tZERO

tZERO Digital Asset Securities, LLC

Form CRS Customer Relationship Summary

Responses to "Conversation Starters"

Effective June 5, 2025.

Conversation starters: *Given my financial situation, should I choose a brokerage service? Why or why not? How will you choose investments to recommend to me? What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?*

Response: If you make all of your own investment decisions and want to custody DA Securities with a special purpose broker-dealer, then a self-directed custodial account like ours could be the right fit for you. tZERO Digital Asset Securities, LLC ("**tZERO**", "**we**", "**us**", "**our**") **does not** provide recommendations or advice about whether to invest in securities, account type, investment strategies, proprietary products or account monitoring. Other than our customer due diligence, anti-money laundering and related customer on-boarding procedures, we do not have any requirements for retail investors to open or maintain an account or establish a relationship, such as minimum account size or investment amount. We are not subject to a fiduciary duty to you and do not monitor or manage your account, including the monitoring of brokerage account investments, unless we state otherwise in writing.

Since we do not provide recommendations and you must make all of your own investment decisions, the registrations, education and other qualifications of our financial professionals will not be relevant to your investment decisions. **If you choose our services, you must be comfortable with investing your capital on your own.**

tZERO has an interest in the growth and widespread adoption of DA Securities. Digital asset securities are issued and transferred on a blockchain or distributed ledger. A "**DA Security**" means a digital asset that meets the definition of a "security" under the federal securities laws. The term "**digital asset**" refers to an asset that is issued and/or transferred using distributed ledger or blockchain technology ("distributed ledger technology"), some of which are referred to as "virtual currencies," "coins," and "tokens." A digital asset that is not a security is referred to herein as a "non-security digital asset."

tZERO will custody all DA Securities in one or more custodial wallets for the benefit of its customers. Once your DA Securities are on deposit with tZERO, you will not have access to the private keys controlling the wallet address where such DA Securities are held under any circumstances. Your beneficial ownership of DA Securities will be recorded on a book-entry basis in tZERO's book-entry software.

tZERO is deeming itself to be in possession or control of the DA Securities held for you in

tZERO's custodial wallet(s) for the purposes of paragraph (b)(1) of Rule 15c3-3 based on our compliance with this the SEC's December 23, 2020 statement on "Custody of Digital Asset Securities by Special Purpose Broker-Dealers."

Digital asset securities may not be "securities" as defined in SIPA—and in particular, DA Securities that are "investment contracts" under the Howey test but are not registered with the SEC are excluded from SIPA's definition of "securities"—and thus the protections afforded to securities customers under SIPA may not apply.

<u>Risks of fraud, manipulation, theft, and loss associated with DA Securities</u>

- Ownership of a DA Security is evidenced by a unique identifier for each DA Security holder on the blockchain – often referred to as a "wallet address." A wallet address is controlled by a tool called a "wallet." A wallet is not a storage container which holds a DA Security. Rather, a wallet is a tool used to: (a) create holder addresses on the distributed ledger (blockchain); and (b) create "keys" which control a wallet address. When you hold a DA Security in your Account, your ownership is recorded on the blockchain with a wallet address created by a tZERO wallet. Each wallet address is controlled by a pair of keys: a public key and private key. The private key is used to approve transactions, whereas the public key is used to verify the signatures of these transactions. A public key cannot be tampered with or used without access to its associated private key. tZERO has processes and procedures in place to safeguard all private keys, which would provide access to customer assets. However, subject to your rights and remedies under applicable law, rule or regulation (including, without limitation, against tZERO), loss of tZERO's private keys may result in the loss of your DA Securities. If tZERO is victimized by fraud, theft or manipulation, we could lose a "private key" necessary to transfer your DA Securities, or a bad actor could cause your DA Securities to be transferred to an unintended wallet address, which may result in the complete loss of your DA Securities.
- While certain DA Securities may have protocols to reverse erroneous transactions, others may not have such functionality. Therefore, tZERO may not be able to un-wind or reverse any erroneous or fraudulent transaction in DA Securities. This may result in the loss of your DA Securities, subject to your rights and remedies under applicable law, rule or regulation (including, without limitation, against tZERO). If a DA Security does have a protocol to reverse erroneous transactions and a remediation effort is needed as a result of fraud, theft or manipulation, the tZERO will work with the issuer/transfer agent to reverse any transactions resulting from such fraud, theft or manipulation. If appropriate, tZERO may also work with law enforcement agencies in an effort to recover its customer's assets.
- In addition, malicious activity attributed to actors taking advantage of potential vulnerabilities that may be associated with distributed ledger technology and its associated networks could render tZERO unable to transfer your DA Securities. Since there is no central body overseeing the development of technology relating to a digital asset network, the functioning of your DA Securities, as well as further improvements of such functioning, relies on the collaboration and consensus of various stakeholders, among others, developers enhancing the open-source software related to digital asset network facilitating the processing of transactions. Any disagreement among stakeholders may result in a Fork. For the purposes of this Agreement, "**Fork**" means: (i) that a network has been changed in a way that makes it incompatible with the

unchanged version of the network; (ii) the changes have been widely accepted by users of the network; and (iii) that the two resulting networks have not been merged together. In most cases, immediately following a Fork, the updated network has a duplicate of each asset that was on the original network, and the owners of such assets and their historical transaction history is copied onto the updated network as well. However, in less typical cases, a Fork may be conducted to remove "malicious" transactions, in such cases, the updated network may not have a full transaction history. In the event of a Fork, tZERO will notify you of such Fork as soon as practicable and also work to notify you of treatment of each version of the digital assets and their networks.

- The characteristics of a digital asset network may make it an attractive target for fraud, theft and cyber-attacks. Various tactics have been developed to steal digital assets or disrupt digital asset networks. For example, a "**51% attack**" is where an adversary may take control over a digital asset network by providing 51% of the computer power in the digital asset network or "denial of service attack" where an adversary attempts to make digital asset network resources unavailable by overwhelming it with service requests. This may result in significant waiting periods, network congestion and delays during which you may be precluded from transacting in a DA Security while its value may fluctuate significantly, or which may otherwise result in loss or damages. In the event of a 51% attack, tZERO will notify you of such 51% attack as soon as practicable and also work to notify you its impact on the DA Securities we custody for you.

Risks relating to valuation, price volatility, and liquidity associated with DA Securities

- Setting a value to DA Securities can be difficult, there may not be any proven valuation method. You may also have access to limited or no information about a DA Securities issued in an offering exempt from registration under the Securities Act of 1933 by an issuer that is not a reporting company subject to the reporting requirements of the Securities Exchange Act of 1934 ("**private securities**").
- Market prices for DA Securities may be very volatile and sometimes differ materially from the fair value of a company or an investment opportunity in the case of illiquid/low liquidity assets.
- Investing in private securities is not suitable for all investors. An investment in private securities can be highly speculative and involve a high degree of risk. The market for private securities is less liquid than the market for national market securities or exchange traded securities. Market prices may be very volatile and sometimes differ materially from the fair value of a company or an investment opportunity in the case of illiquid/low liquidity assets. Certain private securities may have restrictions on the resale of the securities you purchase and your ability to transfer securities you purchase under applicable law.
- Digital asset securities custodied by tZERO are only available for trading on the tZERO Securities ATS, an alternative trading system operated by our affiliate, tZERO Securities, LLC, which has limited volume and the depth and liquidity of that market and the ability to sell these securities may be limited. An increase in trading volume on the tZERO Securities ATS may cause the trading venue to not function properly. In these cases, any technological malfunction, due to increase trading volume, cyber-attacks, external security breaches or otherwise, of such trading venue may adversely affect your ability to execute trades and trading of a certain security may even be suspended. The number of shares of a particular DA Security traded on the tZERO Securities ATS may

be very small, making the market price more easily manipulated than is the case with respect to securities that are traded in greater volume on deeper and more liquid markets. The tZERO Securities ATS is not a stock exchange and has no listing requirements for issuers or for the securities traded although it may, in its sole discretion, trade any security, following reasonable due diligence, that meets the trading qualifications of tZERO Securities ATS.

Description of the processes, software and hardware systems, and any other formats or systems utilized by tZERO to create, store, or use tZERO' private keys and protect them from loss, theft, or unauthorized or accidental use

To create, store and manage private keys during their life cycle, tZERO will use a key management software as a service platform, offered by a vendor that specializes in encryption. tZERO' private keys will be subject to security procedures that are based on a defense-in-depth approach where both the creation and the signing of the wallet's keys are protected by a mixture of complementing approaches, where the major ones are:
- MPC (Secure Multi-party computation) - The private key is never held in one place. The creation, signing and revocation are done in a trustless distributed manner between a threshold of co-signing components.
- Chip-Level Hardware Isolation - All the key material is protected in a hardware isolated environment. In addition, any code or data that can act as a single point of compromise, is executed in hardware isolation.
- Policy Engine - Policy on transfer amount-based limits is enforced by any of the co-signing components to assure that any attack on the initiating client or on any of the centralized components between the client and the co-signer is blocked.

The trustless MPC setup assures that the private key is not reconstructed throughout the entire lifecycle of the key, not during its initiation and not during the setup phase. The distributed key generation can be done either through online co-signers or as an offline process to comply with the SAS-70 standard. Each individual MPC key share is randomized in a hardware isolated component using a NIST SP 800- 90A compliant random number generator, eliminating the feasibility to weaken the protocol implementation. As In any signing system, even if the message signing is distributed, the transaction crafting is still conducted in a centralized component and is prone to a spoofing attack. In order to handle this attack vector, the distributed MPC-based signing process is utilized for a distributed verification process, where each of the co-signers parse the message to be signed and assures that it matches the metadata of the signed request it is carried with.

The hardware isolation mitigates risk of a takeover by either an outsider or insider who has access to a threshold of the devices holding the MPC key shares. The major attack scenario is an administrative personnel that has access to all machines during the key provisioning or key signing phase. Through the use of hardware isolation and remote attestation technique, the risk of such an attack vector is drastically mitigated.

Conversation starters: *Help me understand how these fees and costs might affect my investments. If I give you $10,000 to invest, how much will go to fees and costs, and how much will be invested for me?*

Response: Our platform is self-directed custodial platform; we will not invest your money for you.

We will not charge you custodial or transaction fees for our services. Fees may be changed for other services, such as paper statements, paper confirmations, and overnight mail. Customers are not charged for electronic statements and confirmations

Conversation starters: *How might your conflicts of interest affect me, and how will you address them?*

Response: tZERO does not provide recommendations. The way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the services we provide you. Here are some examples to help you understand what this means.

We and our affiliates have an interest in the growth and widespread adoption of DA Securities. The roles played by our affiliates in the growth and widespread adoption of DA Securities are as follows:
* tZERO Securities, LLC operates the tZERO Securities ATS, which may be the only available trading venue for the DA Securities we custody. tZERO Securities, LLC may also act as the broker-of-record or placement agent for a DA Securities offering.
* tZERO Technologies, LLC offers technology services to issuers and market participants relating to DA Securities, including those that we custody..
* tZERO Transfer Services, LLC may serve as the transfer agent and/or provide cap table management services to issuers of DA Securities, including those that we custody.
* Verify Investor, Inc. provides services to issuers to verify that their investors are "accredited investors."

Conversation starters: *As a financial professional, do you have any disciplinary history? For what type of conduct?*

Response: No. Information about tZERO's disciplinary history and the type of conduct can be found in tZERO's BrokerCheck report on FINRA's BrokerCheck website at https://brokercheck.finra.org/. You may also visit www.investor.gov/CRS for a free and simple search tool to research us and our financial professionals.

Conversation starters: *Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?*

Response: Because your account is entirely self-directed and our platform is fully- integrated online through our website, you should direct any questions and concerns you may have by emailing support@tzero.com. An appropriate member of the tZERO team will address your question or concern based on how you categorize it when prompted to do so. The appropriate member of the tZERO team, which will be a registered person of tZERO or, to the extent your question or concern is purely technical in nature, a non-registered fingerprinted person of tZERO, will provide you with a response as soon as possible. In the event that you incorrectly categorize a question or concern that you may have, and the tZERO team member that received it is unable to assist you, your concern will be re-routed to the correct group within tZERO.