EZTD Inc
Form 10-Q
November 17, 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 September 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	**98-0374121**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6 Yehezkel Koifman Street,
68012
Tel-Aviv, Israel
(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 (Do not check if smaller reporting company)	Smaller reporting company

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 November 17, 2016, the registrant had 5,181,948 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 September 30, 2016

TABLE OF CONTENTS

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 th comparable terminology, or by discussions of strategy that involve risks and uncertainties. In particular, our statements regarding future financings, possible NASDAQ listing, our potential expansion into the United States 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 SEPTEMBER 30, 2016

IN U.S. DOLLARS

UNAUDITED

INDEX

CONDENSED CONSOLIDATED BALANCE SHEETS

U.S. Dollars (in thousands)

	Note	September 30, 2016 Unaudited	December 31, 2015
ASSETS			
CURRENT ASSETS:			
Segregated client cash accounts		3,115	1,501
Restricted cash		112	42
Receivable from credit card companies		868	1,874
Other current assets		629	856
Total current assets		4,724	4,273
NON-CURRENT ASSETS:			
Property and equipment, net		958	795
Intangible assets, net	4	2,533	1,974
Total non-current assets		3,491	2,769
Total assets		8,215	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)

	Note	September 30, 2016 Unaudited	December 31, 2015
LIABILITIES AND EQUITY CURRENT LIABILITIES:			
Short-term bank credit		1,998	-
Short term loan		-	594
Obligation to customers		2,390	3,922
Financial liabilities		1,902	109
Convertible loans	5	4,927	4,943
Accounts payable		1,851	1,235
Accrued expenses and other accounts payable		4,279	1,909
Total current liabilities		17,347	12,712
LONG TERM LIABILITIES:			
Accrued severance pay, net		318	230
Total liabilities		17,665	12,942
EQUITY (DEFICIT):	7		
Common stock of $0.03 par value:			
Authorized: 10,000,000 shares at September 30, 2016 and December 31, 2015;			
Issued and outstanding: 5,181,948 shares at September 30, 2016 and 3,863,260 shares at December 31, 2015		155	116
Prepayment on account of shares		52	-
Additional paid-in capital		42,760	34,875
Accumulated deficit		(52,417)	(40,891)
Equity (deficit)		(9,450)	(5,900)
Total liabilities and equity		8,215	7,042

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

F-2

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

		Nine months ended		Three months ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	Note	Unaudited		Unaudited	
Revenues		16,509	19,492	4,545	6,947
Operating expenses:					
Sales and marketing		16,261	15,132	4,625	5,601
General and administrative		6,500	3,202	2,264	1,362
Research and development		1,531	1,361	591	477
Stock-based compensation		761	1,279	192	369
Expenses related to legal settlement	5B	1,500	-	-	-
Total operating expenses		26,553	20,974	7,672	7,809
Operating loss		(10,044)	(1,482)	(3,127)	(862)
Financial expenses, net		1,483	2,229	93	312
Net loss before taxes on income		(11,527)	(3,711)	(3,220)	(1,174)
Taxes on income		-	-	-	-
Net loss attributable to the Company		(11,527)	(3,711)	(3,220)	(1,174)
Total basic net loss per share		(2.49)	(1.16)	(0.64)	(0.36)
Weighted average number of shares of common stock used in computing basic net loss per share		4,627,124	3,203,391	5,018,902	3,277,050

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

F-3

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. Dollars (in thousands)

	Nine months ended September 30, 2016 Unaudited	September 30, 2015
Cash flows from operating activities:		
Net loss	(11,527)	(3,711)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	761	1,279
Depreciation and amortization	1,127	325
Fair value of warrants granted	33	1,279
Accrued interest and amortization of discount and exchange differences of loans	67	(146)
Decrease in receivables from credit card companies	1,006	425
Decrease (Increase) in other current assets	227	(788)
Increase (Decrease) in accounts payable	616	(69)
Increase (decrease) in obligation to customers and other payables	824	(232)
Increase in financial liabilities	1,793	497
Increase in severance pay, net	88	99
Increase (decrease) in related parties payables	14	(81)

Net cash used in operating activities	(4,971)	(1,123)
Cash flows from investing activities:		
Purchase of property and equipment	(1,849)	(1,129)
Decrease (Increase) in segregated client cash accounts	(1,614)	379
Acquisition of license in Japan	-	(400)
Increase in restricted cash	(71)	1
Net cash used in investing activities	(3,534)	(1,149)
Cash flows from financing activities:		
Issuance of shares and warrants	6,349	798
Short-term bank credit	1,998	-
Prepayment on account of shares	52	882
Proceeds received from convertible loans	684	1000
Repayment of short-term loan	(578)	-
Repayment of convertible loans	-	(408)
Net cash provided by financing activities	8,505	2,272
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	256
	783	364

Conversion of
convertible loan to
shares

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

NOTE 1: GENERAL:

A. 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 "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 on 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.

B. 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 nine months ended September 30, 2016, the net loss attributable to the Company was \$11.5 million and the negative cash flows from operations were \$4.9 million. As of September 30, 2016, the Company's obligations to customers amounted to \$2.39 million, while current assets were \$4.7 million. Customers may withdraw their deposits upon demand. According to regulatory requirements in Cyprus, WGM is required to 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 nine months ended September 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 nine and three months ended September 30, 2015 was amended from $(0.04) to $(1.16), and from $(0.01) to $(0.36), respectively.

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 September 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 September 30, 2016 U.S. Dollars (in thousands)			
	Level 1	Level 2	Level 3	Total
Segregated client cash accounts	3,115	-	-	3,115
Restricted cash	112	-	-	112
Financial liabilities - Forex	-	(1,640)	-	(1,640)
Financial liabilities - Binary	-	-	(262)	(262)
	3,227	(1,640)	(262)	1,325

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 $1,853 thousand and total unrealized gain related to those financial liabilities at the end of the period recognized in earnings amounted to $392 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:

Financial liabilities - Binary as of December 31, 2015	Net realized / unrealized gain	Issuance	Transfers out of (into) Level 3	Settlements (realized gain)	Financial liabilities - Binary as of September 30, 2016	Unrealized gain- still held
U.S. Dollars (in thousands)						
(5)	93	(168)	-	73	(13)	20

Derivative options based on commodities							
Derivative options based on exchange differences	(23)	389	(706)	-	307	(55)	82
Derivative options based on equity shares	(81)	1,371	(2,487)	-	1,081	(194)	290
Total	(109)	1,853	(3,361)	-	1,461	(262)	392

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.

NOTE 3 - FAIR VALUE MEASUREMENT (Cont.):

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	$(13)	Cash or Nothing- option model	Expected volatility	25	%
			Risk-free interest rate	0.25	%
			Expected contractual life	0.13	
Derivative options based on exchange differences	$(55)	Cash or Nothing- option model	Expected volatility	15	%
			Risk-free interest rate	0.25	%
			Expected contractual life	0.11	
Derivative options based on equity shares	$(194)	Cash or Nothing- option model	Expected volatility	28	%
			Risk-free interest rate	0.25	%
			Expected contractual life	0.15	

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 inputs 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 - INTANGIBLE ASSETS, NET:

	September 30, 2016	December 31, 2015
	U.S. Dollars (in thousands)	
License	350	380
Software	2,183	1,594
	2,533	1,974

The Company capitalizes costs associated with internal-use software development once a project has reached the application development stage. Such capitalized costs include external direct costs utilized in developing or obtaining the software. Capitalization of such costs begins when the preliminary project stage is complete and ceases at the point in which the project is substantially complete and is ready for its intended purpose. The net book value of capitalized costs associated with internal-use software was $2.18 million as of September 30, 2016 and$1.59 million as of December 31, 2015. Once the internal-use software is ready for its intended use, the assets are depreciated on a straight-line basis over each asset’s estimated useful life, which is generally three years.

During the quarter ended September 30, 2016, the Company reclassified the net book value of capitalized costs associated with internal-use software from property and equipment, net to intangible assets, net in the amount mentioned above. In addition, the Company identified and corrected an error in accounting for the costs of software developed for internal use regarding capitalization of some costs not in accordance with ASC 350-40-15, in the amount of $507 thousand. On the other hand, the Company recorded depreciation expenses in the amount of $243 thousand due to costs that were capitalized in accordance with the above ASC, but before the application development stage was finished. Therefore, the net effect is that the Company recorded, in its condensed consolidated statement of comprehensive income for the nine months ended September 30, 2016, additional depreciation expenses in the net amount of $265 thousand. The net effect on the Company's condensed consolidated statement of comprehensive income for the twelve months ended December 31, 2015 amounted to $350 thousand, which the Company evaluated and determined did not have an impact that was material to its results of operations, financial position or cash flows in previously issued financial statements.

F-9

Note 5 - 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 September 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 13, 2014 agreed to extend the payment date of $1 million, under the same terms until February 13, 2017 with a yearly interest rate 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 September 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, which amount is indexed to the GBP, 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 September 30, 2016, the outstanding loan balance amounted to $1.305 million due to the decreased exchange rate of the GBP relative to the U.S. dollar.

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.

NOTE 6 - 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. On February 3, 2016, the Company submitted a written submission to the Staff setting forth reasons why the proposed enforcement should not be filed. See also note 8 below.

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 7 - SHARE CAPITAL:

A. 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 options, warrants, per share data and exercise prices included in these financial statements for all periods presented have been retroactively restated to reflect the Reverse Stock Split.

B. During the nine months ended September 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.

C. 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.

During the third quarter of 2016, several investors exercised 208,333 warrants into shares of common stock, for which the Company received $500 thousand in cash.

NOTE 8 - RELATED PARTIES:

Transactions	Nine months ended September 30,	
	2016	2015
	U.S. Dollars (in thousands)	
Stock-based compensation	417	509
Management fees (1), salaries (2), and bonuses (3)	1,070	737
	1,487	1,246

Balances	September 30, 2016	December 31, 2015
	U.S. Dollars (in thousands)	
Accrued fees and bonuses	(82)	33

(1) Management fees of $190 thousand and $190 thousand for the nine month periods ended September 30, 2016 and 2015, respectively, were paid to the Company's Chief Executive Officer ("CEO") for each of the nine month periods ended September 30, 2016 and 2015.

(2) Salaries were paid to the Company's CEO and Media Manager in the amounts of $86 thousand and $49 thousand, respectively, for the nine month period ended September 30, 2016. Salaries were paid to the Company's CEO and Media Manager in the amounts of $106 thousand and $59 thousand, respectively, for the nine month period ended September 30, 2015. Fees of $218 thousand and $228 thousand were paid to the Company's directors for the nine month periods ended September 30, 2016 and 2015, respectively.

(3) Bonuses were paid to Company's CEO in the amount of $230 thousand and $249 thousand for the nine month periods ended September 30, 2016 and 2015, respectively, pursuant to the terms of the consulting agreement by and 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 $297 thousand and $299 thousand for the nine month periods ended September 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.

NOTE 9 - SUBSEQUENT EVENTS:

The Company entered into a convertible loan agreement with Finandrea S.P.A., as lender, dated as of October 10, 2016, pursuant to which the lender loaned the Company the principal amount of $1.1 million. The loan matures in October 2017, and bears an annual interest rate of 8%, to be paid together with the outstanding principal in one lump sum. The loan is convertible into 160,025 shares of common stock of the Company. In addition the Company issued to one of its investors 16,667 warrants at an exercise price of $6.00 per share, to expire 5 years from the date of issuance.

On October 27, 2016, the Company entered into a Subscription Agreement dated as of October 19, 2016 (the "Subscription Agreement") with WinnerOption Ltd., a company organized and existing under the laws of the State of Israel ("WinnerOption"), providing for the issuance and sale by WinnerOption to the Company, in a private placement, of an aggregate of 4,996 Ordinary Shares of WinnerOption stock, or approximately 19.99% of WinnerOption's outstanding Ordinary Shares (collectively, the "Shares") valued at approximately $1,000,000, in exchange for the Company's contribution of: (i) certain of its intellectual property relating to social gaming technology, and (ii) payment of $276,000 in cash to WinnerOption at such times after the date of the Subscription Agreement as determined by the Company in consultation with WinnerOption. As a result of its acquisition of the Shares, the Company is subject to the terms of the Shareholders Agreement of WinnerOption (the "Shareholders Agreement"), which includes customary terms and provisions governing the Company's ownership of the Shares, including restrictions on transferability of the Shares. The Shareholders Agreement also entitles the Company to designate one out of the four directors to serve on WinnerOption's board of directors.

Shimon Citron, the Company's CEO, is the current controlling shareholder and a director of WinnerOption. The terms of the transaction between the Company and WinnerOption were approved by a Special Committee of the Company's Board of Directors of which Mr. Citron was not a member.

The net book value of capitalized costs of the intellectual property relating to social gaming technology described above as of September 30, 2016 and as of December 31, 2015 are $327,000 and $248,000, respectively.

On February 3, 2016, with respect to the matter described in Note 5.B., the Company submitted a written submission to the Staff setting forth reasons why the proposed enforcement should not be filed. Subsequently, the Company determined to make an offer of settlement, without an admission or denial of liability, and that offer was accepted by the SEC on November 10, 2016. On that same date, and in connection with the settlement, an Administrative Court of the SEC issued an order (the "Order") that the binary options sold by the Company to U.S. customers between 2011 and 2014, and that the Company's failure to register its binary options or register as a broker-dealer, were violations of U.S. securities laws. The Order also provided that certain disclosures to the Company's customers regarding the binary option platform were inadequate. The Order did not contain any findings of fraud. The Wells Notice, settlement offer and Order do not relate to the current business operations of the Company. EZTD had closed its platform to new U.S. customers in January of 2014, and by the end of the third quarter of 2014, the Company had prohibited existing U.S. customers from making additional deposits to their accounts. Accordingly, the SEC proceedings concerned only historical business operations. The Order censures the Company, and requires that it cease and desist from committing or causing any violations and any future violations of Section 10(a)(1) of the Exchange Act and Sections 5(a), 5(c) and 17(a)(2) of the Securities Act of 1933, as amended. The Order further requires that the Company pay disgorgement fees of $1,515,858 reflecting revenues earned during the period in which the Company operated its binary option platform in the United States, together with prejudgment interest of $57,691 and a civil monetary penalty in the amount of $200,000 to the SEC, in twelve monthly installments, within one year from the Order Date.

The Company will make its first payment of $147,796 by November 20, 2016, and starting the second month after the Order Date, the Company will pay the remaining eleven monthly installments of $147,796 on the last date of each month. A proper provision was previously included in the Company's condensed consolidated financial statements.

F-13

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. Although our business focuses primarily on Europe and Japan, we would like to expand in the United

States using approved regulatory pathways.

We conduct our operations from four offices which are located in Nicosia, Cyprus, Tel-Aviv, Israel, London, England and 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 November 16, 2016, the closing price of our Common Stock was $2.10 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 September 30, 2016 and 2015 of $4,545 and $6,947, respectively, while the number of active users for those periods was 11,567 and 15,461, respectively. As a result, the ARPU for those periods was $393 and $449, respectively.

We had revenues net for the nine months ended September 30, 2016 and 2015 of $16,509 and $19,492, respectively, while the number of active users for those periods was 40,499 and 42,124, respectively. As a result, the ARPU for those periods was $408 and $463, 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, which cost is included as part of our sales and marketing expenses, 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 September 30, 2016 and 2015 were $1,637 and $3,723, respectively. As a result, the AUAC for those periods was $142 and $241, respectively.

We had total acquisition costs for the nine months ended September 30, 2016 and 2015 of $9,499 and $9,931, respectively. As a result, the AUAC for those periods was $235 and $236, respectively. We measured these metrics in order to track the difference in AUAC and to change our marketing strategy accordingly, as needed, throughout the year.

We ascertain the return on investment, or ROI, by dividing the ARPU by AUAC in order to track fluctuations in the ratio. The ROI for the three months ended September 30, 2016 was 2.78 as compared to an ROI of 1.87 for the three months ended September 30, 2015. The ROI for the nine months ended September 30, 2016 was 1.74 as compared to an ROI of 1.96 for the nine months ended September 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 NINE MONTHS ENDED SEPTEMBER 30, 2016 COMPARED TO THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

Revenues and Cost of Revenues

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

Total revenues for the nine months ended September 30, 2016 decreased by 15.3% to $16,509 from $19,492 in the nine months ended September 30, 2015. Total revenues for the three months ended September 30, 2016 decreased by 34.58% to $4,545 from $6,947 for the three months ended September 30, 2015. The decreases for the nine and three month periods ended September 30, 2016 are mainly attributable to a significant increase in withdrawals of customers as a result of new regulations imposed by our Cypriot regulator, as well as a decrease in our marketing expenses to improve ROI and re-focus on our core business in Europe.

Trading volume for the nine months ended September 30, 2016 and 2015 was $107.3 million and $61.8 million, respectively. Trading volume for the three months ended September 30, 2016 and 2015 was $25.2 million and $21 million, respectively. Revenues as a percentage of trading volume for the nine months ended September 30, 2016 and 2015 was 15.4% and 31.5%, respectively. Revenues as a percentage of trading volume for the three months ended September 30, 2016 and 2015 was 18.0% and 33.1%, respectively. These decreases are due to a decrease in our sales and marketing expenses to improve ROI.

The ARPU for the three months ended September 30, 2016 and 2015 was $393 and $449, respectively. The ARPU for the nine months ended September 30, 2016 and 2015 was $408 and $463, respectively.

The AUAC for the three months ended September 30, 2016 and 2015 was $142 and $241, respectively. The AUAC for the nine months ended September 30, 2016 and 2015 was $235 and $236, respectively.

The ROI for the three months ended September 30, 2016 and 2015 was 2.78 and 1.87, respectively. The ROI for the nine months ended September 30, 2016 and 2015 was 1.74 and 1.96, 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 nine months ended September 30, 2016 increased by 7.5% to $16,261 from $15,132 for the nine months ended September 30, 2015. Selling and marketing expenses for the three months ended September 30, 2016 decreased by 17.4 % to $4,625, compared to $5,601 for the three months ended September 30, 2015. These changes in sales and marketing expenses are attributable to a decrease in user traffic expenses in order to improve ROI in the three months ended September 30, 2016.

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 September 30, 2016 increased by 23.9% to $591 from $477 for the three months ended September 30, 2015. Research and development expenses for the nine months ended September 30, 2016 increased by 12.5% to $1,531 from $1,361 for the nine months ended September 30, 2015. These increases are mainly attributed to expenses related to improvement of our online trading platform.

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 nine months ended September 30, 2016 increased by 102.9% to $6,500 from $3,202 for the nine months ended September 30, 2015. General and administrative expenses for the three months ended September 30, 2016 increased by 66.2% to $2,264 from $1,362 for the three months ended September 30, 2015. The increase for the nine months ended September 30, 2016 is mainly attributable to a significant increase in legal expenses, mainly due to the outcome of the arbitration related to the Feyenoord as 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. The increase for the three months ended September 30, 2016 is mainly attributable to 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 legal settlement in connection with an SEC investigation as further described in Note 5B to the Financial Statements included in Part I, Item I of this Quarterly Report on Form 10-Q. This matter has now been settled. See Note 8 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 September 30, 2016 were $93 compared to the financial expenses of $312 for the three months ended September 30, 2015. Our financial expenses, net for the nine months ended September 30, 2016 were $1,483 compared to the financial expenses of $2,229 for the nine months ended September 30, 2015. The decrease in financial expenses for the three months ended September 30, 2016 are mainly due to the decrease of loan interest and variability in exchange rates. The decreases in financial expenses for the nine months ended September 30, 2016 are mainly attributable to the grant of warrants recorded in the first half of 2015.

Net Loss Attributable to the Company

Net loss attributable to the Company for the nine months ended September 30, 2016 was $11,527 compared to a net loss of 3,711 for the nine months ended September 30, 2015. Net loss for the three months ended September 30, 2016 was $3,220 compared to a net loss of $1,174 for the three months ended September 30, 2015. Net loss per share from operations for the nine months ended September 30, 2016 and September 30, 2015 was $2.49 and $1.16, respectively. Net loss per share from operations for the three months ended September 30, 2016 and September 30, 2015 was $0.64 and $0.36, respectively. Net loss for the three and nine months ended September 30, 2016 was mainly attributable to legal expenses in advance of the settlement with the SEC, the settlement with Feyenoord and the expenses attributed to our expansion into the Japanese market, which operation has yet to generate significant revenues to the Company.

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 5,181,948 at September 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 September 30, 2016, our total current assets were $4,724 and our total current liabilities were $17,347. On September 30, 2016, we had an accumulated deficit of $52,417. 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.

The Company entered into a convertible loan agreement with Finandrea S.P.A., as lender, dated as of October 10, 2016, pursuant to which the lender loaned the Company the principal amount of $1.1 million. The loan matures in October 2017, and bears an annual interest rate of 8%, to be paid together with the outstanding principal in one lump sum. The loan is convertible into 160,025 shares of common stock of the Company. In addition the Company issued to one of its investors 16,667 warrants at an exercise price of $6.00 per share, to expire 5 years from the date of issuance.

On October 27, 2016, the Company entered into a Subscription Agreement dated as of October 19, 2016 (the "Subscription Agreement") with WinnerOption Ltd., a company organized and existing under the laws of the State of Israel ("WinnerOption"), providing for the issuance and sale by WinnerOption to the Company, in a private placement, of an aggregate of 4,996 Ordinary Shares of WinnerOption stock, or approximately 19.99% of WinnerOption's outstanding Ordinary Shares (collectively, the "Shares") valued at approximately $1,000,000, in exchange for the Company's contribution of: (i) certain of its intellectual property relating to social gaming technology, and (ii) payment of $276,000 in cash to WinnerOption at such times after the date of the Subscription Agreement as determined by the Company in consultation with WinnerOption. As a result of its acquisition of the Shares, the Company is subject to the terms of the Shareholders Agreement of WinnerOption (the "Shareholders Agreement"), which includes customary terms and provisions governing the Company's ownership of the Shares, including restrictions on transferability of the Shares. The Shareholders Agreement also entitles the Company to designate one out of the four directors to serve on WinnerOption's board of directors.

Shimon Citron, the Company's CEO, is the current controlling shareholder and a director of WinnerOption. The terms of the transaction between the Company and WinnerOption were approved by a Special Committee of the Company's Board of Directors of which Mr. Citron was not a member.

Net cash used in operating activities was $4,971,000 during the nine months ended September 30, 2016 as compared to net cash used in operating activities of $1,123,000 in the nine months ended September 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 nine months ended September 30, 2016 was $3,534,000, as compared to net cash used in investing activities during the nine months ended September 30, 2015 of $1,149,000, mainly due to the purchase of $1,849,000 in fixed assets, investment in our platform, and the increase in segregated client cash accounts of approximately $1,849,000.

Net cash provided by financing activities during the nine months ended September 30, 2016 was $8,505,000 as compared to $2,272,000 provided by financing activities during the nine months ended September 30, 2015, the resulting difference primarily from the issuance of shares and warrants in the amount of approximately $5,850,000 in connection with the March 2016 securities purchase agreement, an increase of $1,998,000 due to a line of credit granted by a bank, and an increase of $1,436,000 in proceeds received from convertible loans, offset by repayment of approximately $1,330,000 of 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 September 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 September 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 third 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 5. Other Information.

The Company entered into a convertible loan agreement with Finandrea S.P.A., as lender, dated as of October 10, 2016, pursuant to which the lender loaned the Company the principal amount of $1.1 million. The loan matures in October 2017, and bears an annual interest rate of 8%, to be paid together with the outstanding principal in one lump sum. The loan is convertible into 160,025 shares of common stock of the Company. In addition the Company issued to one of its investors 16,667 warrants at an exercise price of $6.00 per share, to expire 5 years from the date of issuance.

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. On February 3, 2016, the Company submitted a written submission to the Staff setting forth reasons why the proposed enforcement should not be filed. Subsequently, the Company determined to make an offer of settlement, without an admission or denial of liability, and that offer was accepted by the SEC on November 10, 2016. On that same date, and in connection with the settlement, an Administrative Court of the SEC issued an order (the “Order”) that the binary options sold by the Company to U.S. customers between 2011 and 2014, and that the Company’s failure to register its binary options or register as a broker-dealer, were violations of U.S. securities laws.

The Order also provided that certain disclosures to the Company's customers regarding the binary option platform were inadequate. The Order did not contain any findings of fraud. The Wells Notice, settlement offer and Order do not relate to the current business operations of the Company. EZTD had closed its platform to new U.S. customers in January of 2014, and by the end of the third quarter of 2014, the Company had prohibited existing U.S. customers from making additional deposits to their accounts. Accordingly, the SEC proceedings concerned only historical business operations. The Order censures the Company, and requires that it cease and desist from committing or causing any violations and any future violations of Section 10(a)(1) of the Exchange Act and Sections 5(a), 5(c) and 17(a)(2) of the Securities Act of 1933, as amended. The Order further requires that the Company pay disgorgement fees of $1,515,858 reflecting revenues earned during the period in which the Company operated its binary option platform in the United States, together with prejudgment interest of $57,691 and a civil monetary penalty in the amount of $200,000 to the SEC, in twelve monthly installments, within one year from the Order Date. The Company will make its first payment of $147,796 by November 20, 2016, and starting the second month after the Order Date, the Company will pay the remaining eleven monthly installments of $147,796 on the last date of each month. A proper provision was previously included in the Company's condensed consolidated financial statements.

Item 6. Exhibits.

10.1	Subscription Agreement between the Company and WinnerOption, dated as of October 19, 2016 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 1, 2016).
10.2	Shareholders Agreement between WinnerOption and the shareholders signatory thereto, dated as of October 19, 2016 (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 1, 2016).
10.3*	Convertible Loan Agreement by and between the Company and Finandrea S.P.A., dated as of October 10, 2016.
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.
101.1**	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance 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.

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.

	EZTD INC.
Dated: November 17, 2016	By: /s/ Shimon Citron Shimon Citron Chief Executive Officer
Dated: November 17, 2016	By: /s/ Itai Loewenstein Itai Loewenstein Chief Financial Officer

8