, those who've been along for the ride know. Not many years ago, we were all the guff we were getting about spending \$3 million or \$4 million a quarter on crypto, on doing this crazy blockchain stuff. I hope you understand now what we saw and how we recognize -- no, I don't want to say this is turning into a crypto company with a retail company stapled to it. But the ability to extrude -- and people don't like that word, I like it, like you extrude plastic. We are extruding companies through Overstock, and we are right at the forefront of blockchain and I think there's other tZEROS in the works. So it's an honor to work for you. Thank you very much.

**Saum Noursalehi** - *t0 Technologies, LLC - CEO & Director*

Thank you.

**Operator**

Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone, have a great day.



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