

EZTD Inc  
Form 10-Q  
August 15, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2016**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from                      to**

**Commission File No. 000-51255**

**EZTD INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of

**98-0374121**

incorporation or organization)

(I.R.S. Employer  
Identification No.)

**6 Yehezkel Koifman Street,**

**Tel-Aviv, Israel**

**68012**

(Address of Principal Executive Offices) (Zip Code)

**+972-73-705-8000**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer    Accelerated filer  
Non-accelerated filer    Smaller reporting company  
(Do not check if  
smaller reporting  
company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

As of August 15, 2016, the registrant had 4,973,614 shares of common stock outstanding.

When used in this quarterly report, the terms “EZTD,” “the Company,” “we,” “our,” and “us” refer to EZTD Inc., a Delaware corporation.

**EZTD INC.**

**Quarterly Report on Form 10-Q**

**For the Quarter Ended June 30, 2016**

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this Quarterly Report on Form 10-Q, including in Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere herein, that are not historical facts are “forward-looking statements”. The business and operations of EZTD are subject to substantial risks, which increase the uncertainty described in the forward-looking statements contained in this Quarterly Report on Form 10-Q. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as “believes,” “intends,” “plan,” “expects,” “may,” “will,” “should,” or “anticipates” or the negative thereof or other variations thereof, comparable terminology, or by discussions of strategy that involve risks and uncertainties. In particular, our statements regarding future financings, possible NASDAQ listing, and the potential growth of our markets and business outlook are examples of such forward-looking statements. The forward-looking statements include risks and uncertainties, including, but not limited to, our future growth being dependent upon the success of our business activity in the field of binary options and other factors, including future financings, and general economic conditions and regulatory developments, not within our control. Further information on potential factors that could cause actual results and developments to be materially different from those expressed in or implied by such statements is described in Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2015 (our “Form 10-K”), and expressed from time to time in our filings with the Securities and Exchange Commission (the “SEC”). The forward-looking statements are made only as of the date of this filing, and, except as required by law, we undertake no obligation to update such forward-looking statements to reflect subsequent events or circumstances. Readers are also urged to carefully review and consider the various disclosures we have made in this Quarterly Report on Form 10-Q and our other filings with the SEC, including our Form 10-K.

**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**EZTD INC.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2016**

**IN U.S. DOLLARS**

**UNAUDITED**

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**CONDENSED CONSOLIDATED BALANCE SHEETS****U.S. Dollars (in thousands)**

	June 30, 2016 Unaudited	December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Segregated client cash accounts	2,617	1,501
Restricted cash	55	42
Receivable from credit card companies	1,577	1,874
Other current assets	839	856
Total current assets	5,088	4,273
<b>NON-CURRENT ASSETS:</b>		
Property and equipment, net	3,174	2,389
Intangible assets, net	360	380
Total non-current assets	3,534	2,769
Total assets	8,622	7,042

The accompanying notes are an integral part of the condensed consolidated financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEETS**

U.S. Dollars (in thousands, except share and per share data)

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Note</b>	<b>Unaudited</b>	
<b>LIABILITIES AND EQUITY CURRENT LIABILITIES:</b>		
Short term loan	-	594
Obligation to customers	3,514	3,922
Financial liabilities	1,435	109
Convertible loans	4 4,945	4,943
Accounts payable	1,313	1,235
Accrued expenses and other accounts payable	4,099	1,909
<b>Total current liabilities</b>	<b>15,306</b>	<b>12,712</b>
<b>LONG TERM LIABILITIES:</b>		
Accrued severance pay, net	238	230
<b>Total liabilities</b>	<b>15,544</b>	<b>12,942</b>
<b>EQUITY (DEFICIT):</b>		
Common stock of \$ 0.03 par value:	6	
Authorized: 10,000,000 shares at June 30, 2016 and December 31, 2015; Issued and outstanding: 4,973,614 shares at June 30, 2016 and 3,863,260 shares at December 31, 2015	149	116
Prepayment on account of shares	52	-
Additional paid-in capital	42,075	34,875
Accumulated deficit	(49,198 )	(40,891 )
<b>Equity (deficit)</b>	<b>(6,922 )</b>	<b>(5,900 )</b>
<b>Total liabilities and equity</b>	<b>8,622</b>	<b>7,042</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

U.S. Dollars (in thousands, except share and per share data)

	<b>Six months ended</b>		<b>Three months ended</b>		
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	
	<b>Note</b>	<b>Unaudited</b>	<b>Unaudited</b>		
<b>Revenues</b>		11,964	12,545	4,920	5,402
<b>Operating expenses:</b>					
Sales and marketing		11,636	9,178	4,790	3,955
General and administrative		4,236	1,840	2,212	1,090
Research and development		940	884	516	471
Stock-based compensation		569	910	196	453
Expenses related to potential legal settlement	5B	1,500	-	1,500	-
<b>Total operating expenses</b>		18,881	12,812	9,214	5,969
Operating loss		(6,917)	(267)	(4,294)	(567)
Financial expenses, net		(1,390)	(2,270)	(641)	(718)
Net loss before taxes on income		(8,307)	(2,537)	(4,935)	(1,285)
Taxes on income		-	-	-	-
Net loss attributable to the Company		(8,307)	(2,537)	(4,935)	(1,285)
<b>Total basic net loss per share</b>		(1.88)	(0.80)	(0.99)	(0.41)
Weighted average number of common stock used in computing basic net loss per share		4,429,083	3,154,099	4,971,634	3,172,010

The accompanying notes are an integral part of the condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****U.S. Dollars (in thousands)**

	Six months ended June 30, 2016 Unaudited	June 30, 2015
Cash flows from operating activities:		
Net loss	(8,307 )	(2,537 )
Adjustments required to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	569	910
Depreciation and amortization	518	191
Fair value of warrants granted	33	1,279
Accrued interest and amortization of discount and exchange differences of loans	84	(136 )
Decrease in receivables from credit card companies	297	63
Decrease (increase) in other current assets	17	(757 )
Decrease (increase) in accounts payable	78	(154 )
Increase (decrease) in obligation to customers and other payables	1,782	(687 )
Increase in financial liabilities	1,326	345
Increase in severance pay, net	8	78
Increase (decrease) in related parties payables	(1 )	(53 )
Net cash used in operating activities	(3,596 )	(1,458 )

Cash flows from investing activities:				
Purchase of property and equipment	(1,283	)	(723	)
Decrease (Increase) in segregated client cash accounts	(1,116	)	692	
Increase in restricted cash	(13	)	(151	)
Net cash used in investing activities	(2,412	)	(182	)
Cash flows from financing activities:				
Issuance of shares and warrants	5,850		65	
Prepayment on account of shares	52		1,683	
Proceeds received from convertible loans	1,436		—	
Repayment of short-term loan	(578	)	—	
Repayment of convertible loans	(752	)	(108	)
Net cash provided by financing activities	6,008		1,640	
Decrease in cash and cash equivalents	—		—	
Cash and cash equivalents at the beginning of the period	—		—	
Cash and cash equivalents at the end of the period	—		—	
Supplemental disclosure of cash flows information:				
Interest paid	271		136	
Conversion of convertible loan to shares	783		364	

The accompanying notes are an integral part of the condensed consolidated financial statements.

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**NOTE 1: GENERAL:**

EZTD Inc. (“the Company”) was incorporated in April 2002 under the laws of the State of Nevada. On June 3, 2015, the Company reincorporated in Delaware. The Company is engaged in the business of offering online trading of binary options and forex, enabling trading on contracts for differences in shares, indices, commodities and foreign exchanges. The Company’s shares were quoted on the OTCQB Marketplace in the United States under the symbol A. “EZTD” from 2010 until August 2013, when the Company terminated its registration under the Securities Exchange Act of 1934, as amended, and as a result the Company’s shares were quoted on the OTC Pink. The Company filed with the Securities and Exchange Commission (“SEC”) a Form 10, which became effective on August 31, 2015 and on October 30, 2015 the Company was officially quoted again in the OTCQB Marketplace. On December 30, 2015, the Company upgraded to be officially quoted in the OTCQX Marketplace.

The Company conducts its operations and business with and through its active wholly-owned subsidiaries, (a) Win Global Markets Inc. (Israel) Ltd., an Israeli company, (b) WGM Services Ltd., a company registered in Cyprus (“WGM”), (c) EZ Invest Securities Ltd., a Japanese corporation, (d) SCGP Investments Limited, a Belizean company, (e) EZTD Australia PTY Ltd., an Australian company, and (f) EZ Trader, Ltd, a company registered in Vanuatu. On January 26, 2015, the Company changed its name from EZ Trader, Inc. to EZTD Inc.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered losses from operations and negative cash flows from operations since inception. For the six months ended June 30, 2016, the net loss attributable to the Company was \$8.307 million and the negative cash flows from operations were \$3.596 million. As of June 30, 2016, the Company’s obligations to customers amounted to \$3.514 million, while current assets were \$5.088 million. Customers may withdraw their deposits upon demand. According to regulatory requirements in Cyprus, WGM is required to B. maintain capital of at least €730 thousand and have funds exceeding client obligations. Funds consist of cash, segregated client cash accounts, restricted cash and receivables from credit card companies. Despite its negative cash flows, the Company has been able to secure financing to support its operations to date based on share issuances and loans. The Company plans to seek additional funds from equity issuances in order to continue its operations and to leverage its binary options business. Although there is a substantial doubt that the Company will continue as a going concern, the consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

### **Basis of presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company. Operating results for the six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The interim condensed consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

### **Use of Estimates**

The preparation of the financial statements in conformity with U.S. GAAP 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

### **Principles of consolidation**

The consolidated financial statements comprise the results and position of the Company and its subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its operating activities. In assessing control, legal and contractual rights are taken into account. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control is achieved until the date that control ceases. Intercompany transactions and balances are eliminated upon consolidation.

### **Reclassifications**

Clearance expenses in the comparative figures have been reclassified from sales and marketing expenses to finance expenses to conform to the current presentation.

Following the Company's reverse stock split, described in note 6, the comparative loss per share for the period of six and three months ended June 30, 2015 was amended from \$0.03 to \$0.80, and from \$0.01 to \$0.41, respectively.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont.):**

**Recently Issued Accounting Pronouncements:**

In March 2016, the Financial Accounting Standard Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2016-09, “Improvements to Employee Share-Based Payment Accounting”, which revises the guidance in ASC 718, Compensation - Stock Compensation, and will change how companies account for certain aspects of share-based payments to employees, including the income tax impact, classification on the statement of cash flows and forfeitures. The guidance is effective for reporting periods (interim and annual) beginning after December 15, 2017, for public companies. Early adoption is permitted. The Company is currently assessing the potential impact of this ASU on its consolidated financial position and results of operations.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”, which establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. This guidance results in a more faithful representation of the rights and obligations arising from operating and capital leases by requiring lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. This guidance is effective prospectively for interim and annual periods beginning after December 15, 2018. Early adoption is permitted. The new guidance must be adopted using a modified retrospective approach. The Company is currently assessing the impact of this guidance.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10) (“ASU 2016-01”), which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Company beginning in its first quarter of 2019. The Company is currently assessing the potential impact of this ASU on its consolidated financial position and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial statements - Going concern (subtopic 205-40), Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. The new standard provides guidance on management’s responsibility in evaluating whether there is substantial doubt about a company’s ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company’s ability to continue as a going concern within one year from the date the financial statements are issued. ASU 2014-15 applies prospectively to annual periods ending after December 15, 2016, and to annual periods thereafter. Early application is permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-15 on its consolidated financial statements.



**NOTE 3 - FAIR VALUE MEASUREMENT:**

The Company measures fair value and discloses fair value measurements for financial and non-financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accounting standard establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers counterparty credit risk in its assessment of fair value.

**NOTE 3 - FAIR VALUE MEASUREMENT (Cont.):**

Items carried at fair value as of June 30, 2016 and December 31, 2015 are classified in the table below in one of the three categories described above.

	Fair value measurements using input type June 30, 2016 U.S. Dollars (in thousands)			
	Level 1	Level 2	Level 3	Total
Segregated client cash accounts	2,617	-	-	2,617
Restricted cash	55	-	-	55
Financial liabilities - Forex	-	(1,208)	-	(1,208)
Financial liabilities - Binary	-	-	(227)	(227)
	2,672	(1,208)	(227)	1,237

The Company measures changes in the fair value of “long term options” (classified as financial liabilities) through profit or loss using valuation techniques.

Total gain for the period recognized in earnings amounted to \$1,112 thousand and total unrealized gain related to those financial liabilities at the end of the period recognized in earnings amounted to \$340 thousand. All instruments were issued during the period and no transfers took place into or out of Level 3 during the period.

The following table summarizes the Level 3 Roll-Forward:

	<b>Financial liabilities - Net Binary realized / unrealized as of gain December 31, 2015</b>		Transfers out of (into) Level 3	Settlements - (realized gain)	<b>Financial liabilities - Binary as of June 30, 2016</b>	Unrealized gain- still held
	U.S. Dollars (in thousands)					
Derivative options based on commodities	(5 ) 56	(105 )	-	39	(11 )	17

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Derivative options based on exchange differences	(23 )	233	(439 )	-	162	(48 )	71
Derivative options based on equity shares	(81 )	823	(1,547 )	-	571	(168 )	252
Total	(109)	1,112	(2,091 )	-	772	(227 )	340

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**NOTE 3 - FAIR VALUE MEASUREMENT (Cont.):**

This fair value measurement of the derivatives in the table above is based on significant unobservable inputs (other than quoted prices in active markets that are observable for liability) and thus represent a Level 3 measurement within the fair value hierarchy. The key inputs used in measuring the fair value of financial liabilities depend upon the type of derivative and the nature of the underlying instrument, and include: risk-free interest rates, quoted foreign exchange rates, quoted market prices, contractual life of the derivative and expected volatility based on past experience.

The Company's financial liabilities are evaluated on a quarterly basis by the Company's Finance Department based upon the Rubenstein and Reiner pricing model for cash-or-nothing options in determining fair value. These evaluations are independently reviewed on an annual basis by an independent third party. Any changes in fair value of financial liabilities are recorded in the consolidated statement of operations. Changes in fair value of financial liability are recorded in consolidated statement of operations.

The measurement of financial liabilities classified within Level 3 of the fair value hierarchy is evaluated by the head of the Company's risk department and the Company's Chief Financial Officer. Measurements deemed necessary are reviewed by the Board of Directors.

The following table summarizes the valuation techniques and inputs for Level 3 fair value measurements.

Liabilities	Fair value	Methodology	Input	Weighted Average	
Derivative options based on commodities	\$ 11	Cash or Nothing- option model	Expected volatility	25	%
			Risk-free interest rate	0.25	%
			Expected contractual life	0.27	
Derivative options based on exchange differences	\$ 48	Cash or Nothing- option model	Expected volatility	15	%
			Risk-free interest rate	0.25	%
			Expected contractual life	0.39	
Derivative options based on equity shares	\$ 168	Cash or Nothing- option model	Expected volatility	28	%
			Risk-free interest rate	0.25	%
			Expected contractual life	0.32	

The following section describes the ranges of the most significant unobservable inputs used by the Company in Level 3 fair value measurements. The level of aggregation and the diversity of instruments held by the Company lead to a wide range of unobservable input that may not be evenly distributed across the Level 3 liabilities.

Volatility generally depends on the tenor of the underlying instrument and the strike price or level defined in the contract. Volatilities for certain combinations of tenor and strike price are not observable. Generally, as the volatility increases in the long term positions the value of the derivative increases; the inverse is also true. Some instruments are more sensitive to changes in volatility than others. For example, an at-the-money option would experience a larger percentage change in its fair value than a deep-in-the-money option. In addition, the fair value of an option with more than one underlying security depends on the volatility of the individual underlying securities. Specific volatility inputs vary widely by asset type. For example, ranges for foreign exchange volatility are generally lower and narrower than equity volatility. Equity instruments (stock) volatilities are wider due to the nature of the stock market and the terms of certain exotic instruments. For most instruments, the interest rate volatility input is on the lower end of the range; however, for certain structured or exotic instruments (such as market-linked asset or exotic interest rate derivatives), the range is much wider. Volatility represents the speed and severity of market price changes and is a key factor in pricing options. Typically, instruments can become more expensive if volatility increases. For example, as an index becomes more volatile, the cost to maintaining a given level of exposure increases because more frequent rebalancing of the portfolio is required.

	Fair value measurements using input type December 31, 2015 U.S. Dollars (in thousands)			
	Level 1	Level 2	Level 3	Total
Segregated client cash accounts	1,501	-	-	1,501
Restricted cash	42	-	-	42
Financial liabilities - Binary	-	-	(109)	(109 )
	1,543	-	(109)	1,434

**Note 4 - Convertible loans:**

A. On February 13 and 27, 2014, the Company entered into a Convertible Loan Agreement with some of its shareholders and new investors, in which it borrowed an aggregate amount of \$2.8 million. The loans are convertible into a total of 265,451 (in fixed dollar conversion price and fixed Euro - Dollar currency exchange rate) common shares of the Company. Some of the loans are indexed to the Euro, and all of the loans bear interest at an annual rate of 10%. The Company shall repay the loan amount and the interest, in one lump sum, on the "Final Repayment Day", which is 12 months after the applicable closing date or, if extended by the lender, 24 months from the applicable closing date.

The Company recorded issuance costs of approximately \$154 thousand, which are amortized using the effective rate of the loan over the loan period. As of June 30, 2016, all the deferred issuance costs were recorded in the Statements of Operations.

In 2015, the Company repaid \$408 thousand of the February 2014 loans and \$364 thousand of the February 2014 loans were converted into 34,686 shares of common stock. The remaining \$2 million in loans were extended for one additional year to be repaid with interest in February 2016, in consideration of the issuance of an additional 42,857 warrants at an exercise price of \$10.50 per share. In April 2016, \$500 thousand of the February 2014 loans were repaid. In March 2016, €364 thousand of the February 2014 loans were converted into 55,556 shares of common stock.

In March 2016 the Company and one of the lenders under the Convertible Loan Agreement dated February 2014 agreed to extend the payment date of \$1 million, under the same terms until February 13, 2017 with a yearly interest of 5%. In addition, one of the lenders under the Convertible Loan Agreement dated February 27, 2014, elected to convert \$500 thousand into 55,556 shares of common stock of the Company.

On April 7, 2016, the Company repaid one of the February 2014 convertible loans plus interest in the amount of \$590 thousand.

As of June 30, 2016, the outstanding loan balance amounted to \$1 million.

The Company determined that the convertible loans do not fall within the scope of ASC 480-10. The embedded conversion feature and the extension clause should not be bifurcated in accordance with ASC 815. In addition, the Company followed ASC 470-20 to determine whether a beneficial conversion feature exists at loan inception and

came to the conclusion that a beneficial conversion feature should not be recognized.

On January 29, 2016, the Company entered into a convertible loan agreement pursuant to which the lender loaned the Company the principal amount of \$1.436 million. The loan matures in January 2017, and bears an annual interest rate of 12%, to be paid together with the outstanding principal in one lump sum. The loan is convertible into 249,967 shares of common stock of the Company. As of June 30, 2016, the outstanding loan balance amounted to \$1.344 million.

B.

The Company determined that the convertible loans do not fall within the scope of ASC 480-10. The embedded conversion feature and the extension clause should not be bifurcated in accordance with ASC 815. In addition, the Company followed ASC 470-20 to determine whether a beneficial conversion feature exists at loan inception and came to the conclusion that a beneficial conversion feature should not be recognized.

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**NOTE 5 - CONTINGENCIES:**

A. On June 17, 2015, Feyenoord Rotterdam N.V. (“Feyenoord”) instituted an arbitration proceeding against the Company before the Netherlands Arbitration Institute in Rotterdam, the Netherlands. On April 6, 2016 the arbitral tribunal issued the award which stated that the agreement between the Company and Feyenoord was terminated and dissolved as of January 27, 2015, and both parties share responsibility for this termination. In view of this conclusion, a provision was included in the Company's condensed consolidated financial statements. The Company appealed to revert this decision on July 6, 2016.

B. On January 11, 2016, the Company received a written “Wells Notice” from SEC staff (the “Staff”) indicating its preliminary determination to recommend that the SEC file an action against the Company for violations of certain federal securities laws primarily related to its binary options platform. A Wells Notice is neither a formal allegation of wrongdoing nor a finding that any violations of law have occurred. Rather, it provides the Company with an opportunity to respond to issues raised by the Staff and offer its perspective prior to any Commission decision to institute proceedings. If the Staff makes a recommendation to the SEC to file an action against the Company, the recommendations may involve a civil injunctive action, public administrative proceeding, and/or cease-and-desist proceeding. The SEC may also seek remedies that include an injunction and/or cease and desist order, disgorgement, pre-judgment interest, and civil money penalties. On February 3, 2016, the Company submitted a written submission to the Staff setting forth reasons why the proposed enforcement should not be filed. At this time the Company is unable to predict the outcome of the investigation, any potential enforcement actions or any other impact on the Company that may arise as a result of such investigation. A proper provision was included in the Company's condensed consolidated financial statements.

C. The Company evaluates estimated losses for indemnifications due to product infringement under FASB Topic ASC 450 “Contingencies.” At this time, it is not possible to determine the maximum potential amount under these indemnification clauses due to lack of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements may not be subject to maximum loss clauses. Historically, the Company has not incurred material costs as a result of obligations under these agreements and has not accrued any liabilities related to such indemnification obligations in the Company’s financial statements.



**NOTE 6 - SHARE CAPITAL:**

On February 11, 2016, the Company's Board of Directors and stockholders approved (1) an amendment to the Company's Certificate of Incorporation to reduce the Company's authorized Common Stock from 300,000,000 shares, with a par value of \$0.001 per share, to 10,000,000 shares with a par value of \$0.03 per share (the "Amendment"), and (2) a 1-for-30 reverse stock split of the Company's issued and outstanding shares of Common Stock, such that each 30 shares of Common Stock held by stockholders of record on April 7, 2016 will be combined into one share of Common Stock, except to the extent that such actions result in any of the Company's stockholders holding a fractional share of Common Stock (in which instance, because such stockholder's number of shares is not evenly divisible by the 30:1 ratio, such stockholder will be automatically entitled to receive an additional fraction of a share of common stock to round up to the next whole share) (the "Reverse Stock Split").

On April 7, 2016, the Reverse Stock Split became effective. The number of shares and per share amounts for the prior periods presented below have been retroactively restated to reflect the Reverse Stock Split.

During the six months ended June 30, 2016, the Company granted 86,000 options to employees in accordance with the terms and conditions of the Company's 2004 Global Share Option Plan.

On March 31, 2016, the Company entered into a securities purchase agreement with Compagnie Financiere St. Exupery Sicav-Sif, as purchaser, providing for the issuance and sale by the Company to the purchaser, in a private placement, of an aggregate of 1,000,000 shares of the Company's common stock at a price of \$6.00 per share, corresponding to an aggregate purchase price of \$6 million, and a warrant to purchase up to an additional 888,889 shares of the Company's common stock at an exercise price of \$6.75 per share, which is exercisable 6 months after the closing.

**NOTE 7 - RELATED PARTIES:**

Transactions	Six months ended June 30, 2016 2015 U.S. Dollars (in thousands)	
Stock-based compensation	337	509
Management fees (1), salaries (2), and bonuses (3)	770	737
	1,107	1,246

Balances	June 30, 2016	December 31, 2015
	U.S. Dollars (in thousands)	
Accrued fees and bonuses	(32 )	33

Management fees of \$127 thousand and \$126 thousand for the six month periods ended June 30, 2016 and 2015, (1) respectively, were paid to the Company's Chief Executive Officer ("CEO") for each of the six month periods ended June 30, 2016 and 2015.

Salaries were paid to the Company's CEO and Media Manager in the amounts of \$56 thousand and \$32 thousand, respectively, for the six month period ended June 30, 2016. Salaries were paid to the Company's CEO and Media (2) Manager in the amounts of \$73 thousand and \$38 thousand, respectively, for the six month period ended June 30, 2015. Fees of \$149 thousand and \$142 thousand were paid to the Company's directors, for the six month periods ended June 30, 2016 and 2015, respectively.

Bonuses were paid to Company's CEO in the amount of \$172 thousand and \$156 thousand for the six month periods ended June 30, 2016 and 2015, respectively, pursuant to the terms of the consulting agreement by and (3) between the Company and Citron Investments Ltd., dated as of September 23, 2008, as amended; bonuses were paid to the Company's Media Manager in the amount of \$234 thousand and \$202 thousand for the six month periods ended June 30, 2016 and 2015, respectively, pursuant to the terms of the consulting agreement by and between the Company and Yariv Citron Marketing Ltd. dated as of October 1, 2014.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

### **Overview**

Our unaudited condensed consolidated financial statements are stated in United States Dollars (in thousands) and are prepared in accordance with U.S. generally accepted accounting principles.

You should read the following discussion of our financial condition and results of operations together with the unaudited condensed consolidated financial statements and the notes to unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Our Company was incorporated under the laws of the State of Nevada on April 23, 2002. On June 3, 2015, the Company reincorporated in Delaware. Effective as of January 26, 2015, we changed our name from EZTrader, Inc. to EZTD Inc.

We are engaged in the business of offering online trading of binary options and forex, enabling trading on contracts for differences in shares, indices, commodities and foreign exchanges. We conduct our operations and business with and through our wholly owned subsidiaries: (a) Win Global Markets Inc. (Israel) Ltd., an Israeli company, (b) WGM Services Ltd., a company registered in Cyprus ("WGM"), (c) EZ Invest Securities Ltd., a Japanese corporation, (d) SCGP Investments Limited, a Belizean company, (e) EZTD Australia PTY Ltd., an Australian company, and (f) EZ Trader, Ltd., a company registered in Vanuatu. Trading is being offered by WGM on <http://www.eztrader.com>, <http://www.globaloption.com>, and <http://www.ezinvest.com>. Information contained on, or that can be accessed through, our websites does not constitute a part of this Quarterly Report on Form 10-Q, and we have included our website addresses in this Quarterly Report on Form 10-Q solely as inactive textual references.

We have developed and currently operate an online trading platform for retail customers to trade a wide range of binary options internationally with more than 100 different assets including indices, international stocks, commodities and currency pairs ("Trading Platform").

The Trading Platform enables retail customers to trade binary options in more than 30 countries. The self-developed, proprietary Trading Platform is accessible from multiple operating systems and the internet. The Trading Platform has been designed to be as intuitive and as easy to use as possible, and is localized into eleven languages. We believe that our emphasis on technology, together with targeted online marketing strategy, has helped to differentiate us from our competitors.

We conduct our operations from three offices which are located in Nicosia, Cyprus, London, England and Tel-Aviv, Israel. We also recently opened an office in Tokyo, Japan. We manage risk in a number of ways, in particular by limiting financial exposure to any individual customer to a relatively low level as well as limiting exposure to any individual asset. We generate our revenues principally from the margin between winning customers and losing customers. We do not charge customers a commission on trades.

In February 2016, our Board of Directors and stockholders approved (1) an amendment to the Company's certificate of Incorporation to reduce the Company's authorized Common Stock from 300,000,000 shares, with a par value of \$0.001 per share, to 10,000,000 shares, with a par value of \$0.03 per share, or the Amendment, and (2) a 1-for-30 reverse stock split of the Company's issued and outstanding shares of Common Stock, such that each 30 shares of Common Stock held by stockholders of record on April 7, 2016 was combined into one share of Common Stock, except to the extent that such actions resulted in any of the Company's stockholders holding a fractional share of Common Stock (in which instance, because such stockholder's number of shares is not evenly divisible by the 1:30 ratio, such stockholder is entitled to receive an additional fraction of a share of Common Stock to round up to the next whole share), or the Reverse Stock Split.

The Board determined that it was in the best interests of the Company and its stockholders to reduce the number of outstanding shares of its Common Stock as part of its intention to list the Company's shares of Common Stock on the NASDAQ and the corresponding requirements. In order to initially list the Company's shares on NASDAQ, its Common Stock must have a closing price of at least \$3.00 per share. On August 15, 2016, the closing price of our Common Stock was \$3.25 per share.

### **Selected Financial Information**

We calculate the average revenue per user, or ARPU, by dividing the total revenues for the period by the total number of current active users. Current active users are defined as customers who performed at least one deposit or one transaction within the past seven months from the reported period. We had revenues net for the three months ended June 30, 2016 and 2015 of \$4,920,000 and \$5,402,307, respectively, while the number of active users for those periods was 10,507 and 9,188, respectively. As a result, the ARPU for those periods was \$468 and \$588, respectively. We had revenues net for the six months ended June 30, 2016 and 2015 of \$11,964,000 and \$12,545,307, respectively, while the number of active users for those periods was 28,932 and 26,663, respectively. As a result, the ARPU for those periods was \$414 and \$471, respectively. We measured these metrics in order to track the difference in ARPU and to change our marketing strategy accordingly, if needed, during the year.

We calculate the average user acquisition cost, or AUAC, by dividing the total acquisition costs by the total number of active users for any given period. Total acquisition costs for the three months ended June 30, 2016 and 2015 were \$2,862,280 and \$2,630,888, respectively, and total acquisition costs for the six months ended June 30, 2016 and 2015 were \$7,861,306 and \$6,207,551, respectively. They are included as part of our Sales and Marketing expenses.

We ascertain the Return on Investment (“ROI”) by dividing the ARPU by AUAC in order to track fluctuations in the ratio. The ROI for the three months ended June 30, 2016 was 1.72 as compared to an ROI of 2.05 for the three months ended June 30, 2015. The ROI for the six months ended June 30, 2016 was 1.52 as compared to an ROI of 2.02 for the six months ended June 30, 2015.

This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those anticipated in these forward-looking statements. See “Cautionary Note Regarding Forward-Looking Statements” in this Quarterly Report on Form 10-Q, and “Risk Factors” in our Form 10-K.

### **RESULTS OF OPERATIONS FOR THREE AND SIX MONTHS ENDED JUNE 30, 2016 COMPARED TO THREE AND SIX MONTHS ENDED JUNE 30, 2015**

#### **Revenues and Cost of Revenues**

During the three and six months ended June 30, 2016 and 2015 we mainly generated revenues from our binary options business.

Total revenues for the three months ended June 30, 2016 decreased by 8.9% to \$4,920,000 from \$5,402,000 in the three months ended June 30, 2015. Total revenues for the six months ended June 30, 2016 decreased by 4.6% to \$11,964,000 from \$12,545,000 for the six months ended June 30, 2015. The decreases for the three and six months ended June 30, 2016 are mainly attributable to a significant increase in withdrawals of customers as a result of new regulations imposed by our Cypriot regulator.

Trading volume for the three months ended June 30, 2016 and 2015 was \$29,060,559 and \$17,364,385, respectively. Trading volume for the six months ended June 30, 2016 and 2015 was \$81,886,559 and \$41,643,385, respectively. Revenues as a percentage of trading volume for the three months ended June 30, 2016 and 2015 was 17% and 31%, respectively. Revenues as a percentage of trading volume for the six months ended June 30, 2016 and 2015 was 15% and 30%, respectively.

The ARPU for the three months ended June 30, 2016 and 2015 was 468 and 588, respectively. The ARPU for the six months ended June 30, 2016 and 2015 was 414 and 471, respectively.

The AUAC for the three months ended June 30, 2016 and 2015 was 272 and 286, respectively. The AUAC for the six months ended June 30, 2016 and 2015 was 272 and 233, respectively.

The ROI for the three months ended June 30, 2016 and 2015 was 1.72 and 2.05, respectively. The ROI for the six months ended June 30, 2016 and 2015 was 1.52 and 2.02, respectively.

## **Sales and Marketing**

Our sales and marketing expenses consist primarily of traffic acquisition costs, which are paid to our affiliate partners, media and advertising companies, as well as compensation and related expenses for marketing personnel.

Total sales and marketing expenses for the three months ended June 30, 2016 increased by 21.1% to \$4,790,000 from \$3,955,000 for the three months ended June 30, 2015. Selling and marketing expenses for the six months ended June 30, 2016 increased by 26.78% to \$11,636,000 compared to \$9,178,000 for the six months ended June 30, 2015. These increases in sales and marketing expenses are attributable to the expansion of our business and increased marketing efforts, including expenses relating to employee payroll and payments to media agents and their affiliates.

## **Research and Development**

Our research and development expenses consist primarily of compensation and related expenses for our software development personnel, outsourced labor and expenses for testing new versions of our software.

Research and development expenses for the three months ended June 30, 2016 increased by 9.5% to \$516 from \$471 for the three months ended June 30, 2015. Research and development expenses for the six months ended June 30, 2016 increased by 6.3% to \$940 from \$884 for the six months ended June 30, 2015. These increases are mainly attributed to the increase in payroll and related expenses due to salary increases and growth in our research and development team.

## **General and Administrative**

Our general and administrative expenses consist primarily of compensation and related expenses for executive, accounting, legal, human resources and administrative personnel, professional fees and other general corporate expenses.

General and administrative expenses for the three months ended June 30, 2016 increased by 102.9% to \$2,212,000 from \$1,090,000 for the three months ended June 30, 2015. General and administrative expenses for the six months ended June 30, 2016 increased by 130.2% to \$4,236,000 from \$1,840,000 for the six months ended June 30, 2015.

These increases are mainly attributable to a significant increase in legal expenses, mainly due to the arbitration's outcome related to the Feyenoord arbitration described in Note 5 to the Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, an increase in payroll, an increase in depreciation expenses due to investment in our platform, and additional costs due to the expansion of operations in our Cyprus and Japanese offices, and the opening of new offices in London.

In addition, we made a provision of \$1,500,000 relating to a potential legal settlement, as further described in Note 5.B. to the Financial Statements included in Part I, Item I of this Quarterly Report on Form 10-Q.

### **Financial Expenses**

Our financial expenses, net for the three months ended June 30, 2016 were \$641,000 compared to the financial expenses of \$718,000 for the three months ended June 30, 2015. Our financial expenses, net for the six months ended June 30, 2016 were \$1,390,000 compared to the financial expenses of \$2,270,000 for the six months ended June 30, 2015. These decreases in financial expenses are mainly attributable to the grant of warrants recorded during the first half of 2015.

### **Net Loss Attributable to the Company**

Net loss attributable to the Company for the three months ended June 30, 2016 was \$4,935,000 compared to a net loss of 1,285,000 for the three months ended June 30, 2015. Net loss for the six months ended June 30, 2016 was \$8,307,000 compared to a net loss of \$2,537,000 for the six months ended June 30, 2015. Net loss per share from operations for the three months ended June 30, 2016 and June 30, 2015 was \$0.99 and \$0.41, respectively. Net loss per share from operations for the six months ended June 30, 2016 and June 30, 2015 was \$1.88 and \$0.80, respectively. Net loss for the three and six months ended June 30, 2016 and June 30, 2015 was mainly attributable to the operations of our binary options business, which incurred significant marketing and operational expenses primarily consisting of online advertising for our binary options websites, and employee related expenses

### **Liquidity and Capital Resources**

We require cash to fund our operations and we have experienced significant losses and negative cash flows in the recent past. Further, our independent auditors modified their report for the years ended December 31, 2015 and 2014 to express substantial doubt as to our ability to continue as a going concern. Since our inception, we have funded our operations primarily through the public and private sales of our securities, revenues received from customers and otherwise. We had a decrease in issued and outstanding shares of our common stock from 115,895,731 shares at December 31, 2015, to 4,973,614 at June 30, 2016, due to the Reverse Stock Split, as further described in the "Overview" section of Part I, Item 2 of this Quarterly Report on Form 10-Q.



As of June 30, 2016, our total current assets were \$5,088,000 and our total current liabilities were \$15,306,000. On June 30, 2016, we had an accumulated deficit of \$49,198,000. We currently finance our operations through revenues from our binary options business, and with funds provided by borrowings and issuance of stock and warrant activities described below. We plan to continue raising funds in such ways in order to continue our operations and to leverage our binary options business. There is no assurance, however, that we will be successful in raising such funds.

On March 31, 2016, we entered into a securities purchase agreement with Compagnie Financiere St. Exupery Sicav-Sif providing for the issuance and sale by us to the purchaser, in a private placement, of an aggregate of 1,000,000 shares of our common stock at a price of \$6.00 per share, corresponding to an aggregate purchase price of \$6,000,000, and a warrant to purchase up to an additional 888,889 shares of our common stock at an exercise price of \$6.75 per share, which is exercisable 6 months after the closing.

On January 29, 2016, the Company entered into a convertible loan agreement pursuant to which the lender loaned the Company the principal amount of £1,000,000. The loan matures in January 2017, and bears an annual interest rate of 12%, to be paid together with the outstanding principal in one lump sum. The loan is convertible into 249,967 shares of common stock of the Company upon either: (i) the Company's election to convert all or part of the principal amount of the Loan outstanding at such time, including any accrued and unpaid interest into the converted common stock (or a pro rata portion thereof in case of partial conversion) or (ii) the occurrence of an event of default under the convertible loan agreement.

On February 16, 2016, one of the lenders under a prior convertible loan agreement dated October 29, 2013, by and among the Company and certain Company shareholders, elected to convert €200,000 into 48,129 shares of common stock of the Company.

Net cash used in operating activities was \$3,596,000 during the six months ended June 30, 2016 as compared to net cash used in operating activities of \$1,458,000 in the six months ended June 30, 2015 which resulted primarily from operating expenses of our binary options business, including marketing expenses, employee wages, and depreciation expenses due to investment in our platform.

Net cash used in investing activities during the six months ended June 30, 2016 was \$2,412,000, as compared to net cash used in investing activities during the six months ended June 30, 2015 of \$182,000, mainly due to purchasing of \$1,283,000 in fixed assets and investment in our platform, and the increase in segregated client cash accounts of approximately \$1,116,000.

Net cash provided by financing activities during the six months ended June 30, 2016 was \$6,008,000 as compared to \$1,640,000 provided by financing activities during the six months ended June 30, 2015, the resulting difference primarily from the issuance of shares and warrants in the amount of approximately \$5,850,000 following the March 2016 security purchase agreement, an increase of \$1,436,000 in proceeds received from convertible loans, offset by repayment of approximately \$1,330,000 convertible and short term loans and a decrease of approximately \$1,631,000 in prepayment on account of shares.

### **Off-Balance Sheet Arrangements**

As of June 30, 2016, we had no off balance sheet arrangements that have had or that we expect would be reasonably likely to have a future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### **Outlook**

We believe that our future success will depend upon our ability to enhance our binary options business. Although our current anticipated levels of revenues and cash flow are subject to many uncertainties and cannot be assured, we believe that we have sufficient cash to fund our operations for at least the next 12 months.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

### **Item 4. Controls and Procedures.**

#### ***Evaluation of Disclosure Controls and Procedures***

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation under the supervision and with the participation of the Company's management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as defined under Rule 13a-15(e) of the Exchange Act as of June 30, 2016. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the

Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

***Changes in Internal Control Over Financial Reporting***

There has been no change in our internal control over financial reporting during the second quarter of 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

On June 17, 2015, Feyenoord Rotterdam N.V. (“Feyenoord”) instituted an arbitration proceeding against the Company before the Netherlands Arbitration Institute in Rotterdam, the Netherlands. The proceeding related to a strategic partnership agreement between the parties which was terminated by the Company on September 28, 2015. Pursuant to the agreement, the Company had to pay Feyenoord, a professional football club, a total of €1.025 million over a three-year period. Feyenoord alleged that the Company’s termination of the agreement constituted an anticipatory breach under article 6:80, paragraph 1(b) of the Dutch Civil Code and sought all remuneration due under the agreement. The arbitration proceeding has been completed and on April 6, 2016 the arbitral tribunal issued the award which stated that the agreement between the Company and Feyenoord was terminated and dissolved as of January 27, 2015, and both parties share responsibility for this termination. In view of this conclusion, the arbitral tribunal ordered the Company to pay Feyenoord half of the contract in an amount of €513 thousand, plus half the arbitration costs in the sum of €32 thousand. According to the arbitration decision, a provision was included in the Company's condensed consolidated financial statements. The Company appealed to revert this decision on July 6, 2016.

### **Item 6. Exhibits.**

- 10.1\* Consulting Agreement, dated April 11, 2016, by and between the Company and JKM Management Ltd.
- 10.2\* Amendment dated June 16, 2016, to Convertible Loan Agreement dated January 29, 2016, by and between the Company and KOR Venture Capital Ltd.
- 10.3\* Consulting and Services Agreement, dated March 1, 2016, by and between the Company and Gustavo Perotta.
- 31.1\* Rule 13a-14(a) Certification of Principal Executive Officer.
- 31.2\* Rule 13a-14(a) Certification of Principal Financial Officer.
- 32.1\*\* Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350.
- 32.2\*\* Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.

The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance

101.1\* Sheets, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) related notes to these financial statements, tagged as blocks of text and in detail.

\* Filed herewith.

\*\* Furnished herewith.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 15, 2016 **EZTD INC.**

By: /s/ Shimon Citron  
Shimon Citron  
Chief Executive Officer

Dated: August 15, 2016

By: /s/ Itai Loewenstein  
Itai Loewenstein  
Chief Financial Officer