

MEMO# 31950

September 9, 2019

Member Call to Discuss Overstock's Upcoming Digital Preferred Stock Dividend: September 12 (4pm ET)

[31950]

September 9, 2019 TO: Chief Risk Officer Committee

SEC Rules Committee

Securities Operations Advisory Committee RE: Member Call to Discuss Overstock's

Upcoming Digital Preferred Stock Dividend: September 12 (4pm ET)

On July 30, Overstock.com, Inc. announced that its board had declared a dividend “payable in shares of its Digital Voting Series A-1 Preferred Stock,” with a record date of September 23 and a distribution date of November 15.^[1] It further stated that these shares “have not been, and are not required to be, registered under the Securities Act of 1933” and that “no secondary resales of such shares will occur until they become eligible for resales under Rule 144 under the Securities Act... .” Finally, “Once secondary resales are permitted, investors are expected to be able to trade shares of the Series A-1 on the PRO Securities ATS, operated by PRO Securities, through a brokerage account established with Dinosaur Financial Group, LLC.”^[2] Then-CEO Patrick Byrne described these shares as “new blockchain-based A-1 shares [that will] trade in a blockchain-based capital market... .”

ICI has fielded several calls from members holding shares of Overstock in their funds, inquiring about this planned transaction and the legal (and other) questions that it potentially raises. ICI will be hosting a member call to discuss these issues on **Thursday, September 12 at 4pm ET (1-888-394-5484; passcode: 54747)**.

Matthew Thornton
Assistant General Counsel

endnotes

^[1] The press release is available at <http://investors.overstock.com/news-releases/news-release-details/overstockcom-inc-declares-dividend-one-digital-share-every-ten>.

[2] The press release states that “existing Series A-1 shares currently can be traded on the PRO Securities alternative trading system (ATS) operated by PRO Securities, LLC,” which “is powered by technology owned and licensed to it by Overstock’s majority owned subsidiary tZERO Group, Inc., which owns PRO Securities, LLC.” This ATS “is the same platform on which tZERO’s security tokens began to be resold among accredited investors earlier this year.”

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