

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-65585

FACING PAGE
Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2020 AND ENDING 12/31/2020
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: tZERO ATS, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

285 Fulton St, 1 World Trade Center, 58th Flr

(No. and Street)

New York

NY

10007

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Joel Quall 34 7-293-127 4

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Baker Tilly US, LLP

(Name - if individual, state last, first, middle name)

One Penn Plaza - Suite 3000

New York

NY

10119

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

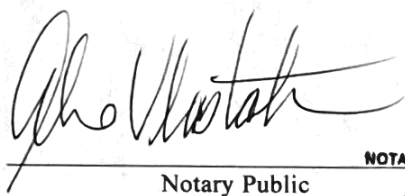
Accountant not resident in United States or any of its possessions.

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

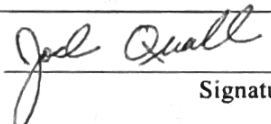
OATH OR AFFIRMATION

I, Joel Quall, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of tZERO ATS, LLC, as of December 31, 2020, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Notary Public

ALEX VLASTAKIS
NOTARY PUBLIC-STATE OF NEW YORK
No. 01VL6320757
Qualified in Richmond County
My Commission Expires 06-22-2023



Signature
CFO/FINOP

Title

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

tZERO ATS, LLC
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND FOR THE YEAR THEN ENDED
INCLUDING REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

CONFIDENTIAL

tZERO ATS, LLC
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND FOR THE YEAR THEN ENDED

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Report of Independent Registered Public Accounting Firm

To the Member of
tZERO ATS, LLC

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of tZERO ATS, LLC (the Company) as of December 31, 2020, and the related statements of operations, changes in member's equity and cash flows and the related notes, for the year then ended (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Supplemental Information

The supplemental information has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.



We have served as the Company's auditor since 2016.

New York, New York
February 25, 2021

tZERO ATS, LLC
STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2020

ASSETS

Cash	\$ 795,199
Accounts receivable	48,230
Due from affiliate	31,737
Prepaid expense	5,549
Other assets	6,786
	<hr/>
TOTAL ASSETS	\$ 887,501
	<hr/> <hr/>

LIABILITIES AND MEMBER'S EQUITY

Liabilities:	
Due to broker	\$ 12,500
Accrued expenses and other liabilities	19,994
	<hr/>
TOTAL LIABILITIES	32,494
Member's Equity	855,007
	<hr/>
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ 887,501
	<hr/> <hr/>

tZERO ATS, LLC
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

REVENUE:

Commissions, from affiliate	\$ 180,000
Commissions	1,032,363
Services income	<u>10,000</u>
TOTAL REVENUE	<u>1,222,363</u>

EXPENSES:

Affiliate service and support fees	328,696
Clearing expenses	166,877
Market data	23,234
Professional fees	48,453
Regulatory fees	8,971
CRD fees	7,955
Other expenses	<u>2,000</u>
TOTAL EXPENSES	<u>586,186</u>

NET INCOME	<u><u>\$ 636,177</u></u>
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tZERO ATS, LLC
STATEMENT OF CHANGES IN MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

Member's Equity - January 1, 2020	\$ 118,830
Capital Contributions	100,000
Net Income	<u>636,177</u>
Member's Equity - December 31, 2020	<u>\$ 855,007</u>

tZERO ATS, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:

Net Income		\$ 636,177
Changes in operating assets and liabilities		
(Increase) / Decrease in operating assets:		
Accounts Receivable	(43,924)	
Prepaid expense	531	
Due from Affiliate	(14,092)	
Other assets	(3,551)	
Increase in operating liabilities:		
Accrued expenses and other liabilities	<u>3,316</u>	
Net change in operating assets and liabilities		<u>(57,720)</u>
Net Cash provided by operating activities		<u>578,457</u>
Cash flow from financing activities: Parent company capital contribution		<u>100,000</u>
NET CHANGE IN CASH		678,457
Cash at January 1, 2020		<u>116,742</u>
Cash at December 31, 2020		<u><u>\$ 795,199</u></u>

tZERO ATS, LLC

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020 AND FOR THE YEAR THEN ENDED

NOTE 1. ORGANIZATION

tZero ATS, LLC (the “Company”), formerly known as Pro Securities LLC, is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). The Company is an SEC and FINRA approved Alternative Trading System (“ATS”) and exempt from SEC Rule 15c3-3. During the twelve months ended December 31, 2020, the Company had limited trading activity (matching orders) of ETFs in the after-hours trading session. The Company’s ATS is also used for trading the tZERO Preferred (TZROP) and Overstock Digital Preferred (OSTKO) security tokens. The Company’s principal place of business is New York, NY.

The Company is a wholly owned subsidiary of tZERO Group, Inc. (the “Parent”). The Parent is owned by Medici Ventures, Inc., a majority owned subsidiary of Overstock.com, Inc.

The Company is affiliated with SpeedRoute, LLC, through common ownership. For the twelve months ended December 31, 2020, the Company derived income from SpeedRoute, LLC and is economically dependent on SpeedRoute, LLC. The Company is also economically dependent on the Parent for funding. The loss of either of these relationships could impact the Company’s ability to continue operations. Management does not foresee any events that may result in the loss of these relationships or the ability to fund any deficit of tZERO ATS, LLC.

The Company also generates commission revenue from other third-parties with regards to its trading on the ATS and trading of TZROP, OSTKO and ASPEN security tokens. Revenue from third party commissions are directly correlated to trading volume and trading value.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash consists of funds on deposit at financial institutions. The Company has no cash equivalents at December 31, 2020, which would include highly liquid investments purchased with an original maturity of three months or less.

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020 AND FOR THE YEAR THEN ENDED

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables and Credit Policy

Receivables are obligations due from the customer (broker-dealers) under terms requiring payments up to thirty days from the previous production month. The Company does not accrue interest on unpaid receivables. Receipts of accounts receivable are applied to specific invoices identified on the customer remittance advice or, if unspecified, are applied to earliest unpaid invoices. Customer receivables balances with invoice dates that are greater than thirty days old are considered aged, non-allowable and reviewed for delinquency. There were no receivables for which a reserve was required as of December 31, 2020.

Revenue Recognition

Securities transactions (and the related agency commission revenue and expense) are recorded on a trade date basis.

Disaggregation of Revenues

The following table presents the Company's revenue from contracts with customers disaggregated by the services provided, by timing of revenue recognition, reconciled to the Company's Statements of Operations for the year ended December 31, 2020:

<u>Revenue Stream</u>	<u>Income Statement Classification</u>	<u>TWELVE MONTHS ENDED DEC 31, 2020</u>
Revenue from Commissions Income, Net :		
Commissions, from affiliate	Commissions Income, Net	\$ 180,000
Commissions, from third parties	Commissions Income, Net	1,032,363
Revenue from Commissions Income, Net :		
Due diligence fees	Due Diligence Income, Net	10,000
Total revenues	Total revenues	<u>\$ 1,222,363</u>

Contract Assets and Contract Liabilities

The timing of the revenue recognition may differ from the timing of payment from affiliates. The Company records a receivable when revenue is recognized prior to payment, and when the Company has an unconditional right to payment. The Company records contract liability when payment is received, prior to the time at which the satisfaction of the service obligation. There were no contract liabilities recognized as of December 31, 2020.

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020 AND FOR THE YEAR THEN ENDED

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

No provision for federal and state income taxes has been made for the Company as it is a single-member limited liability company that is disregarded for income tax reporting purposes. The Company's income or loss is reportable by its sole member and included in the tax returns for the parent company, Overstock.com, Inc. The Company records its proportional share of the income tax expense incurred by Overstock.com, Inc. and treats this as an amount due to its parent. However, the income earned during the year ended December 31, 2020 was offset by affiliated company losses and accordingly no provision for income taxes was recorded. Further, management did not record a net deferred tax liability associated with its net income for the year ended December 31, 2020, due to the offsetting affiliate losses.

The Company recognizes and measures its unrecognized tax benefits in accordance with ASC Topic 740, *Income Taxes*. Under that guidance, the Company assesses the likelihood, based on technical merit, that tax positions will be sustained upon examination, based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

The Company has determined that there are no uncertain tax positions which require adjustment or disclosure on the financial statements. The Company is no longer subject to federal, state or city examinations by authorities for years before 2015.

NOTE 3. NET CAPITAL REQUIREMENTS

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the 'applicable' exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1).

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020 AND FOR THE YEAR THEN ENDED

NOTE 3. NET CAPITAL REQUIREMENTS (continued)

At December 31, 2020, the Company had net capital of \$821,623, which was \$816,623 in excess of its required net capital of \$5,000. The Company's net capital ratio was 0.04 to 1 as of December 31, 2020.

NOTE 4. RELATED PARTY AND AFFILIATED TRANSACTIONS

For the year ended December 31, 2020 the Company earned commissions income of \$180,000 from SpeedRoute, LLC, an entity related by common ownership. Of this amount, \$15,000 is receivable as of December 31, 2020, and is included in "Due from Affiliate".

The Company passes SEC fees incurred for after-hours trading onto SpeedRoute, LLC. For the year ended December 31, 2020, the Company passed on \$114,024 of these fees. This amount is included as an increase of "Clearing Expenses" in the Statement of Operations as the amounts are permitted to be offset. Of this amount, \$8,197 is receivable as of December 31, 2020, and is included in "Due from Affiliate".

On July 1, 2016, the Company entered into an expense sharing agreement with t0 Technologies, LLC, a Delaware limited liability company and wholly owned subsidiary of the Parent. This agreement was replaced with a platform license and services agreement, which was made effective on October 23, 2020. The agreed-upon monthly fee is \$11,760, aside from the first month, which included an additional set-up fee of \$2,123. For the year ended December 31, 2020, the Company paid technology related services, rent and managerial support to t0 Technologies, LLC, in the amount of \$37,243. This amount is included in "Affiliate Service and Support Fees" in the Statement of Operations. Of this amount, there is nothing payable as of December 31, 2020.

On November 1, 2017, the Company entered a service and expense sharing agreement with the Parent. The agreement was for a two-year period, thereafter the term shall be automatically extended for successive periods of one year. This agreement was replaced with a new agreement, which was made effective on October 23, 2020. The agreement was for a one-year period, which will be automatically extended for successive one-year periods. The agreement covers payroll, utility and office space, with an agreed-upon monthly payment of \$54,756. For the year ended December 31, 2020, the Company paid service fees to the Parent in the amount of \$291,453. This amount is included in "Affiliate Service and Support Fees" in the Statement of Operations. Of this amount, there is nothing payable as of December 31, 2020.

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020 AND FOR THE YEAR THEN ENDED

NOTE 5. COMMITMENTS AND CONTINGENT LIABILITIES

The Company had no lease or equipment rental commitments, no underwriting commitments, no contingent liabilities, and had not been named as defendant in any lawsuit as of December 31, 2020.

The Company is party to certain claims, suits and complaints arising in the ordinary course of business. In the opinion of management, all such matters are without merit, or involve amounts which would not have a significant effect on the financial position of the company.

NOTE 6. GUARANTEES AND INDEMNIFICATIONS

FASB ASC 460, Guarantees, requires the Company to disclose information about its obligations under certain guarantee arrangements. FASB ASC 460 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying factor (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or non-occurrence of a specified event) related to an asset, liability, or equity security of a guaranteed party. This guidance also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement, as well as indirect guarantees of the indebtedness of others.

The Company has issued no guarantees effective at December 31, 2020.

NOTE 7. SUBSEQUENT EVENTS

On January 25, 2021, Overstock.com, Inc. entered into a Transaction Agreement (the "Transaction Agreement") with Medici Ventures, Inc. ("MVI"), Pelion MV GP, LLC ("Pelion"), and Pelion, Inc., pursuant to which the parties have agreed, among other things, that: (i) MVI will become a Delaware limited partnership (the "Medici Closing"), (ii) pursuant to the terms and subject to the conditions of a limited partnership agreement to be entered into on the date of the Medici Closing (the "Limited Partnership Agreement"), Pelion will become the sole general partner of the Partnership, and Overstock.com, Inc., will become the limited partners of the Partnership, At the close, Pelion will own approximately 44% and Overstock with approximately 43% of our Parent's outstanding common stock.

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020 AND FOR THE YEAR THEN ENDED

NOTE 7. SUBSEQUENT EVENTS (continued)

After closing, the Pelion entity will have sole authority and responsibility regarding investing decisions, and appointing board members.

Consummation of the Medici Closing is subject to applicable regulatory approvals and other closing requirements, including money transmitter licenses, and other customary closing conditions.

The Company has evaluated the impact of all subsequent events through February 25, 2021, the date the Company's financial statements were available to be Issued, and determined that all subsequent events have been appropriately recognized and disclosed in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

CONFIDENTIAL

tZERO ATS, LLC
 COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1
 OF THE SECURITIES AND EXCHANGE COMMISSION
 DECEMBER 31, 2020

Member's equity	\$ 855,007
Less:	
Non-allowable assets	<u>33,384</u>
Net capital	<u>821,623</u>
Minimum net capital requirement (the greater of \$5,000 or 6 2/3% of aggregate indebtedness)	<u>5,000</u>
Excess net capital	<u>\$ 816,623</u>
Aggregate indebtedness	<u>\$ 32,494</u>
Ratio of aggregate indebtedness to net capital	<u>0.04 to 1</u>

No material difference exist between the above computation and the computation included in the Company's corresponding unaudited Form X-17A-5 Part IIA filing.

tZERO ATS, LLC
COMPUTATION FOR THE DETERMINATION OF THE RESERVE REQUIREMENTS AND
INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS FOR
BROKERS AND DEALERS PURSUANT TO RULE 15c3-3
DECEMBER 31, 2020

The Company is exempt from the provision of Rule 15c3-3 under paragraph (k)(2)(ii).

Accordingly, there are no items to report under the requirements of this Rule.

SUPPLEMENTARY REPORTS

CONFIDENTIAL

Report of Independent Registered Public Accounting Firm

To the Member of
tZERO ATS, LLC

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) tZERO ATS, LLC (the Company) identified the following provision of 17 C.F.R. § 15c3-3(k) under which the company claimed an exemption from 17 C.F.R. § 240.15c3-3: (2)(ii) (the exemption provisions) and (2) tZERO ATS, LLC stated that the company met the identified exemption provisions as of and for the year ended December 31, 2020 without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the conditions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

Baker Tilly US, LLP

New York, New York
February 25, 2021

tZERO ATS LLC'S EXEMPTION REPORT

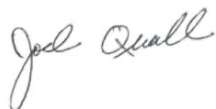
tZERO ATS LLC (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. 240. 17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. 240. 17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from 17 C.F.R. 240. 15c3-3 under the following provisions of 17 C.F.R. 240.15c3-3 (k)(2)(ii):
- (2) The Company met the identified exemption provisions in 17 C.F.R. 240.15c3-3(k)(2)(ii) throughout the most recent fiscal year without exception.

tZERO ATS, LLC

I, Joel Quall, swear that, to the best of my knowledge and belief, this Exemption Report, is true and correct.

By:



Title: FINOP

February 25, 2021